SARAS announces preliminary FY2010 and Fourth quarter 2010 results[1]

Preliminary FY2010 highlights

- **Group *reported* EBITDA** at EUR 223.5 ml (vs. EUR 345.5 ml in FY2009)
- **Group *comparable*[2] EBITDA** at EUR 149.2 ml (vs. EUR 141.2 ml in FY2009)
- **Group *reported* Net Result** at EUR -9.5 ml (vs. EUR 72.6 ml in FY2009)
- **Group *adjusted*[3] Net Result** at EUR -43.9 ml (vs. EUR -54.5 ml in FY2009)
- **Saras refining margin** after variable costs at 1.8 $/bl (vs. 1.8 $/bl in FY2009)
- **Net financial position** to EUR -560 ml as of 31st Dec 2010, improved versus EUR -644 ml as of 30th Sep 2010, and substantially in line with the position as of 31st Dec 2009 (which was EUR -533 ml)

Fourth Quarter 2010 highlights

- **Group *reported* EBITDA** at EUR 85.8 ml (vs. EUR 70.1 ml in Q4/09)
- **Group *comparable* EBITDA** at EUR 80.5 ml (vs. EUR 24.6 ml in Q4/09)
- **Group *reported* Net Result** at EUR -10.3 ml (vs. EUR 5.2 ml in Q4/09)
- **Group *adjusted* Net Result** at EUR -3.5 ml (vs. EUR -24.0 ml in Q4/09)
- **Saras refining margin** after variable costs at 4.1 $/bl (vs. 0.5 $/bl in Q4/09)

Milan, 25th February 2011: The Board of Directors of Saras S.p.A. met yesterday under Chairman Gian Marco Moratti and approved preliminary FY 2010 and Q4/10 results. The Chairman declared: ***"In the fourth quarter, Saras refining segment posted healthy results, on the back of strong operational performance, and in a context of improving market conditions. In 2011, with diesel projected to be reconfirmed as the strongest part of the barrel, and high sulphur fuel oil cracks expected to continue their weakening trend, complex refiners like Saras are ideally positioned to re-establish their prominence. Obviously, in the current situation, Saras is closely following the events in North Africa, and it is ready to adjust to further developments, thanks to its flexibility."***

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[1] Pursuant to the provisions of article 154 bis, paragraph 2, of the Consolidated Finance Act, **Mr. Corrado Costanzo,** the Executive Director responsible for the preparation of the company's financial reporting, states that the financial information set out in this press release corresponds to the company's documents, books and accounting records

[2] ***Comparable* EBITDA:** calculated evaluating inventories based on LIFO methodology (which does not include revaluations and write downs), and adjusting for non recurring items and change of the derivatives fair value.

[3] ***Adjusted* Net Result:** Net Income or Loss adjusted for the differences between LIFO and FIFO inventories after taxes, non recurring items after taxes and change in the derivatives fair value after taxes.
Comparable, adjusted and quarterly results are not subject to audit review.

Programme of the conference call on 25th Feb 2011

At **15:00 C.E.T. of Friday 25th February 2011**, there will be a conference call for analysts and investors, during which Saras top management will discuss a slide presentation on preliminary FY2010 and Q4/10 results, and answer relevant questions. The presentation will be available on our website (www.saras.it) starting from 07:30 am C.E.T..

Dial in numbers:

For Italy +39 02 8058811

For U.K. +44 203 147 47 96

For U.S. +1 866 63 203 28

Link for the live webcast:

https://services.choruscall.eu/links/saras110225.html

Playback and transcript of the live webcast will also be available on our website.

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THE SARAS GROUP

The Saras Group, whose operations were started by Angelo Moratti in 1962, has approximately 2,200 employees and total revenues of about 5.3 billion Euros, as of 31st December 2009. The Group is active in the energy sector, and is a leading Italian and European crude oil refiner. It sells and distributes petroleum products in the domestic and international markets, directly and through the subsidiaries Saras Energia S.A. (in Spain) and Arcola Petrolifera S.p.A. (in Italy). The Group also operates in the electric power production and sale, through the subsidiaries Sarlux S.r.l. and Parchi Eolici Ulassai S.r.l. (PEU). In addition, the Group provides industrial engineering and scientific research services to the oil, energy and environment sectors through the subsidiary Sartec S.p.A., and it operates in the information services sector through the subsidiary Akhela S.r.l..

More in details, Saras refinery operations take place in the Sarroch refinery (near Cagliari), on the southern coast of Sardinia. With a capacity of approximately 15 million tons per year (110 million barrels), representing about 15% of the total refining capacity in Italy, the Sarroch plant is regarded as one of the main refineries in the Mediterranean area, in terms of production capacity and asset complexity. Sarlux owns an IGCC (Integrated Gasification Combined Cycle) plant, with installed capacity of 575MW, and electricity production exceeding 4 billion kWh per year, all of which is sold to the GSE (Gestore dei Servizi Energetici - www.gse.it). The wind farm owned by PEU is situated in Ulassai (Sardinia), and has a capacity of 72MW (upgradeable to 96MW). Finally, the Marketing segment sells approximately 4 million tons of oil products through the subsidiaries Arcola Petrolifera and Saras Energia, and it also manages two coastal tank farms owned by the Group (Arcola (Italy) – capacity of 200,000 cubic metres, and Cartagena (Spain) – capacity of 112,000 cubic metres), a biodiesel plant with 200,000 tons per year capacity, located in Cartagena, and a retail network of 124 service stations primarily located along the Spanish Mediterranean Coast.

Key Consolidated financial figures

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

Saras Group Income Statement figures:

EUR Million	Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	Var %
REVENUES	2,507	1,564	60%	2,042	8,615	5,317	62%
EBITDA	85.8	70.1	22%	36.0	223.5	345.5	-35%
Comparable EBITDA	**80.5**	**24.6**	**227%**	**27.0**	**149.2**	**141.2**	**6%**
EBIT	31.7	15.6	103%	(15.5)	16.1	152.4	-89%
Comparable EBIT	**26.5**	**(29.9)**	**189%**	**(24.5)**	**(58.1)**	**(51.9)**	**-12%**
NET RESULT	(10.3)	5.2	-298%	(11.0)	(9.5)	72.6	-113%
***Adjusted* NET RESULT**	**(3.5)**	**(24.0)**	**85%**	**(13.0)**	**(43.9)**	**(54.5)**	**19%**

Detail of Group Net Result *adjustment*:

EUR Million	Q4/10	Q4/09	FY 2010	FY 2009
***Reported* NET RESULT**	**(10.3)**	**5.2**	**(9.5)**	**72.6**
(inventories at LIFO - inventories at FIFO) net of taxes	(5.3)	(27.9)	(49.5)	(128.6)
non recurring items net of taxes	0.0	0.0	0.0	0.0
change in derivatives fair value net of taxes	12.1	(1.2)	15.1	1.5
***Adjusted* NET RESULT**	**(3.5)**	**(24.0)**	**(43.9)**	**(54.5)**

Detail of Group EBITDA *adjustment*:

EUR Million	Q4/10	Q4/09	FY 2010	FY 2009
***Reported* EBITDA**	**85.8**	**70.1**	**223.5**	**345.5**
inventories at LIFO - inventories at FIFO	(5.3)	(45.5)	(74.3)	(204.3)
non recurring items	0.0	0.0	0.0	0.0
***Comparable* EBITDA**	**80.5**	**24.6**	**149.2**	**141.2**

Other Group figures:

EUR Million	Q4/10	Q4/09	Q3/10	FY 2010	FY 2009
NET FINANCIAL POSITION	(560)	(533)	(644)	(560)	(533)
CAPEX	26	65	20	129	317
OPERATING CASH FLOW (*)	110	(5)	(57)	102	274

Comments to preliminary Full Year 2010 results

The global economic recovery in 2010 proceeded unevenly: in advanced economies, industrial activity and GDP growth remained subdued, amid high unemployment, reduced household income, and limited consumer confidence. Sovereign and financial troubles in peripheral countries of the Euro zone contributed to the downside risks. By contrast, in emerging economies, industrial activity was buoyant, and also job creation, GDP and investments grew significantly, bringing along some unwanted consequences, such as inflationary pressure and signals of overheating. In the above context, demand for oil products followed the same patterns as GDP, and European refining margins could not post any meaningful improvement versus the previous year. As a matter of fact, our EMC benchmark refining margin stood at 0.6 $/bl in 2010 (even lower than the disappointing 0.7 $/bl posted in FY 2009).

The performance of Saras Refining and Marketing segments was unavoidably influenced by the above mentioned weak market scenario. On the other hand, the Power Generation segment provided an important effect of stabilization to the overall Group EBITDA and, similarly, the Wind segment achieved a very strong performance, thanks to favourable wind conditions in the first and last quarters of the year.

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

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

Group *reported* Net Result stood at EUR -9.5 ml in FY 2010, down 113% vs. EUR 72.6 ml in FY 2009, for the same reason explained at EBITDA level. Moreover, in FY 2010 depreciation and amortization charges stood at EUR 207.4 ml (vs. EUR 193.1 ml in FY 2009).

Group *comparable* EBITDA amounted to EUR 149.2 ml in FY 2010, up 6% vs. EUR 141.2 ml in FY 2009, and **Group *adjusted* Net Result was EUR -43.9 ml**, up 19% vs. EUR -54.5 ml in FY 2009. As previously commented, these improvements can be primarily explained with the higher operational efficiency and availability of the refinery, and also with the stronger results from the Power Generation segment (its sales of hydrogen and steam are not included in the equalization procedure). The contributions of these two segments more than offset the weaker results of the Marketing segment.

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

(*) **Cash Flow** reclassified to highlight changes in the Net Financial Position

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

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

Comments to Fourth Quarter 2010 results

Group Revenues in Q4/10 were EUR 2,507 ml up 60% vs. Q4/09. Similarly to the comments for the Full Year results, the substantially higher revenues came primarily from the Refining and Marketing segments, in the light of a reduction in the percentage of third party processing activity, as well as higher oil products' prices (for quick reference, in Q4/10 automotive diesel traded at an average of 753 $/ton vs. 619 $/ton in Q4/09, and gasoline priced at 789 $/ton vs. 678 $/ton in Q4/09).

Group *reported* EBITDA in Q4/10 was EUR 85.8 ml, up 22% vs. EUR 70.1 ml Q4/09. This improvement can be almost entirely attributed to the Refining segment, which benefited from stronger refining margins, wider conversion spread and larger price differential between heavy and light crude oils. On the contrary, the Marketing segment posted weaker results, partially offsetting the Refining performance. However, it should be noted that *reported* results are also influenced by the contribution related to the oil inventories' revaluation, which in Q4/09 was significantly larger than in Q4/10.

Group *reported* Net Result in Q4/10 was EUR -10.3 ml, down 298% vs. EUR 5.2 ml in Q4/09. The difference between the two periods can be explained with a large difference in "Financial Income/Expense", which were EUR -45.4 ml in Q4/10, vs. EUR -15.3 ml in Q4/09. Looking in more details, interest charges stood at EUR 7.5 ml in Q4/10, largely in line with the EUR 9.0 ml in Q4/09. However, large differences took place in the changes of the "fair value" of the derivative instruments (which stood at EUR -18.2 ml in Q4/10 vs. EUR +4.2 ml in Q4/09), and also in the gains/losses on hedging instruments and FOREX (which stood at EUR -19.6 ml in Q4/10, vs. EUR -10.5 ml in Q4/09).

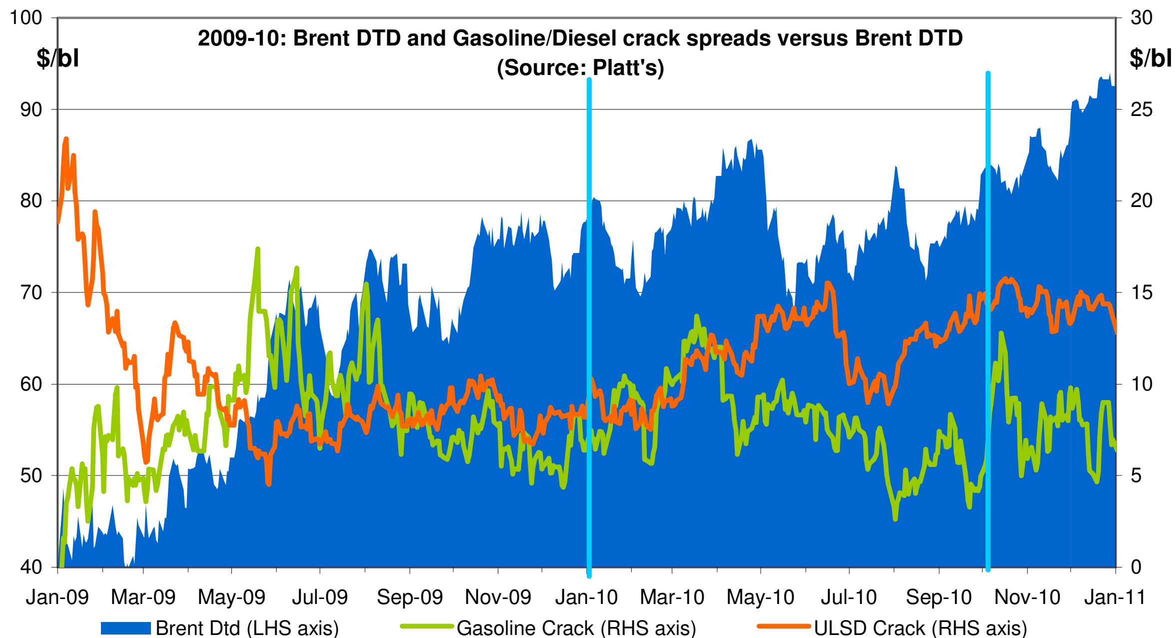
Group *comparable* EBITDA in Q4/10 amounted to EUR 80.5 ml, up 227% vs. EUR 24.6 ml in Q4/09. As discussed above, this large difference can be almost entirely attributed to the performance of the Refining segment, which benefited from better refining margins, and was also capable of capturing a robust premium above the EMC benchmark (thanks to wider conversion spread and heavy-light differential). The strong Refining performance more than offset the lower results achieved in the quarter by the Marketing segment.

Group *adjusted* Net Result was EUR -3.5 ml in Q4/10, up 85% vs. EUR -24.0 ml in Q4/09, for the same reasons described at EBITDA level, and also for the previously described differences in "Financial Income/Expense" between the two periods.

When looking at the adjustment of the Net Result in the fourth quarter 2010, it can be observed that the *comparable* figures differ from the *reported* ones, because of the difference between FIFO/LIFO inventory evaluations (equal to EUR -5.3 ml), and also for the change in derivatives' fair value net of taxes (positive for EUR 12.1 ml).

In Q4/10, CAPEX amounted to approx. EUR 26 ml, in line with our investment plan. This figure includes approx. EUR 17 ml related to the investment activities carried out in the Sarroch refinery during the period, and further EUR 2.9 ml for the IGCC plant.

The Oil Market and Refining margins



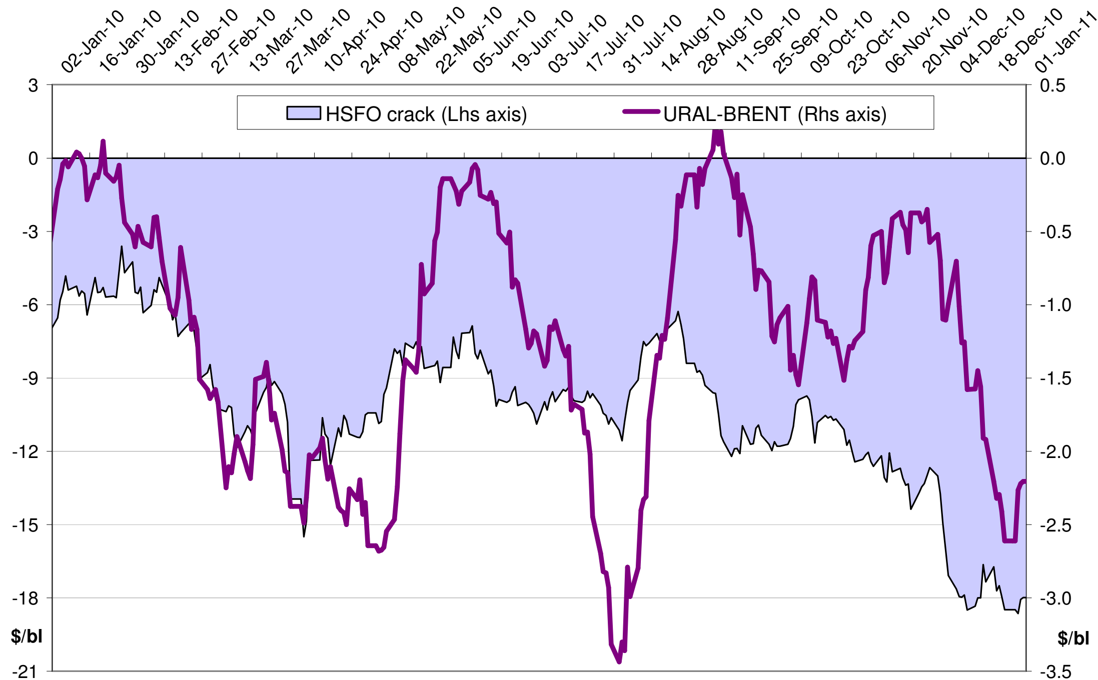
Crude oil:

Brent Dated crude oil prices remained confined within the 70÷85 $/bl trading range, for the first nine months of 2010, swinging up and down in accordance with prevailing market sentiments. However, in the last quarter of the year, several bullish factors boosted oil prices to levels not seen since autumn 2008.

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

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

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



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

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

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

Oil Products:

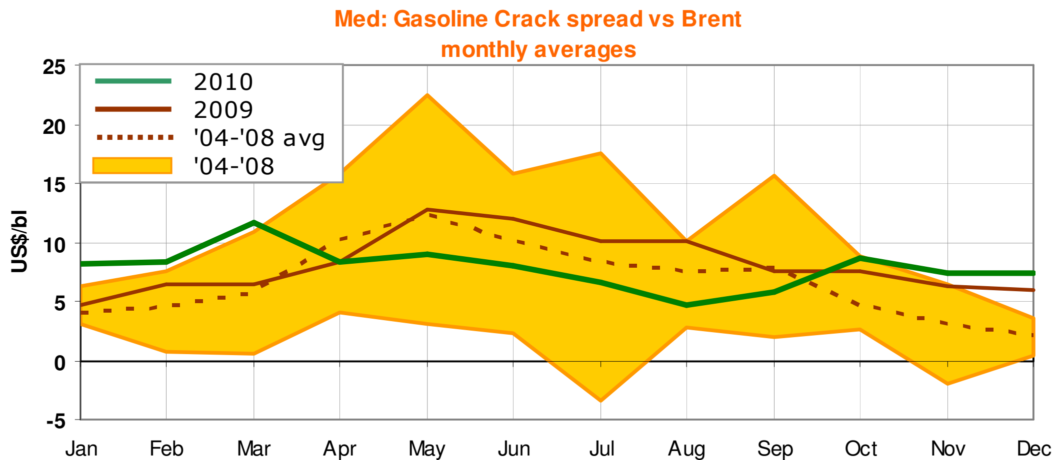
Throughout 2010, demand for oil products in Europe experienced some signals of improvement.

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

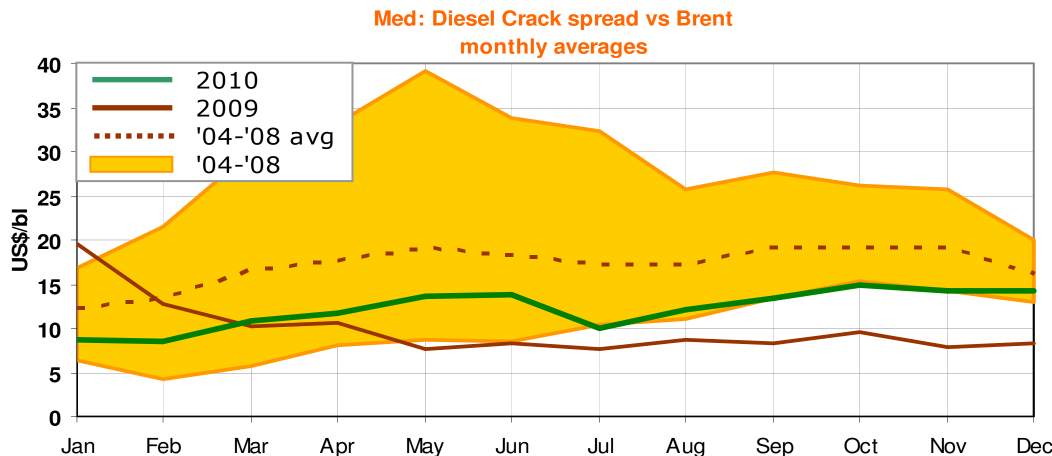
During April, May and June however, the gasoline crack moved back below 10 $/bl, due to uneventful demand in the USA, in spite of the traditional "driving season". Inventories reached record high levels, and the arbitrage windows from Europe closed down. The scenario did not improve in the third quarter, and

actually gasoline cracks moved even lower, in August and September, also following the switch to winter grades, and seasonally lower demand patterns.

The fourth quarter however delivered an unexpected surprise: gasoline crack spread spiked as high as 13 $/bl in mid October, on the back of a severe production squeeze, caused by French strikes affecting all refineries in the country, at a time when many other refineries across Europe were undergoing seasonal maintenance. October monthly average settled at 8.6 $/bl (the highest level of the 5-year range). Subsequently, in November and December, the gasoline crack spread remained almost flat at around 7.5 $/bl on average, notwithstanding a reduction in export opportunities towards West Africa and the USA.



Middle distillates were quite depressed in the first two months of Q1/10, due to ample inventories and weak demand trends, which moved in synchrony with the slow pace of the industrial and economic recovery. Later on, in March, the traditional refinery "spring maintenance" played a fundamental role in reducing the massive inventory overhang, more than halving the volumes held in floating storage.



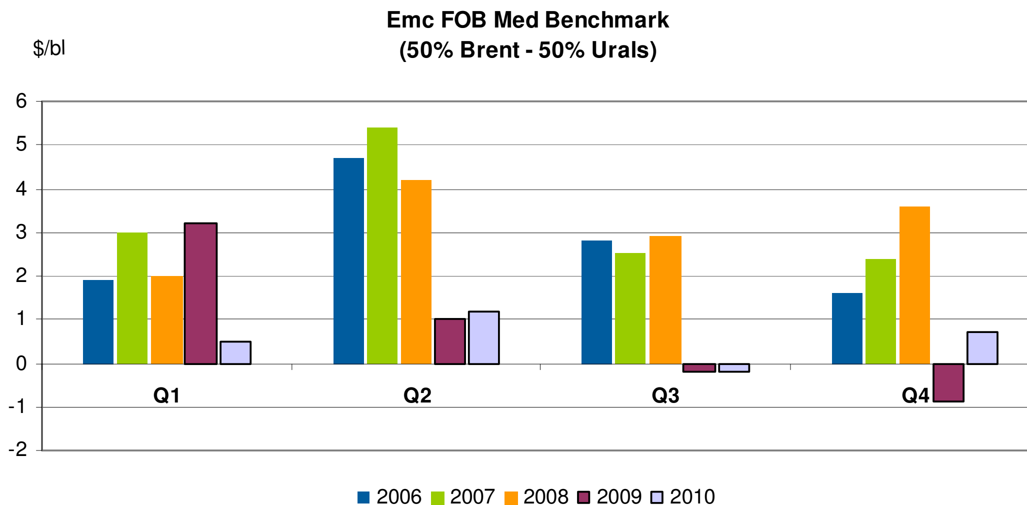
In April, May and June diesel crack spread continued its progressive recovery, amid strong buying interest in Middle East and Asia, combined with a supply reduction of Russian export gasoil. However, in July diesel crack fell below 10 $/bl, although demand was somewhat promising in major regional markets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

Subsequently, in October, middle distillates continued their gradual recovery, sustained by the previously mentioned supply squeeze caused by the French strikes and autumn refinery maintenance across Europe. Finally, in November and December, the coldest winter in three decades actually materialized, keeping demand high. Under the circumstances, middle distillates inventories drastically decreased, also because of delays in the delivery of gasoil cargoes originating in the Black Sea, which could not cross the Bosporus and Dardanelles straits, due to rough sea conditions.

Refining margins:

Finally, the graph below shows the refining margin after variable costs calculated by EMC (Energy Market Consultants) for a mid complexity coastal refinery in the Mediterranean sea. This margin is traditionally used by Saras as a benchmark.

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



Segment Review

Below is the main information relating to the various business segments within the Saras Group.

Refining

Saras refinery is positioned in Sarroch (on the South-Western coast of Sardinia), and it has a production capacity of 15 ml tons per year, corresponding to approx. 15% of Italy's total refining capacity. It is one of the biggest and most complex sites in the Mediterranean area.

EUR Million	Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
EBITDA	7.3	(0.8)	1013%	(22.3)	(54.4)	78.5	-169%
***Comparable* EBITDA**	**26.6**	**(49.6)**	**154%**	**(33.7)**	**(86.8)**	**(103.3)**	**16%**
EBIT	(21.4)	(30.6)	30%	(48.8)	(161.4)	(17.4)	-828%
***Comparable* EBIT**	**(2.0)**	**(79.4)**	**97%**	**(60.2)**	**(193.7)**	**(199.2)**	**3%**
CAPEX	**16.9**	**56.9**		**12.9**	**92.5**	**244.4**	

Margins and refinery runs

		Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
REFINERY RUNS	thousand tons	3,873	3,431	13%	3,668	14,340	13,305	8%
	Million bl	28.3	25.0	13%	26.8	104.7	97.1	8%
	thousand bl/day	307	272	13%	291	287	266	8%
of which:								
Processing for own account	thousand tons	3,777	2,372	59%	3,393	13,284	9,311	43%
Processing on behalf of third parties	thousand tons	96	1,059	-91%	275	1,056	3,994	-74%
EXCHANGE RATE	EUR/USD	1.358	1.478	-8%	1.291	1.326	1.395	-5%
EMC BENCHMARK MARGIN	$/bl	0.7	(0.9)		(0.2)	0.6	0.7	
SARAS REFINERY MARGIN	$/bl	4.1	0.5		1.0	1.8	1.8	

Comments to preliminary Full Year 2010 results

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

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

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

When looking in more details at the refining margins, the **EMC benchmark margin in FY 2010 stood at 0.6 $/bl**, (down 15% vs. an already low margin of 0.7 $/bl in FY 2009), as a confirmation that OECD demand for oil products remained sluggish for a large part of the year. In this scenario, the **Saras refining margin stood at 1.8 $/bl** (exactly in line with the margin achieved in FY 2009), due to a still tight price differential between "heavy" and "light" crude oils (-1.2 $/bl in FY 2010), and narrow "conversion spread" for the upgrading process of fuel oil into diesel (234 $/tons in FY 2010). Such conditions did not allow to exploit in full our "complexity" advantage.

Refining **CAPEX in FY 2010 was EUR 92.5 ml**, in line with investment plan for the period.

Comments to Fourth Quarter 2010 results

In Q4/10 crude runs were 3.87 ml tons (28.3 ml barrels, corresponding to 307 thousand barrels per day), up 13% versus same quarter last year. The difference relates to the fact that in Q4/09 there was meaningful destocking of semi-finished products, which required to trim down straight runs of crude oil.

Processing on behalf of third parties in Q4/10 was approx. 2.5% of total runs (vs. 30.8% in Q4/09), due to the previously mentioned decision not to renew a processing contract expired at the end of 2009.

***Comparable* EBITDA came at EUR 26.6 ml in Q4/10**, up 154% vs. Q4/09. This difference can be almost entirely explained with the higher runs achieved in the period by the Saras refinery, and also with a clear improvement in oil market conditions (with particularly healthy demand for middle distillates, thanks to a very cold winter). Indeed, the EMC benchmark refining margin stood at 0.7 $/bl in Q4/10, well above the painfully low levels recorded in the same period of last year (-0.9 $/bl in Q4/09).

Furthermore, the higher demand for middle distillates in Q4/10, played an important role in widening the conversion spread, which averaged at 285 $/ton in the period (versus 177 $/ton in Q4/09). Under this improved conditions, the Saras refinery was ideally positioned to exploit its complexity and its high gearing towards production of diesel. Therefore, the **Saras refining margin reached an average of 4.1 $/bl** (vs. 0.5 $/bl in Q4/09). However, from a practical stand-point, the Refining segment in Q4/10 suffered losses for EUR 19.6 ml net, due to hedging instruments on crude and oil products, which have been included within the "Financial Income/Expense". Therefore, considering the above hedging losses, the corresponding Saras refining margin in Q4/10 would become 3.2 $/bl.

CAPEX for refining in Q4/10 was EUR 16.9 ml, substantially in line with the investment programme of the period.

Crude Oil slate and Production

		Q4/10	FY 2010	FY 2009
Light extra sweet		46%	47%	48%
Light sweet		3%	3%	0%
Medium sweet		0%	1%	0%
Light sour		0%	0%	0%
Medium sour		23%	27%	28%
Heavy Sour		27%	23%	24%
Average crude gravity	°API	32.1	32.4	32.4

With an average density of 32.4°API in FY 2010 (and 32.1°API in Q4/10), the crude mix was overall in line with the average of last year. However, the percentage of "sour" crude oils (both heavy and medium) slightly decreased in FY 2010 vs. FY 2009 levels, mainly to the advantage of "light sweet" crude oils. This switch derives from a decision to use heavier crude oils as a feed for the gasification cycle, and a resulting acquisition of a basket of lighter crude oils, in order to bring the topping units to full utilization.

Moving on to the product slate, in FY 2010 the middle distillates yield reached 52.4% (and 52.5% in Q4/10), while the light distillates yield stood at 28.1% (and 28.2% in Q4/10). Therefore, when considering also the production of LPG, we can conclude that the percentage of high value products in FY 2010 reached 82.7% (and 82.5% in Q4/10). When compared to the FY 2009 (during which we had a very important maintenance cycle on the FCC unit), the yields in FY 2010 confirm in full the excellent performance achieved by our conversion plants, mainly FCC and MildHydrocrackers.

		Q4/10	FY 2010	FY 2009
LPG	thousand tons	70	323	221
	yield	1.8%	2.3%	1.7%
NAPHTHA + GASOLINE	thousand tons	1,093	4,024	3,343
	yield	28.2%	28.1%	25.1%
MIDDLE DISTILLATES	thousand tons	2,034	7,517	6,769
	yield	52.5%	52.4%	50.9%
FUEL OIL & OTHERS	thousand tons	147	463	1,119
	yield	3.8%	3.2%	8.4%
TAR	thousand tons	319	1,166	1,077
	yield	8.2%	8.1%	8.1%

Balance to 100% is "Consumption & Losses"

Marketing

Below are the financial highlights of the Marketing segment, which is primarily focused on the wholesale business, through our subsidiaries Arcola Petrolifera S.p.A. in Italy and Saras Energia S.A. in Spain.

EUR Million	Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
EBITDA	18.1	13.0	39%	4.3	54.8	57.6	-5%
***Comparable* EBITDA**	**(6.5)**	**16.3**	**-140%**	**6.7**	**12.9**	**35.1**	**-63%**
EBIT	15.0	10.1	49%	1.3	42.6	48.5	-12%
***Comparable* EBIT**	**(9.6)**	**13.4**	**-171%**	**3.7**	**0.7**	**26.0**	**-97%**
CAPEX	**0.5**	**3.9**		**0.9**	**5.1**	**56.6**	

Sales

		Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
TOTAL SALES	thousand tons	1,082	1,005	8%	1,074	4,266	3,972	7%
of which: in Italy	thousand tons	482	308	56%	458	1,731	1,239	40%
of which: in Spain	thousand tons	600	697	-14%	616	2,535	2,733	-7%

Comments to preliminary Full Year 2010 results

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

In particular, the Spanish market posted a 5.6% decrease in gasoline demand vs. FY 2009, and a further 0.2% contraction for middle distillates (split as –0.4% for diesel, and +0.6% for heating oil and agricultural gasoil).

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

Looking at the Italian market, in FY 2010 total demand for oil products decreased by 2.4% vs. FY 2009. Gasoline was down by 4.8%, while total middle distillates were down by 0.5% (with a split of -1.3% for wholesale automotive diesel, compensated by a +1.0% of retail transportation diesel; a -4.8% for heating oil, and a -4.9% for agricultural gasoil).

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

***Comparable* EBITDA was EUR 12.9 ml in FY 2010**, vs. EUR 35.1 ml in FY 2009. The large difference between the periods is mainly related to the effect on oil products inventories' evaluation, deriving from the operational need to increase inventory levels during Q4/10. While this effect will revert in the following quarters, the Q4/10 EBITDA suffered an impact of approx. EUR -7 ml. Moreover, 2010 results were further penalised by a write off for bad debts worth approx. EUR -4.5 ml, and accounted for entirely in Q4/10 figures. Finally, the biodiesel plant did not provide support to the above results, due to the high cost of feedstock throughout the year, which has been depressing the margins.

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

Comments to Fourth Quarter 2010 results

During Q4/10, in the Spanish market, demand for gasoline shrank by 5.4% vs. Q4/09, while middle distillates posted an increase of 1.2% versus Q4/09 (primarily driven by heating oil and agricultural gasoil which gained 6.7% due to the cold winter, while automotive diesel lost 0.8%).

In the above market scenario, **Saras Energia reduced sales by 14%, and suffered a reduction in gross margins by approx. 30%**, regardless of the efforts to shift sales towards more profitable channels, as discussed in the results for the full year. When looking more closely at the individual products, it can be observed that Q4/10 sales of Saras Energia contracted by 17.5% for gasoline, while middle distillates were also down by 13.6% vs. Q4/09 (-13.7% for automotive diesel, and -13.3% for heating and agricultural gasoil).

Similarly, in the Italian market total oil products demand slowed by 1.2% in Q4/10 versus same period last year, dragged down by gasoline (-4.3%), and also by total middle distillates (-0.4%). More in details, heating and agricultural gasoil lost respectively 4.5% and 3.5%, despite the winter season, which usually provides an important seasonal support; on the contrary, retail transportation diesel remained almost flat at +0.2%, while wholesale automotive diesel grew by 0.6% vs. Q4/09.

Notwithstanding the slow demand described above, **sales of Arcola Petrolifera in Q4/10 went up by 56.5%** vs. Q4/09, due to the previously mentioned growth of direct sales in the Sardinian market. More specifically, Arcola sales of gasoline jumped 114.6%, diesel sales climbed an impressive 50.5%, and the other kind of gasoil also went up by 27.3%, vs. same period last year.

***Comparable* EBITDA of the Marketing segment in Q4/10 was EUR -6.5 ml** vs. EUR 16.3 ml in Q4/09, essentially for the same reasons already discussed in the full year results (inventory increase and write off for bad debts).

CAPEX in Q4/10 was EUR 0.5 ml, in line with the investment plan for the quarter.

Power Generation

Below are the main financial data of the Power Generation segment related to the subsidiary Sarlux S.r.l., which operates an IGCC (Integrated Gasification Combined Cycle) plant, with a total capacity of 575MW, integrated with the Group refinery, and located within the same industrial complex in Sarroch (Sardinia).

EUR Milion	Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
EBITDA	51.9	48.5	7%	51.8	200.4	184.5	9%
***Comparable* EBITDA**	**51.9**	**48.5**	**7%**	**51.8**	**200.4**	**184.5**	**9%**
EBIT	32.6	29.4	11%	32.5	123.3	107.7	14%
***Comparable* EBIT**	**32.6**	**29.4**	**11%**	**32.5**	**123.3**	**107.7**	**14%**
EBITDA ITALIAN GAAP	**38.2**	**33.5**	**14%**	**33.8**	**143.5**	**152.5**	**-6%**
EBIT ITALIAN GAAP	**27.5**	**19.3**	**43%**	**1.9**	**72.4**	**95.9**	**-25%**
NET INCOME ITALIAN GAAP	**17.2**	**11.9**	**44%**	**0.1**	**43.4**	**54.2**	**-20%**
CAPEX	**2.9**	**3.4**		**2.9**	**10.3**	**12.4**	

Other figures

		Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
ELECTRICITY PRODUCTION	MWh/1000	1,201	1,128	6%	1,122	4,337	4,066	7%
POWER TARIFF	**Eurocent/KWh**	**10.2**	**8.6**	**17%**	**9.8**	**9.5**	**10.1**	**-6%**
POWER IGCC MARGIN	$/bl	3.8	4.3	-12%	3.6	3.8	4.1	-7%

Comments to preliminary Full Year 2010 results

In 2010 the Power Generation segment posted a strong set of results, thanks to smooth and efficient operational performance. In particular, the service factor of the IGCC plant was higher than same period last year, and **power production reached 4.337 TWh,** up 7% vs. FY 2009 figures.

***Comparable* EBITDA in FY 2010 was EUR 200.4 ml,** up 9% vs. FY 2009, primarily because of higher sales of Hydrogen and Steam (for approx. EUR 13.5 ml), whose revenues are not subject to the IFRS equalization procedure. More specifically, in FY 2009 the lower sales were due to a combination of lower requirements from the refinery (while it was undergoing an heavy maintenance cycle), as well as reduced production due to some technical issues in the IGCC plant.

Italian GAAP EBITDA in FY 2010 was EUR 143.5 ml, down 6% versus FY 2009. The slightly lower result can be primarily explained when considering that the "incentive" component of the CIP6/92 tariff expired in April 2009, hence reducing FY 2010 Italian GAAP EBITDA by approx. EUR 40 ml. Consequently, the average value of the **total CIP6/92 power tariff in FY 2010, came down by 6% versus the previous year** (9.5 EURcent/kWh in FY 2010, vs. 10.1 EURcent/kWh in FY 2009). On the other hand, FY 2010 results could benefit from higher production of electricity (+7% vs. same period last year), and also from a "one-off" pre-tax gain of approx. EUR 23 ml in Q2/10, due to the final determination of the adjustment value of the "fuel component" of the CIP6/92 tariff for the year 2009 (as ratified by the Ministry for Economic Development in July 2010).

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

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

It should be noted that, Italian GAAP principles require to include in the value of the intangible assets, also the cost of the accessory obligations, guarantees and covenants on the loans, which need to be amortised during the duration of such loans.

Following the above mentioned early repayment of the loans, the residual cost of such accessory obligations, guarantees and covenants has been completely expensed in Q3/10. This led to a decrease of approximately EUR 18 ml on the Italian GAAP EBIT result of the period. By contrast, IFRS principles required to expense such costs at the same time when they were incurred.

Comments to Fourth Quarter 2010 results

In Q4/10 the Power Generation segment achieved a very strong operational performance. **Power production stood at 1.201 TWh,** up 6% vs. same period last year.

***Comparable* EBITDA was EUR 51.9 ml in Q4/10**, up 7% vs. Q4/09, due primarily to the higher sales of Hydrogen and Steam (up by approx. EUR 2.5 ml), whose revenues are not subject to the IFRS equalization procedure.

Italian GAAP EBITDA stood at EUR 38.2 ml, up 14% versus Q4/09. This result is explained considering the combination of the above mentioned higher production of electricity, with the strengthening of the power tariff (which averaged **10.2 Eurocent/KWh in Q4/10**, up 17% vs. Q4/09).

CAPEX was EUR 2.9 ml, in line with the investment plan for the period.

Wind

Saras Group is active in the renewable power production and sale through its subsidiary Parchi Eolici Ulassai S.r.l. (PEU), which operates a wind park located in Ulassai (Sardinia).

EUR million	Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
EBITDA	7.2	6.8	6%	2.1	21.2	21.0	1%
***Comparable* EBITDA**	**7.2**	**6.8**	**6%**	**2.1**	**21.2**	**21.0**	**1%**
EBIT	4.7	5.1	-8%	(0.3)	11.8	12.1	-2%
***Comparable* EBIT**	**4.7**	**5.1**	**-8%**	**(0.3)**	**11.8**	**12.1**	**-2%**
CAPEX	**0.6**	**0.1**		**3.5**	**14.9**	**0.3**	

Other figures

		Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
ELECTRICITY PRODUCTION	MWh	58,670	55,209	6%	23,433	175,934	155,970	13%
POWER TARIFF	EURcent/KWh	6.8	5.6	21%	7.2	6.9	7.0	-2%
GREEN CERTIFICATES	EURcent/KWh	7.3	8.9	-18%	7.6	8.0	8.7	-8%

Comments to preliminary Full Year 2010 results

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

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

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

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

Comments to Fourth Quarter 2010 results

In Q4/10 the performance of the Ulassai wind farm was very satisfactory, thanks to favourable wind conditions, as it generally happens at this time of the year. **Electricity production stood at 58,670 MWh**, exceeding by 6% the already high production achieved during the same period last year.

***Comparable* EBITDA in Q4/10 was EUR 7.2 ml,** up 6% vs. Q4/09. The difference between the two periods can be explained almost entirely when considering the combination of three factors: on one hand, the above

discussed higher production of electricity and the higher value of the power tariff, increased the Q4/10 EBITDA by approx. EUR 1.2 ml versus same period last year; on the other hand, the lower value of the Green Certificates reduced the Q4/10 EBITDA by approx. EUR 0.9 ml, versus Q4/09.

More in details, **in Q4/10 the average price for Green Certificates was 7.3 EURcent/kWh** (down 18% vs. Q4/09), and the **average value of the power tariff was 6.8 EURcent/kWh** (+21% vs. Q4/09).

Finally, CAPEX were EUR 0.6 ml, in line with the investment plan for the period.

Other Activities

The following table shows the financial highlights of the segment, which relates primarily to the operations of the subsidiaries Sartec S.p.A. and Akhela S.r.l..

EUR Million	Q4/10	Q4/09	Var %	Q3/10	FY 2010	FY 2009	var %
EBITDA	1.3	2.6	-50%	0.1	1.5	3.9	-62%
***Comparable* EBITDA**	**1.3**	**2.6**	**-50%**	**0.1**	**1.5**	**3.9**	**-62%**
EBIT	0.8	1.6	-50%	(0.2)	(0.2)	1.5	-113%
***Comparable* EBIT**	**0.8**	**1.6**	**-50%**	**(0.2)**	**(0.2)**	**1.5**	**-113%**
CAPEX	**4.9**	**0.4**		**0.1**	**6.2**	**3.3**	

The results are broadly in line with expectations.

Strategy and Investments

In Q4/10, Saras Group strategy continued along the direction outlines at the beginning of the year. In particular, in the refining segment Saras made further progress on the asset management programme called “Project Focus”, improving its production efficiency, operations’ effectiveness and availability of the various refinery units, in line with initial expectations. Looking forward, in 2011, “Project Focus” is expected to deliver further results, which are presently quantifiable in approx. EUR 20 ÷ 30 ml from efficiency gains and asset productivity, and further EUR 10 ÷ 15 ml from cost reductions.

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

In the Wind segment, between Q2/10 and Q3/10, Saras Group completed the construction work of 6 new aero-generators in the Ulassai wind farm. Therefore, pending completion of some other minor work which is currently under way, the Ulassai wind park will achieve the full capacity of 96MW during Q2/11.

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

CAPEX by segment

EUR Million	Q4/10	FY 2010	FY 2009
REFINING	16.9	92.5	244.4
POWER GENERATION	2.9	10.3	12.4
MARKETING	0.5	5.1	56.6
WIND	0.6	14.9	0.3
OTHER	4.9	6.2	3.3
Total	**25.8**	**129.0**	**317.0**

Outlook

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

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

REFINING

- **Demand for oil products:** coherently with the IMF forecasts on GDP growth, and with the more-buoyant-than-anticipated readings on global oil consumption, the International Energy Agency (IEA) continues to remain bullish on the future trends for oil products' demand. In their latest "Monthly Oil Market Report", published on February 10th, global oil demand for 2011 is now expected to average at 89.3 mb/d (+1.7% or +1.5 mb/d year on year), while 2010 closed with surprising strength at 87.8 mb/d (+3.3% or +2.8 mb/d vs. 2009), which is one of the highest growth rates in the past decades.
- **Crude supply:** OPEC ministers left crude oil production targets unchanged at their latest meeting in Quito on Dec 11th 2010, and agreed to meet again in Vienna on Jun 2nd 2011. However, with prices now beyond 100 $/bbl and with the "oil burden" (nominal expenditures expressed as a percentage of nominal GDP) reaching levels that could cause severe contractions to global economic and industrial activity, there appears to be some tacit recognition among the OPEC oil ministers, that actual production levels are no longer sufficient, and that they should be increased soon. Accordingly, the consensus estimates for the "call on OPEC crude" has been revised up by 0.7 mb/d for 2011, to average 29.9 mb/d. Looking at non-OPEC supply, experts argue that 2011 will probably remain unchanged at 53.5 mb/d, because higher estimated Chinese oil production of nearly 0.1 mb/d will offset the marginally lower output in the OECD Pacific, the FSU, Latin America, as well as the global bio-fuels. Therefore, the above scenario seem to be supportive for complex refineries like Saras, which should benefit from higher availability of heavy crude oils.
- **Oil products inventories:** the physical market has tightened significantly in 2010, with a massive correction of OECD excess cyclical inventories (those above seasonal five-year average levels). In particular, in the second half of the year, we assisted to a global tightening to the tune of 1.1 mb/d, as remarkably strong oil demand (particularly for gasoil and diesel) largely exceeded global supplies. The implied global stock draw averaged 0.5 mb/d in 2010, the largest rate since 2007. Moreover, the OECD stock overhang versus the five-year average has narrowed from 200 mb in early 2009, down to approx. 30 mb in recent weeks (which corresponds to less than one day of "forward demand cover"). Under such conditions, experts are hopeful to see the supply/demand equation returning soon to normalized levels of price elasticity.
- **Refining margins:** A series of rapidly developing events is shaking the North African and Middle Eastern political landscape, affecting also some important oil producing and exporting countries. The consequent worries about possible disruption of oil supplies, had the immediate effect of pushing up oil prices, and compressing refining margins, because oil products were unable to keep the same pace as crude oil. In particular, the EMC benchmark margin stood at 0.2 $/bl in January and, at the time of writing this report, the February average is 0.1 $/bl. Notwithstanding all of the above, and even if the short-term bearish risks on oil supply actually do exist, the underlying trend for refining margins is positive, with demand for middle distillates continuing to materially outpace supply.

- **Saras refinery Maintenance and Operations:** With diesel projected to be the strongest part of the barrel going forward, and high sulphur fuel oil cracks expected to continue their weakening trend, complex refiners like Saras are well positioned to take full benefit of the expected improvements in 2011 market conditions. Additionally, as per previous announcements, 2011 maintenance schedule for the Sarroch refinery shall be lighter than the one carried out in 2010. Therefore, thanks to the higher operational availability, 2011 refinery runs are projected between 14.5 ÷ 15.3 million tons (106 ÷ 112 million barrels).

POWER GENERATION

- **IGCC Maintenance and Operations:** After 10 year of continuous operations, the IGCC plant will have a major turnaround during the second quarter of 2011. At that time, all units which do not have a spare will be fully inspected and maintained, in order to guarantee another 10 years of un-interrupted production. Obviously, the 10-year turnaround will be associated with a lower production of electricity (expected at 0.75 ÷ 0.85 TWh in Q2/11). Nevertheless, full year projections for 2011 do not substantially differ from those of a standard year, with total electricity production expected between 4.00 ÷ 4.40 TWh.
- **EBITDA:** Due to IFRS linearisation procedure, *comparable* EBITDA is expected at EUR 180÷200 ml per year, stable until 2021. On the contrary, Italian GAAP EBITDA will continue to reflect oil price volatility, due to the formulas used to calculate the CIP/6 tariff. In particular, the expectation for 2011 currently stand at EUR 130÷150 ml.
- **CIP/6 power tariff:** The 9-month delay in the formula used to calculate the “fuel component” implies that the CIP/6 power tariff will be range bound for most of 2011, in line with the trend of crude oil prices. Indeed, Brent Dated fluctuated between 70÷85 $/bl for the first nine months of 2010, and then rapidly climbed to almost 100 $/bl in Q4/10, under the boost of several bullish factors, as described in the section dedicated to the oil markets.

CONSOLIDATED FINANCIAL STATEMENTS

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

EUR thousand	31/12/2010	31/12/2009
ASSETS		
Current assets	**1,936,994**	**1,405,678**
Cash and cash equivalents	80,835	111,372
Other financial assets held for trading or available for sale	28,800	21,301
Trade receivables	868,537	396,954
Inventories	812,162	732,077
Current tax assets	39,266	39,983
Other assets	107,394	103,991
Non-current assets	**1,956,224**	**2,019,986**
Property, plant and equipment	1,473,284	1,525,547
Intangible assets	414,206	445,549
Other equity interests	571	571
Deferred tax assets	67,283	46,932
Other financial assets	880	1,387
Total assets	**3,893,218**	**3,425,664**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**1,495,547**	**1,181,771**
Current liabilities	187,790	379,562
Trade and other payables	1,123,500	646,992
Current tax liabilities	89,990	67,955
Other liabilities	94,267	87,262
Non-current liabilities	**1,177,286**	**1,015,853**
Long-term financial liabilities	481,937	289,552
Provisions for risks and charges	78,533	41,118
Provisions for employee benefits	30,547	35,420
Other liabilities	586,269	649,763
Total liabilities	**2,672,833**	**2,197,624**

EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	1,164,297	1,089,884
Profit/(loss) for the period	(9,468)	72,552
Total equity attributable to owners of the company	**1,220,385**	**1,227,992**
Minority interest		48
Total Equity	**1,220,385**	**1,228,040**
Total liabilities and equity	**3,893,218**	**3,425,664**

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st Jan–31st December 2010 and 2009

Consolidated Income Statement for the periods: 1st January - 31st December 2010 and 2009 (EUR thousand)

EUR thousand	1st January 31st December 2010	1st January 31st December 2009
Revenues from ordinary operations	8,529,750	5,229,506
Other income	84,888	87,083
Total revenues	**8,614,638**	**5,316,589**
Purchases of raw materials, spare parts and consumables	(7,629,722)	(4,293,713)
Cost of services and sundry costs	(611,033)	(534,844)
Personnel costs	(150,482)	(142,499)
Depreciation, amortization and write-downs	(207,327)	(193,130)
Total costs	**(8,598,564)**	**(5,164,186)**
Operating results	**16,074**	**152,403**
Net income (charges) from equity interests		(3)
Other financial income	37,463	16,623
Other financial charges	(67,344)	(50,343)
Profit before taxes	**(13,807)**	**118,680**
Income tax for the period	4,339	(46,122)
Net profit/(loss) for the period	**(9,468)**	**72,558**
Net profit/(loss) for the period attributable to:		
Equity holders of the company	(9,468)	72,552
Minority interest	0	6

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

	1st January 31st December 2010	1st January 31st December 2009
Net result of the period (A)	**(9,468)**	**72,558**
Effect of exchange rate on financial accounts	(10)	2
Income / (loss), net of fiscal effect (B)	**(10)**	**2**
Consolidated Comprehensive Result o f the period (A + B)	**(9,478)**	**72,560**
Net consolidated Comprehensive Result o f the period perteining to :		
Parent Company shareholding	(9,478)	72,554
Minority Interessence	0	6

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

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

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

(EUR thousand)	1/1/2010 - 31/12/2010	1/1/2009 - 31/12/2009
A - Cash and cash equivalents at the beginning of year	**111,372**	**65,180**
B - Cash generated from/(used in) operating activities		
Net Profit / (Loss) for the period	(9,468)	72,558
Amortization, depreciation and write-down of fixed assets	207,327	193,130
Net (income) / charges from equity interests	0	3
Net change in provisions for risks and charges	37,415	11,923
Net change in employee benefits	(4,873)	(2,074)
Net Change in tax liabilities and tax assets	(20,351)	12,021
Income tax	(4,339)	46,122
Change in Fair Value of negotiable financial assets, and of financial liabilities	13,561	
Other non cash items	2,209	2,150
Profit / (Loss) from operating activities before changes in working capital	**221,481**	**335,833**
(Increase) / Decrease in trade receivables	(471,583)	242,372
(Increase) / Decrease in inventory	(80,085)	(254,987)
Increase / (Decrease) in trade and other payables	476,508	86,125
Change in other current assets	(5,917)	(27,288)
Change in other current liabilities	71,373	69,570
Income tax paid	(21,943)	(130,250)
Change in other non-current liabilities	(63,494)	(45,785)
Total (B)	**126,340**	**275,590**
C - Cash flow from / (to) investment activities		
Investments in tangible and intangible assets	(121,013)	(316,972)
(Investments) / disinvestments in other holdings	0	529
Change in financial assets	5,450	1,431
Interest received	213	777
Other non cash items	(2,708)	1,195
Total (C)	**(118,058)**	**(313,040)**
D - Cash generated from / (used in) financing activities		
Increase / (Decrease) in medium/long term borrowings	192,385	120,693
Increase / (Decrease) in short term borrowings	(214,544)	135,582
Dividend distribution to shareholders	0	(157,721)
Interest paid	(16,264)	(14,912)
Acquisition 49% Artemide S.r.l.	(396)	0
Total (D)	**(38,819)**	**83,642**
E - Cashflow for the year (B+C+D)	**(30,537)**	**46,192**
F - Cash from new consolidated subsidiaries	**0**	**0**
G - Cash and cash equivalents at the end of year	**80,835**	**111,372**