Saras Group Third Quarter 2010 Report

SARAS

Table of contents

Statutory and Control Bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

CORRADO COSTANZO

INDEPENDENT AUDITING FIRM

PRICEWATERHOUSECOOPERS S.p.A.

* Independent Director elected by the Minority list of Shareholders

Group Activities

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

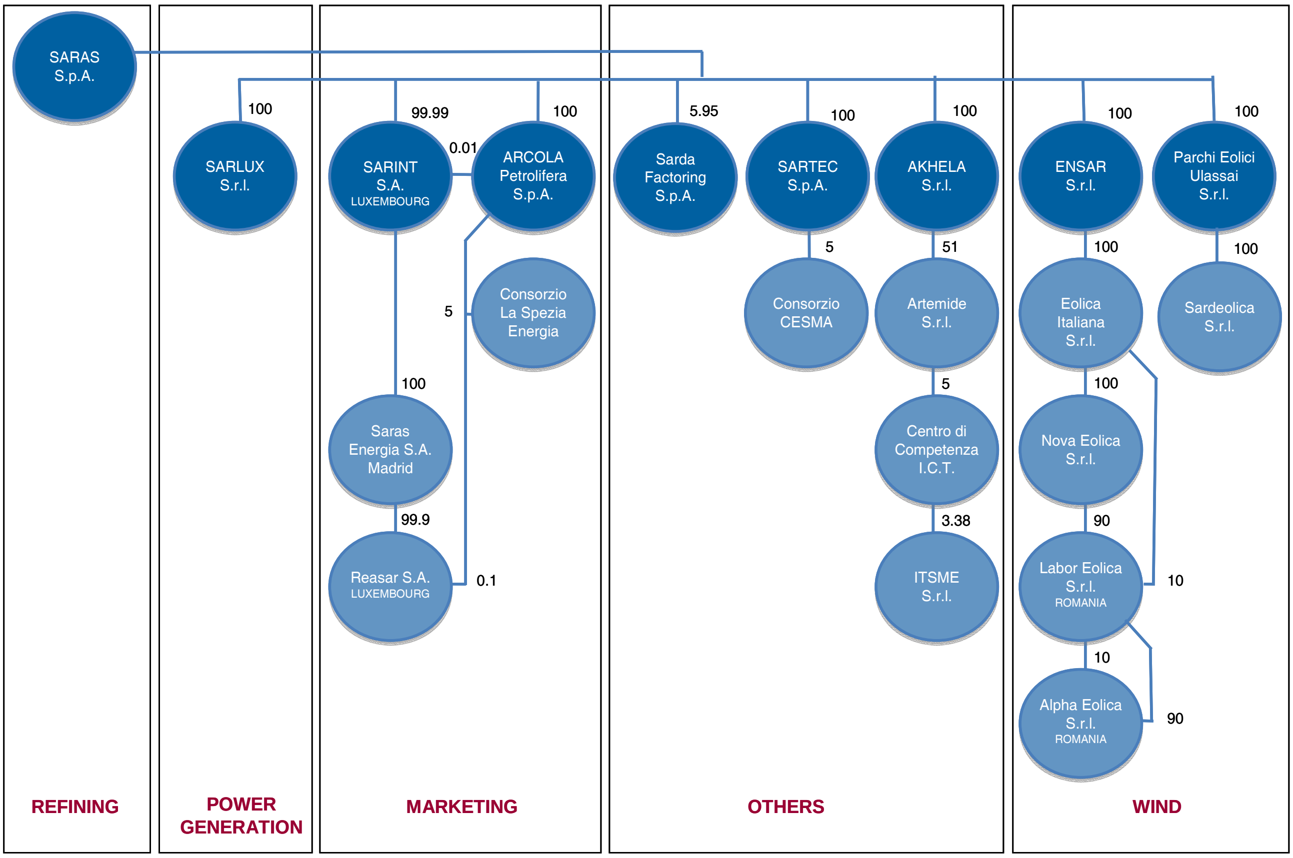
Both directly and through our subsidiaries Arcola Petrolifera S.p.A. (Italy) and Saras Energia S.A. (Spain), the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European and international markets. In particular, in 2009 approximately 1.2 million tons of oil products were sold in Italy, through our subsidiary Arcola Petrolifera, which operates solely in the wholesale market, and it manages a tank farm for petroleum products owned by the Group, and located in Arcola (La Spezia), with a capacity of 200,000 cubic metres. A further 2.7 million tons of oil products were sold in the Spanish market through Saras Energia, which is active both in the wholesale and in the retail market. More in details, Saras Energia manages a retail network made by 124 service stations, of which 88 fully owned and 36 on long term lease, mainly located on the Spanish Mediterranean Coast. Furthermore, Saras Energia manages a biodiesel plant with a capacity of 200.000 tons per year, located in Cartagena (Spain), and fully integrated with an oil products tank farm, also owned by the Group, with a capacity of 112,000 cubic metres.

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

Moreover, in the island of Sardinia, the Group is also involved in the production of power from renewable sources, through a wind farm situated in Ulassai, with a capacity of 72MW (upgradeable to 96MW). 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..

Saras Group Structure

Below is the complete structure of the Saras Group and the various segments of business, with the main companies for each segment.



Stock Performance

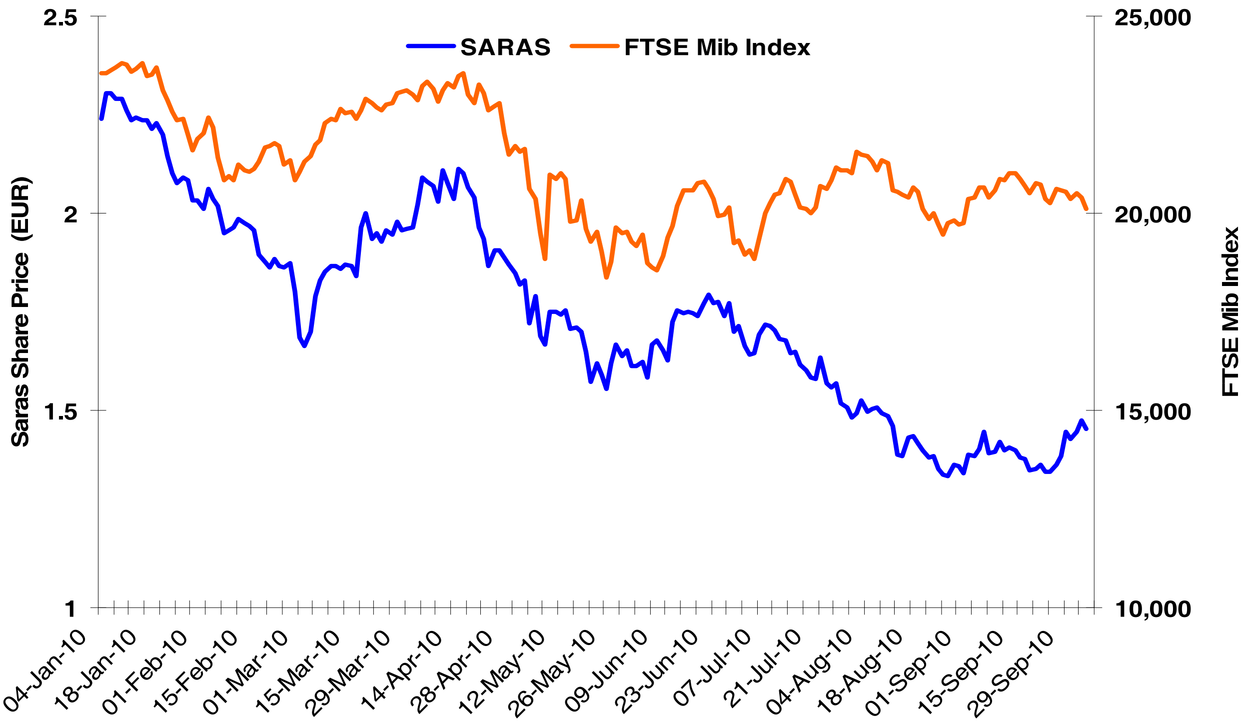
Below are some data concerning prices and daily volumes relating to the Saras share, in the period between 4th January 2010 and 30th September 2010.

SHARE PRICE (EUR)	9M/10
Minimum price (26/08/2010)	1.333
Maximum price (06/01/2010)	2.305
Average price	1.751
Closing price at the end of the period (30/09/2010)	1.446

DAILY TRADED VOLUMES (Million)	9M/10
Maximum traded volume in EUR (26/02/2010)	31.6
Maximum traded volume in number of shares (26/02/2010)	18.8
Minimum traded volume in EUR (17/06/2010)	1.2
Minimum traded volume in number of shares (17/06/2010)	0.7
Average volume in EUR	6.2
Average volume in number of shares	3.5

Market capitalization on the 30th of September 2010 amounts to EUR 1,375 million and, at the same date, the outstanding shares were approximately 928 million.

The graph reported below shows the daily performance of Saras share price compared to FTSE Mib index of the Milan Stock Exchange.



REPORT ON OPERATIONS

Comments on Group Results[1]

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[2] and EBIT[3]) 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.

January – September 2010 highlights

- **Group *reported* EBITDA** at EUR 137.7 ml (vs. EUR 275.4 ml in 9M/09)
- **Group *comparable*[4] EBITDA** at EUR 68.7 ml (vs. EUR 116.6 ml in 9M/09)
- **Group *reported* Net Result** at EUR 0.8 ml (vs. EUR 67.4 ml in 9M/09)
- **Group *adjusted*[5] Net Result** at EUR -40.4 ml (vs. EUR -30.5 ml in 9M/09)
- **Saras refining margin** after variable costs at 1.0 $/bl
- **Net financial position** to EUR -644 ml as of 30th Sep 2010, vs. EUR -567 ml on 30th Jun 2010

Third Quarter 2010 highlights

- **Group *reported* EBITDA** at EUR 36.0 ml (vs. EUR -17.1 ml in Q3/09)
- **Group *comparable* EBITDA** at EUR 27.0 ml (vs. EUR 1.4 ml in Q3/09)
- **Group *reported* Net Result** at EUR -11.0 ml (vs. EUR -49.6 ml in Q3/09)
- **Group *adjusted* Net Result** at EUR -13.0 ml (vs. EUR -37.6 ml in Q3/09)
- **Saras refining margin** after variable costs at 1.0 $/bl

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

[2] **EBITDA:** Operating Result before Depreciation & Amortization.

[3] **EBIT:** Operating Result.

[4] ***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.

[5] ***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.

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. Quarterly, *comparable* and *adjusted* figures are unaudited.

Saras Group Income Statement figures:

EUR Million	Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	Var %
REVENUES	2,042	1,416	44%	2,183	6,108	3,753	63%
EBITDA	36.0	(17.1)	311%	51.0	137.7	275.4	-50%
Comparable EBITDA	**27.0**	**1.4**	**1829%**	**27.9**	**68.7**	**116.6**	**-41%**
EBIT	(15.5)	(65.5)	76%	(0.2)	(15.6)	136.8	-111%
Comparable EBIT	**(24.5)**	**(47.0)**	**48%**	**(23.3)**	**(84.6)**	**(22.0)**	**-285%**
NET RESULT	(11.0)	(49.6)	78%	21.1	0.8	67.4	-99%
***Adjusted* NET RESULT**	**(13.0)**	**(37.6)**	**65%**	**2.4**	**(40.4)**	**(30.5)**	**-33%**

Detail of Group Net Result *adjustment*:

EUR Million	Q3/10	Q3/09	9M 2010	9M 2009
***Reported* NET RESULT**	**(11.0)**	**(49.6)**	**0.8**	**67.4**
(inventories at LIFO - inventories at FIFO) net of taxes	(5.4)	11.1	(44.2)	(100.7)
non recurring items net of taxes	0.0	0.0	0.0	0.0
change in derivatives fair value net of taxes	3.4	0.9	3.0	2.7
***Adjusted* NET RESULT**	**(13.0)**	**(37.6)**	**(40.4)**	**(30.5)**

Detail of Group EBITDA *adjustment*:

EUR Million	Q3/10	Q3/09	9M 2010	9M 2009
***Reported* EBITDA**	**36.0**	**(17.1)**	**137.7**	**275.4**
inventories at LIFO - inventories at FIFO	(9.0)	18.5	(69.0)	(158.8)
non recurring items	0.0	0.0	0.0	0.0
***Comparable* EBITDA**	**27.0**	**1.4**	**68.7**	**116.6**

Other Group figures:

EUR Million	Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009
NET FINANCIAL POSITION	**(644)**	**(463)**		**(567)**	**(644)**	**(463)**
CAPEX	**20**	**70**		**60**	**103**	**252**
OPERATING CASH FLOW (*)	**(57)**	**78**		**136**	**(8)**	**279**

Comments to January – September 2010 results

The global economic recovery in the first nine months of 2010 proceeded unevenly: Gross Domestic Product, job creation and investments grew significantly in emerging economies. By contrast, in several advanced economies, growth was limited by low consumer confidence, high unemployment, and reduced household incomes.

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

Predictably, oil products' demand followed the same patterns and, in Europe, refining margins remained well below the already low levels recorded in 2009. More specifically, the EMC benchmark refining margin stood at 0.5 $/bl in the first nine months of 2010, down 62% vs. 1.3 $/bl in 9M/09.

The performance of Saras Refining segment was clearly influenced by the above mentioned weak market scenario. In the meanwhile, the Power Generation segment provided an important effect of stabilization to the overall Group EBITDA, thanks to robust operational performance, which increased production by 7% vs. 9M/09. Similarly, the Marketing segment posted good results, in spite of the generalised reduction of oil consumption both in the Italian and in the Spanish markets, thanks to a shift towards a more profitable mix of sales channels. Finally, the Wind segment performed in line with expectation, thanks to favourable wind conditions in the first months of the year.

Group Revenues in 9M/10 were EUR 6,108 ml up 63% vs. 9M/09, 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, in 9M/10 diesel traded at an average of 659 $/ton vs. 503 $/ton in 9M/09, and gasoline priced at 710 $/ton vs. 551 $/ton in 9M/09).

Group *reported* EBITDA in 9M/10 was EUR 137.7 ml, (down 50% vs. 9M/09). This result can be explained almost entirely with the weaker performance of the Refining segment, which suffered from the above mentioned low margin scenario (Saras refining margin stood at 1.0 $/bl in 9M/10, vs. 2.2 $/bl in 9M/09).

Group *reported* Net Result stood at EUR 0.8 ml in 9M/10, down 99% when compared to the same period of 2009, for the same reasons explained at EBITDA level. Moreover, in 9M/10 depreciation and amortization charges stood at EUR 153.3 ml (vs. EUR 138.6 in 9M/09). Finally, in 9M/10 Saras Group posted net "Financial Income" for EUR 15.5 ml, while in 9M/09 the Group recorded net "Financial Expense" for EUR 18.4 ml (with this difference related primarily to gains/losses on hedging instruments and FOREX).

Group *comparable* EBITDA amounted to EUR 68.7 ml in 9M/10, down 41% vs. EUR 116.6 ml in 9M/09, and **Group *adjusted* Net Result was EUR -40.4 ml**, vs. EUR -30.5 ml in 9M/09, for the same reasons explained for the *reported* figures.

As mentioned at the beginning of the "Comments on Group Results", *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 9M/10, the above mentioned FIFO/LIFO difference after tax was equal to EUR -44.2 ml, due to the increase in crude and oil products prices.

CAPEX in 9M/10 stood at approx. EUR 103 ml, in line with the previously announced 2010 investment programme, and distributed primarily between the Refining Segment (EUR 75.6 ml) and the Wind segment (EUR 14.2 ml).

On 30th September 2010, the Group Net Financial Position was negative by EUR 644 ml, compared to a negative figure of EUR 567 ml on 30th June 2010. The change in NFP can be explained primarily by negative cashflow from operations (approx. EUR 50 ml, related to an increase in working capital requirements, only partially offset by self-financing from provisions for depreciation and amortisation), and by further EUR 20 ml of CAPEX in the period.

Comments to Third Quarter 2010 results

Group Revenues in Q3/10 were EUR 2,042 ml up 44% vs. Q3/09. Similarly to the comments for the 9M 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 Q3/10 diesel traded at an average of 660 $/ton vs. 567 $/ton in Q3/09, and gasoline priced at 689 $/ton vs. 646 $/ton in Q3/09).

Group *reported* EBITDA in Q3/10 was EUR 36.0 ml, up 311% vs. EUR -17.1 ml Q3/09. The better result in Q3/10 derives almost entirely from a smooth operational performance of the Refining segment, which compares with important maintenance delays and conversion losses in Q3/09. All other Group's segments instead performed broadly in line with same period last year.

Group *reported* Net Result in Q3/10 was EUR -11.0 ml, up 78% vs. EUR -49.6 ml in Q3/09, almost entirely for the reasons explained at the EBITDA level. In addition, it can be noted the difference in "Financial Income/Expense", which were positive for EUR 3.9 ml in Q3/10, and negative for EUR 4.2 ml in Q3/09. Depreciation and amortization charges instead stood at similar levels in the periods (EUR 51.5 ml in Q3/10, vs. EUR 48.4 ml in Q3/09).

Group *comparable* EBITDA in Q3/10 amounted to EUR 27.0 ml, up 1829% vs. EUR 1.4 ml in Q3/09. This large difference can be almost entirely attributed to the performance of the Refining segment. Indeed, in Q3/10 the Sarroch refinery run smoothly, whereas in Q3/09 several units were down for maintenance activities, causing significant reduction of runs and conversion losses. Moreover, in Q3/10 the Power Generation segment recorded significantly higher sales of steam and hydrogen, which boosted the divisional EBITDA.

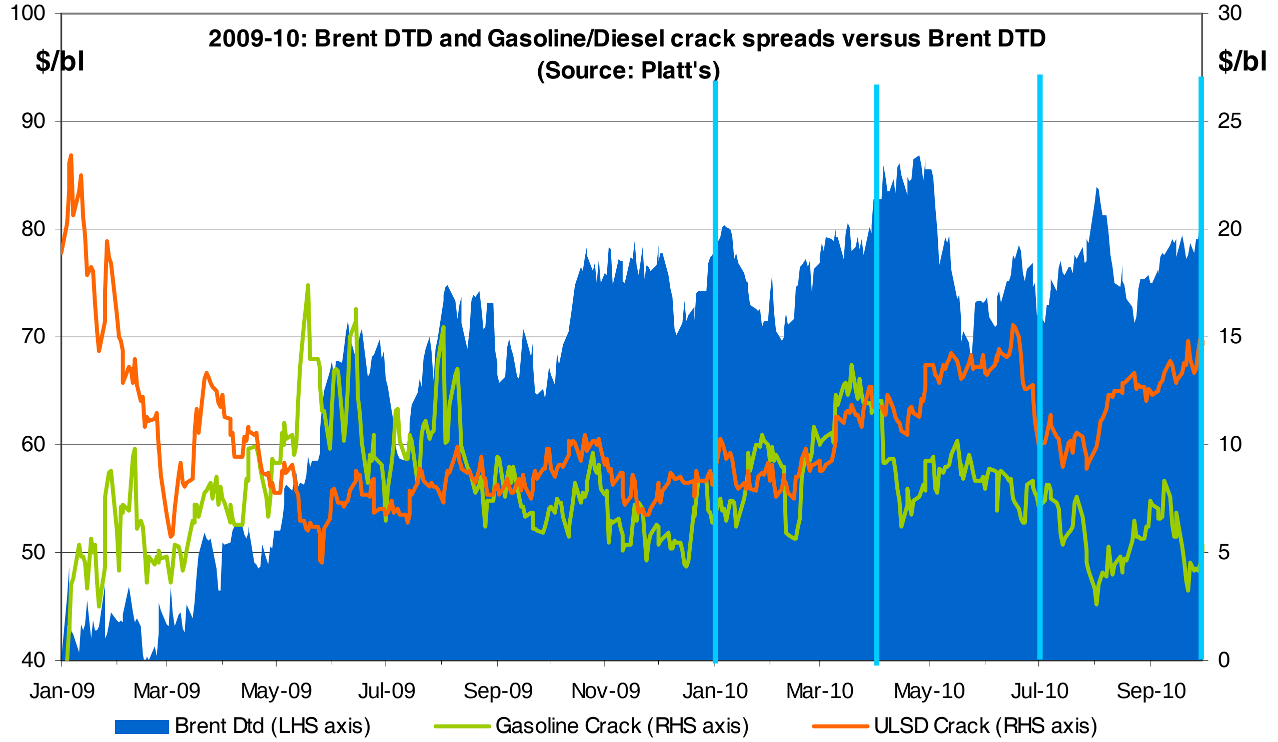
Group *adjusted* Net Result was EUR -13.0 ml in Q3/10, up 65% vs. EUR -37.6 ml in Q3/09, for the same reasons described at EBITDA level, and also because of some gains on hedging instruments and FOREX, which in Q3/10 brought a positive contribution of approx. EUR 16 ml (included in the "Financial Income/Expense").

When looking at the adjustment of the Net Result in the third 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 -5.4 ml), and also for the change in derivatives fair value net of taxes (positive for EUR 3.4 ml).

In Q3/10, CAPEX amounted to approx. EUR 20 ml, in line with our investment plan. This figure includes approx. EUR 13 ml related to the investment activities carried out in the Sarroch refinery during the period, and further EUR 3.5 ml for the completion of the installation activities of 6 new aero-generators "Vestas V80" in our Ulassai Wind park.

The Oil Market

The graph here below shows the course of Brent Dated crude oil prices, and the crack spread[6] values for ULSD and Unleaded Gasoline.



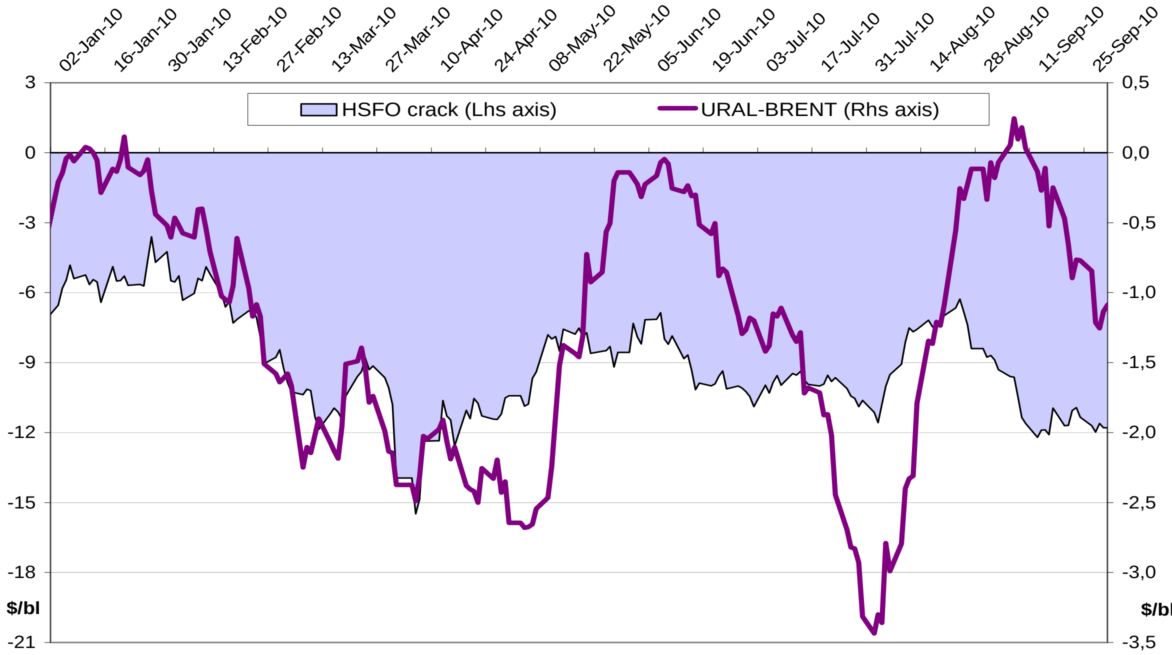
In the first nine months of 2010, crude oil prices remained within a confined range (between 70 and 85 $/bl), moving each time towards the upper or the lower boundary, in accordance with the prevailing market sentiments. More specifically, the upward trend which started in late January and lasted until the end of April, 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 prices, 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 and equity 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 a weak US dollar, and by fresh positive readings on various macro-economic indicators. The upward trend continued throughout September, pushing Brent Dated to close the third quarter above the 80 $/bl mark.

The following graph shows the price differential between "heavy" and "light" crude oil grades (i.e. "Ural" and "Brent" respectively). This indicator is quite important, because the wider is the price differential, the higher is the competitive advantage of complex refineries versus their simpler peers.

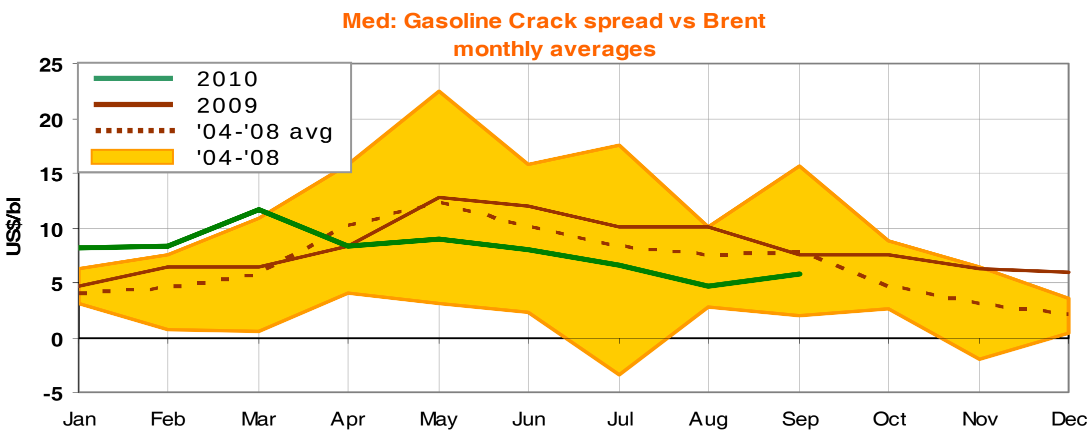
[6] **Crack spread**: difference between price of a product and reference crude oil.

As it can be observed, in the period from early January until the end of April, the "heavy-light" differential widened to approx. -2.0 $/bl, vs. the narrow spread of -0.5 $/bl experienced in 2009. This was a consequence of the low OPEC compliance with their production quotas. However, 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.

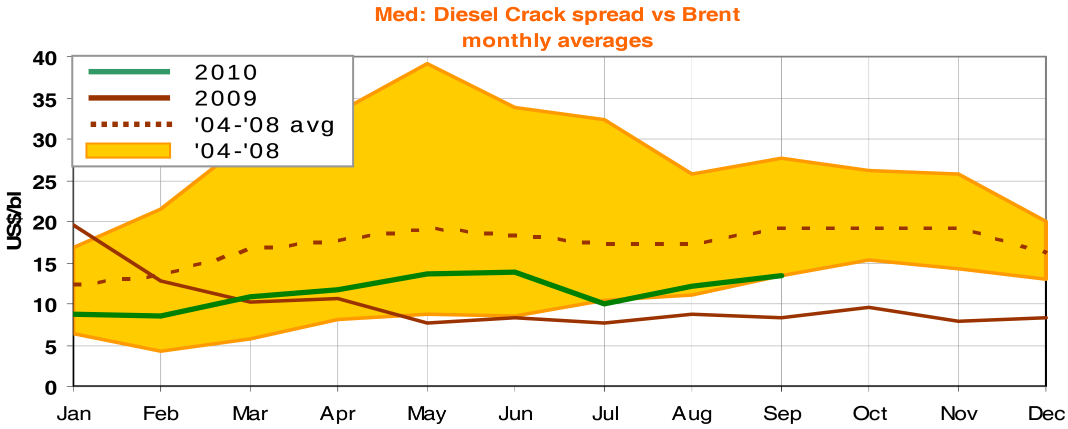


Subsequently, the "heavy-light" differential widened again in July, as refiners curbed runs and reduced buying interest of medium sour grades, due to uneconomic refining margins. Finally, in August the differential came under pressure again, and even flipped into positive territory in early September. Such renewed strength of the Ural crude oil can be primarily attributed to its reduced availability, due to higher export taxes as well as port maintenance at Primorsk. Finally, in the second half of September, Ural's availability increased again, and this was immediately reflected in the "heavy-light" differential, which closed the quarter at approx. -1.0 $/bl.

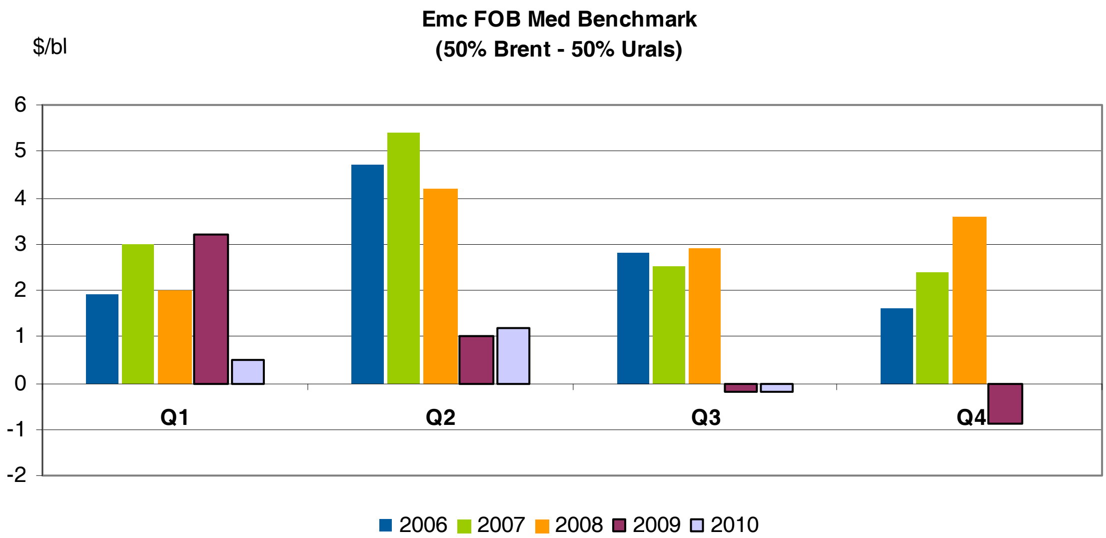
Moving on to oil products, throughout the first nine months of the year demand experienced only modest signals of improvement. Starting with gasoline, its crack spread remained depressed during January and February, at similar level as in Q4/09, with MED monthly averages at around 8 $/bl. The traditional "spring maintenance" for various US and European refineries, combined with robust buying interest from West Africa and Middle East, boosted the crack spread in March, pushing it as high as 14 $/bl, and the monthly average stood at 12 $/bl. 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.



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 above mentioned 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 this time of the year, in anticipation of cold winter weather.



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 was 0.5 $/bl in Q1/10 (vs. 3.2 $/bl in Q1/09), due to a steep spike of the gasoline crack spread in March. It then settled at 1.2 $/bl in Q2/10 (vs. 1.0 $/bl in Q2/09), 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 (vs. -0.2 $/bl in Q3/09), due to product prices failing to keep pace with crude oil.



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	Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
EBITDA	(22.3)	(77.5)	71%	(20.9)	(61.7)	79.3	-178%
***Comparable* EBITDA**	**(33.7)**	**(54.2)**	**38%**	**(40.7)**	**(113.4)**	**(53.7)**	**-111%**
EBIT	(48.8)	(101.0)	52%	(47.1)	(140.0)	13.2	-1161%
***Comparable* EBIT**	**(60.2)**	**(77.7)**	**23%**	**(66.9)**	**(191.7)**	**(119.8)**	**-60%**
CAPEX	**12.9**	**44.1**		**42.8**	**75.6**	**187.6**	

Margins and refinery runs

		Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
REFINERY RUNS	thousand tons	3,668	3,447	6%	3,330	10,467	9,874	6%
	Million bl	26.8	25.2	6%	24.3	76.4	72.1	6%
	thousand bl/day	291	273	6%	267	280	264	6%
of which:								
Processing for own account	thousand tons	3,393	2,373	43%	2,879	9,507	6,939	37%
Processing on behalf of third parties	thousand tons	275	1,074	-74%	451	960	2,935	-67%
EXCHANGE RATE	EUR/USD	1.291	1.430	-10%	1.271	1.315	1.367	-4%
EMC BENCHMARK MARGIN	$/bl	(0.2)	(0.2)		1.2	0.5	1.3	
SARAS REFINERY MARGIN	$/bl	1.0	(0.3)		1.2	1.0	2.2	

Comments to January – September 2010 results

Refinery runs in 9M/10 stood at 10.5 ml tons (76.4 ml barrels, corresponding to 280 thousand barrels per day). This operating performance was 6% higher than same period last year, because the scheduled maintenance activities carried out on the crude distillation units in 9M/09 were significantly heavier than in 9M/10, hence causing a larger reduction on runs.

Processing on behalf of third parties went down to 9% of total runs (vs. 30% in 9M/09), because a processing contract expired at the end of 2009 and was not renewed, due to unfavourable market conditions.

***Comparable* EBITDA was EUR -113.4 ml in 9M/10** vs. EUR -53.7 ml in 9M/09, depressed by significantly lower refining margin than in the same period last year. Indeed, the **EMC benchmark margin stood at 0.5**

$/bl in 9M/10 (vs. 1.3 $/bl in 9M/09), and the **Saras refining margin stood at 1.0 $/bl** (vs. 2.2 $/bl in 9M/09). The low refining margins came as a consequence of unfavourable market conditions, sluggish demand for oil products, tight price differential between "heavy" and "light" crude oils (-1.2 $/bl), and narrow "conversion spread" for the upgrading process of fuel oil into diesel (217 $/tons in 9M/10).

Refining **CAPEX in 9M/10 was EUR 75.6 ml**, in line with investment plan for the period.

Comments to Third Quarter 2010 results

In Q3/10 crude runs were 3.7 ml tons (26.8 ml barrels, corresponding to 291 thousand barrels per day), up 6% versus same quarter last year. The difference relates to maintenance on crude distillation units in Q3/09, while in Q3/10 there were only minor economic run cuts.

Processing on behalf of third parties in Q3/10 was approx. 8% of total runs (vs. 31% in Q3/09), due to the previously mentioned decision not to renew a processing contract expired at the end of 2009.

***Comparable* EBITDA came at EUR -33.7 ml in Q3/10**, up 38% vs. Q3/09. It should be note that, while the EMC benchmark refining margin stood at the same level in both periods (-0.2 $/bl), Q3/09 results suffered a penalisation of approx. USD 65 ml due to technical issues and maintenance delays. Consequently, refinery performance in Q3/10 was significantly better than in Q3/09, both in terms of refinery runs (+6%) and also in terms of Saras refining margin (1.0 $/bl in Q3/10, vs. -0.3 $/bl in Q3/09).

Moreover, the results of our Refining segment in Q3/10 were better than it appears, when taking into account gains for EUR 15.9 ml net, due to hedging instruments on crude and oil products, as well as gains on FOREX related to commercial transactions, which have been included within the "Financial Income/Expense". When these gains are taken into account, the corresponding **Saras refining margin lands at 1.8 $/bl in Q3/10** (with a premium of 2.0 $/bl on top of the EMC benchmark).

CAPEX for refining in Q3/10 was EUR 12.9 ml, substantially in line with 2010 investment programme.

Crude Oil slate and Production

		Q3/10	9M 2010	FY 2009
Light extra sweet		44%	47%	48%
Light sweet		2%	3%	0%
Medium sweet		0%	1%	0%
Light sour		0%	0%	0%
Medium sour		35%	28%	28%
Heavy Sour		19%	21%	24%
Average crude gravity	°API	32.3	32.4	32.4

With an average density of 32.4°API in 9M/10 (and 32.3°API in Q3/10), the crude mix was overall in line with the average of last year. However, the percentage of "heavy sour" crude oil decreased significantly in the first nine months of 2010 vs. 9M/09 levels, and this grade was replaced primarily by "light sweet" and "medium sweet" crude oils.

Moving on to the product slate, in 9M/10 the yield in middle distillates reached 52.4% (and 53.3% in Q3/10), while the light distillates yield stood at 28.0% (and 28.1% in Q3/10). Therefore, when considering also the production of LPG, we can conclude that the percentage of high value products in 9M/10 reached 82.8% (and 83.6% in Q3/10).

		Q3/10	9M 2010	FY 2009
LPG	thousand tons	79	253	221
	yield	2.1%	2.4%	1.7%
NAPHTHA + GASOLINE	thousand tons	1,032	2,931	3,343
	yield	28.1%	28.0%	25.1%
MIDDLE DISTILLATES	thousand tons	1,955	5,482	6,769
	yield	53.3%	52.4%	50.9%
FUEL OIL & OTHERS	thousand tons	87	315	1,119
	yield	2.4%	3.0%	8.4%
TAR	thousand tons	304	847	1,077
	yield	8.3%	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	Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
EBITDA	4.3	11.3	-62%	18.4	36.7	44.6	-18%
***Comparable* EBITDA**	**6.7**	**6.5**	**3%**	**15.1**	**19.4**	**18.8**	**3%**
EBIT	1.3	8.4	-85%	15.3	27.6	38.4	-28%
***Comparable* EBIT**	**3.7**	**3.6**	**3%**	**12.0**	**10.3**	**12.6**	**-18%**
CAPEX	**0.9**	**22.3**		**2.8**	**4.6**	**52.7**	

Sales

		Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
TOTAL SALES	thousand tons	1,074	969	11%	1,058	3,184	2,968	7%
of which: in Italy	thousand tons	458	320	43%	409	1,249	931	34%
of which: in Spain	thousand tons	616	650	-5%	650	1,935	2,036	-5%

Comments to January – September 2010 results

The oil products market during the first nine months of 2010 has been weak, particularly in the developed economies (OECD), including countries like Spain and Italy, where our Marketing sales are localised.

In particular, the Spanish market posted a 5.7% decrease in gasoline demand vs. 9M/09, and a further 0.7% contraction for middle distillates (split as –0.3% for diesel, and -1.8% for heating and agricultural gasoil).

In this difficult context, **Saras Energia continued its strategy of sales channels optimization**, by reducing opportunity sales towards commercial operators and major oil companies, while increasing sales towards more profitable channels (i.e. unbranded service stations, small retail operators, etc.). As a result, **gross margins remained reasonably healthy, but sale volumes in 9M/10 decreased by 5.0%** (corresponding to 1,935 ktons, vs. 2,036 in 9M/09). Looking in more details, total gasoil sales went down by 4.0% vs. 9M/09 (split as -1.8% for diesel, and -11.9% for heating and agricultural gasoil), and also gasoline sales went down by 10.5%.

Looking at the Italian market, in 9M/10 total demand for oil products decreased by 3.4% vs. 9M/09. Gasoline was down by 5.6%, while middle distillates were down by 2.4% (with a split of -1.2% for diesel, and -5.3% for heating and agricultural gasoil).

In this scenario, **sales of Arcola (Italy) in 9M/10 were 1,249 ktons** (+34.1% vs. 9M/09), due to an increase in the Sardinian wholesale market share. More in detail, gasoline sales went up by 146.8%, diesel went up by 23.4%, while sales of other gasoil were down by 34.2%, vs. same period last year. **Margins were weak in the first quarter** of the year, due to seasonality effects, **but went back up to healthy levels in the second and third quarter of 2010.**

***Comparable* EBITDA was EUR 19.4 ml in 9M/10**, up 3% compared to the same period last year, thanks to a very robust performance in Q2/10, which completely offset the seasonally low performance in Q1/10, and the negative contribution from the biodiesel plant during Q3/10.

CAPEX in 9M/10 was EUR 4.6 ml, in line with the investment plan for the period.

Comments to Third Quarter 2010 results

During Q3/10 demand for middle distillates in Spain lost 1.5% versus Q3/09 (of which -1.4% for diesel, and -2% for heating oil and agricultural gasoil), and also gasoline shrank by 5% versus Q3/09.

In this challenging market scenario, **Saras Energia reduced sales by 5.3%, while protecting marginality at healthy levels**, thanks to a progressive shift towards more profitable sales channels, as discussed in the results for the nine months. When looking more closely at the individual products, it can be observed that total gasoline sales of Saras Energia contracted by 10.6%, and total gasoil flexed by 4.4% vs. Q3/09 (-0.2% for diesel, and -21.8% for heating and agricultural gasoil).

Similarly, in the Italian market total oil products demand slowed by 1.4% in Q3/10 versus same period last year, dragged down by gasoline (-4.7%), and also by the middle distillates complex (-0.6%). However, looking in more details, it should be noted that transportation diesel decreased by 1.6%, while heating and agricultural gasoil provided some partial compensation, increasing by 2.3%.

However, **sales of Arcola Petrolifera went up by 43.5%** vs. Q3/09, due to the previously discussed growth in the Sardinian wholesale market. More specifically, Arcola sales of gasoline climbed by 146.6%, diesel sales enjoyed and increase of 36.4%, while other kind of gasoil went down by 49.9%, vs. same period last year.

***Comparable* EBITDA of the Marketing segment in Q3/10 was EUR 6.7 ml** (up 3% when compared to Q3/09), thanks to a good performance of the retail and wholesale segments, which more than offset a negative contribution from the biodiesel plant.

CAPEX in Q3/10 was EUR 0.9 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	Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
EBITDA	51.8	46.5	11%	49.7	148.5	136.0	9%
***Comparable* EBITDA**	**51.8**	**46.5**	**11%**	**49.7**	**148.5**	**136.0**	**9%**
EBIT	32.5	27.3	19%	30.5	90.7	78.3	16%
***Comparable* EBIT**	**32.5**	**27.3**	**19%**	**30.5**	**90.7**	**78.3**	**16%**
EBITDA ITALIAN GAAP	**33.8**	**13.3**	**154%**	**50.8**	**105.3**	**119.0**	**-12%**
EBIT ITALIAN GAAP	**1.9**	**-0.9**	**308%**	**36.5**	**44.8**	**76.6**	**-41%**
NET INCOME ITALIAN GAAP	**0.1**	**-1.4**	**107%**	**23.0**	**26.2**	**42.3**	**-38%**
CAPEX	**2.9**	**3.1**		**2.7**	**7.4**	**9.0**	

Other figures

		Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
ELECTRICITY PRODUCTION	MWh/1000	1,122	924	21%	1,075	3,135	2,938	7%
POWER TARIFF	**Eurocent/KWh**	**9.8**	**8.3**	**18%**	**9.6**	**9.3**	**10.6**	**-12%**
POWER IGCC MARGIN	$/bl	3.6	4.2	-14%	4.0	3.9	4.1	-5%

Comments to January – September 2010 results

For the first nine months of 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 3.135 TWh,** up 7% vs. 9M/09 figures.

***Comparable* EBITDA in 9M/10 was EUR 148.5 ml,** up 9% vs.9M/09, primarily because of higher sales of Hydrogen and Steam (for approx. EUR 11 ml), whose revenues are not subject to the IFRS linearization procedure. More specifically, in 9M/09 the lower sales came from 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 on the IGCC plant.

Italian GAAP EBITDA in 9M/10 was EUR 105.3 ml, down 12% versus 9M/09. Indeed, the expiry in April 2009 of the "incentive" component of the CIP6/92 tariff, led to a reduction of 9M/10 Italian GAAP EBITDA worth approx. EUR 40 ml. This is also reflected in the average value of the **total CIP6/92 power tariff, which in 9M/10 stood at 9.3 EURcent/kWh,** down 12% versus 9M/09 (10.6 EURcent/kWh). On the other hand, 9M/10 results enjoyed a "one-off" pre-tax gain of EUR 23 million (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, which was ratified in July 2010 by the Ministry for Economic Development.

CAPEX in 9M/10 was EUR 7.4 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, according to Italian GAAP principles, the amortisation of intangible assets include the cost of the accessory obligations, guarantees and covenants on the loans. Following the 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 Third Quarter 2010 results

In Q3/10 the Power Generation segment achieved a good operational performance. **Power production stood at 1.122 TWh,** up 21% vs. same period last year. However, it should be remembered that in Q3/09 there was a cycle of maintenance activities on one train of "Gasifier - Turbine", while no major maintenance was undertaken in Q3/10.

***Comparable* EBITDA in Q3/10 was EUR 51.8 ml**, up 11% vs. Q3/09, due to significantly higher sales of Hydrogen and Steam (up by EUR 5.3 ml), whose revenues are not subject to the IFRS linearization procedure.

Italian GAAP EBITDA stood at EUR 33.8 ml, up 154% versus Q3/09. This result is explained considering the combination of a significantly higher power production (up 21% vs Q3/09) and also the strengthening of the power tariff (which was up 18% compared to the same period of last year, standing at 9.8 Eurocent/KWh in Q3/10, vs. 8.3 Eurocent/KWh in Q3/09).

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	Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
EBITDA	2.1	2.2	-5%	3.5	14.0	14.2	-1%
***Comparable* EBITDA**	**2.1**	**2.2**	**-5%**	**3.5**	**14.0**	**14.2**	**-1%**
EBIT	(0.3)	(0.2)	-50%	1.3	7.1	7.0	1%
***Comparable* EBIT**	**(0.3)**	**(0.2)**	**-50%**	**1.3**	**7.1**	**7.0**	**1%**
CAPEX	**3.5**	**0.1**		**10.7**	**14.2**	**0.2**	

Other figures

		Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
ELECTRICITY PRODUCTION	MWh	23,433	16,956	38%	32,094	117,264	100,761	16%
POWER TARIFF	EURcent/KWh	7.2	9.6	-25%	6.2	6.9	7.8	-11%
GREEN CERTIFICATES	EURcent/KWh	7.6	10.0	-25%	8.5	8.3	8.6	-3%

Comments to January – September 2010 results

In 9M/10 the Ulassai wind park posted strong results, substantially in line with the same period of last year. More specifically, ***comparable* EBITDA stood at EUR 14.0 ml in 9M/10,** (down 1% vs. 9M/09), thanks to remarkably higher production of electricity (+16%), which more than offset the lower value of the power tariff and of the Green Certificates. Nonetheless, it should be mentioned that 9M/09 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 9M/10 stood at 117,264 MWh (up 16% vs. the 100,761 MWh in 9M/09), due to favourable wind conditions in the first quarter of 2010, followed by seasonally lower production in the second and third quarter.

The average price of **Green Certificates in 9M/10 stood at 8.3 EURcent/kWh** (down 3% vs. 9M/09), and also the power tariff declined by 11% vs. 9M/09 (down to 6.9 EURcent/kWh), reflecting reduced demand for electricity related to still ailing economic conditions.

CAPEX in 9M/10 were EUR 14.2 ml, mainly spent 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 Third Quarter 2010 results

In Q3/10 the performance of the Ulassai wind farm was in line with expectations, when considering the seasonality effects. In fact, whilst wind conditions are usually disappointing during summer months, **electricity production in Q3/10 achieved 23,433 MWh**, which is almost 40% higher than same period last year.

Notwithstanding the higher production, ***comparable* EBITDA stood at EUR 2.1 ml in Q3/10,** down 5% vs. Q3/09. This can be explained considering the lower values of the power tariff and the Green Certificates. More specifically, **in Q3/10 Green Certificates average price was 7.6 EURcent/kWh** (-25% vs. Q3/09), and the value of power tariff was **7.2 EURcent/kWh** (-25% vs. Q3/09).

Finally, CAPEX were EUR 3.5 ml, in line with the investment plan for the completion of the Ulassai wind park.

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	Q3/10	Q3/09	Var %	Q2/10	9M 2010	9M 2009	var %
EBITDA	0.1	0.4	-75%	0.3	0.2	1.3	-85%
***Comparable* EBITDA**	**0.1**	**0.4**	**-75%**	**0.3**	**0.2**	**1.3**	**-85%**
EBIT	(0.2)	0.0	n/a	(0.2)	(1.0)	(0.1)	n/a
***Comparable* EBIT**	**(0.2)**	**0.0**	**n/a**	**(0.2)**	**(1.0)**	**(0.1)**	**n/a**

The results are in line with expectations.

Net Financial Position

The Net Financial Position of the Group is represented as follows:

EUR Million	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09
Medium/long term bank loans	(483)	(259)	(289)	(290)
total long term net financial position	**(483)**	**(259)**	**(289)**	**(290)**
Short term bank loans	(10)	(66)	(70)	(70)
Bank overdrafts	(203)	(363)	(337)	(276)
Other loans	(0)	(1)	(52)	(31)
Fair value on derivatives	(5)	0	(9)	1
Other marketable financial assets	26	26	26	21
Cash and cash equivalents	30	96	88	111
total short term net financial position	**(161)**	**(308)**	**(354)**	**(244)**
Total net financial position	**(644)**	**(567)**	**(643)**	**(533)**

On 30th September 2010, the Group Net Financial Position was negative by EUR 644 ml, compared to a negative figure of EUR 567 ml on 30th June 2010. The change in NFP can be explained primarily by negative cashflow from operations (approx. EUR 50 ml, related to an increase in working capital requirements, only partially offset by self-financing from provisions for depreciation and amortisation), and by further EUR 20 ml of CAPEX in the period.

It should be further noticed that the Group has significantly lengthened the duration of its debt, thanks primarily to a Eurobond transaction restricted to institutional investors, completed on the 16th July 2010, with a total principal amount of EUR 250 million and a maturity of 5 years. This can be seen also in the different ratios between the “long term” and “short term” total net financial positions.

Strategy and Investments

There have been no major changes to Saras Group strategy since the previous interim report. In the refining segment we continue to pursue an ambitious asset management programme, in cooperation with world-class consultants, named “Project Focus”, aimed at achieving maximum efficiency in production and effectiveness in operations.

The programme, which targets all aspects of refinery operations (“Asset Integrity”, “Asset Efficiency” and “Asset Effectiveness”), is expected to deliver savings for approx. EUR 10 ml in 2010, almost entirely related to a reduction in fixed costs, while in the mid-term it has been estimated that it’s Net Present Value corresponds to approx. EUR 0.3 per share.

Looking beyond the Refining segment, the Group strategy in 2010 continues to remain focused on consolidating the performance achieved by the Marketing segment in the previous years. This includes the complete integration of the new retail stations acquired in Spain during 2009. Moreover, we are pursuing opportunities to expand in the Spanish retail business, with a "small steps" approach, considering acquisitions of stations which can generate synergies with our existing network.

In the Wind segment, the Group has now completed the Ulassai wind park, with the installation of 6 new “Vestas V80” aero-generators. At the same time, it is well advanced the authorisation process to bring the capacity of the park to 96MW. Furthermore, Saras Group is progressing also with the development of its pipeline, both in southern Italy and also abroad.

Finally, regarding gas exploration activities, the studies carried out during the second half of 2009 were encouraging, showing possible geological formations usually associated with hydrocarbons. These results have warranted further seismic testing, which have now been completed, with the objective of determining more accurately the optimal location for potential exploration wells.

CAPEX by segment

EUR Million	Q3/10	9M 2010	FY 2009
REFINING	12.9	75.6	244.4
POWER GENERATION	2.9	7.4	12.4
MARKETING	0.9	4.6	56.6
WIND	3.5	14.2	0.3
OTHER	0.1	1.3	3.3
Total	**20.4**	**103.2**	**317.0**

Outlook

In the latest "World Economic Outlook" (WEO), published on October 7th, the International Monetary Fund (IMF) expects World growth at about 4.8% in 2010, followed by growth at 4.2% in 2011, broadly in line with earlier expectations.

However, downside risks continue to predominate, because sustained, healthy recovery can only be achieved, according to the IMF, with two "rebalancing" processes, which however have not yet started. Firstly, the IMF believes it is necessary to achieve *"internal rebalancing"*, which means a strengthening of private domestic demand in advanced economies. Secondly, it is also necessary an *"external rebalancing"* process, which requires an increase in net exports in deficit countries (such as the United States and many European countries), and a decrease in net exports in surplus countries (notably emerging Asia).

These two processes interact in strong ways. Increased net exports in advanced economies imply higher demand and higher growth, allowing more room for fiscal consolidation. Strengthened domestic demand would help emerging economies to maintain growth, in the face of lower exports.

REFINING

- Coherently with the IMF forecasts on global GDP growth, the International Energy Agency (IEA) continues to maintain an **optimistic view on oil demand trends**. In their latest "Monthly Oil Market Report", published on October 13th, global oil demand for 2010 and 2011 is revised up by 0.3 mb/d on average, to 86.9 mb/d and 88.2 mb/d respectively, to take into consideration some new data showing much stronger-than-expected Q3/10 readings, notably in the OECD.
- On the **crude supply** side, oil production edged up during the first nine months of 2010, almost matching the rise in demand. The largest share of the supply increase is attributable to non-OPEC countries, notwithstanding production declines in the North Sea and Mexico. OPEC crude oil production in contrast has risen only marginally, despite low capacity utilization in some of the major producers, highlighting the continued need for production curbs to keep prices in the 70 ÷ 80 $/bl range, and the expectation is that this approach will continue until the oil markets will have reached again a full cyclical normalisation.
- Looking at **oil products inventories**, during the first nine months of 2010 the correction of excess cyclical inventories (those above seasonal five-year average levels) in the OECD countries has remained partial. Indeed, middle distillates have decreased meaningfully, and are now close to seasonal norms. On the contrary, gasoline stocks have recently started to increase again, as the US driving season ended.
- **Refining margins** jump-started in the fourth quarter, due to high maintenance activities across European and American refineries, and temporary outages related to French strikes. In particular, our EMC benchmark margin moved rapidly up to 1.6 $/bl in October (from zero in September). In early November however, margins softened somewhat, due to the end of the French protests and the progressive start up of the refineries coming back from maintenance. At the time of writing this report, the EMC benchmark for November is averaging at 0.2 $/bl, but the outlook for the remainder of the period is positive, thanks essentially to middle distillates strength, as we move into winter.
- **Saras refinery runs for Q4/10** are projected between 3.75 ÷ 3.85 million tons (27.4 ÷ 28.1 million barrels), bringing the full year runs in the range 14.2 ÷ 14.3 million tons (104 ÷ 105 million barrels).

POWER GENERATION

- Standard maintenance activities on 2 trains of "Gasifier – Turbine" of our Sarlux IGCC plant were completed as per schedule in H1/10, and **no further maintenance is expected for the remaining part of the year.**
- Due to IFRS linearisation procedure, ***comparable*** **EBITDA** is expected at EUR 180÷190 ml per year, stable until 2021. On the contrary, Italian GAAP EBITDA will reflect oil price volatility, due to the formulas used to calculate CIP/6 tariff.
- The 9-month delay in the formula used to calculate the "fuel component" implies that the **CIP/6 power tariff** will remain approximately at the current levels for the remainder of 2010, in line with the trend of crude oil prices during the second half of 2009 (when Brent DTD stayed within the 65 ÷ 75 $/bl range).

Main events after the end of Third Quarter 2010

There have been no main events after the end of the period.

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 in part at variable market rates and in part at fixed 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 capacity for self-financing, together with the low level of debt, lead us to consider that the liquidity risk is moderate.

Other risks

Risks of interruption of production

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

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

Environmental risk

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

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

Legal (Regulatory) 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

The transactions or positions with related parties do not have any significant effect on the statement of financial position and on the income statement of the Saras Group.

Research and development

Saras did not have a meaningful research and development activity in the period, therefore no significant cost where capitalized or accounted in the Income Statement during the first nine months of 2010.

Own shares

During the first nine months of 2010 Saras did not acquire or sell Company's own shares, while 355,890 shares were allocated to employees, under the "Stock Grant" Plan.

Regulatory developments

On the 16th December 2009, the Sarlux S.r.l. subsidiary sent the GSE a non-binding notification, pursuant to the Decree dated 2nd December 2009 by the Ministry for the Economic Development, regarding its intention to terminate in advance its electricity sale contract based on the CIP6/92 tariff. Decree dated 2nd December 2009 made reference to a subsequent Decree which would set terms and conditions for each category of CIP6/92 contracts, in order to make eventual early termination possible. To date no Decree has been issued addressing the specific category to which the Sarlux CIP6/92 contract belongs.

For the Board of Directors
The Chairman
Gian Marco Moratti

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Statement of Consolidated Financial Position as of 30th September 2010 and as of 31st December 2009

EUR thousand	30/09/2010	31/12/2009
ASSETS		
current assets	**1,651,794**	**1,405,678**
Cash and cash equivalents	30,199	111,372
Other financial assets held for trading or available for sale	26,308	21,301
Trade receivables	654,687	396,954
Inventories	815,684	732,077
Current tax assets	40,847	39,983
Other assets	84,069	103,991
Non-current assets	**1,982,901**	**2,019,986**
Property, plant and equipment	1,494,863	1,525,547
Intangible assets	422,888	445,549
Other equity interests	571	571
Deferred tax assets	56,809	46,932
Other financial assets	7,770	1,387
Total assets	**3,634,695**	**3,425,664**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**1,185,557**	**1,181,771**
Short-term financial liabilities	218,172	379,562
Trade and other payables	752,110	646,992
Current tax liabilities	118,273	67,955
Other liabilities	97,002	87,262
Non-current liabilities	**1,218,892**	**1,015,853**
Long-term financial liabilities	483,289	289,552
Provisions for risks and future liabilities	96,522	41,118
Provisions for employee benefits	34,894	35,420
Liabilities for deferred tax assets	0	0
Other liabilities	604,187	649,763
Total liabilities	**2,404,449**	**2,197,624**
EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	1,163,830	1,089,884
Profit/(loss) for the period	882	72,552
Total equity attributable to owners of the company	**1,230,268**	**1,227,992**
Minority interest	(22)	48
Total Equity	**1,230,246**	**1,228,040**
Total liabilities and equity	**3,634,695**	**3,425,664**

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st Jan–30th Sep2010 and 1st Jan–30th Sep2009

STATEMENT OF COMPREHENSIVE INCOME AS OF 1st JANUARY - 30 SEPTEMBER 2010 AND 2009

EUR thousand	1 January 30 September 2010	of which non recurring	1 January 30 September 2009	of which non recurring
Revenues from ordinary operations	6.040.140		3.701.844	
Other income	67.412		50.990	
Total revenues	**6.107.552**	*0*	**3.752.834**	*0*
Purchases of raw materials, spare parts and consumables	(5.396.433)		(2.985.627)	
Cost of services and sundry costs	(460.125)		(387.205)	
Personnel costs	(113.261)		(104.566)	
Depreciation, amortization and write-downs	(153.395)		(138.686)	
Total costs	**(6.123.214)**	*0*	**(3.616.084)**	*0*
Operating results	**(15.662)**	*0*	**136.750**	*0*
Net income (charges) from equity interests				
Financial Income	50.103		13.436	
Financial Charges	(34.631)		(31.846)	
Profit before taxes	**(190)**	*0*	**118.340**	*0*
Income tax for the period	1.002		(50.985)	
Net profit/(loss) for the period	**812**	*0*	**67.355**	*0*
Net profit/(loss) for the period attributable to:				
Equity holders of the company	882		67.389	
Minority interest	(70)		(34)	
Net profit/(loss) per share - base (Euro cent)	**0,10**		**7,26**	
Net profit/(loss) per share - diluited (Euro cent)	**0,10**		**7,26**	

STATEMENT OF COMPREHENSIVE INCOME AS OF 1st JANUARY - 30 SEPTEMBER 2010 AND 2009

EUR thousand	1 January 30 September 2010	1 January 30 September 2009
Net result of the period (A)	**812**	**67.355**
Effect of exchange rate on financial accounts	(4)	10
Income / (loss), net of fiscal effect (B)	**(4)**	**10**
Consolidated Comprehensive Result o f the period (A + B)	**808**	**67.365**
Net consolidated Comprehensive Result o f the period perteining to :		
Parent Company shareholding	878	67.399
Minority Interessence	(70)	(34)

Statement of Changes in Consolidated Shareholders' Equity from 31st December 2008, to 30th September 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 period profit			61.822	(61.822)			0
Reserve for employees stock plan			3.005		3.005		3.005
Dividends			(157.721)		(157.721)		(157.721)
Effect of Corporate tax rate reduction (IRES)			70		70		70
Minority on Artemide Srl acquisition					0	7	7
Effect of exchange rate on financial accounts			10		10		10
Net profit (loss) for the period				67.389	67.389	(34)	67.355
Balance as of 30/09/2009	**54.630**	**10.926**	**1.090.861**	**67.389**	**1.223.806**	**(27)**	**1.223.779**
Reserve for employees stock plan			(954)		(954)		(954)
Effect of Corporate tax rate reduction (IRES)			(15)		(15)		(15)
Minority on Artemide Srl acquisition					0	35	35
Effect of exchange rate on financial accounts			(8)		(8)		(8)
Net profit (loss) for the period				5.163	5.163	40	5.203
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 period profit			72.552	(72.552)	0		0
Reserve for employees stock plan			1.398		1.398		1.398
Effect of exchange rate on financial accounts			(4)		(4)		(4)
Net profit (loss) for the period				882	882	(70)	812
Balance as of 30/09/2010	**54.630**	**10.926**	**1.163.830**	**882**	**1.230.268**	**(22)**	**1.230.246**

Consolidated Cash Flow Statements as of 30th September 2010 and as of 30th September 2009

EUR thousand	1/1/2010 - 30/09/2010	1/1/2009 - 30/09/2009
A - Cash and cash equivalents at the beginning of period	**111,372**	**65,180**
B - Cash generated from/(used in) operating activities		
Net Profit/ (Loss) for the period	812	67,355
Amortization, depreciation and write-down of fixed assets	153,395	138,686
Net (income)/charges from equity interests	0	0
Net change in provisions for risks and charges	55,404	27,391
Net change in employee benefits	(526)	(1,880)
Net Change in tax liabilities and tax assets	(9,877)	7,540
Income tax	(1,002)	50,985
Other non cash items	1,394	3,092
Profit (Loss) from operating activities before changes in working capital	**199,600**	**293,169**
(Increase)/Decrease in trade receivables	(257,733)	202,757
(Increase)/Decrease in inventory	(83,607)	(221,690)
Increase/(Decrease) in trade and other payables	105,118	169,003
Change in other current assets	19,058	(78,108)
Change in other current liabilities	88,212	56,805
Income tax paid	(11,952)	(119,684)
Change in other non-current liabilities	(45,576)	(17,840)
Total (B)	**13,120**	**284,412**
C - Cash flow from (to) investment activities		
(Investments) in tangible and intangible assets	(103,174)	(252,266)
(Investments) disinvestments in other holdings	0	440
Change in financial assets	(11,390)	(2,904)
Interest received	136	765
Other non cash items	3,124	287
Total (C)	**(111,304)**	**(253,678)**
D - Cash generated from/(used in) financing activities		
Increase/(Decrease) in medium/long term borrowings	193,737	154,268
Increase/(Decrease) in short term borrowings	(161,390)	(13,206)
Dividend distribution to shareholders	0	(157,721)
Interest paid	(15,336)	(10,691)
Total (D)	**17,011**	**(27,350)**
E - Cashflow for the period (B+C+D)	**(81,173)**	**3,384**
F - Cash from new consolidated subsidiaries	**0**	**0**
G - Cash and cash equivalents at the end of period	**30,199**	**68,564**

For the Board of Directors
The Chairman
Gian Marco Moratti

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Table of contents of the Notes to the Condensed Consolidated Interim Financial Statements

1. Introduction

Saras SpA (the parent company) is a company limited by shares listed on the Milan stock market. Its registered office is at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and it is 62.461% owned (excluding own shares) by Angelo Moratti SAPA (registered office: Foro Bonaparte 69, Milan).

Saras SpA 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 Srl, and a wind farm run by its subsidiary Parchi Eolici Ulassai Srl.

These consolidated financial statements for the nine months ended 30 September 2010 are presented in euro, since the euro is the currency of the economy in which the group operates. They consist of the balance sheet, comprehensive income statement, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousand euro, unless otherwise stated.

The consolidated financial statements for the first nine months ended 30 September 2010 should be read in conjunction with the consolidated accounts of the Saras Group for the year ended 31 December 2009.

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

The group's consolidated financial statements for the nine months to 30 September 2010 were prepared in accordance with the International Financial Reporting Standards ("IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002. Legislative Decree 38 was subsequently issued on 20 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 consolidated financial statements of Saras SpA were approved by its Board of Directors and set out in the relevant EU regulations published as of that date.

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

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

3. Accounting principles applied

These consolidated financial statements were prepared in abbreviated form, in accordance with the international accounting standard that applies to interim financial statements (IAS 34 "Interim Financial Reporting"), adopted according to the procedures set out in article 6 of regulation (EC) 1606 of 2002, and must be read in conjunction with the consolidated accounts for the year ended 31 December 2009.
The accounting standards and valuation and consolidation criteria adopted to prepare the abbreviated consolidated nine-month report are consistent with those used for the consolidated accounts for the year ended 31 December 2009, to which reference should be made for more comprehensive information. The above-mentioned standards have been applied consistently for all periods shown.

The following amendments and interpretations, effective from 1 January 2010, have been applied without any impact on the group:

- IFRS 3 – Business Combinations / 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 following the acquisition of control of subsidiaries, where the acquisition takes place in stages. Goodwill will only be determined at the stage of the acquisition of control, 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 in an acquisition, 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 combinations and the recording of liabilities for payments subject to conditions from the date of acquisition. 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 established 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.
- IFRS 2 – Group Cash-settled Share-based Payment Transactions: expands the scope of IFRIC 11.

The following international accounting standards and interpretations will apply in subsequent accounting periods:

IFRIC 14 – Prepayments of a Minimum Funding Requirement: provides for the recognition of assets in relation to prepayments of minimum funding requirements.
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments: defines the accounting treatment to be adopted where financial liabilities are settled via the issue of equity instruments.
IAS 24 – Related Party Disclosures: simplifies the definition of related parties.

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

Lastly, the following international accounting standards and interpretations have not yet been endorsed by the EU and will be applicable in subsequent years:
IFRS 9 – Financial Instruments: modifies the reporting and measurement criteria for financial assets and the related classification in the financial statements.

3.1 Basis of consolidation

Subsidiaries consolidated on a line-by-line basis that are included in the basis of consolidation are listed below:

Consolidated on a line-by-line basis	% owned
Arcola Petrolifera SpA	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie SpA	100%
Ensar Srl and subsidiaries:	100%
Nova Eolica Srl	100%
Eolica Italiana Srl	100%
Labor Eolica Srl	100%
Alpha Eolica Srl	100%
Akhela Srl and subsidiary:	100%
Artemide Srl	51%
Sarint SA and subsidiaries:	100%
Saras Energia SA	100%
Reasar SA	100%
Parchi Eolici Ulassai Srl and subsidiary:	100%
Sardeolica Srl	100%

The group also holds the following other investments:

Other investments: of insignificant value (valued at cost)	
ITSME Srl	3.379%
Consorzio Cesma	5%
Consorzio La Spezia Energia	5%
Sarda Factoring	5.95%
I.C.T. Competence Centre	0.5 %

No changes occurred over the period in the basis of consolidation compared with 31 December 2009.

3.2 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methods that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions influences the amounts reported in the financial statements, i.e. the balance sheet, comprehensive income statement and cash flow statement, as well as the accompanying disclosures. Actual amounts may differ from those reported in the financial statements due to the uncertainty surrounding these assumptions and the conditions upon which the estimates are based.
These types of valuations, particularly those which are more complex, such as establishing any loss in value of fixed assets, are only fully carried out when the annual consolidated financial statements are prepared, at which time all the required information is available, except in cases where there are impairment indicators requiring an immediate valuation of loss in value.
A summary of the most significant estimates is provided in the group consolidated financial statements for the year ended 31 December 2009.

4. Information by business segment

4.1 Preliminary remarks

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

1. Refining activities refer to:

[A] The sale of oil products obtained:

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

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

[B] Revenues from refining activities undertaken on behalf of third parties, which 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 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 SpA 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 SA 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 Srl, a wholly-owned subsidiary. This electricity is sold exclusively to the grid operator GSE (Gestore dei Servizi Elettrici SpA), 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 Srl (100%-owned by subsidiary Parchi Eolici Ulassai Srl).

5. Other activities include reinsurance activities undertaken for the group by Reasar SA, information technology activities undertaken by Akhela Srl and research for environmental sectors undertaken by Sartec SpA.

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

	Refining	Marketing	Power generation	Wind power	Other	Total
30 September 2009						
Revenues from ordinary operations	3,192,811	1,223,381	354,738	7,880	35,997	4,814,807
deduction: revenues infrasector	(1,038,559)	(34,790)	(24,867)		(14,747)	(1,112,963)
Revenues from third parties	**2,154,252**	**1,188,591**	**329,871**	**7,880**	**21,250**	**3,701,844**
Other Income	64,609	1,026	38,663	9,966	496	114,760
deduction: income infrasector	(54,456)	(294)	(8,805)		(215)	(63,770)
Other income from third parties	**10,153**	**732**	**29,858**	**9,966**	**281**	**50,990**
Amortisation & Depreciation	**(66,034)**	**(6,128)**	**(57,724)**	**(7,255)**	**(1,545)**	**(138,686)**
Operating profit (a)	**13,227**	**38,448**	**78,273**	**6,985**	**(183)**	**136,750**
Financial Income	12,631	351	306	77	71	13,436
Financial Charges	(21,874)	(1,224)	(5,319)	(3,347)	(82)	(31,846)
Income Taxes	(9,251)	(12,023)	(27,976)	(1,254)	(481)	(50,985)
Net Income for the period	**(4,482)**	**24,266**	**45,689**	**2,504**	**(622)**	**67,355**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,497,920**	**600,950**	**1,191,511**	**110,623**	**43,896**	**3,444,900**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**962,868**	**270,564**	**873,194**	**88,088**	**26,407**	**2,221,121**
Investments in tangible assets	186,961	50,418	8,999	172	924	**247,474**
Investments in intangible assets	597	2,286		5	1,904	**4,792**
30 September 2010						
Revenues from ordinary operations	5,207,356	1,940,315	399,025	8,080	37,519	7,592,295
deduction: revenues infrasector	(1,478,976)	(27,191)	(32,425)	0	(13,563)	(1,552,155)
Revenues from third parties	**3,728,380**	**1,913,124**	**366,600**	**8,080**	**23,956**	**6,040,140**
Other Income	89,299	906	44,209	9,782	855	145,051
deduction: income infrasector	(66,430)	(61)	(10,936)	0	(212)	(77,639)
Other income from third parties	**22,869**	**845**	**33,273**	**9,782**	**643**	**67,412**
Amortisation & Depreciation	**(78,356)**	**(9,102)**	**(57,861)**	**(6,812)**	**(1,264)**	**(153,395)**
Operating Income (a)	**(140,020)**	**27,572**	**90,707**	**7,141**	**(1,062)**	**(15,662)**
Financial Income	48,778	779	219	233	94	50,103
Financial Charges	(24,114)	(3,359)	(3,502)	(3,413)	(243)	(34,631)
Income Taxes	42,454	(8,508)	(32,749)	35	(230)	1,002
Net Income for the period	**(72,902)**	**16,484**	**54,675**	**3,996**	**(1,441)**	**812**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,815,199**	**598,854**	**1,071,409**	**110,225**	**39,008**	**3,634,695**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,455,034**	**209,836**	**645,253**	**75,622**	**18,704**	**2,404,449**
Investments in tangible assets	71,102	3,950	7,413	14,246	734	**97,445**
Investments in intangible assets	4,514	660	0	0	555	**5,729**

(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

5. Notes to the balance sheet

The most significant changes to the balance sheet and income statement compared with the same period last year are shown below.

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	30/09/2010	31/12/2009	Change
Bank and postal deposits	28,545	110,044	(81,499)
Cash	1,654	1,328	326
Total	**30,199**	**111,372**	**(81,173)**

Bank deposits were mainly attributable to Sarlux Srl (EUR 3,679 thousand), Sardeolica Srl (EUR 12,563 thousand), Saras SpA (EUR 2,832 thousand) and Arcola Petrolifera SpA (EUR 2,211 thousand).
The reduction in the period occurred mainly as a result of the early settlement of the loan by Sarlux Srl on 15 September 2010, resulting in the termination of the contractual obligations (maintenance of escrow accounts for future expenditure).
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 (€26,308 thousand) mainly includes Italian and foreign equities and government bonds held by the parent company (€17,510 thousand) and green certificates (€8,798 thousand) obtained by Sardeolica Srl for the generation of energy from renewable sources and still held as of the reporting date.
Profits and losses realised and changes in fair value since the start of the period were booked to the income statement under "Financial income" or "Financial charges" for Italian or foreign equities and government bonds, and under "Other income" or "Miscellaneous costs" where these relate to green certificates.
The green certificates relating to subsidiary Sardeolica Srl are sold on an appropriate regulated market or via bilateral agreements between market operators; the certificates accrued in the first nine months of 2010 were valued at the average market price for the period (€83.21/MWH).
The decreases due to the sale of green certificates allocated in the period or in previous years are valued at the sale price.

Changes in the item are as follows

Securities	
Balance at 31/12/2009	**17,549**
Increase for the period	7,427
Decrease for the period	(7,466)
Balance at 30/09/2010	**17,510**

Green Certificates	
Balance at 31/12/2009	**3,752**
Increase for the period	9,759
Decrease for the period	(4,713)
Balance at 30/09/2010	**8,798**

5.1.3 Trade receivables

Trade receivables totalled €654,686 thousand, net of an impairment provision of €11,403 thousand, with an increase versus 31 December 2009 of €257,732 thousand, due to higher sales than in the last quarter of the previous year for the parent company and Arcola Petrolifera SpA (the latter mainly in Sardinia).

5.1.4 Inventories

The following table shows the balance for inventories and the changes that occurred during the period.

	30/09/2010	31/12/2009	Change
Inventories:			
Raw materials, replacements parts and consumables	303,405	213,437	89,968
Semi-finished products and work in progress	76,880	54,647	22,233
Finished products and good held for resale	433,927	453,555	(19,628)
Advance payments	1,472	10,438	(8,966)
Total	**815,684**	**732,077**	**83,607**

The valuation of inventories of crude and other oil products at market value led to a write-down of €15.9 million as of 30 September 2010.

No stocks are put up as guarantees for liabilities.

The Sarroch refinery held crude and oil products belonging to third parties worth a total of €133.9 million at 30 September 2010.

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets.

	30/09/2010	31/12/2009	Change
VAT credits	221	150	71
IRES credits	34,200	32,051	2,149
IRAP credits	4,225	5,896	(1,671)
Other tax credits	2,201	1,886	315
Total	**40,847**	**39,983**	**864**

The items “Income tax receivables” and “IRAP receivables” mainly refer to the surplus payments in advance on account made in the previous year for tax liabilities for the year, which take into account the reduction in the related taxable amounts.

5.1.6. Other current assets

The balance is detailed below.

	30/09/2010	31/12/2009	Change
Accrued Income	1,990	991	999
Deferred costs	12,882	12,787	95
Other receivables	69,197	90,213	(21,016)
Total	**84,069**	**103,991**	**(19,922)**

“Other receivables” at 30 September 2010 mainly included the receivable of €32,728 thousand due to the subsidiary Sarlux Srl arising from the recognition of the refund of charges relating to the application of EC Directive 2003/87 (Emissions Trading) with reference to the first nine months of 2010; the item also includes €17,701 thousand relating to

the recovery of the amount paid by subsidiary Sarlux Srl to GSE, as described in point 7.1, and €679 thousand relating to the fair value of derivatives contracts entered into by the parent company
The decrease for the period is attributable to the receivable obtained by Sarlux Srl in respect of the refund of emissions trading allowances relating to the previous year.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

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 & Rev./Dev.	31/12/2009
Land & buildings	110,386	21,202	0	(7,713)	42,780	166,655
Plants & 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**

COST	31/12/2009	Addition	(Disposals)	Revaluations (write-down)	Other changes	30/9/2010
Land & buildings	224,655	392			6,293	231,340
Plants & machinery	2,542,809	6,871	(2,261)		49,039	2,596,458
Industrial & commercial equipment	30,631	1,505	(88)		2,294	34,342
Other assets	443,662	569	(220)		19,243	463,254
Work in progress and advances	185,159	88,108	(1,077)		(78,983)	193,207
Total	**3,426,916**	**97,445**	**(3,646)**	**0**	**(2,114)**	**3,518,601**

ACCUMULATED DEPRECIATION	31/12/2009	Depreciation	(Disposals)	Revaluations (write-down)	Other changes	30/9/2010
Land & buildings	58,000	7,164			(1)	65,163
Plants & machinery	1,486,452	101,856	(2,261)		719	1,586,766
Industrial & commercial equipment	23,039	1,812	(20)		(844)	23,987
Other assets	333,878	14,376	(211)		(221)	347,822
Total	**1,901,369**	**125,208**	**(2,492)**	**0**	**(347)**	**2,023,738**

NET BOOK VALUE	31/12/2009	Addition	(Disposals)	(Depreciation)	Other changes & Rev./Dev.	30/9/2010
Land & buildings	166,655	392	0	(7,164)	6,294	166,177
Plants & machinery	1,056,357	6,871	0	(101,856)	48,320	1,009,692
Industrial & commercial equipment	7,592	1,505	(68)	(1,812)	3,138	10,355
Other assets	109,784	569	(9)	(14,376)	19,464	115,432
Work in progress and advances	185,159	88,108	(1,077)		(78,983)	193,207
Total	**1,525,547**	**97,445**	**(1,154)**	**(125,208)**	**(1,767)**	**1,494,863**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was €167,089 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995 and the Ministry of Productive Activities on 10 October 1997. The residual value of these grants was €7.027 thousand at 30 September 2010, compared with €9,728 thousand at 31 December 2009.

The item "Land and buildings" includes industrial buildings used as offices and warehouses (net value: €114,549 thousand), civic buildings in Milan, Cagliari and Rome used as offices (net value: €14,797 thousand) and land, which largely relates to the Sarroch and Arcola sites belonging to the parent company and Arcola Petrolifera SpA respectively, and service stations belonging to Saras Energia SA (€36,831 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 SpA).

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

Increases for the period total €97,445 thousand and mainly relate to technological work carried out at the parent company's plants, in particular, the revamping of the MHC2 plant and the end of works at the FCC plant (revamping of the CO boiler, installation of a catalyst cooler and heat recovery equipment), and the expansion of the Ulassai wind farm owned by Sardeolica Srl (€14,239 thousand).

The net balance of "Other changes" at 31 December 2009 mainly related to the raw materials used to start up the biodiesel production plant of subsidiary Saras Energia SA, initially capitalised as work in progress and subsequently, for the portion not used during the start up phase, reclassified as warehouse inventories.

The most significant depreciation rates used are as follows:

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

No fixed assets are held for sale.
The group has a concession from the Cagliari Port Authority allowing it to occupy state-owned areas until 31 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 €4,132 thousand and internal costs of €8,225 thousand were capitalised during the period.

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	31/12/2009	Additions	Disposals	Other Changes	(Amortisation)	30/09/2010
Industrial & other patent rights	2,951	632	(5)		(1,367)	2,211
Concessions, licences, trademarks & similar rights	50,362				(2,020)	48,342
Goodwill	24,409			(9)		24,400
Assets in progress & payments on account	13,878	4,727	(129)	(54)		18,422
Other intangible assets	353,949	370		(6)	(24,800)	329,513
Total	**445,549**	**5,729**	**(134)**	**(69)**	**(28,187)**	**422,888**

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights
The balance of the item mainly refers to the concessions relating to Estaciones de Servicio Caprabo SA (merged with Saras Energia SA) for the operation of the service stations in Spain, and to Sardeolica Srl for the operation of the Ulassai wind farm.

Goodwill
This item mainly refers to goodwill paid to acquire a shareholding of 30% of subsidiary Parchi Eolici Ulassai Srl: the goodwill was calculated using a projection of future cash flows by Sardeolica until 2035 when the concessions expire.
Intangible assets with a non-finite useful life are not amortised, but are subject to annual impairment tests at the end of every financial year, or whenever there are indications of losses in value. As of 30 September 2010, there were no such indications.

Intangible assets in progress and payments on account
This item mainly includes the cost of natural gas exploration in Sardinia.

Other intangible assets
This item largely refers to the booking at fair value (€318 million) of the existing agreement between Sarlux Srl and GSE (Gestore dei Servizi Elettrici SpA).
In 2009, charges and commissions incurred by Sardeolica Srl to obtain loans, which were previously classified under intangible assets, were reclassified as a decrease recorded under these loans: the effect of the reclassification (approximately €5 million) is shown in the column “Other changes”.

Financial charges capitalised in the period totalled €183 thousand.

Amortisation of intangible assets totalled €28,187 thousand, and was calculated using the annual rates shown below.

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

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

5.2.3 Equity investments
The table below shows a list of equity investments held at 30 September 2010, with the main figures relating to each subsidiary.

Company name	Registered office	Currency	share Capital	% owned by Group as of 09-10	% owned by Group as of 12-09	% share Capital	Shareholder	% of voting rights	Category
Arcola Petrolifera S.p.A.	Sarroch (CA)	Euro	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)	Euro	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiaries:	Milan	Euro	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	Euro	100,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Nova Eolica S.r.l.	Cagliari	Euro	10,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Euro	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Labor Eolica S.r.l.	Bucarest (Romania)	Euro	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Akhela S.r.l. and subsidiaries:	Uta (CA)	Euro	3,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Artemide S.r.l.	Rome	Euro	20,000	51.00%	51.00%	51.00%	Akhela S.r.l.	51.00%	Indirect Subsidiary
ITSME S.r.l.	Milan	Euro	39,632	3.38%	3.38%	3.38%	Akhela S.r.l.	3.38%	Other Interests
Sarint S.A. and subsidiaries:	Luxemburg	Euro	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.	Madrid (Spain)	Euro	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Reasar S.A.	Luxemburg	Euro	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Sarlux S.r.l.	Sarroch (CA)	Euro	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	Euro	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%	Indirect Subsidiary
Consorzio Cesma	Castellamonte (TO)	Euro	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	Euro	50,000	5.00%	5.00%	5.00%	Arcola Petrolifera S.p.A.	5.00%	Other Interests
Sarda Factoring	Cagliari	Euro	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other Interests
Centro di Competenza I.C.T.	Cagliari	Euro	20,000	0.50%	0.50%	0.50%	Akhela S.r.l.	0.50%	Other Interests

5.2.3.1 Other investments

Other investments break down as follows:

	30/09/2010	31/12/2009
ITSME S.r.l.	50	50
Consorzio Cesma	3	3
Consorzio La Spezia Energia	2	2
Sarda Factoring	495	495
Centro di Competenza I.C.T.	21	21
Total	**571**	**571**

5.2.4 Deferred tax assets

At 30 September 2010, deferred tax assets stood at €56,809 thousand, and mainly comprised net deferred tax assets of Saras SpA (including €12,875 thousand relating to tax losses) and Sarlux Srl relating to the reporting of revenues on a linear basis net of related deferred taxes and the accounting at fair value of the contract in place with GSE (Gestore dei Servizi Elettrici SpA).

5.2.5 Other financial assets

The balance of this item at 30 September 2010 was €7,770 thousand (€1,387 thousand at 31 December 2009) and mainly consisted of long-term trade receivables due to the subsidiary Arcola Petrolifera SpA

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities.

	30/9/2010	31/12/2009	Change
Bank loans	9,821	69,598	(59,777)
Bank accounts	202,952	276,038	(73,086)
Derivatives	5,375	2,540	2,835
Other short-term financial liabilities	24	31,386	(31,362)
Total short-term financial liabilities	**218,172**	**379,562**	**(161,390)**

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

For further details, please see the cash flow statement.

In the previous year, the item "Other short-term financial liabilities" included sales transactions with the obligation to purchase $C0_2$ allowances, which were not carried out in the period under review.

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	30/9/2010	31/12/2009	Change
Advances from clients: portion due within the year	240	16,661	(16,421)
Payables to suppliers: portion due within the year	751,870	630,331	121,539
Total	**752,110**	**646,992**	**105,118**

Trade payables increased versus the previous year, mainly because of the trend in oil prices and the greater quantities of crude acquired by the parent company.

5.3.3 Current tax liabilities

This item is broken down below.

	30/9/2010	31/12/2009	Change
VAT payables	32,319	40,890	(8,571)
IRES (Corporate Tax)	2,719	218	2,501
IRAP (Regional Tax)	2,309	191	2,118
Other tax payables	80,926	26,656	54,270
Total	**118,273**	**67,955**	**50,318**

VAT payables mainly relate to the debt position of subsidiary Saras Energia SA

The item “Other tax payables” mainly includes excise duties on products introduced into the market by the Spanish subsidiary Saras Energia SA and the Italian subsidiary Arcola Petrolifera SpA; the increase was largely due to the above-mentioned expansion of sales on the Sardinian market, and to advance payments of excise duties made in December, as required by the regulations.

5.3.4 Other current liabilities

A breakdown of other current liabilities is shown below.

	30/9/2010	31/12/2009	Change
Amount payable to welfare and social security bodies: portions due within the year	7,524	9,936	(2,412)
Due to personnel	23,408	16,598	6,810
Payables to Ministry for grants	43,141	42,197	944
Other payables	16,517	16,714	(197)
Other accrued liabilities	6,062	1,226	4,836
Other deferred income	350	591	(241)
Total	**97,002**	**87,262**	**9,740**

The decrease in “Payables to pension and social security organisations (portion due within one year)” was attributable to the recalculation, in relation to the Stock Grant Plan (Management), of contributions to be paid in respect of share values, following announcements made by the pension authorities.

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

The item “Payables to ministry for grants” mainly includes advances received from the Ministry of Productive Activities by both the parent company in connection with the programme agreement signed on 10 June 2002, for which the final concession decree has yet to be granted (€24,736 thousand), and by the subsidiary Sardeolica Srl for the construction of the Ulassai wind farm (€15,679 thousand). The increase for the period refers to the advance payment received by Sartec SpA in respect of the third programme agreement signed with the above-mentioned ministry.

The item “Other payables” mainly relates to port duties as determined by the customs authority in respect of the parent company (€15,115 thousand); please note that the initial phase of the company’s long-standing dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due.
A second phase of the dispute is now under way, and despite a favourable decision by the court of Cagliari, an unfavourable ruling was handed down by the Cagliari Court of Appeal. The company has now lodged an appeal with the Court of Cassation, which has yet to announce its decision.
In addition, during 2007, the tax authority asked the parent company to pay the tax assessed and put on hold. The company appealed against this measure to the Regional Tax Court, while the tax authority refused to grant a suspension for further assessments.
As a result of this dispute, the entire amount relating to port duties for 2008, as well as for previous years, has been booked on an accruals basis under “Service costs”.

5.4 Non-current liabilities

5.4.1. Long-term financial liabilities

The following table shows long-term financial liabilities:

	30/9/2010	31/12/2009	Change
Bank loans	235,692	289,552	(53,860)
Euro Bond	247,597	0	247,597
Total long-term financial liabilities	**483,289**	**289,552**	**193,737**

On 16 July 2010, Saras SpA, an unrated company, carried out a bond issue aimed solely at institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bonds, which are listed on the Luxembourg stock exchange, have a coupon of 5.583% and will mature on 21 July 2015. They are not supported by a guarantee and do not stipulate any covenants. The bond issue is recorded net of issue charges incurred.

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

For further details, please see the cash flow statement.

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 31/12/09	Outstanding 30/09/10	Maturity			Collateral
						1 year	from 1 to 5 years	beyond 5 years	
Saras S.p.A.									
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	99.4	99.6		99.6		
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	89.4	89.6		89.6		
				188.8	**189.2**	**-**	**189.2**	**-**	
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1.7	2.35%	0.1	-	-			
				0.1	**-**	**-**	**-**	**-**	
Akhela S.r.l.									
Unicredit	6-Aug-08	0.2	0.74%	0.2	0.2	0.2			
				0.2	**0.2**	**0.2**	**-**	**-**	
Artemide S.r.l.									
Banca Intesa	11-Apr-07	0.3	Euribor 3M	0.2	0.1	0.1			
				0.2	**0.1**	**0.1**	**-**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	3.3	2.2	2.2			
				3.3	**2.2**	**2.2**	**-**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	56.7	53.8	7.3	25.1	21.4	53.8
				56.7	**53.8**	**7.3**	**25.1**	**21.4**	
Sarlux S.r.l.									
Banca Intesa	29-Nov-96	572.0	Libor 3M	65.5	-				-
BEI	29-Nov-96	180.0	7.35%	22.3	-				-
BEI	29-Nov-96	208.0	Euribor 3M	22.1	-				-
				109.9	**-**	**-**	**-**	**-**	
Total payables to banks for loans				**359.2**	**245.5**	**9.8**	**214.3**	**21.4**	

The weighted average interest rate at 30 September 2010 was 2.83% (including guarantees and commitment fees for the subsidiary Sarlux Srl).

Sardeolica Srl entered into a loan agreement divided into five credit lines with a pool of banks (led by Banca Nazionale del Lavoro), which was signed on 6 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 25 May 2009 by parent company Saras SpA 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.

The table below shows the composition of the group's net debt at 30 September 2010 and 31 December 2009.

	30/09/10	31/12/09
Medium/long-term bank loans	(483,289)	(289,552)
Short-term bank loans	(9,821)	(69,598)
Bank overdrafts	(202,952)	(276,038)
Other loans	(24)	(31,386)
Net Fair value of derivatives instruments	(4,537)	691
Other held for trading financial assets	26,308	21,301
Cash and equivalents	30,199	111,372
Total net debt	**(644,116)**	**(533,210)**

The total amount of operating cash flow was used in investments during the period.

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

	31/12/2008	Additions	Reductions	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**

	31/12/2009	Additions	Reductions	30/09/2010
Fondo smantellamento impianti	16,826			16,826
Provisions for CO_2 quotas	18,713	55,521		74,234
Other risk provisions	5,579	138	(255)	5,462
Total	**41,118**	**55,659**	**(255)**	**96,522**

The provisions for dismantling plants relate to the future costs of dismantling plants and machinery, which are made wherever there is a legal and implicit obligation to be met in this regard.

The provision for CO_2 emission allowances, €74,234 thousand in respect of the parent company, was made pursuant to Legislative Decree 216 of 4 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 SpA 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 Srl.
The CO_2 emission allowances assigned under the National Allocation Plan for the full-year 2010 were:
- 2,159,696 tons of CO_2 for refining plants belonging to the parent company; actual emissions at 30 September were 1,805,396 tons of CO_2; the proportional shortfall in the period compared with estimated emissions for the full year was 132,419 tons. The overall value of the deficit for the period and related allowances for the previous year still to be acquired was €33,875 thousand.
- 444,404 tons of CO_2 for the cogeneration plant belonging to subsidiary Sarlux Srl; actual emissions at 30 September were 2,751,589 tons of CO_2; the proportional shortfall in the period compared with estimated emissions for the full year was 2,428,008 CO_2 emission allowances. The overall value of the deficit for the period and related allowances for the previous year still to be acquired was €40,359 thousand.
The item "Other risk provisions" mainly relates to provisions made by the subsidiary Saras Energia SA for possible legal and tax liabilities.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below.

	30/09/2010	31/12/2009	Change
Employee end-of-service payments	14,543	15,412	(869)
Other complementary provisions	20,351	20,008	343
Total	**34,894**	**35,420**	**(526)**

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 agreement establishing the CPAS fund, the special supplementary pension fund for employees, was terminated earlier by the parent company on 23 December 2009, with all the obligations connected with the fund lapsing from 1 July 2010. The procedures to dissolve and liquidate the fund were put in motion and the Board of Directors of the parent company appointed a liquidator on 9 August 2010.

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

Balance at 31.12.2008	**17,480**
Accrual for the period	6,722
Amount used for external pension fund	(8,790)
Balance at 31.12.2009	**15,412**
Accrual for the period	4,906
Amount used for external pension fund	(5,775)
Balance at 30.09.2010	**14,543**

Changes in “Other funds” are as follows:

Balance at 31.12.2008	**20,014**
Accrual for the period	2,077
Amount used during the period	(2,083)
Balance at 31.12.2009	**20,008**
Accrual for the period	1,079
Amount used during the period	(736)
Balance at 30.09.2010	**20,351**

5.4.4 Other current liabilities

Other non-current liabilities break down as follows:

	30/9/2010	31/12/2009	Change
Advances from clients: portion due in future years	4,259	5,822	(1,563)
Payables to welfare and social security bodies: portion due in future years	339	347	(8)
Deferred income	596,976	640,876	(43,900)
Other	2,613	2,718	(105)
Total	**604,187**	**649,763**	**(45,576)**

The change compared with 31 December 2009 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux Srl. The item in question relates to the agreement for the sale of energy between Sarlux Srl and GSE (Gestore dei Servizi Elettrici SpA), 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 Srl, meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a linear basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	30/09/2010	31/12/2009	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,163,830	1,089,884	73,946
Net Profit of the year/period	882	72,552	(71,670)
	1,230,268	**1,227,992**	**2,276**
Share capital and reserves attributable to minority interests	48	42	6
Profit (loss) for year attributable to minority interests	(70)	6	(76)
Total Minority interests Shareholder's Equity	**(22)**	**48**	**(70)**
Total Shareholder's Equity	**1,230,246**	**1,228,040**	**2,206**

Share capital
At 30 September 2010, 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 €1,163,830 thousand, a net increase of €73,946 thousand compared with the previous period. The net increase was the combined result of:

- an increase of €72,552 thousand due to the allocation of profit from the previous year;
- a decrease owing to the translation of the financial statements of subsidiaries in foreign currency (€4 thousand)
- an increase of €1,398 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the stock grant plans

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

Pursuant to IAS 1, paragraphs 1 and 97, please note that no transactions were carried out during the period with owners of the company's shares.

Profit for the period
Consolidated net profit for the period was €882 thousand.

Dividends
On 27 April 2010 the ordinary shareholders' meeting of Saras SpA voted not to pay any dividends.

No own shares were acquired or sold during the period, while 355,890 shares were allocated to employees under the Stock Grant Plan.

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:

	30/09/2010	30/09/2009	Change
Sales and services revenues	5,639,492	3,287,438	2,352,054
Revenues from processing services	6,973	45,438	(38,465)
Sale of electricity	373,879	337,297	36,582
Other revenues	19,620	31,553	(11,933)
Change in contract work in progress	176	118	58
Total	**6,040,140**	**3,701,844**	**2,338,296**

Sales and services revenues increased by €2,338,296 thousand compared to the same period of the previous year. The change was mainly due to the larger quantities sold and the trend in oil prices.

Payment for processing for third parties totalled €6,973 thousand and relates to refining services carried out by the parent company for third parties: the change versus the first half of 2009 was due to the lower quantities processed for third parties.
Other payments include additional charges connected with processing for quality adjustments and logistical changes.

Revenues from the sale of electricity include €365.799 thousand relating to the gasification plant of subsidiary Sarlux Srl and €8,080 thousand relating to the wind farm owned by subsidiary Sardeolica Srl.
Revenues from the sale of electricity by Sarlux Srl reflect the reporting of figures on a linear basis (as indicated in point 5.4.4 – Other non-current liabilities, above), 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.
Note that, pending the settlement of the dispute with the AEEG (gas and electricity regulator) over the method of calculating the avoided fuel cost component (CEC), for the purposes of the half-year results, revenues from the sale of electricity were determined in accordance with AEEG Resolution ARG/elt 154/08.
On 12 July 2010, the Ministry for Economic Development defined the adjustment values for the 2009 avoided fuel cost component for tariff CIP6/92. This decision resulted in income of around €23 million for the subsidiary Sarlux Srl. This income, reported on a linear basis until 2020 in accordance with IFRS principles, led to the recognition of additional revenues of around €1.5 million for the period in question.

The global economic recovery in the first nine months of 2010 proceeded unevenly: Gross Domestic Product, job creation and investments grew significantly in emerging economies. By contrast, in several advanced economies, growth was limited by low consumer confidence, high unemployment, and reduced household incomes.

Predictably, oil products' demand followed the same patterns and, in Europe, refining margins remained well below the already low levels recorded in 2009. More specifically, the EMC benchmark refining margin stood at 0.5 $/bl in the first nine months of 2010, down 62% vs. 1.3 $/bl in 9M/09.

The performance of Saras Refining segment was clearly influenced by the above mentioned weak market scenario. In the meanwhile, the Power Generation segment provided an important effect of stabilization to the overall Group EBITDA, thanks to robust operational performance, which increased production by 7% vs. 9M/09. Similarly, the Marketing segment posted good results, in spite of the generalised reduction of oil consumption both in the Italian and in the Spanish markets, thanks to a shift towards a more profitable mix of sales channels. Finally, the Wind segment performed in line with expectation, thanks to favourable wind conditions in the first months of the year.

6.1.2 Other income

The following table shows a breakdown of other income.

	30/09/2010	30/09/2009	Change
Revenues for stocking of mandatory supplies	857	2,078	(1,221)
Sales of sundry materials	1,599	473	1,126
Grants	9,769	9,956	(187)
Chartering of tanker	2,451	2,531	(80)
Recover for demages and compensation	462	752	(290)
Reimbursment of emission trading charges	32,728	29,163	3,565
Other income	19,546	6,037	13,509
Total	**67,412**	**50,990**	**16,422**

The item "Other income" mainly includes income posted by the parent company deriving from the sale of CO_2 allowances and income posted by subsidiary Sarlux Srl, deriving from the recognition of the reimbursement of charges relating to the application of EC Directive 2003/87 (Emissions Trading). The increase versus the same period of the previous year was mainly due to the sales made by the parent company mentioned above.
The item "Grants" includes the revenues from green certificates obtained by Sardeolica Srl.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	30/09/2010	30/09/2009	Change
Purchases of raw materials	4,239,573	2,151,313	2,088,260
Purchases of semifinished materials	26,980	22,914	4,066
Purchases of replacement parts and consumables	48,175	59,339	(11,164)
Purchases of finished products	1,173,737	968,172	205,565
Other purchases	140	118	22
Change in inventories	(92,172)	(216,229)	124,057
Total	**5,396,433**	**2,985,627**	**2,410,806**

Costs for the purchase of raw materials, replacement parts and consumables totalled €5,396,433 thousand, an increase of €2,410,806 thousand compared to the same period of the previous year: this rise was chiefly due to the trend in average prices of crude and oil products, and the larger quantities purchased.

6.2.2 Cost of services and other costs

	30/09/2010	30/09/2009	Change
Service costs	384,198	336,778	47,420
Use of third-party assets	10,763	10,795	(32)
Provisions for risks and charges	55,521	32,395	23,126
Miscellaneous costs	9,643	7,237	2,406
Total	**460,125**	**387,205**	**72,920**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities. The increase of €47,420 thousand in this item is mainly due to both the cost of rentals and freight associated with the increased quantities of oil products moved by the parent company in the period and to the cost of services relating to the subsidiary Saras Energia SA's distribution network.
The item "Use of third-party assets" includes €1,556 thousand in parent company costs relating to rental of the building that houses the new registered office in Milan. The cost has been reported on a linear basis according to IAS 17 –

Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 31 October 2015. Minimum future payments under the terms of the contract are €2,188 thousand for the following year, and €9,200 thousand for the following years up to five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees. There are no options for contract renewal or acquisition.
The item "Provisions for risks" mainly relates to the cost of acquiring CO_2 emission allowances (€55,521 thousand). For further information please see 5.4.2. above.
Miscellaneous operating costs mainly comprise non-income tax (property tax, emissions tax) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	30/09/2010	30/09/2009	Change
Wages and salaries	76,442	69,804	6,638
Social security	22,428	20,691	1,737
Staff several indemnity	4,906	4,218	688
Pensions and similar	1,079	1,295	(216)
Other costs	4,050	4,213	(163)
Directors' remuneration	4,356	4,345	11
Total	**113,261**	**104,566**	**8,695**

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

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

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

Under the employee share plan, the total value of the shares allocated to each beneficiary cannot exceed €2,065 each year. Furthermore, the maximum value of the shares assignable overall may never exceed the sum of €2 million. The number of shares expected to be allocated under the plan is 165,121, at a cost of €92 thousand in the period. This plan will involve the allocation of 165,121 shares, at a cost for the period of €155 thousand.

The Stock Grant Plan 2010/2012 (for directors of the parent company, and directors and managers individually specified by the Board of Directors of the parent company and subsidiaries) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to the difference between the change in value of the parent company's shares and that of the shares of a group of comparable companies.
This plan will involve the allocation of 1,512,000 shares, at a cost for the period of €1,027 thousand.

Furthermore, beneficiaries who also participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until 2013, in return for a one-off premium to be paid in shares as part of the current plan.
This plan will involve the allocation of 918,700 shares, at a cost for the period of €211 thousand.

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

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below.

	30/09/2010	30/09/2009	Change
Amortisation of intangible assets	28,187	28,269	(82)
Depreciation of tangible assets	125,208	110,417	14,791
Total	**153,395**	**138,686**	**14,709**

The increase in "Depreciation and amortisation" is mainly due to the start of depreciation of significant investments made by the parent company at the end of the previous year. Furthermore, the depreciation of the biodiesel plant and service stations acquired by subsidiary Saras Energia S.A. began in the second half of 2009.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

	30/09/2010	30/09/2009	Variazione
Financial income :			
- from financial assets recorded under current assets	125	145	(20)
Other income			
- interest on bank and post office accounts	136	765	(629)
- fair value of derivatives outstanding on reporting date	66		66
- fair value of held for trading financial assets		646	(646)
- positive differences on derivatives	22,750	8,238	14,512
- other income	379	363	16
Exchange rate gains	26,647	3,279	23,368
Total financial income	**50,103**	**13,436**	**36,667**
Financial charges :			
- fair value of derivatives outstanding on reporting date	(5,770)	(5,937)	167
- fair value of held for trading financial assets		(23)	23
- negative differences on derivatives	(10,513)	(9,619)	(894)
- Others (interest on loans, arrears, ecc)	(15,167)	(9,666)	(5,501)
Exchange rate losses	(3,181)	(6,601)	3,420
Total Financial charges	**(34,631)**	**(31,846)**	**(2,785)**
Net Total	**15,472**	**(18,410)**	**33,882**

The net change in financial income and charges is principally attributable to:

- the differences in net gains realised during the period 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 (€13,851 thousand);
- the difference in value between the exchange rate gains obtained this year and the exchange rate losses in the same period of the previous year (€ 26,788 thousand);
- the increase in net interest due to the parent company's higher average net debt (€ 6,130 thousand).

6.4 Income tax

Income tax breaks down as follows:

	30/09/2010	30/09/2009	Change
Current taxes	8,975	44,176	(35,201)
Net deferred taxes	(9,977)	6,809	(16,786)
Total	**(1,002)**	**50,985**	**(51,987)**

Current taxes essentially include IRAP of €5,296 thousand and additional IRES for the Italian companies of €2,894 thousand.
In respect of deferred tax assets/liabilities, €9,226 thousand of the total relates to the reporting of tax assets calculated on the consolidated tax loss of the group's Italian companies; this sum includes €6,224 thousand deriving from the application of article 5 of Decree Law 78/09 (known as *Tremonti-ter*).

7. Other information

For information on events that took place after the reporting date, please see the relevant section in the report on operations.

7.1 Main legal actions pending

Parent company Saras SpA and subsidiaries Arcola Petrolifera SpA, Sarlux Srl and Akhela Srl were subject to tax inspections and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that liabilities, while possible, are not probable.
Moreover, with reference to the subsidiary Sarlux Srl, please note that companies producing electricity that is not from renewable sources or cogeneration (pursuant to AEEG Resolution 42/02) are required to purchase green certificates in respect of a certain percentage of electricity introduced into the grid. A specially-created AEEG committee, in coming to a different interpretation of the resolution subsequently, deemed the subsidiary subject to this obligation for the years 2002-2006. Sarlux appealed against this interpretation, 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 at 30 June 2010 for this case. The liabilities arising from this dispute, as determined by the GSE, which has already adopted this interpretation, are estimated at about €32 million (requested by the GSE and paid by the subsidiary); however, these liabilities would qualify for partial relief pursuant to section II, point 7-*bis* of CIP Provision 6/92 in respect of costs arising from article 11 of Legislative Decree 79/99 in application of AEEG Resolution 113/06, as supplemented by AEEG Resolution ARG/elt 80/08, of around €14 million (the refund was carried out during the first half of the year through the compensation fund for the electricity sector – *CCSE*).
If the interpretation of the above-mentioned AEEG committee is confirmed, the obligation in question would be extended to 2009, adding a further potential liability of around €17 million, with the related refund estimated at around €8 million.

7.2 Transactions with related parties

The effects on the balance sheet and the income statement of the Saras Group of transactions or positions with related parties are not significant.

7.3 Extraordinary events and transactions and atypical and/or unusual operations

No atypical and/or unusual operations were carried out during the period.

For the Board of Directors
The Chairman
Gian Marco Moratti