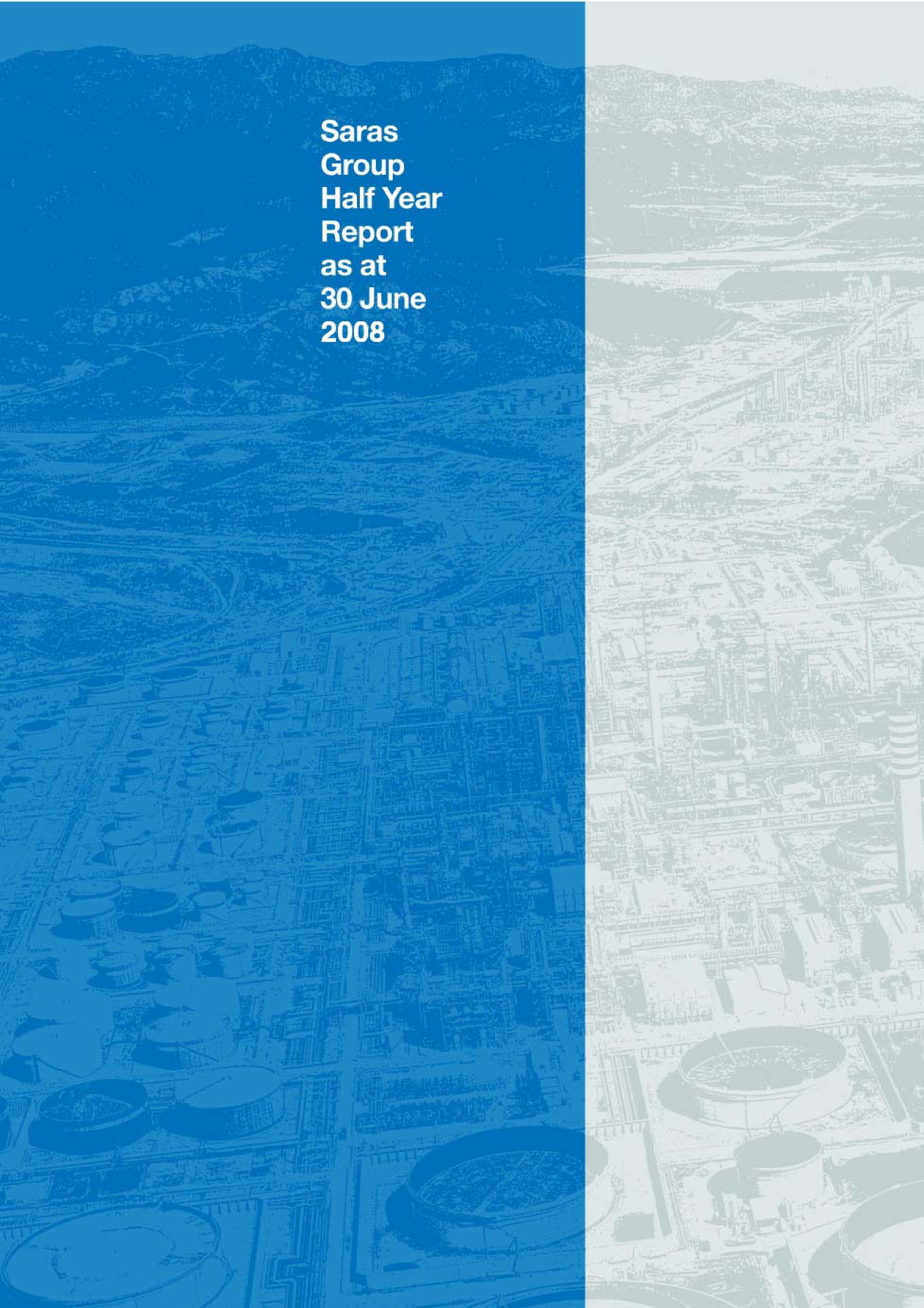
Saras Group Half Year Report as at 30 June 2008



“This is a translated version of the first half 2008 report of the Saras Group, especially intended for an international audience. Those who wish to receive the original report in Italian should address their request in writing or refer to the company website”

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Statutory bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITING FIRM

PRICEWATERHOUSECOOPERS S.p.A.

Group Activities

The Saras Group is active in the energy sector, and is one of the leading operators in Italy and the rest of Europe when it comes to refining crude oil. It sells and distributes oil products in both the domestic and international market, and produces and sells power, as well as engaging in other activities such as industrial engineering for the oil sector and IT services.

As part of its refining activities, Saras Group processes both crude oil purchased on its own account and also crude oil of third parties. Refining is carried out at the Saras Group's plant in Sarroch, on the south-western coast of Sardinia. The Sarroch refinery is one of the largest in the Mediterranean in terms of production capacity, and one of Europe's six super-sites[1], as well as one of the most complex refineries. Boasting an effective refining capacity of approximately 15 million tons per year (around 300,000 barrels/day), the refinery accounts for 15% of Italy's total distillation capacity.

Thanks to the refinery size, highly complex organisation and location, the Saras Group has been able to refine different grades of crude oil, while developing commercial relationships over the years with both crude-exporting countries in North Africa and the Middle East and major international oil corporations.

The Saras Group, both directly and via its subsidiary companies Arcola Petrolifera S.p.A. and Saras Energia S.A., sells and distributes oil products such as diesel, gasoline, heating oil, liquid petroleum gas (LPG), virgin naphtha and aviation fuel to markets in Italy, Europe (mainly the Spanish market) and outside Europe.

The Saras Group also operates in the power sector through the IGCC plant (Integrated Gasification Combined Cycle) of its subsidiary Sarlux S.r.l. and Parchi Eolici Ulassai S.r.l., which owns and manages the wind farm located in the Municipality of Ulassai in Sardinia.

The IGCC plant, which is completely integrated with the Sarroch refinery's production processes, produces power, hydrogen and steam, as well as sulphur and metal concentrates, by using heavy crude oil residue originating from refining processes (assimilated to renewable sources). The power produced by the IGCC plant is sold to "Gestore del Sistema Elettrico" (GSE: the national grid operator for renewable sources) in accordance with the terms and conditions set out in the CIP 6 resolution, while hydrogen and steam are sold to Saras, which uses them in the refinery's production processes.

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

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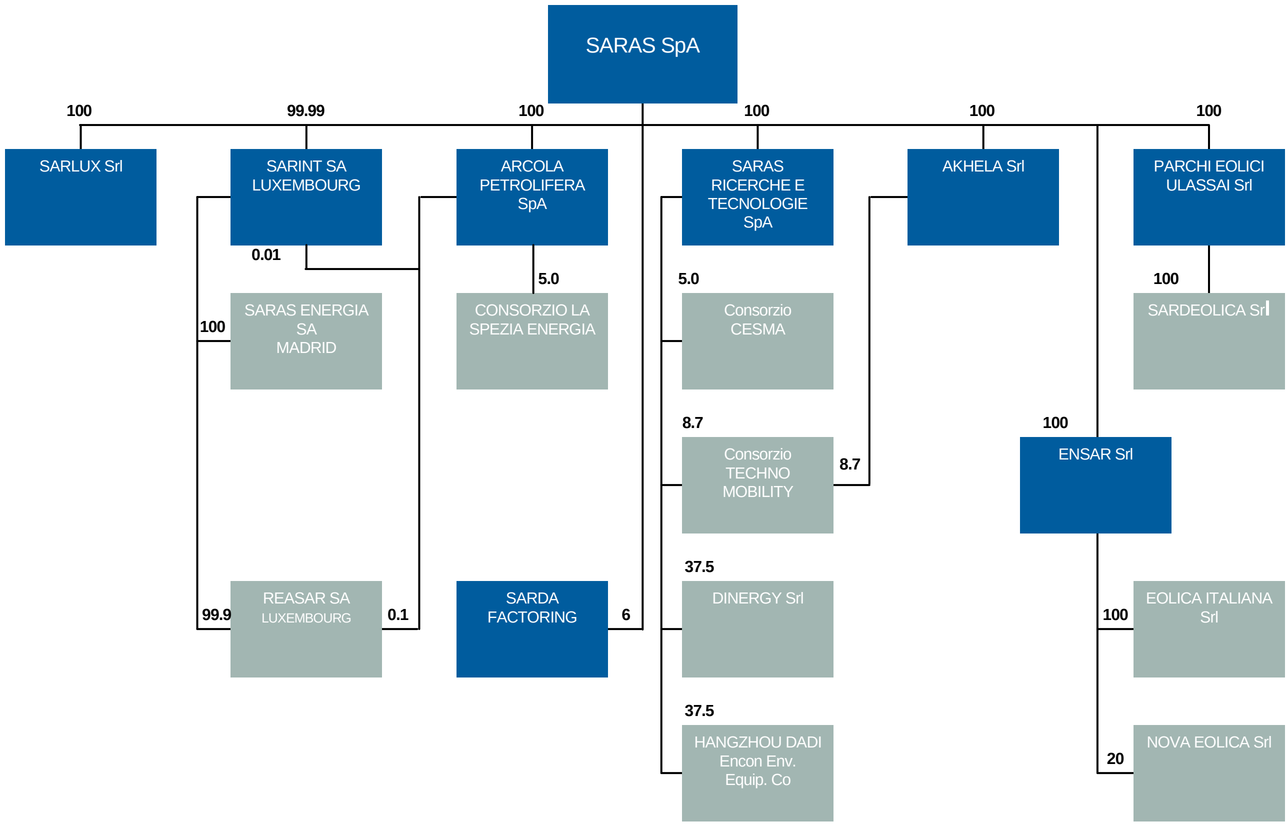
[1] Source: Wood Mackenzie

Structure of the Saras Group

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



REFINING	MARKETING	POWER GENERATION	OTHER	WIND (*)
Saras SpA	Saras Energia SA Arcola Petrolifera SpA	Sarlux Srl	Akhela Srl Sartec SpA	Parchi Eolici Ulassai Srl Sardeolica Srl

Consolidated by the line-by-line method

(*) **Wind segment:** On 30th June 2008, Saras SpA has acquired from Babcock & Brown Wind Energy Srl its 30% of the share capital of Parchi Eolici Ulassai Srl (PEU), for a total consideration of EUR 32 million. Saras now owns 100% of PEU, which therefore has been fully consolidated starting from 30th June.

Stock performance

Below are some data concerning prices and daily volumes relating to the Saras share between 01/01/2008 and 30/06/2008.

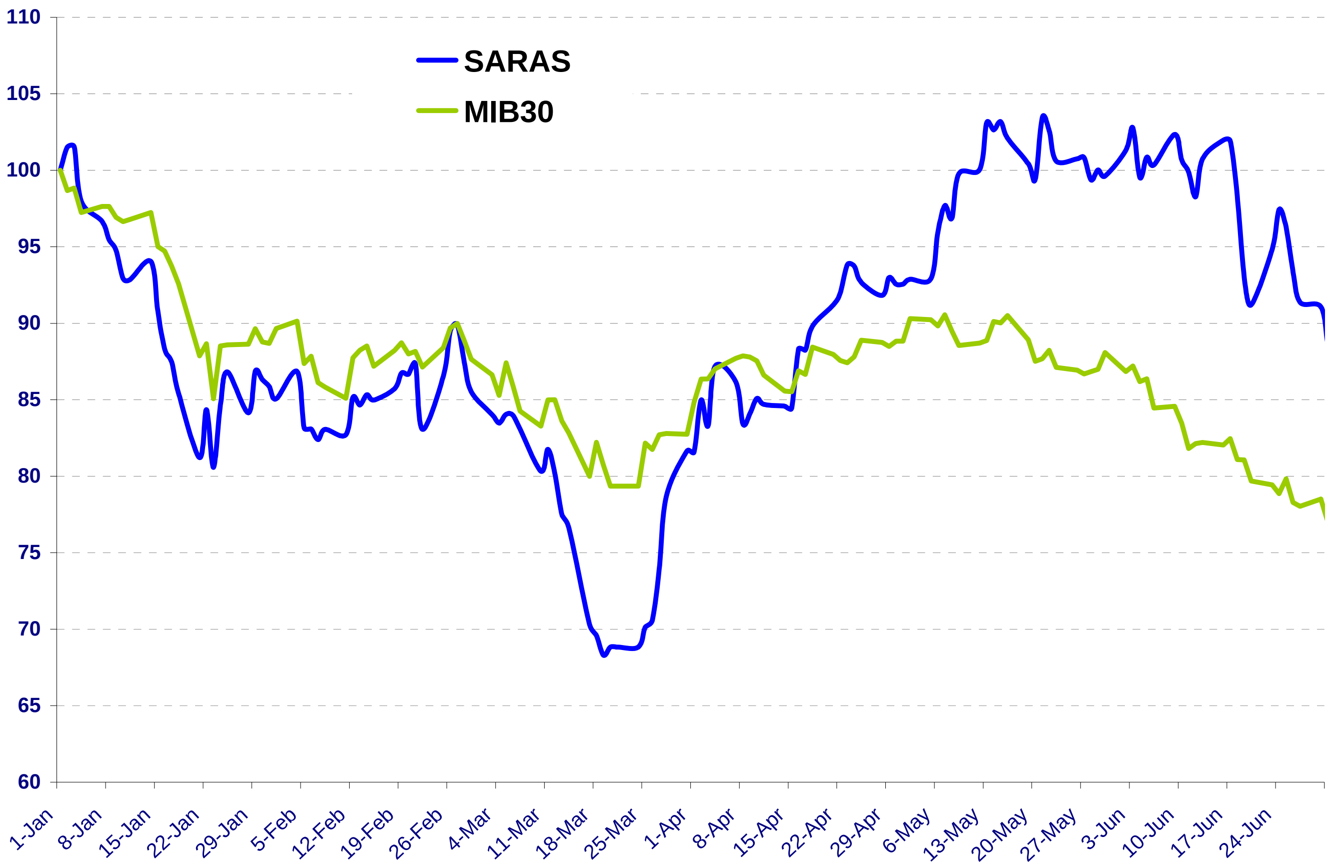
SHARE PRICE, EURO	Q2/08	H1/08
Minimum price *	3.175	2.688
Maximum price *	4.150	4.150
Average price	3.781	3.575
Closing price at the end of the period	3.620	3.620

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

DAILY TRADED VOLUMES, Millions of Euro	Q2/08	H1/08
Maximum volume	52.139	52.139
Minimum volume	3.503	1.680
Average volume	13.887	10.719

Market capitalization at 30/06/08 amounts to about EUR 3,443 million.

The graph reported below shows the daily performance of the share compared to the MIB30 index of the Milan stock exchange (base 100 as of 31/12/2007).



REPORT ON OPERATIONS

Comments on Group results[2]

In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, operating results (like EBITDA[3] and EBIT[4]) and Net Income are reported also with inventories evaluated at LIFO (and not only at FIFO as requested by IFRS accounting principles) because this method combines the most recent costs with the most recent revenues, thus providing a clearer picture of current profitability. Furthermore, for the same reason, non recurring items are deducted both from the operating results and from Net Income.

Below detailed definitions of comparable and adjusted figures:

***Comparable* EBITDA:** calculated evaluating inventories at LIFO and deducting non recurring items.

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

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

Comparable and *adjusted* figures are not subject to audit.

Highlights for the period

In a period characterised by high volatility of oil prices and an exceptionally strong Euro vs. the USD, Saras achieved satisfactory results, hitting all the operational targets and fully exploiting its superior exposure to the diesel market, which has recorded the strongest performance amongst other products during the first half of 2008

- **Group EBITDA at EUR 467 ml**, up 14% vs. H1/07
- **Group *comparable* EBITDA at EUR 340 ml**, up 0.5% vs. H1/07[5]
- **Group NET INCOME at EUR 330 ml**, up 76% vs. H1/07
- **Group *adjusted* NET INCOME at EUR 172 ml,** up 14% vs. H1/07
- **Saras Refining margin at 9.4 $/bl**, up 15% vs. H1/07
    - **Premium above EMC benchmark at 6.3 $/ bl**
- **Net Financial Position negative by EUR 223 ml at the end of H1/08**
- **Acquisition of 30% stake in PEU from Babcock & Brown**, for a total consideration of EUR 32 ml, fully consolidated starting from 30/06/2008

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[2] **The executive manager** responsible for the preparation of the company's financial reporting, Mr. Corrado Costanzo, states, pursuant to the provisions of article 154 bis, paragraph 2, of the Consolidated Finance Act, that the financial information set out in this report corresponds to the company's documents, books and accounting records.

[3] **EBITDA:** Operating result before depreciation and amortisation.

[4] **EBIT:** Operating result

[5] **2007 *comparable* figures restated** after resolution of Energy Authority n° 249/06 dated January 2008, which retroactively modified starting from 1st January 2007 the evaluation of the "fuel component" of the electricity price of CIP6 plants

Key Consolidated Economic and Financial Figures

Below are key consolidated economic and financial figures, shown in comparison with the data related to the same period last year; the figures referring to each individual quarter are not subject to review only by the independent auditing firm PricewaterhousCoopers SpA.

Saras Group income statement figures

EUR Million	Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
REVENUES	2,406	1,701	41%	2,054	4,460	3,208	39%
EBITDA	316.0	265.7	19%	151.4	467.4	411.0	14%
Comparable EBITDA	**192.1**	**191.5**	**0.3%**	**148.1**	**340.2**	**338.6**	**0.5%**
EBIT	275.6	225.9	22%	113.3	388.9	331.2	17%
Comparable EBIT	**151.7**	**151.7**	**0.0%**	**110.0**	**261.7**	**258.8**	**1.1%**
NET INCOME	251.5	136.0	85%	78.3	329.8	187.0	76%
***adjusted* NET INCOME**	**96.7**	**84.4**	**15%**	**75.4**	**172.1**	**150.6**	**14%**

Other Group figures

EUR Million	Q2/08	Q2/07	Q1/08	H1/08	H1/07	2007
NET FINANCIAL POSITION	**(223)**	**12**	**77**	**(223)**	**12**	**(27)**
CAPEX	**69**	**57**	**59**	**128**	**93**	**211**
OPERATING CASH FLOW	**33**	**347**	**165**	**198**	**536**	**637**

Details of consolidated NET INCOME and EBITDA adjustments

EUR Million	Q2/08	Q2/07	Q1/08	H1/08	H1/07
NET INCOME	**251.5**	**136.0**	**78.3**	**329.8**	**186.9**
(inventories at LIFO - inventories at FIFO) net of taxes	(98.4)	(38.9)	(2.2)	(100.6)	(32.7)
non recurring items net of taxes	(56.6)	(3.5)	0.0	(56.6)	(3.5)
change of derivatives fair value net of taxes	0.2	(4.3)	(0.7)	(0.5)	9.7
adjustments in Power gen. for change of CIP6 tariff (net of taxes)	-	(4.9)	-	-	(9.9)
***adjusted* NET INCOME**	**96.7**	**84.4**	**75.4**	**172.1**	**150.6**

EUR Million	Q2/08	Q2/07	Q1/08	H1/08	H1/07
EBITDA	**316.0**	**265.7**	**151.4**	**467.4**	**411.0**
inventories at LIFO - inventories at FIFO	(123.9)	(61.3)	(3.3)	(127.2)	(51.6)
non recurring items	0.0	(5.2)	0.0	0.0	(5.2)
adjustments in Power gen. for change of CIP6 tariff	-	(7.8)	-	-	(15.7)
***comparable* EBITDA**	**192.1**	**191.5**	**148.1**	**340.2**	**338.6**

Comments on the first half results

Saras Group performance in H1/08 was good, in spite of a sharp increase in the EUR/USD exchange rate (over 15% vs. H1/07) and rising crude oil prices which adversely affected costs.

The first half of 2008 has been characterized by robust refining margins and by an important maintenance cycle at the Sarroch refinery, during the second quarter, involving the shutdown of one Mild Hydro-cracking unit, the Alkylation unit and the Visbreaking unit. As a consequence, EBITDA was adversely affected, with a loss of approx. USD 30 ml, in line with the forecasts.

On 30th June 2008, **Saras SpA has acquired from Babcock & Brown Wind Energy Srl its 30% of the share capital of Parchi Eolici Ulassai Srl (PEU)** for a total consideration of EUR 32 million. Saras now owns 100% of PEU, which therefore has been fully consolidated starting from 30th June 2008.

Saras Refining & Power margin reached 13.6 $/bl (+14% vs. H1/07), a sizeable level, especially when considering the low levels of the margin registered during the first months of the year (see graph below).

Group Revenues of EUR 4,460 ml are up 39% versus H1/07, mainly due to higher oil products prices.

Group EBITDA of EUR 467 ml, up 14% vs. H1/07. In a market characterised by raising oil prices, the main reason for the increase in EBITDA is due to oil price increase combined with the FIFO methodology, which compares revenues at current prices with costs for the raw materials at historical prices (crude oil).

Group *comparable* EBITDA, not affected by the above FIFO evaluation, was EUR 340 ml, substantially in line with H1/07 (up 0.5%). The weaker performance of Refining vs. H1/07 was offset by Power Generation and Marketing.

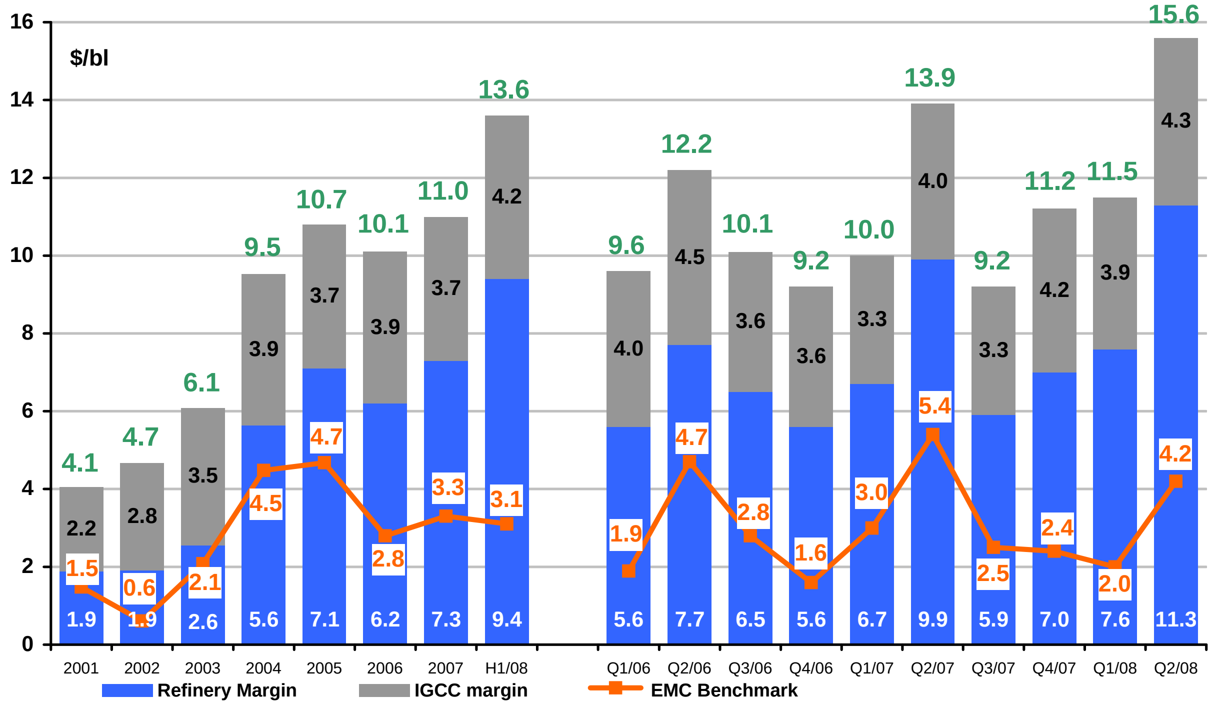
Reported NET INCOME of EUR 330 ml, up 76% vs. H1/07, was significantly influenced by a non-recurring gain due to the effect on deferred taxes of the newly introduced "Robin Hood Tax" and other effects related to the elimination of accelerated depreciation, in accordance with the 2008 Italian Budget Law (please refer to supplementary notes for further details).

***Adjusted* NET INCOME of EUR 172 ml,** registered an **increase of 14% vs H1/07.** The main reason of such increase is due to lower financial expenses and lower losses on derivative instruments compared to same period last year.

CAPEX was at EUR 128 ml, higher than same period last year, but in line with the investment programme for the period 2008-2011, which was announced to the financial community in June 2008.

On the 29th of April 2008, the **AGM approved a share buyback programme, up to 10% of the outstanding shares**, to be executed during the next 18 months. Since the approval of the plan and up to the 30th of June 2008, Saras bought back approx. 1.5 ml shares. Therefore, the total number of shares in treasury as of 30th June 2008 is about 6.3 ml, including 4.8 ml shares from the previous buyback programme.

Net Financial Position at the end of H1/08 reached a negative of EUR 223 ml from a negative of EUR 27 ml at the end of 2007. The change can be mainly traced back to the increase in working capital, the payment of dividends in May 2008, the share buyback programme currently under way, and the acquisition of 30% of Parchi Eolici Ulassai (PEU), which, in addition to the acquisition cost, at the 30th of June 2008, had a non recourse net debt of EUR 60.5 ml.



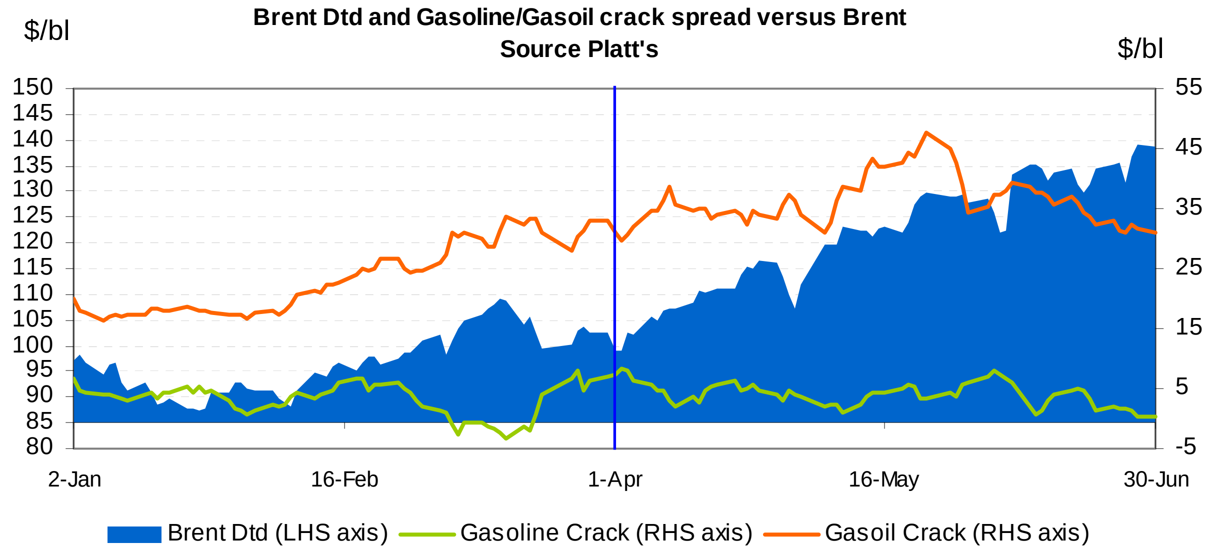
Refinery margins: (comparable refining EBITDA + Fixed Costs) / Refinery Crude Runs in the period.

IGCC margin: (power.gen EBITDA + Fixed Costs) / Refinery Crude Runs in the period

EMC benchmark: margin calculated by EMC (Energy Market Consultants) based on runs equal to 50% of Urals and 50% of Brent.

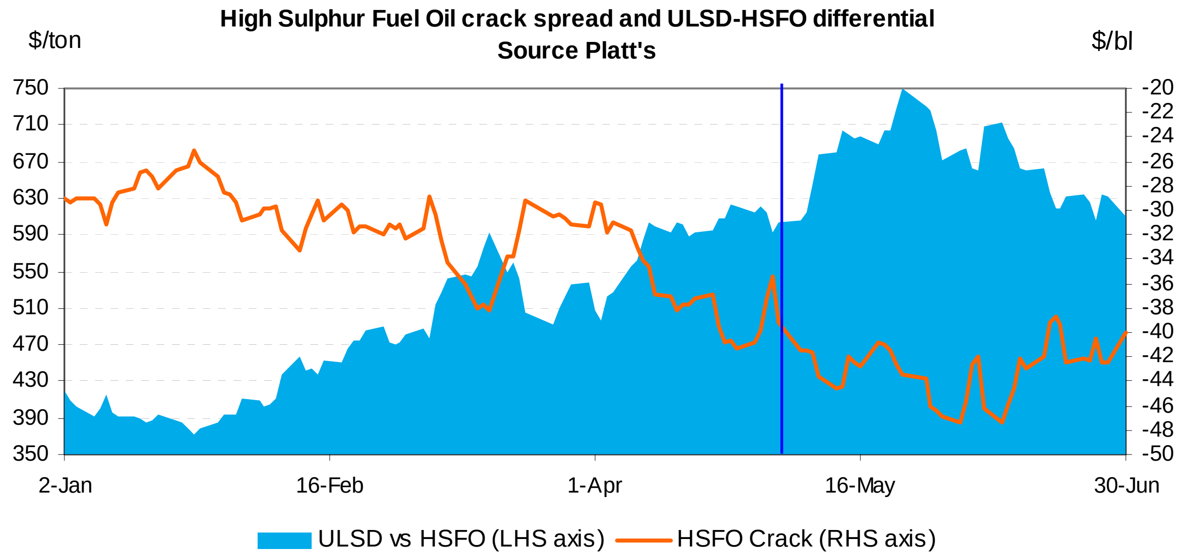
The Oil Market

The graph here below shows price evolution of Brent Dated crude oil and the crack spread[6] values for ULSD (Ultra Low Sulphur Diesel) and Unleaded Gasoline.



Brent Dated price averaged at 121.3 $/bl in Q2, thus bringing the average price for the first half of the year to 109.1 $/bl. Crude oil prices have been continuously rising during the first half of 2008, peaking above 140 $/bl at the end of the period, in the light of a tight market picture over the medium term due to a structural demand growth in developing countries and ongoing supply constraints.

Oil products demand remains concentrated in developing economies, with 90% of the growth spread between Asia, South America and the Middle East, reflecting the improving wealth and accelerating energy use in several high-population countries. In particular Diesel demand has been very strong in the first half of 2008 with Diesel crack averaging 29 $/bl, well above the historical levels and reaching the record high ever of 46 $/bl at the end of June.
Conversely, Gasoline crack remained weak during the entire period in the light of a poor demand driven by the economic downturn in the US which accounts more than half of the world's gasoline consumptions.



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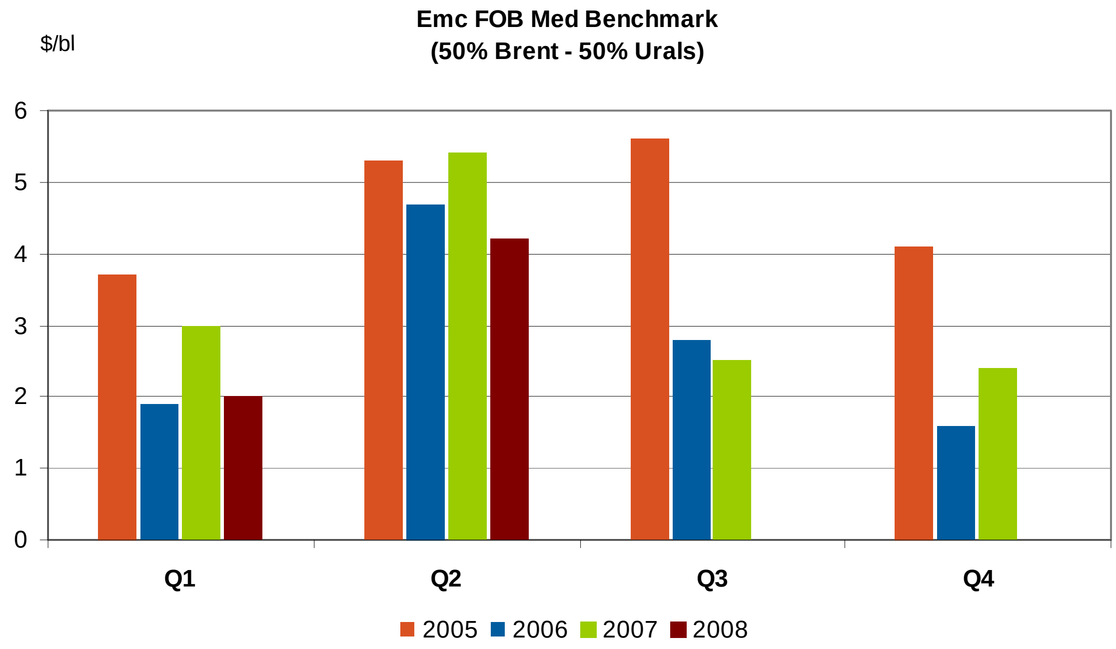
[6] **Crack spread:** the difference between the reference crude oil price (Brent DTD) and the price of the product, expressed in $/bl

HSFO (High Sulphur Fuel oil) crack spread weakened during the period in the light of the falling demand for Fuel Oil for power production, due to the ongoing switch to coal, nuclear and renewables.
As a consequence the light-heavy differential (ULSD-HSFO) strengthened both during the first and the second quarter, increasing from about 400 $/ton to about 600 $/ton at the end of the period.

The graph below shows the margin calculated by EMC (Energy Market Consultants) used by Saras as a benchmark.
The average of Q2/08 has been 4.2 $/bl, compared with 5.4 $/bl of the same quarter last year.
The average of H1/08 has been 3.1 $/bl, compared with 4.2 $/bl of same period last year.



Segment Reviews

Below is the main information relating to the various segment of business of the Saras Group.

Refining

EUR Million	Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
EBITDA	217.9	197.2	10%	91.4	309.3	285.7	8%
Comparable EBITDA	**131.4**	**140.8**	**-7%**	**94.4**	**225.8**	**236.5**	**-5%**
EBIT	198.2	179.6	10%	73.8	272.0	250.3	9%
Comparable EBIT	**111.7**	**123.2**	**-9%**	**76.8**	**188.5**	**201.1**	**-6%**
CAPEX	**50**	**51**	**-1%**	**38**	**88**	**81**	**9%**

Comments on first half results

During the first half of 2008, Sarroch refinery has undergone a cycle of planned maintenance, which involved one Mild Hydro-cracking unit, the Alkylation unit and the Visbreaking unit. As a consequence, EBITDA was adversely affected, with a loss of approx. USD 30 ml, in line with the forecasts.

Crude runs for H1/08 were 56.2 Mbl (or 7.7 ml tons), up 7% vs. H1/07. The higher runs achieved in H1/08 can be explained by the fact that also during same period of 2007 there was a scheduled maintenance, which however involved one crude distillation unit, with a clear penalisation of refinery runs at that time.

Refinery margin in H1/08 was at 9.4 $/bl (vs. 8.2 $/bl in H1/07) with a premium above the EMC benchmark at 6.3 $/bl, vs. 4.0 $/bl in H1/07. The main reasons for the increase in performance can be explained by a higher diesel-fuel oil price differential (517 $/ton vs. 289 $/ton in H1/07), and an increased conversion capacity, related to the upgrades carried out during the second half of 2007, which delivered their full benefit in the first half of this year. In particular, it should be noted that in H1/08, Saras had a remarkable middle distillates yield of 53.6%, which is an increase of roughly 2% points vs. 2007, with a substantially unchanged crude slate.

The reported EBITDA in H1/08 was EUR 309 ml, up 8% vs. H1/07, with the main reason for the increase being the increase of oil and products prices, combined with FIFO inventory accounting methodology, which compares revenues at current prices with crude oil cost at historical prices.

The *comparable* EBITDA *was EUR 226 ml*, not affected by the above FIFO evaluation, in H1/08 was down 5% vs. H1/07, because the higher refining margins were offset by a weaker USD and higher fixed costs, due to turnaround maintenance in Q2/08.

Refining CAPEX in H1/08 were EUR 88 ml, slightly higher (9%) than same period last year, however in line with the 2008 – 2011 investment plan.

Margins and refinery runs

		Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
REFINERY RUNS	Thousand ton	3,777	3,415	11%	3,920	7,697	7,224	7%
	Million bl	27.6	24.9	11%	28.6	56.2	52.7	7%
	thousand bl/day	303	274	11%	314	309	291	6%
of which: Processing for own account	Thousand ton	2,315	2,061	12%	2,729	5,044	4,481	13%
Processing on behalf of third parties	Thousand ton	1,462	1,354	8%	1,191	2,653	2,743	-3%
EXCHANGE RATE	EUR/USD	1.563	1.348	16%	1.500	1.531	1.329	15%
EMC BENCHMARK MARGIN	$/bl	4.2	5.4	-22%	2.0	3.1	4.2	-26%
SARAS REFINERY MARGIN	$/bl	11.3	9.9	14%	7.6	9.4	8.2	15%

Production

		Q2/08	Q1/08	H1/08	2007	2006
LPG	thousand ton	88	99	187	306	312
	yield	2.3%	2.5%	2.4%	2.1%	2.2%
NAPHTHA + GASOLINE	thousand ton	955	984	1,939	4,039	3,893
	yield	25.3%	25.1%	25.2%	27.7%	27.3%
MIDDLE DISTILLATES	thousand ton	2,038	2,086	4,124	7,541	7,350
	yield	54.0%	53.2%	53.6%	51.7%	51.4%
FUEL OIL & OTHERS	thousand ton	202	245	447	707	725
	yield	5.3%	6.3%	5.8%	4.8%	5.1%
TAR	thousand ton	279	284	563	1,120	1,152
	yield	7.4%	7.2%	7.3%	7.7%	8.1%

Crude Oil slate

		Q2/08	Q1/08	H1/08	2007	2006
Light extra sweet		54%	53%	53%	45%	43%
Light sweet		0%	0%	0%	2%	5%
Medium sweet		0%	0%	0%	0%	1%
Light sour		0%	0%	0%	0%	0%
Medium sour		19%	20%	20%	26%	23%
Heavy Sour		27%	27%	27%	27%	28%
Average crude gravity	°API	32.5	33.0	32.7	32.9	32.9

Marketing

Below are the main financial data for the marketing segment, with specific focus on the wholesale business, where the Saras Group operates through Arcola Petrolifera SpA in Italy and Saras Energia SA in Spain.

EUR Million	Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
EBITDA	48.0	17.3	177%	12.7	60.7	20.3	199%
Comparable EBITDA	**10.6**	**7.2**	**47%**	**6.4**	**17.0**	**12.7**	**34%**
EBIT	46.6	16.1	189%	11.5	58.1	17.8	226%
***Comparable* EBIT**	**9.2**	**6.0**	**53%**	**5.2**	**14.4**	**10.2**	**41%**
CAPEX	**14.5**	**0.8**		**10.6**	**25.1**	**1.0**	

Comments on the first half results

In the first half of the year 2008, both gasoline and diesel suffered from slowing demand, mainly due to the remarkable increases in their sale prices at the end consumer. In particular, **demand for gasoline was down by approx. 6% in Spain and 8% in Italy**, versus same period last year. **Diesel instead remained substantially flat in Spain, while Italy posted an increase of approx. 1% vs. H1/07.**

In the above context the Marketing segment registered a good performance in H1/08**, increasing *comparable* EBITDA by 34% versus same period last year, reaching EUR 17 ml**. Such increase has been driven by a rise in total sales volumes (1,999 ktons up 8% vs. H1/07), and higher wholesale margins thanks to a more profitable mix of sales channels in particular in Spain.

On the other hand, **the EBITDA rose by 199% vs. H1/07**, under the effect of the FIFO inventory evaluations.

The **CAPEX of the period, amounting to EUR 25 ml**, are almost entirely related to the construction of the Biodiesel plant at Cartagena.

Sales

		Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
TOTAL SALES	Kton	967	920	5%	1,032	1,999	1,854	8%
of which Italy	Kton	275	268	2%	286	560	523	7%
of which Spain	Kton	692	652	6%	746	1,438	1,331	8%

Power Generation

Below are the main financial data of the Power segment related to operations run by Sarlux Srl:

It should be noted that, in Q4/07, *comparable* figures have been introduced for the Power segment in order to better explain the impact of resolution n. 249/06 issued by the Energy Authority, which at the beginning of 2008 retroactively modified the fuel component of the CIP6/92 power tariff scheme. EBITDA *Comparable* figures have been calculated restating all the 2007 quarters with the new tariff scheme applicable as of 1st January 2007. EBITDA figures, instead, include the full impact of the new tariff scheme all in Q4/07.

EUR Milion	Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var%
EBITDA	49.7	52.3	-5%	47.7	97.4	106.0	-8%
***Comparable* EBITDA**	**49.7**	**44.5**	**12%**	**47.7**	**97.4**	**90.3**	**8%**
EBIT	30.9	31.8	-3%	28.9	59.8	65.2	-8%
***Comparable* EBIT**	**30.9**	**24.1**	**28%**	**28.9**	**59.8**	**49.6**	**21%**
EBITDA ITALIAN GAAP	**63.3**	**44.3**	**43%**	**70.5**	**133.8**	**129.7**	**3%**
EBIT ITALIAN GAAP	**49.7**	**30.9**	**61%**	**57.0**	**106.7**	**103.1**	**3%**
NET INCOME ITALIAN GAAP	**17.8**	**16.0**	**11%**	**37.4**	**55.2**	**59.1**	**-7%**
CAPEX	**4.2**	**5.5**		**9.3**	**13.5**	**10**	

Other figures

		Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var%
ELECTRICITY PRODUCTION	MWh/1000	1,084	934	16%	1,121	2,205	2,150	3%
POWER TARIFF	**Eurocent/KWh**	**13.7**	**12.3**	**12%**	**13.4**	**13.6**	**12.5**	**9%**
POWER IGCC MARGIN	$/bl	4.3	4.0	8%	3.9	4.2	3.7	14%

Comments on the first half results

During H1/08, the Sarlux IGCC plant registered a performance in line with expectations. Routine maintenance to one gasification and one power production train was also undertaken and completed successfully between Q1 and Q2/08.

The electricity production was 2.205 TWh, up 3% vs. H1/07. The higher figure vs. same period last year can be mainly explained by the fact that H1/07 maintenance was heavier, because it included also a planned major overhaul on one of the three gas turbines as well as maintenance on the Air Liquide oxygen plant.

Total power tariff during H1/08 was 13.6 EURcent/KWh, up 9% vs. H1/07, thanks to a significant rise in the price of crude oil and products. However, the above effects caused only a **3% increase vs. H1/07, for the IT GAAP EBITDA, which stood at EUR 133.8 ml in H1/08.** The limited increase on IT GAAP EBITDA can be mainly justified by the different dynamics of tariff and TAR price indexation, with the TAR still being linked to the old indexation mechanism of the CIP6 tariff, and therefore reacting quicker to any raise in the price of crude oil and products.

***Comparable* EBITDA**, subject to the linearization procedure required by IFRS accounting principles, **was EUR 97.4 ml, up 8% vs. H1/07,** mainly due to the higher sales of Hydrogen and Steam, whose revenues are not subject to the above mentioned linearization procedure. Another reason for the increase is related to the new forward curve used for the crude oil prices.

Finally, with resolution **number 77/08, issued on 11th June 2008, the Italian Energy Authority confirmed the entitlement to the reimbursement of the CO2 costs** incurred by CIP6 plants, for the entire duration of their contracts.

Wind

On 30th June 2008, Saras SpA has acquired from Babcock & Brown Wind Energy Srl its 30% of the share capital of Parchi Eolici Ulassai Srl (PEU), for a total consideration of EUR 32 million. Saras now owns 100% of PEU, which therefore has been fully consolidated as of 30th June. The following tables show the financial highlights of the Wind segment:

EUR million	Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
EBITDA	**5.1**	**5.9**	**-13%**	**4.4**	**9.5**	**15.1**	**-37%**
EBIT	**3.0**	**3.6**	**-16%**	**2.1**	**5.1**	**10.7**	**-52%**
NET INCOME	2.3	2.0	15%	0.1	2.4	5.7	-57%
***Adjusted* NET INCOME (*)**	**1.4**	**1.4**	**0%**	**0.6**	**2.0**	**4.9**	**-59%**

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

Other figures

		Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
ELECTRICY PRODUCTION	MWh	47,761	31,789	50%	49,773	97,534	86,699	12%
POWER TARIFF	EURcent/KWh	9.4	9.9	-5%	8.5	8.9	8.4	6%
GREEN CERTIFICATES	EURcent/KWh	7.1	11.9	-40%	8.0	7.1	11.9	-40%

Comments on first half results

Ulassai wind farm achieved a good performance during H1/08 with electricity production up 12% vs. H1/07, thanks to favourable atmospheric conditions.

The EBITDA for H1/08 decreased to EUR 9.5 ml, down 37% vs. H1/07, in the light of a sharp reduction in the value of the 2008 Green certificates (-40% vs. same period last year) and losses on 2007 Green certificates (about EUR 3.6 million), which more than offset the positive hike in electricity sales (+12% vs. H1/07), and in power tariff (+6% vs. H1/07).
To be more specific on the losses for the 2007 Green certificates, it should be noted that Green certificates are accounted during the year on the basis of a provisional price and then typically sold in the market during the end of the year or at the beginning of the following year. In the specific case of H1/08 about EUR 3.6 million have been booked as additional costs to take in account:
- losses in the sale of some 2007 Green certificates
- change of the fair value of the remaining 2007 Green certificates

As a consequence ***adjusted*** **NET INCOME was at EUR 2.0 ml down 59%** vs. H1/07.

Other

The following table shows the main financial data of the segment related to operations by Sartec SpA and Akhela Srl.

EUR Million	Q2/08	Q2/07	var %	Q1/08	H1/08	H1/07	var %
EBITDA	0.4	(1.0)		(0.4)	0.0	(0.9)	
***Comparable* EBITDA**	**0.4**	**(1.0)**	**140%**	**(0.4)**	**0.0**	**(0.9)**	**100%**
EBIT	(0.1)	(1.6)		(0.9)	(1.0)	(2.1)	
***Comparable* EBIT**	**(0.1)**	**(1.6)**	**94%**	**(0.9)**	**(1.0)**	**(2.1)**	**52%**

Comments on the first half results

Overall results in line with expectations, up 52% with break-even at EBITDA level.

Net Financial Position

The net financial position of the Group is represented as follows:

	30-Jun-08	31-Dec-07
Medium/long term bank loans	(209)	(186)
total long term net financial position	**(209)**	**(186)**
Short term bank loans	(100)	(108)
Bank overdrafts	(72)	(63)
Loans from unconsolidated subsidiaries		(1)
Loans made to unconsolidated subsidiaries	3	9
Other marketable financial assets	28	15
Cash and cash equivalents	127	308
total short term net financial position	**(15)**	**159**
Total net financial position	**(223)**	**(27)**

The **Net Financial Position at the end of H1/08 reached a negative of EUR 223 ml** from a negative of EUR 27 ml at the end of 2007. The change can be mainly traced back to the increase in working capital, the payment of dividends in May 2008, the share buyback programme currently under way, and the acquisition of 30% of Parchi Eolici Ulassai (PEU) which, in addition to the acquisition cost, at the 30^{th} of June 2008, had a non recourse net debt of EUR 60.5 ml.

Strategy and Investments

Continuous upgrading of the Sarroch supersite is the main focus of Saras' investments, and will be the key factor in providing significant organic growth whilst ensuring our operations remain competitive and sustainable in the long term. In this respect, during the June 2008 Capital Market day, Saras presented **the investment plan for the period 2008-2011**, which is articulated along the following main points.

- **Focus on organic growth in the Refining & Marketing segment:**
  - ✓ further increase of our already superior conversion capacity, boosting diesel production at the expense of fuel oil
  - ✓ expansion in the marketing segment (construction of the bio-diesel plant in Cartagena, and of a new depot near Sagunto, in Spain)
- **Maintain top returns in the industry, with an IRR in excess of 15% for the various projects:**
  - ✓ Group's Gross margin expected to increase by about USD 240 ml from 2012 (up 27% on 2008 consensus)
- **Group's CAPEX for the period 2008-2011 will be approx. EUR 1,230 ml, of which:**
  - ✓ EUR 690 ml for growth projects in Refining & Marketing
  - ✓ the balance for maintain capacity and HSE
- **Evaluating the next steps for Gas exploration in Sardinia:**
  - ✓ on-shore seismic tests and data processing were recently concluded with positive results, and we are currently evaluating how to approach the next phase of the project
- **Wind**
  - ✓ After the completion of the deal with "Babcock & Brown", we continue to develop our pipeline of projects in Sardinia, in Southern Italy and Eastern Europe

This strategy is consistent with our positive view of the refining market for the next few years and reflects our strong confidence that the global deficit of high-quality automotive diesel will persist.

Ongoing construction activities

The construction of a gasoline desulphurization unit and a tail gas treatment/sulphur recovery plant at the Sarroch refinery is on track. The first unit is expected to come on stream by second half of 2008 and it will allow the full production of gasoline with less than 10 ppm sulphur, as required by EU specification starting from 2009. The tail gas treatment plant will also be operational in H2/08, allowing Saras to be aligned with the best standards in terms of sulphur emissions.

The bio-diesel plant in Cartagena, included in the marketing segment, is reaching completion, and it will be fully operational by the end of 2008.

Finally, in the Power Generation segment, the upgrade of Hydrogen production from the IGCC plant is expected to be completed by year end.

CAPEX by segment

	Q2/08	Q1/08	2007	2006
REFINING	50.1	38.2	177	108
POWER GENERATION	4.2	9.3	20	12
MARKETING	14.5	10.6	11	9
OTHER	0.3	0.4	2	1
Total	**69.1**	**58.5**	**210**	**130**

Outlook

REFINING

- Weaker economic growth projections and a doubling of oil prices over the past year led to a downward revision of the global demand forecast for oil products. However, structural demand growth in developing countries and ongoing supply constraints will continue to paint a tight market picture over the medium term, especially for middle distillates.
- Growth in oil demand will remain concentrated in developing economies, with 90% of the growth spread between Asia, South America and the Middle East, reflecting the improving wealth and accelerating energy use in several high-population countries.
- Investments in greenfield refineries will continue to experience cost increases and could be subject to slippage, thus remaining vulnerable to changes in refining margins.
- As such, with roughly half of global product demand growth concentrated in middle distillates, it will be challenging for the refining industry to generate sufficient product to meet demand.
- Weakness in the north American economies, coupled with political pressure for higher fuel efficiencies for transportation, will continue to put pressure on the gasoline market, which will be characterised by oversupply in the coming years, worsened by the impact of bio-ethanol.
- Declining demand for fuel oil in power generation (where it will be replaced by cheaper and more environmentally friendly fuels) and in the shipping industry (new sulphur emission regulations will force a switch towards gasoil), will put a downward pressure on the crack spreads for the heavy end of the barrel.
- In the light of the above, the outlook for complex and diesel oriented refineries like Saras will remain favourable for the rest of 2008 and further. Strong support will come from the diesel crack, which we expect to stay substantially above historical levels, due to persisting strength in demand, and further support from change of product specifications (from 50 to 10 ppm sulphur as of Jan-09).
- We expect the “conversion spread” (differential between the price of diesel and the price of the average of Low Sulphur and High Sulphur fuel oil) to remain healthy in the second half of 2008, thus supporting Saras premium above the EMC benchmark.
- Finally, we expect Saras refinery to run at full capacity for the remaining part of the year, since no further maintenance has been scheduled, and to take full benefit of the above mentioned favourable market outlook.

POWER GENERATION

- The IGCC plant has confirmed the next routine slowdown in the last quarter of 2008. Nevertheless, the overall electricity production is expected to be in the range of 4.4 ÷ 4.5 TWh for the full year.
- Power tariff will continue to benefit from sustained level in crude oil prices.

OTHER SEGMENTS

- In the marketing segment, we will continue to focus on sales channels with higher profitability, namely the large supermarket chains, commercial centres and unbranded service stations. In the second half of the year we will complete construction of the biodiesel plant in Cartagena, and start the test runs.
- In the Wind segment, after completion of the acquisition of PEU minority stake, we will now concentrate on the development of our pipeline of projects in Sardinia, in Southern Italy and Eastern Europe.

PREVAILING RISKS AND UNCERTAINTIES IN THE REMAINING PART OF 2008:

- For the remaining part of 2008, we can anticipate risks related to the reduction of worldwide demand of oil products, the further escalation of crude oil prices, and a further increase in the EUR versus the USD.

Main events after the end of the first half 2008

- With reference to the Share buyback programme approved by the AGM on 29th April 2008 AGM, starting from 1st July 2008 and up to the issuing date of the present report, a total of 2,544,000 Saras share have been bought.

Other Information

Risks Management Policy

Details of the risks management policies are presented in the Notes to the Consolidated Financial Statements as of 31st December 2007 in the Note 3.5 “Risk Analysis”.

Non recurring events or atypical and unusual operations

No atypical and/or unusual operations were carried out in the period under review; the introduction of the 2008 Budget allows non-recurring items described in 6.5 “Income Tax” to be recorded.

Disclosure on Own Shares

As of 30th June 2008, Saras SpA detains 6,404,181 own shares.
From the 1st of January 2008, up until the 30th of June 2008:

- Saras bought back 5,963,887 ordinary shares at an average price of Eur 3.565, for a total consideration of Eur 21,258,942;
- Saras assigned to his own employees 24,729 shares at an average price of Eur 3.614, in accordance to the company stock plans.

For the Board of Directors
The Chairman
Gian Marco Moratti

SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet as at 30th June 2008 and 31st December 2007

EUR thousand		30/06/08	31/12/07
ASSETS	(1)		
Current Assets		**2,041,049**	**1,772,974**
Cash and cash equivalents	5.11	126,997	308,108
Other financial assets held for trading	5.12	27,786	15,209
Trade receivables	5.13	830,584	690,162
of which with related parties:		*169*	*476*
Inventory	5.14	975,743	724,715
Current tax assets	5.15	5,495	6,131
Other assets	5.16	74,444	28,649
of which with related parties:		*2,500*	*8,528*
Non-current assets		**1,820,474**	**1,669,170**
Property, plant and equipment	5.2.1	1,320,488	1,181,154
Intangible assets	5.2.2	482,267	465,443
Equity interests consolidated under the equity method	5.2.3.1		13,369
Other equity interests	5.2.3.2	1,991	1,841
Deffered tax assets	5.2.4	11,548	
Other financial assets	5.2.5	4,180	7,363
Total assets		**3,861,523**	**3,442,144**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities		**1,295,407**	**1,008,519**
Short-term financial liabilities	5.3.1	172,004	173,178
of which with related parties:			*1,198*
Trade and other payables	5.3.2	733,806	655,582
of which with related parties:		*637*	*483*
Current tax liabilities	5.3.3	315,485	120,922
Other liabilities	5.3.4	74,112	58,837
Non-current liabilities		**949,771**	**967,166**
Long-term financial liabilities	5.4.1	208,723	186,283
Provisions for risks	5.4.2	73,955	23,296
Provisions for employee benefits	5.4.3	34,626	36,680
Deferred tax liabilities	5.4.4		133,581
Other liabilities	5.4.5	632,467	587,326
Total liabilities		**2,245,178**	**1,975,685**
SHAREHOLDERS' EQUITY	5.5		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		1,221,039	1,078,000
Profit/(loss) for the period		329,750	322,903
Total shareholders' equity		**1,616,345**	**1,466,459**
Total liabilities and shareholders' equity		**3,861,523**	**3,442,144**

(1) please refer to the notes to the consolidated financial statements - chapter 5 "Notes to balance sheet"

Consolidated Income Statement for the First Half 2008 and 2007

EUR thousand	(1)	1-Jan-2008 30-Jun-2008	*of which non recurring*	1-Jan-2007 30-Jun-2007	*of which non recurring*
Revenues from ordinary operations	6.11	4,400,156		3,196,044	
of which with related parties:		*48*		*81*	
Other income	6.12	59,767		12,055	
of which with related parties:		*98*		*172*	
Total revenues		**4,459,923**		**3,208,099**	
Purchases of raw materials, spare parts and consumables	6.2.1	(3,623,743)		(2,514,946)	
of which with related parties:				*(5)*	
Cost of services and sundry costs	6.2.2	(300,439)		(221,674)	
of which with related parties:		*(773)*		*(1,374)*	
Personnel costs	6.2.3	(68,250)		(60,415)	*5,156*
Depreciation, amortization and write-downs	6.2.4	(78,588)		(79,750)	
Total costs		**(4,071,020)**		**(2,876,785)**	***5,156***
Operating result		**388,903**		**331,314**	***5,156***
Net income (charges) from equity interests	6.3	1,367		3,903	
of which with related parties:		*1,367*		*3,903*	
Other financial income/(charges), net	6.4	(1,810)		(32,693)	
of which with related parties:		*137*		*53*	
Profit before taxes		**388,460**		**302,524**	*5,156*
Income tax for the period	6.5	(58,710)	*56,872*	(115,591)	*(1,701)*
Net profit/(loss) for the period		**329,750**	***56,872***	**186,933**	*3,455*
Earnings per share - base (Euro cent)		**34.77**		**19.66**	
Earnings per share - diluted (Euro cent)		**34.77**		**19.66**	

(1) please refer to the notes to the consolidated financial statements - chapter 6 "Notes to Income Statement"

Statement of changes in Consolidated Shareholders' Equity for the period 31st December 2006 - 30th June 2008

EUR thousand	Share capital	Legal reserve	Other reserves	Profit/ (Loss) for the period	Shareholders' equity
Balance as at 31/12/2006	**54,630**	**10,237**	**825,090**	**395,425**	**1,285,382**
Allocation of previous period profit		689	252,086	(252,775)	
Dividends				(142,650)	(142,650)
Reserve for employee stock plan			1,435		1,435
Profit (loss) for the first Half 2007				186,933	186,933
Balance as at 30/06/2007	**54,630**	**10,926**	**1,078,611**	**186,933**	**1,331,100**
Reserve for employee stock plan			671		671
Own share purchase			(1,975)		(1,975)
Effect of Corporate tax rate reduction			693		693
Profit (loss) for the second half 2007				135,970	135,970
Balance as at 31/12/2007	**54,630**	**10,926**	**1,078,000**	**322,903**	**1,466,459**
Allocation of previous period profit			**162,060**	**(162,060)**	
Dividends				**(160,843)**	**(160,843)**
Reserve for employee stock plan			**994**		**994**
Own share purchase net of stock grant assignment			**(21,259)**		**(21,259)**
Profit (loss) for first Half 2008				**329,750**	**329,750**
Adjustment of share premium reserve			**770**		**770**
Write-off of a credit in respect of the minority shareholder of the subsidiary Parchi Eolici Ulassai Srl			**474**		**474**
Balance as at 30/06/2008	**54,630**	**10,926**	**1,221,039**	**329,750**	**1,616,345**

Consolidated Cashflow Statement as at 30th June 2008 and 30th June 2007

EUR thousand	1-Jan-2008 30-Jun-2008	1-Jan-2007 30-Jun-2007
A - Cash and cash equivalents at the beginning of period (short-term net financial indebteness)	**308,108**	**217,604**
B - Cash generated from/(used in) operating activities		
Profit/ (Loss) for the period of the Group	329,750	186,933
Amortization, depreciation and write-down of fixed assets	78,588	79,750
Net (income)/charges from equity interests	(1,367)	(3,910)
of which with related parties:	*(1,367)*	*(3,910)*
Net change in provisions for risks and charges	50,659	(1,286)
Net change in employee benefits	(2,067)	(5,259)
Net Change in tax liabilities and tax assets	(146,057)	16,367
Income tax	58,710	115,591
Profit (Loss) from operating activities before changes in working capital	**368,216**	**388,186**
(Increase)/Decrease in trade receivables	(135,111)	37,058
of which with related parties:	*307*	*854*
(Increase)/Decrease in inventory	(250,378)	(25,098)
Increase/(Decrease) in trade and other payables	73,933	58,925
of which with related parties:	*154*	*(14)*
Change in other current assets	(42,167)	70,282
of which with related parties:	*6,028*	*2,953*
Change in other current liabilities	166,420	28,014
Income tax paid	(27,817)	(60,490)
Change in other non-current liabilities	45,084	24,743
of which with related parties:		
Other non cash items	5	1,612
Total (B)	**198,185**	**523,232**
C - Cash flow from (to) investment activities		
(Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization	(127,524)	(92,922)
Change in equity interests valued under the equity method	(474)	
Change in other equity interests	(115)	1
Acquisition of 30% PEU Srl	(32,000)	
Interest received/(paid)	(1,782)	7,237
of which with related parties:	*137*	*53*
Total (C)	**(161,895)**	**(85,684)**
D - Cash generated from/(used in) financing activities		
Increase/(Decrease) in medium/long term borrowings	(42,295)	(60,729)
(Increase)/Decrease in other financial assets	3,044	20
Increase/(Decrease) in short term borrowings	(9,587)	6,362
of which with related parties:	*(1,198)*	*(433)*
Buyback own shares	(21,259)	
Dividend distribution to shareholders	(160,843)	(142,650)
Other non-monetary movements	2,238	
Total (D)	**(228,702)**	**(196,997)**
E - Cashflow for the period (B+C+D)	**(192,412)**	**240,551**
F - Cash from new consolidated subsidiaries		
PEU Srl	**11,301**	
G - Cash and cash equivalents at the end of period (short-term net financial indebteness)	**126,997**	**458,155**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2008

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Notes to the Consolidated Financial Statements as of 30 June 2008

1. Foreword

Saras S.p.A. (the parent company) is a company with registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and is 62.9% owned by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan).

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

This consolidated report for the period ended 30 June 2008 is presented in euro because the euro is the currency of the economy in which the group operates. It comprises a balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and these notes. Unless otherwise stated, all amounts shown in the financial statements and in the notes to the consolidated report are expressed in thousand of euro.

2. General reporting criteria for the preparation of the Interim Consolidated Financial Statements as of 30 June 2008

The interim consolidated financial statements at 30 June 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure outlined in article 6 of EC Regulation 1606/2002 of the European Parliament and of the European Council of 19 July 2002.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC") endorsed by the European Commission at the date on which the draft interim consolidated financial statements are approved by the board of directors of the holding company and set out in the relevant EU Regulations published at said date.

Pursuant to CONSOB resolution 15519 of 27 July 2006, the financial statements have been prepared in accordance with the criteria set out below, which are considered most suitable to present a complete financial and economic overview of the group:

- Balance sheet: assets and liabilities are divided into current and non-current items according to liquidity;
- Profit and loss account: profit and loss items are presented by nature;
- Cash flow statement: presented according to the indirect method differentiating financial flows deriving from operating, investment and financial activities.

3. Accounting policies

These consolidated half-year accounts were prepared 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 annual accounts to 31 December 2007.
The accounting standards have been applied consistently for all the periods shown.

3.1 Consolidation area

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

Fully consolidated	% owned
Arcola Petrolifera S.p.A	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. and subsidiary:	100%
Eolica Italiana S.r.l.	100%
Akhela S.r.l.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai S.r.l. and subsidiary:	100%
Sardeolica S.r.l.	100%
Associated companies valued using the equity method	
Dynergy S.r.l.	37.5%
Hangzhou Dadi Encon Environmental Equipment Co.	37.5%
Nova Eolica S.r.l.	20%
Other interests: valued at cost	
Consorzio Cesma	5%
Consorzio La Spezia Energia	5%
Consorzio Techno Mobility	17.4%
Sarda Factoring	6.0%

The subsidiary Parchi Eolici Ulassai S.r.l. (and its 100% subsidiary Sardeolica S.r.l.) was previously consolidated at equity as it was a joint venture. Following the acquisition of the remaining 30% of the capital by parent company Saras S.p.A. on 30 June 2008, it is now fully consolidated on a line-by-line basis.
The cost of the above acquisition was EUR 32 million. Goodwill of EUR 25 million was booked after the valuation of assets, liabilities and potential liabilities, carried out on a provisional basis; as set out in IFRS 3, this valuation could be subject to change in the twelve months following the acquisition date.
The main figures of the consolidated accounts of Parchi Eolici Ulassai S.r.l. and subsidiary Sardeolica S.r.l. for the first half of 2008 are shown below.

30/06/2008	Current assets	Non-current assets	Current Liabilities	Non-current liabilities	Revenues	Operating costs	Operating result	Net profit
Parchi Eolici Ulassai S.r.l. and subsidiary Sardeolica S.r.l. (consolidated)	32,693	81,781	27,012	65,732	15,364	(6,688)	8,676	1,953
Total	**32,693**	**81,781**	**27,012**	**65,732**	**15,364**	**(6,688)**	**8,676**	**1,953**

3.2 Use of estimates

The preparation of accounts requires to the directors to apply accounting principles and methods, which, in some circumstances, are based on difficult and subjective valuations and estimates based on experience and assumptions, which are considered reasonable and realistic in the prevailing circumstances. The application of these estimates and assumptions influences the amounts reported in the accounting tables of the balance sheet, profit and loss account and cash flow statement, as well as the information provided. The actual results of the items for which these estimates and assumptions are used, may differ from those reported in the accounts because of the inherent uncertainty of the assumptions and conditions on which the estimates are based.

4. Information by business segment and geographical area

4.1 Foreword

The Saras Group operates primarily in the following segments:
1. refining
2. marketing
3. power generation
4. other activities.

1. Refining activities concern the following:

[A] the sale of oil products obtained:
- upon completion of the entire production cycle, ranging from commodity sourcing to refining and production of finished products, which is carried out at the company's sites 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, Sardinia;
- and by acquiring minor quantities of semi-finished oil products

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

[B] revenues from refining activities undertaken on behalf of third parties that constitute the only income from refining activities that the parent company carries out also on behalf of third parties; these services are rendered to major corporate customers such as Eni, Statoil-Hydro and Shell.

2. Marketing activities concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above regarding refining.
These activities are undertaken as follows:
- in Italy, by Arcola Petrolifera S.p.A. for wholesale customers (wholesalers, consortia, local authority-owned utility companies and resellers) and oil companies (Eni, Total, Repsol etc.) through a logistics network comprising both its own bases at Arcola and Sarroch, and those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Fiorenzuola, Marghera, Pesaro and Ravenna);
- in Spain, by Saras Energia S.A. for third-party and group-owned service stations, supermarkets and resellers by way of an extensive network of depots spread across the entire Iberian peninsula, the most important of which, the Cartagena depot, is owned by the company itself.

3. Power generation activities relate to:
- the sale of electricity produced at the Sarroch power station owned by Sarlux S.r.l. This electricity is sold exclusively to the grid operator GSE (Gestore dei Servizi Elettrici S.p.A.), with sales benefiting from the special tariff scheme laid down in CIP 6/92.
- the production of wind power by Sardeolica S.r.l., 100%-owned by Parchi Eolici Ulassai S.r.l.

4. Other activities include re-insurance activities undertaken for the group by Reasar S.A., information technology activities undertaken by Akhela S.r.l., and research for environmental sectors undertaken by Sartec S.p.A.

4.2 Segment Information

	Refining	Marketing	Power Generation	Other	Total
1st HALF 2007					
Net income from ordinary operations	2,864,215	861,453	265,115	18,757	4,009,540
less: intra-segment revenues	(787,474)	(641)	(15,612)	(9,769)	(813,496)
Revenues from third parties	**2,076,741**	**860,812**	**249,503**	**8,988**	**3,196,044**
Other revenues	21,908	2,405	6,574	346	31,233
less: intra-segment revenues	(12,799)	(61)	(6,177)	(141)	(19,178)
Other revenues from third parties	**9,109**	**2,344**	**397**	**205**	**12,055**
Operating profit (a)	**250,359**	**17,802**	**65,242**	**(2,089)**	**331,314**
Net Income from non-consolidated equity investments					
- Parchi Eolici Ulassai S.r.l.			3,903		**3,903**
Total			**3,903**		**3,903**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,431,765**	**447,689**	**1,476,905**	**39,201**	**3,395,560**
of which:					
Equity investments valued at equity			**12,511**	**1,369**	**13,880**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**923,525**	**153,073**	**956,123**	**31,739**	**2,064,460**
Investments in tangible assets	73,741	676	10,020	1,104	**85,541**
Investments in intangible assets	6,902	400	0	79	**7,381**
1st HALF 2008					
Net income from ordinary operations	4,062,947	1,363,277	283,239	24,112	5,733,575
less: intra-segment revenues	(1,303,426)	(978)	(19,815)	(9,200)	(1,333,419)
Revenues from third parties	**2,759,521**	**1,362,299**	**263,424**	**14,912**	**4,400,156**
Other revenues	23,488	1,709	56,246	717	82,160
less: intra-segment revenues	(13,765)	(452)	(8,016)	(160)	(22,393)
Other revenues from third parties	**9,723**	**1,257**	**48,230**	**557**	**59,767**
Operating profit (a)	**271,987**	**58,144**	**59,818**	**(1,046)**	**388,903**
Net Income from non-consolidated equity investments					
- Parchi Eolici Ulassai S.r.l.			1,367		1,367
Total			**1,367**	**0**	**1,367**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,743,341**	**681,504**	**1,403,771**	**32,907**	**3,861,523**
of which:					
Equity investments valued at equity			**0**		**0**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**993,336**	**227,087**	**1,011,158**	**13,597**	**2,245,178**
Investments in tangible assets	85,294	25,071	13,535	686	**124,586**
Investments in intangible assets	27,622	0	0	0	**27,622**

(a) Operating profit is determined without taking into account intra-segment eliminations.
(b) Total assets and liabilities are calculated after intra-segment eliminations. Intra-segment revenues fully reflect market conditions

4.3 Breakdown by geographical area

Directly attributable assets and investments by geographical location

	30/06/2008	30/06/2007	Change
Directly attributable assets			
Italy	3.363.345	3.075.710	287.635
Rest of EU	498.178	319.850	178.328
Total	**3.861.523**	**3.395.560**	**465.963**
Investments in tangible and intangible assets			
Italy	127.384	92.343	35.041
Rest of EU	24.824	579	24.245
Total	**152.208**	**92.922**	**59.286**

Net revenues from ordinary operations by geographical area

	30/06/2008	30/06/2007	Change
Sales: Italy	1,822,317	1,117,861	704,456
Sales: Spain	1,123,411	999,959	123,452
Sales: other EU	438,967	257,167	181,800
Sales: outside EU	1,015,461	530,942	484,519
Sales: USA	0	290,115	(290,115)
Total	**4,400,156**	**3,196,044**	**1,204,112**

The amounts are shown net of intra-company eliminations.

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

	30/06/2008	30/06/2007	Change
Clients: Italy	512,095	353,024	159,071
Clients: Spain	156,393	169,604	(13,211)
Clients: other EU	47,270	25,683	21,587
Clients: outside EU	121,896	149,626	(27,730)
Clients: USA	1,053	14	1,039
Provisions for doubtful loans	(8,123)	(7,789)	(334)
Total	**830,584**	**690,162**	**140,422**

5. Notes to the balance sheet

The most significant changes to the balance sheet and to the profit and loss account compared to the corresponding period of the previous financial year are shown below.

5.1 Current Assets

5.1.1 Cash and Cash equivalents

The following table shows a breakdown of cash and bank deposits:

	30/06/2008	31/12/2007	Change
Bank and postal deposits	126,903	308,013	(181,110)
Cash	94	95	(1)
Total	**126,997**	**308,108**	**(181,111)**

Bank deposits were mainly attributable to Sarlux S.r.l. (EUR 81,826 thousand, including cash contractually due for future maintenance commitments and loan repayments).
The fall compared to the previous year is due to payments relating to both new investments and supplies of crude concentrated at the end of the first half of 2008.

5.1.2 Other held for trading financial assets

This item (EUR 27,786 thousand) mainly includes Italian and foreign equities and government bonds.
Gains and losses for the period, together with changes in fair value occurring during the period, are recorded on the profit and loss account under the item "other net financial income (charges)".
The following table shows the changes in the balance at the beginning and end of the period:

Balance at 31/12/2006	**13,816**
Increase for the period	12,229
Decrease for the period	(10,836)
Balance at 31/12/2007	**15,209**
Increase for the period	17,154
Decrease for the period	(4,577)
Balance at 30/06/2008	**27,786**

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	30/06/2008	31/12/2007	Change
Clients	830,434	689,775	140,659
From non-consolidated group companies	150	387	(237)
Total	**830,584**	**690,162**	**140,422**

The overall increase in trade receivables is largely due to the general rise in oil prices.

5.1.4 Inventories

The following table shows the balance for inventories and the changes occurring during the period:

	30/06/2008	31/12/2007	Change
Inventories:			
Raw materials, replacement parts and consumables	258,657	206,366	52,291
Semi-finished products and work in progress	91,795	66,876	24,919
Finished products and goods held for resale	619,049	441,457	177,592
Advance payments	6,242	10,016	(3,774)
Total	**975,743**	**724,715**	**251,028**

The increase in the value of inventories is mainly due to higher prices, and to a lesser extent, the rise in the quantity of oil products.

No stocks are put up as guarantees for liabilities.

The item "finished products and goods held for resale" includes around 450,000 tons of oil products (valued at around EUR 250 million) held in accordance with Legislative Decree 22 of 31 January 2001; in addition, the subsidiary Saras Energia S.A. holds compulsory stocks pursuant to Spanish legislation of around 235,000 cubic metres of oil products (valued at around EUR 100 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 231 million (EUR 239 million at 31 December 2007).

5.1.5 Current tax assets

Current tax assets amounting to EUR 5,495 thousand (EUR 6,131 thousand at 31 December 2007) are detailed below:

	30/06/2008	31/12/2007	Change
VAT	2,643	2,684	(41)
IRES (corporate tax)	0	0	0
IRAP (regional income tax)	81	480	(399)
Other tax credits	2,771	2,967	(196)
Total	**5,495**	**6,131**	**(636)**

5.1.6. Other current assets

The balance is detailed below:

	30/06/2008	31/12/2007	Change
Accrued income	2,044	2,492	(448)
Prepayments	9,256	10,574	(1,318)
Derivatives	1,839	0	1,839
Other receivables	58,805	7,055	51,750
Loans to non-consolidated group companies	2,500	8,528	(6,028)
Total	**74,444**	**28,649**	**45,795**

Prepayments chiefly consist of accrued amounts relating to board of directors' remuneration, rents and insurance premiums.

The item "Other receivables" mainly includes a receivable due to the subsidiary Sarlux S.r.l., deriving from the recognition - pursuant to section II, point 7bis of CIP provision 6/92 - of the refund of charges relating to the application of directive 2003/87/EC (Emission Trading), as per AEEG resolution 77/08, with reference to the previous three-year period and the first half of 2008.

"Loans to non-consolidated group companies" relate to short-term interest-bearing loans calculated at market rates to Nova Eolica S.r.l..

The item "Derivative instruments" includes the valuation at fair value of Interest Rate Swaps entered into by subsidiary Sardeolica S.r.l. for loans obtained, as well as future contracts on oil products stipulated by the parent company. The details are shown below:

	30/06/2008		**31/12/2007**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	2,582			
Fair value options on forward currency contracts				
Forward commodities contracts at fair value (crude and other oil products)		(743)	1,365	(2,305)
Total	**2,582**	**(743)**	**1,365**	**(2,305)**

The following table below shows notional values and relative fair value of derivatives outstanding at 30 June 2008:

Type of transaction	**Interest rates**			**Other values**		
Data as of 30/06/2008	**Notional value**	**Fair value**		**Notional value**	**Fair value**	
		Pos.	**Neg.**		**Pos.**	**Neg.**
Financial derivatives						
Futures						
Purchases						(743)
Sales						
Swaps						
Oil products						
Interest rates	50,594	2,582				
Total	**50,594**	**2,582**	**0**	**0**	**0**	**(743)**

5.2 Non-current assets

5.2.1 Property, plant and equipment

The following table shows a breakdown in the item property, plant and equipment:

COST	31/12/2006	Additions	(Disposals)	Revaluations (Write-downs)	Other changes	31/12/2007
Land & buildings	132,512	81	(1)		15,654	148,246
Plant & machinery	1,952,833	16,211	(6,250)		32,128	1,994,922
Industrial & commercial equipment	14,320	52			1,115	15,487
Other assets	418,499	966	(1.010)		5,069	423,524
Work in progress and advances	62,250	181,439		(36)	(60,788)	182,865
Total	**2,580,414**	**198,749**	**(7,261)**	**(36)**	**(6,822)**	**2,765,044**

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

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

COST	31/12/2007	Additions	(Disposals)	Revaluations	Other changes	30/6/2008
Land & buildings	148,246	9			10,577	158,832
Plant & machinery	1,994,922	9,075			125,120	2,129,117
Industrial & commercial equipment	15,487	75			1,729	17,291
Other assets	423,524	426	(40)		13,876	437,786
Work in progress and advances	182,865	115,001			(33,009)	264,857
Total	**2,765,044**	**124,586**	**(40)**	**0**	**118,293**	**3,007,883**

ACCUMULATED DEPRECIATION	31/12/2007	Depreciation	(Disposals)	Revaluations (Write-downs)	Other changes	30/6/2008
Land & buildings	44,040	2,460			892	47,392
Plant & machinery	1,221,582	47,813			41,459	1,310,854
Industrial & commercial equipment	11,456	903			470	12,829
Other assets	306,812	9,616	(35)		(73)	316,320
Total	**1,583,890**	**60,792**	**(35)**	**0**	**42,748**	**1,687,395**

NET BOOK VALUE	31/12/2007	Additions	(Disposals)	(Depreciation)	Other changes	30/6/2008
Land & buildings	104,206	9	0	(2,460)	9,685	111,440
Plant & machinery	773,340	9,075	0	(47,813)	83,661	818,263
Industrial & commercial equipment	4,031	75	0	(903)	1,259	4,462
Other assets	116,712	426	(5)	(9,616)	13,949	121,466
Work in progress and advances	182,865	115,001	0		(33,009)	264,857
Total	**1,181,154**	**124,586**	**(5)**	**(60,792)**	**75,545**	**1,320,488**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets in the balance sheet was EUR 161,981 thousand, and related to the Programme Agreements ("Contratti di Programma") entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995, and the Ministry of Productive Activities on 10 October 1997. At 30 June 2008, the net book value of these grants was EUR 21,011 thousand (EUR 27,852 thousand at 31 December 2007).

The item "Land and Buildings" includes industrial buildings used as offices and warehouses (net value: EUR 75,662 thousand), civic buildings in Cagliari and Rome used as offices (net value: EUR 1,782 thousand), and land largely relating to the Sarroch and Arcola sites belonging to the parent company and Arcola S.p.A. respectively (net value: EUR 33,996 thousand).

The item "Plant and machinery" mainly relates to the refining plants located in Sarroch.
The item "industrial and commercial equipment" includes equipment for the chemicals laboratory and the control room which are connected to the parent company's refining activities, plus miscellaneous production equipment.

The item "Other assets" mainly includes tanks and pipelines used to carry products and crude for both the parent company and the group's commercial companies (Saras Energia and Arcola).
The item "Work in progress and advances" reflects costs relating to investments in tanks, and work carried out on facilities necessary to adapt and upgrade existing plants, more specifically for environmental, safety and reliability issues.
Increases in the period total EUR 124,586 thousand and mainly relate to construction work on the desulphurisation unit (U800) and the tail gas treatment unit (TGTU) of the parent company.

The item “Other changes” includes the value of assets of the subsidiary Parchi Eolici Ulassai S.r.l. (and its 100% subsidiary Sardeolica S.r.l.), which was fully consolidated from 30 June 2008 following the acquisition of the remaining stake in the company, as well as the transfer of assets completed during the period.

The main annual depreciation rates used are as follows:

Industrial building (land & buildings)	5.50%
Generic plants (plant & equipment)	8.38% - 6.25%
Highly corrosive plants (plant & equipment)	11.73% - 8.75%
Pipeline & storage (plant & equipment)	8.38% - 6.25%
Thermoelectricity plant	4.50%
Equipment (Equipment)	25.00%
Office furniture & machinery (other assets)	12.00%
Transport vehicles (other assets)	25.00%

No fixed assets are held for sale.
A concession enabling the group to occupy state-owned areas, where the Sarroch refinery’s service facilities are located (i.e. for waste-water treatment, desalinisation of seawater, blowdown, flare system and landing stage), until 31 December 2015, was obtained from the Cagliari Port Authority; currently, there are no factors suggesting that the concession will not be renewed at expiry.
Leased assets, booked as “transport vehicles” totalled EUR 14,663 thousand, with a residual net value equal to zero.

During the 2008 financial year, no financial charges were capitalised.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

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

CATEGORY	31/12/2007	Additions	Other changes	(Amortisation)	30/06/2008
Industrial & other patent rights	1,782			(1,212)	570
Concessions, licences, trademarks & similar rights	29,295		170	(274)	29,191
Goodwill	2,515	25,391			27,906
Assets in progress & payments on account	9,050	2,231	(17)		11,264
Other intangible assets	422,801		6,845	(16,310)	413,336
Total	**465,443**	**27,622**	**6,998**	**(17,796)**	**482,267**

The main items are detailed below.

Concessions, licences, trademarks and similar rights
The balance mainly refers to the effects deriving from the acquisition of Estaciones de Servicio Caprabo S.A. (Saras Energia Red S.A.) now merged by absorption into Saras Energia S.A.; the fair value measurement of assets and

liabilities of the acquired company caused the booking of an intangible asset classified as a concession in order to reflect the contractual conditions that foresee the reinstatement of tangible assets after 20 years.

Goodwill
This item mainly refers to goodwill paid for the purchase of 30% of Parchi Eolici Ulassai S.r.l., as described in section 3.1 - Consolidation area.

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

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

The amortisation of intangible assets totalled EUR 17,796 thousand, calculated according to the following annual rates:

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

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

5.2.3 Equity Investments

The following table shows a list of the investments held at 31 June 2008, and the main figures relating to each investment:

Company name	Registered office	Currency	Share capital	% owned by Group at 30/06/08	% owned by Group at 31/12/07	(%) Share Capital	Sahreholder	% of voting rights	Category
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiaries	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	EUR	100,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect subsidiary
Akhela S.r.l.	Uta (CA)	EUR	3,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sarint S.A. and subsidiaries	Luxembourg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Reasar S.A.	Luxembourg	EUR	1,225,001	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiary	Cagliari	EUR	500,000	100.00%	70.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	EUR	56,636	100.00%	70.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect subsidiary
Dynergy S.r.l.	Genoa	EUR	179,000	37.50%	37.50%	37.50%	Saras Ricerche e Tecnologie S.p.A.	37.50%	Associated companies
Hangzhou Dadi Encon Environmental Equipment Co.	Hangzhou	RMB	14,050,200	37.50%	37.50%	37.50%	Saras Ricerche e Tecnologie S.p.A.	37.50%	Associated companies
Nova Eolica S.r.l.	Cagliari	EUR	10,000	20.00%	20.00%	20.00%	Ensar S.r.l.	20.00%	Associated companies
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie S.p.A.	5.00%	Other interests
Consorzio La Spezia Energia	La Spezia	EUR	50,000	5.00%	5.00%	5.00%	Arcola Petrolifera S.p.A.	5.00%	Other interests
Consorzio Techno Mobility	Cagliari	EUR	57,500	17.40%	17.40%	17.40%	Saras Ricerche e Tecnologie S.p.A.	17.40%	Other interests
Sarda Factoring	Cagliari	EUR	8,320,000	6.00%	6.00%	6.00%	Saras S.p.A.	6.00%	Other interests

5.2.3.1 Equity investments valued at equity

At 31 December 2007, the item related to the stake held in the joint venture Parchi Eolici Ulassai S.r.l.; following the acquisition described in section 3.1 - Consolidation area, the company is now fully consolidated.

5.2.3.2 Other investments

Details are set out below:

	30/06/2008	31/12/2007	Change
Nova Eolica S.r.l.	909	759	150
Dynergy S.r.l.	91	91	0
Hangzhou Dadi Encon Environmental Equipment Co,	481	481	0
Consorzio Cesma	3	3	0
Consorzio La Spezia Energia	2	2	0
Consorzio Techno Mobility	10	10	0
Sarda Factoring	495	495	0
Total	**1,991**	**1,841**	**150**

The changes between 31 December 2007 and 30 June 2008 were due to capital transfers to Nova Eolica S.r.l..

5.2.4 Deferred tax assets

As of 30 June 2008, the balance was EUR 11,548 thousand, mainly due to Sarlux S.r.l net tax assets related to tax assets deriving from the linearization of the revenues for a total amount of EUR 227,465 thousand. This is net of deferred taxes and the fair value of the contract with the G.S.E. (Gestore dei Servizi Elettrici S.p.A. - national grid operator) for EUR 145,959 thousand and to excess depreciation made for tax purposes for EUR 78,192 thousand.

5.2.5 Other financial assets

The balance at 30 June 2008 of EUR 4,180 thousand mainly comprises prepayments made by the subsidiary Sarlux S.r.l. for future oxygen supplies (EUR 2,577 thousand).

5.3 Current liabilities

5.3.1 Short/long-term financial liabilities

The following table shows short-term financial liabilities::

	30/6/2008	31/12/2007	Change
Short-term bank loans	100,155	107,682	(7,527)
Bank accounts	71,849	63,390	8,459
Loans from non-consolidated group companies		1,166	(1,166)
Other short-term financial liabilities		940	(940)
Total short-term financial liabilities	**172,004**	**173,178**	**(1,174)**
Long-term bank loans	208,723	186,283	22,440
Total financial liabilities	**380,727**	**359,461**	**21,266**

Details of the terms and conditions of loans are shown in the notes to the item “long-term financial liabilities” below.

Financial liabilities include the debts of the subsidiary Parchi Eolici Ulassai S.r.l. (and its subsidiary Sardeolica S.r.l.), which was fully consolidated from 30 June 2008.
More information on this item is provided in the cash flow statement.

5.3.2 Trade and other payables

The breakdown of the item is reported below:

	30/6/2008	31/12/2007	Change
Advances from clients: portion due within the period	4,881	690	4,191
Payables to suppliers: portion due within the period	728,449	654,590	73,859
Trade payables to associated companies	476	302	174
Total	**733,806**	**655,582**	**78,224**

The increase in trade payables largely relates to the general rise in oil prices, as mentioned earlier.

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

	30/06/2008	31/12/2007	Change
Payables to Italian suppliers	227,989	199,543	28,446
Payables to Spanish suppliers	68,009	58,532	9,477
Payables to other EU country suppliers	134,736	13,026	121,710
Payables to non-EU country suppliers	248,865	383,345	(134,480)
Payables to US suppliers	48,850	144	48,706
Total	**728,449**	**654,590**	**73,859**

5.3.3 Current income tax liabilities

The balance may be analysed as follows:

	30/06/ 2008	31/12/ 2007	Change
VAT	76,392	58,281	18,111
Corporation tax, IRES	173,118	24,218	148,900
Trade income tax, IRAP	4,597	4,084	513
Other taxes	61,378	34,339	27,039
Total	**315,485**	**120,922**	**194,563**

The liability for IRES includes:

1) The current portion (€ 12,840 thousand, equal to 40%, due within one year) of the substitute tax relating to off-system deductions, as specified in the note on “Income tax”;
2) The substitute tax (€ 54,338 thousand) relating to the difference between the values of oil product inventories measured under the FIFO and the LIFO methods, as specified in the note on “Income tax”;
3) Tax on the income generated by the Italian entities of the Group in the first half of the year.

The item “Other taxes” comprises mainly sales taxes on oil products (€ 34,995 thousand) and tax on corporate income of the foreign entities of the Group (€ 23,482 thousand).

The increase in the VAT liability is explained by the fact that the parent company, in a scenario of rising selling prices, used the full entitlement of purchases on which tax is suspended.

The increase in "Corporation tax, IRES" originates essentially from (a) the deferral to July 2008 of the first payment on account of taxes due in respect of FY 2008 (€ 58.8 million) and the 5.5% surtax applicable to the energy industry introduced by Law Decree No.112/2008 (the "Robin Hood Tax") for an amount of € 17.7 million), and (b) the substitute taxes referred to in points 1) and 2) above.

The increase in "Other taxes" was caused, essentially, by the fact that in June, unlike in December, a payment on account of sales taxes is not required.

5.3.4 Other current liabilities

The breakdown of the item is reported below:

	30/6/2008	31/12/2007	Change
Amount payable to welfare and social security bodies: portions due within the period	8,894	8,527	367
Due to personnel	17,958	15,698	2,260
Payables to Ministry for grants	28,904	15,041	13,863
Other payables	16,100	18,180	(2,080)
Other accrued liabilities	229	236	(7)
Other deferred income	2,027	1,155	872
Total	**74,112**	**58,837**	**15,275**

The item "due to personnel" includes amounts not yet disbursed in respect of salaries for the month of June, performance bonuses for the achievement of business targets, and the portion of additional monthly payments accrued.

"Payables to Ministry for grants" includes the advance payments received from the Ministry of Productive Activities by both the parent company and the subsidiaries Sartec and Sardeolica; EUR 947 thousand relates to Sartec, EUR 13,848 thousand to the parent company and EUR 14,109 thousand to Sardeolica.

The item "Other payables" also includes port duties as determined by the customs authority in respect of the parent company for EUR 15,115 thousand; please note that the initial phase of Saras' long-standing dispute with the tax authority regarding port duties payable for the Sarroch landing dock for the 1994-95 period was settled to the full satisfaction of Saras, whose case was upheld by a ruling issued by the Court of Cassation, which made a definitive ruling declaring that the taxes were not due.
A second phase of the dispute is now under way, and, despite a favourable ruling issued by the Court of Cagliari, an unfavourable ruling was handed down by the Cagliari Court of Appeal; the company has now launched an appeal at the Court of Cassation, which has yet to announce its ruling.
In addition, in the course of the year 2007, the tax authority asked the parent company to pay the tax as assessed, whose payments the company suspended pending the appeal. The company has lodged an appeal against this request of the tax authority, but in the meanwhile the authority has withheld permission for the further suspension of payments.
Pending this dispute, the entire amount relating to port duties for 2008, as well as for previous years, has been booked under "service costs".

5.4 Non-current liabilities

5.4.1 Long term financial liabilities

The following table shows this item in detail:

Figures in EUR Million	Date of Borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/07	Outstanding 30/06/08	Maturity			Collateral
						1 year	From 1 to 5 years	Beyond 5 years	
Saras S.p.A.									
Unicredit	20-Dec-04	50.0	Euribor 6M	20.0	15.0	10.0	5.0	-	15.0
				20.0	**15.0**	**10.0**	**5.0**	**-**	
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1.7	2.31%	0.6	0.5	0.2	0.3	-	
				0.6	**0.5**	**0.2**	**0.3**	**-**	
Akhela S.r.l.									
Banco di Sardegna	24-Apr-02	3.1	Euribor 6M	0.9	0.6	0.3	0.3	-	
				0.9	**0.6**	**0.3**	**0.3**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-Sept-02	10.0	Euribor 6M	5.5	5.0	1.1	3.9	-	
				5.5	**5.0**	**1.1**	**3.9**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	71.8	Euribor 6M	-	71.8	7.1	30.8	33.9	71.8
				-	**71.8**	**7.1**	**30.8**	**33.9**	
Sarlux S.r.l.									
Banca Intesa	29-Nov-96	572.0	Libor 3M	158.9	128.7	48.6	80.1		128.7
BEI	29-Nov-96	180.0	7.35%	54.0	43.6	16.4	27.2		43.6
BEI	29-Nov-96	208.0	Euribor 3M	54.0	43.7	16.5	27.2		43.7
				266.9	**216.0**	**81.5**	**134.5**	**-**	
Total payables to banks for loans				**293.9**	**308.9**	**100.2**	**174.8**	**33.9**	

Please note that Sarlux S.r.l. must meet certain parameters before distributing dividends with regard to these loans:

- The following bank accounts of the subsidiary held at Banca Intesa in London must contain funds to cover the expected outlay:
  - [1] *Debt Service Reserve Account:* includes the amounts for loan repayments to banks (capital plus interest) due in the following half-year;
  - [2] *Air Liquide Account*: includes the amounts guaranteeing supplies of oxygen from Air Liquide Italia in the following six months.;

- The following parameters relating to the financial statements and forecasts of Sarlux S.r.l. must also be respected:
  - [1] *Annual Debt Service Cover Ratio* (A.D.S.C.R.): *Available Cash Flow Post Tax* i.e. the ratio of post-tax cash flow (for the following 12 months) to total debt to be repaid (in the following 12 months), must be higher than 1.15;
  - [2] *Loan Life Cover Ratio* (L.L.C.R.): *Net Present Value Cash Flow Post* Tax i.e. the ratio of the net present value of post-tax cash flow (*expected for the residual life of the contract*) to total debt to be repaid, must be higher than 1.2.

All of the loans granted to Sarlux S.r.l. must be repaid on request of the Facilities Agent in the event that: (i) the loan life cover ratio (net present value of post-tax cash flow over total debt to be repaid) falls below 1.05 ; (ii) the annual debt service cover ratio (available post-tax cash flow - for the next 12 months – over total debt to be repaid) falls below 1; (iii) the forecast annual debt service cover ratio falls below 1.

Compliance with all the above ratios was achieved at 30 June 2008.

In addition, 100% of Sarlux S.r.l. shares were pledged to banks to guarantee loans granted.

The loan to Sardeolica relates to project finance for the construction of wind farms in Ulassai.

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

- financially (mainly liquidity parameters set in the contract and a prohibition on carrying out derivatives transactions unless authorised by the pool of banks);
- operationally, in 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.
At 30 June 2008 the company had complied with all the above restrictions.
In addition, to guarantee the loan taken out by Sardeolica, all of the shares in the company were pledged as collateral to the financing banks.

The table below shows the composition of the group's net debt at 30 June 2008 and 31 December 2007:

	30/06/2008	31/12/2007
Medium long-term bank loans	(208,723)	(186,283)
Short-term bank loans	(100,155)	(107,682)
Bank overdrafts	(71,849)	(63,390)
Financial payables to non-consolidated Group companies	0	(1,166)
Financial receivables from non-consolidated Group companies	2,500	8,528
Other held for trading financial assets	27,786	15,209
Cash and equivalents	126,997	308,108
Total net debt	**(223,444)**	**(26,676)**

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities can be broken down as follows:

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

	31/12/2007	Additions	Reductions	Other changes	30/06/2008
Provisions for dismantling of plants	16,826				16,826
Provisions for Emission Trading charges	0	52,202			52,202
Other risk provisions	6,470		(1,543)		4,927
Total	**23,296**	**52,202**	**(1,543)**	**0**	**73,955**

Provisions for risks and future liabilities comprise a plant dismantling provision related to future costs for the dismantling of plants and equipment, which is considered appropriate wherever there is a legal or constructive obligation to be met in this regard. This provision was not discounted in the balance sheet due to its negligible effect on the group's consolidated financial statements.

The item "Provisions for Emission Trading Charges" mainly includes provisions resulting from charges relating to the application of directive 2003/87/ECE pursuant to AEEG resolution 77/08 of Sarlux Srl (EUR 47,671 thousand) and parent company Saras S.p.A. (EUR 4,531 thousand).

The item "other risk provisions" was established for liabilities of a fiscal nature.

5.4.3 Provisions for employee benefits

The following table shows the balance of this item:

	30/06/2008	31/12/2007	Change
Employee end-of-service payments	16,706	18,722	(2,016)
CPAS fund	17,920	17,958	(38)
Total	**34,626**	**36,680**	**(2,054)**

Employee end-of-service payments are governed by article 2120 of the Italian Civil Code and reflect the estimated amount, based on actuarial estimates, that the company will be required to pay employees when they leave their employment; the item "CPAS fund" is a special supplementary pension fund for employees (Fondo Previdenza Aziendale Dipendenti Saras, i.e. the company pension fund for Saras Employees).
This obligation is also measured using actuarial techniques.

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

Balance at 31.12.2006	**26,983**
Accrual for the year	4,450
Curtailment	(5,731)
Amount used during the year	(6,980)
Balance at 31.12.2007	**18,722**
Accrual for the period	2,122
Amount used during the period	(4,138)
Balance at 30.06.2008	**16,706**

Changes in the CPAS fund are show below:

Balance at 31.12.2006	**18,448**
Accrual for the year	761
Amount used during the year	(1,251)
Balance at 31.12.2007	**17,958**
Accrual for the period	428
Amount used during the period	(466)
Balance at 30.06.2008	**17,920**

In accordance with IAS 19, the “projected unit credit cost” method is used to measure employee end-of-service payments and CPAS fund, making the following assumptions (also used at 31 December 2007):

BUSINESS ASSUMPTIONS	30/06/2008
Cost of living increases:	2.00%
Discount rate:	5.50%
Salary increases:	3.00%
Annual increase in CPAS fund	11.00%

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

Note that at 30 June 2008 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred income tax liabilities

	30/06/2008	31/12/ 2007	Change
Deferred income tax liabilities	0	133,581	(133,581)
Total	**0**	**133,581**	**(133,581)**

Deferred income tax liabilities have been offset against deferred income tax assets, as required by the international financial reporting standard IAS 12 “Income taxes”; the resulting balance is reported in non-current assets under “Other financial assets”.
The change in the balance originates mainly from the elimination of the liabilities relating to:

- Off-system deductions, as specified in the note on “Income tax” (€ 55.9 million);
- The difference between the values of oil product inventories measured under the FIFO and the LIFO methods, as specified in the note on “Income tax” (€ 74.7 million).

5.4.5 Other non-current liabilities

The following table shows this item in detail:

	30/6/2008	31/12/2007	Change
Advances from clients	10	2,876	(2,866)
Payables to welfare and social security bodies	315	280	35
Deferred income	616,437	579,791	36,646
Other	15,705	4,379	11,326
Total	**632,467**	**587,326**	**45,141**

The change versus 31 December 2007 mainly refers to the increase in “deferred income” relating to subsidiary Sarlux S.r.l. This item concerns the application of IFRIC 4 for the treatment of the energy contract in place with GSE (Gestore dei Servizi Elettrici S.p.A.). Revenues from electricity sold are affected by their being linearised owing to the fact that the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining whether an arrangement contains a lease), has been recognised as a contract regulating the use of the plant by the customer of the company Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been linearised in keeping with both the term of the contract, 20 years, and forecasts for the price of crude oil, which constitute a determining factor when it comes to both electricity tariffs and electricity production costs.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	30/06/2008	31/12/2007	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,221,039	1,078,000	143,039
Profit for the year	329,750	322,903	6,847
	1,616,345	**1,466,459**	**149,886**
of which:			
Share capital and reserves attributable to minority interests	0	0	0
Profit (loss) for year attributable to minority interests	0	0	0
Total minority interests	**0**	**0**	**0**

Share capital
At 30 June 2008, fully paid up share capital, totalling EUR 54,630 thousand, comprised a total of 951,000,000 ordinary shares with no nominal value.
In the first half of 2008, the average number of outstanding shares was 948,348,866, compared to 951,000,000 for the first half of 2007. Saras S.p.A. held 6,404,181 own shares as of 30 June 2008.
During the first half of 2008, 5,963,887 were purchased at an average price of EUR 3.565; 24,729 shares were assigned in stock grants plans using an average price of EUR 3.614.

Legal reserves
Legal reserves, totalling EUR 10,926 thousand, remained unchanged from 31 December 2007.

Other reserves
This item totals EUR 1,221,039 thousand, with a net increase of EUR 143,039 thousand versus the previous period.
The net increase comes from the combination of:
- an increase due to the allocation of profits from the previous year of EUR 162,060 thousand;
- an increase of EUR 994 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the stock grants schemes;
- a decrease of EUR 21,259 thousand owing to the purchase of 5,963,887 shares in the parent company at an average price of EUR 3.56;
- the net effect of new tax rates relating to the IPO charges originally allocated to reserves (EUR 770 thousand).
- the write-off of a credit in respect of the minority shareholder of subsidiary Parchi Eolici Ulassai Srl totalling EUR 474 thousand.

Profit for the year
The net consolidated profit totalled EUR 329,750 thousand

Restrictions on the distribution of equity reserves
The main restrictions on the distribution of equity reserves can be summarised as follows:
- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item “other reserves” includes about EUR 20 million that may only be used to cover losses or increase share capital.

As set out under point 6.5 “Income Tax”, the option, provided for by article 1, paragraph 48 of Law 244 of 24/12/2007 (2008 Budget) and exercised by the company, allowed for the elimination of the fiscal limit on shareholders’ equity reserves, totalling approximately EUR 131.1 million at 31 December 2007, and which if distributed, would have resulted in an ordinary tax charge (36.9% at 30 June 2008) for the parent company.

Dividends
On 29 April 2008 the Annual General Meeting resolved a distribution of EUR 0.17 per share; the dividend payout (EUR 162,060 thousand) came from 2007 net profit.

6. Notes to the profit and loss account

6.1 Revenues

6.1.1 Revenues from ordinary operations

Revenues from ordinary operations can be broken down as follows:

	30/6/2008	30/6/2007	Change
Sales and services revenues	4,137,864	2,950,031	1,187,833
Sale of electricity	262,292	246,013	16,279
Total	**4,400,156**	**3,196,044**	**1,204,112**

Sales and services revenues increased by EUR 1,187 million versus the previous period. This change is largely due to a general rise in prices.

Revenues from the sale of electricity to GSE by Sarlux S.r.l. are linearised in accordance with the duration of the contract (until 2021), principally taking into account the tariff amount and forward curves of both the crude price and EUR/USD exchange rate until the contract expires.
Revenues from ordinary operations are broken down by business segment and geographical area as described in sections 4.2 “Segment information” and 4.3 “Breakdown by geographical area” above.

6.1.2 Other income

The following table shows “other income” in detail:

	30/6/2008	30/6/2007	Change
Revenues for stocking of mandatory supplies	5,885	3,692	2,193
Sales of sundry materials	1,413	3,191	(1,778)
Other income	52,469	5,172	47,297
Total	**59,767**	**12,055**	**47,712**

“Other income” includes revenues resulting from the application of directive 2003/87/EC (Emission Trading) pursuant to AEEG resolution 77/08 by Sarlux Srl (EUR 48,158 thousand).

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	30/6/2008	30/6/2007	Change
Purchases of raw materials, replacement parts and consumables	3,623,743	2,514,946	1,108,797
Total	**3,623,743**	**2,514,946**	**1,108,797**

The change in this item, as already highlighted for revenues, was mainly due to an increase in the price of crude oil and oil products.

6.2.2 Service and miscellaneous costs

	30/6/2008	30/6/2007	Change
Service costs	235,202	205,590	29,612
Use of third-party assets	6,259	5,968	291
Provisions for risks	52,577	494	52,083
Miscellaneous management costs	6,401	9,622	(3,221)
Total	**300,439**	**221,674**	**78,765**

Service costs largely comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities.
Provisions for risks chiefly consist of the costs generated by the application of directive 2003/87/EC on emissions trading, by Sarlux Srl (EUR 47,671 thousand) and by Saras S.p.A. (EUR 4,531 thousand).
Miscellaneous management costs mainly consist of non-income tax (ICI - local property tax, emissions tax) and contributions to industrial associations.

6.2.3 Personnel costs

"Personnel costs" can be analysed as follows:

	30/6/2008	30/6/2007	Change
Wages and salaries	46,498	44,276	2,222
Social security	14,012	13,366	646
End-of-service payments	2,122	(2,415)	4,537
Pensions and similar	428	641	(213)
Other costs	2,281	1,700	581
Directors' remuneration	2,909	2,847	62
Total	**68,250**	**60,415**	**7,835**

The rise in staff costs is chiefly due to extra performance-related payments and bonuses for staff, and to a higher number of employees, as well as the booking, in the first half of the previous year, of the curtailment due to the provisions introduced by the 2007 Budget.

On 27 April 2007, the shareholders' meeting approved the plans for the bonus allocation of the company's ordinary shares:

- to employees of the company and its Italian subsidiaries (the "stock plan");
- to the management of the Saras Group (the "stock grant plan 2007/2009").

The stock plan provides for a bonus allocation to employees:

- of 25 shares for the 2007 financial year plus one share for every six shares held on 31 December 2006;
- for 2008 and 2009, of one share per every six additional shares purchased in 2007 and 2008 respectively. Under the employee share plan, the total value of the shares allocated to each beneficiary may not exceed EUR 2,065 each year.

The stock grant plan 2007/2009 (for managers of the parent company, and managers and directors of the subsidiaries individually specified by the Board of Directors of the parent company) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to:

- the difference between the change in value of the parent company's shares and that of the shares of a group of comparable companies;
- the difference between the group's actual and budgeted EBITDA.

Some 330,341 shares are to be allocated through the stock grant plan for the period 2007-2009 and 880,750 shares through the stock grant plan (2008 only for the latter), while the cost for these plans amounted to EUR 1.1 million and EUR 3.1 million respectively (EUR 0.1 million and EUR 0.4 million respectively for the first half of 2008).

6.2.4 Depreciation, amortisation and write-downs

This item breaks down as follows:

	30/6/2008	30/6/2007	Change
Amortisation of intangible assets	17,796	21,074	(3,278)
Depreciation of tangible assets	60,792	58,676	2,116
Total	**78,588**	**79,750**	**(1,162)**

6.3 Net income (charges) from equity interests

This item is shown in detail in the following table:

	30/6/2008	30/6/2007	Change
Valuation of non-consolidated group companies at equity:			
Parchi Eolici Ulassai S.r.l.	1,367	3,903	(2,536)
Total	**1,367**	**3,903**	**(2,536)**

The shareholding in Parchi Eolici Ulassai S.r.l. was consolidated at equity until 30 June 2008, when the parent company acquired full control of the company.

6.4 Net financial income (charges)

A breakdown of this item is shown below:

	30/6/2008	30/6/2007	Change
Other financial income:			
from financial assets recorded under current assets			
Other income			
- from non-consolidated subsidiaries	131	74	57
- interest on bank and post office accounts	7,195	5,285	1,910
- fair value of derivatives outstanding at the end of the period	196	105	91
- fair value of held for trading financial assets	74		74
- positive differences on derivatives	1,542	6,036	(4,494)
- other income	514	278	236
Interest and other financial charges			
- from non-consolidated group companies	(1,166)	(21)	(1,145)
- fair value of derivatives outstanding at the end of the period		(685)	685
- fair value of held for trading financial assets	(216)	(15,410)	15,194
- negative differences on derivatives	(5,822)	(16,610)	10,788
- other (interest on loans, arrears, etc.)	(11,991)	(14,056)	2,065
Exchange rate gains/losses on non-commercial transactions	7,733	2,311	5,422
Total	**(1,810)**	**(32,693)**	**30,883**

The main changes are attributable to derivative transactions carried out mainly by the parent company in the first half of the year; these were hedging transactions to which hedge accounting was not applied.

6.5 Income tax

Income tax is analysed as follows:

	30/06/ 2008	31/06/ 2007	Change
Current income tax liabilities	216,572	108,845	107,727
Deferred tax (assets)/liabilities, net	(157,862)	6,746	(164,608)
Total	**58,710**	**115,591**	**(56,881)**

Deferred tax assets/liabilities are generated from changes during the period in the temporary differences between the carrying amounts of assets and liabilities and their tax bases.
Following the change in the rate of corporation tax (IRES) from 27.5% to 33%, introduced by Law Decree No.112/2008, tax assets (excluding the effect on the valuation of inventories of crude and oil products of the Italian entities) and tax liabilities have been adjusted with a total net impact on profit and loss of € 18.1 million, which relates both to taxes of prior years (€ 0.5 million) and those arising in the period under consideration (€ 17.7 million).
Law Decree No.112/2008 also introduced a substitute tax of 16% on the difference between the carrying amount of the oil product inventories of the Italian entities measured under the FIFO method and that measured under the LIFO method. Because the decree states (article 81) that the difference must be determined on the basis of the quantities and carrying amounts of stocks as of 31 December 2008, consolidated interim financial statements consider this effect with reference to the quantities and carrying amounts of stocks as of 30 June 2008 (release of deferred tax liabilities of € 74.7 million and current substitute tax of € 54.3 million, the latter payable together with the balance of taxes due in respect of FY 2008).
Furthermore, the Group also opted for “realigning” the tax bases of assets and liabilities to their carrying amounts in the statutory financial statements, as allowed by the government’s Budget Law 2008; this option, exercised by the parent company and by the subsidiary Arcola Petrolifera S.p.A., entitled the release of € 55.8 million in deferred tax liabilities and € 32.1 million in current substitute tax; the latter has been paid in part (€ 9.7 million) and the balance is payable in two instalments, equal to € 12.8 million and € 9.6 million, respectively, together with the balances of taxes due in respect of FY 2008 e 2009).

7. Other information

7.1 Main legal actions pending

Saras S.p.A. and its subsidiaries Arcola Petrolifera S.p.A., Sarlux. S.r.l. and Akhela S.r.l. have been subject to tax audits and assessments by the tax authorities, which have led, in some cases, to disputes that will be heard in the tax courts.
Although the decisions made by the tax courts in relation to the alleged breaches have not been consistent, Saras assumes that liabilities, although possible, are not probable.

7.2 Earnings per share

The earnings per share figure is determined by dividing net profit by the weighted average number of Saras S.p.A. shares outstanding during the period, excluding own shares.
Earnings per share totalled 34.77 eurocents per share for the first half of 2008 and 19.66 eurocents for the same period of the previous year.
Diluted earnings per share do not vary significantly from basic earnings per share.

7.3 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and financial dealings.
The values of commercial, miscellaneous and financial transactions with related parties are set out below, and explanations of the most important transactions are provided.
The effects on the balance sheet of transactions or positions with related parties are summarised in the table below:

Transactions with related parties and explanatory notes

description	Absolute (€./000) and % value on balance sheet item				Item	Business reason
	30/06/2008		31/12/2007			
XANTO S.r.l. (in liquidation)						
Final liquidation allocation	0	0.00%	250	4.93%	Net income (charges) from investments	Income from liquidation
Financial income	0	0.00%	0	0.00%	Other net financial income (charges)	Intercompany loans
Financial charges	0	0.00%	(17)	0.04%	Other net financial income (charges)	Interest on intercompany credit line
Receivables for supply of goods and services	0	0.00%	0	0.00%	Current trade receivables	Trade receivables
Payables for supply of good and services	0	0.00%	0	0.00%	Trade payables and other current payables	Trade payables
Loans	0	0.00%	0	0.00%	Short-term financial liabilities	Intercompany credit line
IRES/VAT payables resulting from tax consolidation	0	0.00%	0	0.00%	Short-term financial liabilities	IRES/VAT payables resulting from tax consolidation
NOVA EOLICA S.r.l.						
Financial income	30	1.66%	0	0.00%	Other net financial income (charges)	Interest on intercompany loans
Financial charges	0	0.00%	(8)	0.02%	Other net financial income (charges)	Interest on intercompany loans
Receivables for supply of goods and services	139	0.02%	77	0.01%	Current trade receivables	Trade receivables
Payables for supply of good and services	0	0.00%	0	0.00%	Trade payables and other current payables	Trade payables
Loans	2,500	3.36%	3,200	11.17%	Other current assets	Intercompany loans
Loans	0	0.00%	0	0.00%	Short-term financial liabilities	Intercompany loans
PARCHI EOLICI ULASSAI S.RL. (Joint venture)						
Services received	3	0.01%	28	0.08%	Other income	Outsourcing of services
Valuation of shareholding at equity	1,367	100.00%	4,768	94.10%	Net income (charges) from investments	Valuation of non-consolidated shareholdings
Financial income	52	2.87%	108	0.26%	Other net financial income (charges)	Interest on intercompany credit line
Financial charges	0	0.00%	0	0.00%	Other net financial income (charges)	Interest on intercompany credit line
Receivables for supply of goods and services	0	0.00%	57	0.01%	Current trade receivables	Trade receivables
Loans	0	0.00%	1,328	4.64%	Other current assets	Intercompany credit line
Payables for supply of good and services	0	0.00%	0	0.00%	Trade payables and other current payables	Trade payables
Loans	0	0.00%	0	0.00%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables resulting from tax consolidation	0	0.00%	(949)	0.55%	Short-term financial liabilities	IRES/VAT payables resulting from tax consolidation
SARDEOLICA S.R.L.						
Services rendered	48	0.08%	118	0.00%	Revenues from ordinary operations	Provision of IT services
Services received	40	0.07%	82	0.23%	Other income	Outsourcing of services
Services rendered by staff	25	0.04%	186	0.51%	Other income	Staff secondment
Financial income	47	0.00%	0	0.00%	Other net financial income (charges)	Interest on intercompany loans
Receivables for supply of goods and services	0	0.00%	284	0.04%	Current trade receivables	Trade receivables
Loans	0	0.00%	4,000	13.96%	Other current assets	Intercompany loans
IRES/VAT receivables resulting from tax consolidation	0	0.00%	0	0.00%	Other current assets	IRES/VAT receivables resulting from tax consolidation
IRES/VAT payables resulting from tax consolidation	0	0.00%	(249)	0.14%	Short-term financial liabilities	IRES/VAT payables resulting from tax consolidation
Consorzio Ricerche Associate (in liquidation)						
Final liquidation allocation	0	0.00%	(6)	0.00%	Provision of services and miscellaneous costs	Liquidation charges
Final liquidation allocation	0	0.00%	11	0.22%	Net income (charges) from investments	Income from liquidation
IMMOBILIARE ELLECI S.p.A.						
Rents	(231)	0.08%	(441)	0.10%	Provision of services and miscellaneous costs	Property rental
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	11	0.02%	21	0.06%	Other income	Staff secondment
Rents	(318)	0.11%	(667)	0.15%	Provision of services and miscellaneous costs	Property rental
Receivables for supply of goods and services	11	0.00%	21	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(108)	0.01%	(108)	0.02%	Trade payables and other current payables	Trade payables
F.C. INTERNAZIONALE S.p.A.						
Services received	0	0.00%	(37)	0.01%	Provision of services and miscellaneous costs	Purchase of tickets for sports events
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	18	0.03%	35	0.10%	Other income	Staff secondment
Receivables for supply of goods and services	18	0.00%	35	0.01%	Current trade receivables	Trade receivables
DYNERGY S.R.L.						
Services rendered by staff	1	0.00%	2	0.01%	Other income	Management fees
Services received	8	0.44%	9	0.02%	Other net financial income (charges)	Positive exchange rate differences
Services received	(224)	0.07%	(1,383)	0.30%	Provision of services and miscellaneous costs	Support for refining process activities
Dividends	0	0.00%	38	0.75%	Net income (charges) from investments	Distribution of dividends due
Receivables for supply of goods and services	0	0.00%	1	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(476)	0.06%	(303)	0.05%	Trade payables and other current payables	Trade payables
HANGZHOU DADI ENCON ENVIRONMENTAL EQUIPMENT CO. LTD - China						
Supply of merchandise	0	0.00%	12	0.00%	Income from ordinary operations	Supply of control and measuring instruments
Purchase of merchandise	0	0.00%	(51)	0.00%	Purchases of raw materials, replacement parts and consumables	Supply of material for contracts
Trade receivables	1	0.00%	1	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0.00%	(19)	0.00%	Trade payables and other current payables	Trade payables
Advances of supply of merchandise	(53)	0.01%	(53)	0.01%	Trade payables and other current payables	Advances on supply of prototype

The above transactions with related parties were at arm's length.
No provisions for doubtful loans were made with regard to existing balances, as there were no reasons for such provisions; no losses were recorded in relation to bad or doubtful loans due from related parties.

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

	30.6.2008			31.12.2007		
	Total	**Related parties**	**Incidence %**	**Total**	**Related parties**	**Incidence %**
Current trade receivables	830,584	169	0.02%	690,162	476	0.1%
Other current assets	74,444	2,500	3.4%	28,649	8,528	29.8%
Short-term financial liabilities	172,004	0	0.0%	173,178	1,198	0.7%
Trade payables and other current payables	733,806	637	0.1%	655,582	483	0.1%

The effects on the profit and loss account of transactions or positions with related parties are summarised in the table below:

	30.6.2008			30.6.2007		
	Total	**Related parties**	**Incidence %**	**Total**	**Related parties**	**Incidence %**
Revenues from ordinary operations	4,400,156	48	0.00%	3,196,044	81	0.0%
Other income	59,767	98	0.2%	12,055	172	1.4%
Purchases of raw materials, replacement parts and consumables	3,623,743	0	0.0%	2,514,946	5	0.0%
Cost of services and other costs	300,439	773	0.3%	221,674	1,374	0.6%
Net income (charges) from equity investments	1,367	1,367	100.0%	3,903	3,903	100.0%
Other net financial income (charges)	(1,810)	137	n.a.	(32,693)	53	n.a.

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

Flows with related parties	**30/06/2008**	**30/06/2007**
Net (income) and charges on investments valued at equity	(1,367)	(3,910)
(Increase)/decrease in trade receivables	307	854
Increase/(decrease) of trade payables and other payables	154	(14)
Change in other current assets	6,028	2,953
Change in other non-current liabilities	0	0
Cash flow from (to) operations	**5,122**	**(117)**
Interest received / (paid)	137	53
Cash flow from (to) investments	**137**	**53**
Increase / (decrease) in short-term financial liabilities	(1,198)	(433)
Cash flow from (to) financing	**(1,198)**	**(433)**
Total cash flow to related parties	**4,061**	**(497)**

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

	30.6.2008			30.6.2007		
	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Cash flow from (to) operations	198,185	5,122	2.6%	523,232	(117)	n.a.
Cash flow from (to) investments	(161,895)	137	n.a.	(85,684)	53	n.a.
Cash flow from (to) financing	(228,702)	(1,198)	0.5%	(196,997)	(433)	0.2%

7.4 Commitments

At 30 June 2008 and 31 December 2007 the group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, Saras has issued sureties, whose value at 30 June 2008 totalled EUR 27,170 thousand, including EUR 7,143 thousand to subsidiaries, EUR 2,507 thousand to the Cagliari Port Authorities to the tax authorities as a guarantee for a state maritime concession, EUR 1,440 thousand to General Properties S.p.A. to guarantee the leasing of offices in Corso V. Emanuele in Milan, EUR 1,016 thousand in tax guarantees to various customs authorities and EUR 14,236 thousand to the Ministry of Productive Activities as a guarantee for the advance payment of taxes required by the Programme Agreement signed on 10 June 2002.

7.5 Extraordinary events and transactions and unusual operations

No atypical and/or unusual operations were carried out in the period under review; the introduction of the 2008 Budget allows non-recurring items described in 6.5 “Income Tax” to be recorded.

8. Publication of the consolidated first-half results

At its meeting of 6 August 2008 the Board of Directors of Saras authorised the publication of the consolidated accounts for the first half of the year.

For the Board of Directors
Chairman
Gian Marco Moratti

Saras SpA

Direzione generale
Sede amministrativa

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Attestazione della relazione finanziaria semestrale ai sensi dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Gian Marco Moratti, Presidente del Consiglio di Amministrazione, Massimo Moratti, Amministratore Delegato e Corrado Costanzo, Dirigente preposto alla redazione dei documenti contabili societari della Saras S.p.A., attestano, tenuto anche conto di quanto previsto dall'art. 154-*bis*, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione,

   delle procedure amministrative e contabili per la formazione del bilancio semestrale abbreviato, nel corso del periodo 1° gennaio 2008 – 30 giugno 2008.

2. Si attesta, inoltre, che il bilancio semestrale abbreviato al 30 giugno 2008:
   a) corrisponde alle risultanze dei libri e delle scritture contabili;
   b) redatto in conformità ai principi contabili internazionali applicabili, alla Delibera Consob n. 15519 del 27 luglio 2006, al regolamento adottato dalla Consob con deliberazione n. 11971 del 14 maggio 1999, come successivamente modificato e alla Comunicazione Consob n. DEM/6064293 del 28 luglio 2006, a quanto consta, è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria di Saras. S.p.A. e dell'insieme delle imprese incluse nel consolidamento

La presente attestazione è resa ai sensi e per gli effetti di cui all'art. 154-*bis*, commi 2 e 5, del decreto legislativo 24 febbraio 1998, n. 58.

Milano, 6 agosto 2008

Firma organi amministrativi delegati

(Dott. Gian Marco Moratti)

(Dott. Massimo Moratti)

Firma dirigente preposto alla redazione dei documenti contabili societari

(Dott. Corrado Costanzo)

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

To the Shareholders of
Saras SpA

1 We have reviewed the consolidated condensed interim financial statements of Saras SpA and subsidiaries (Group Saras) as of 30 June 2008 and the six months then ended, comprising the consolidated balance sheet, the consolidated income statement, consolidated statements of changes in shareholders' equity and cash flows and related explanatory notes. Saras SpA's Directors are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the consolidated condensed interim financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented in the consolidated condensed interim financial statements, reference should be made to our reports dated 11 April 2008 and dated 12 September 2007, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Group Saras have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 7 August 2008

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

This report has been translated into the English language solely for the convenience of international readers.