Saras Group Half Year Report as at 30 June 2010

SARAS

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Statutory and Control Bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

CORRADO COSTANZO

INDEPENDENT AUDITING FIRM

PRICEWATERHOUSECOOPERS S.p.A.

* Independent Director elected by the Minority list of Shareholders

Group Activities

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

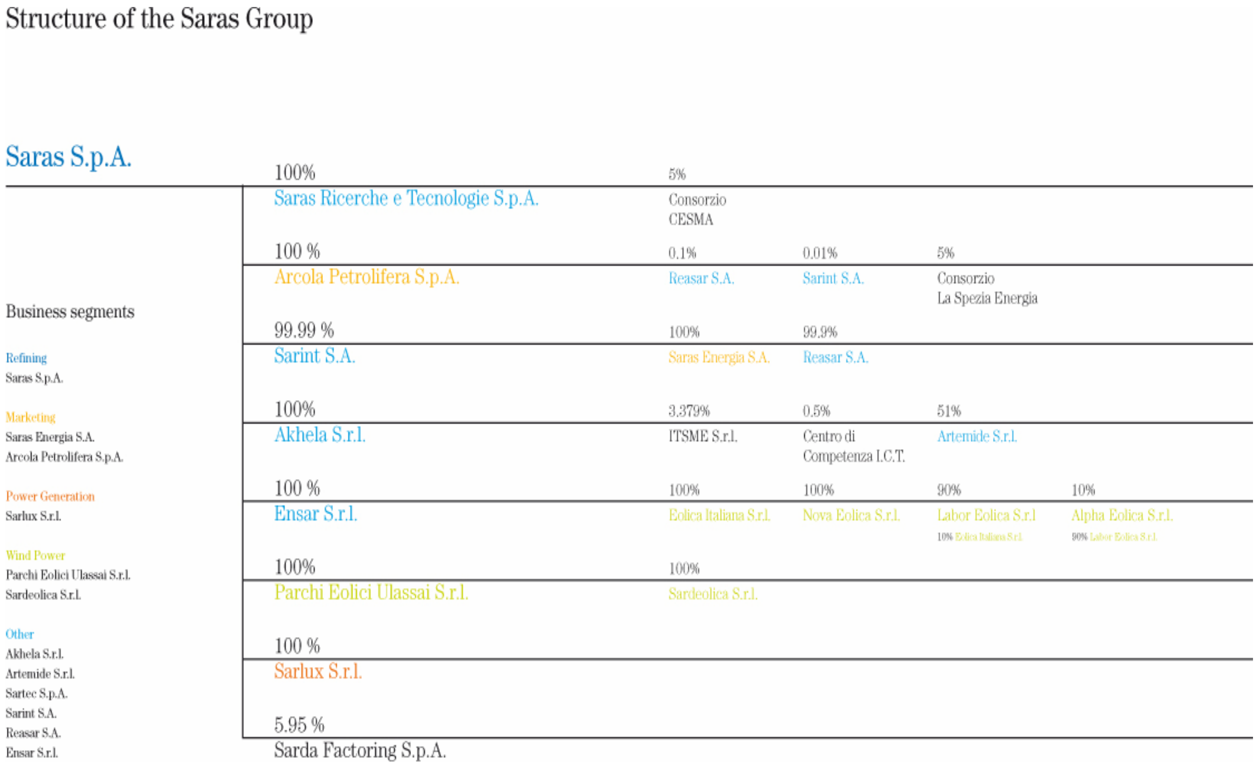
Both directly and through our subsidiaries Arcola Petrolifera S.p.A. (Italy) and Saras Energia S.A. (Spain), the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European and international markets. In particular, in 2009 approximately 1.2 million tons of oil products were sold in Italy, through our subsidiary Arcola Petrolifera, which operates solely in the wholesale market, and it manages a tank farm for petroleum products owned by the Group, and located in Arcola (La Spezia), with a capacity of 200,000 cubic metres. A further 2.7 million tons of oil products were sold in the Spanish market through Saras Energia, which is active both in the wholesale and in the retail market. More in details, Saras Energia manages a retail network made by 124 service stations, of which 88 fully owned and 36 on long term lease, mainly located on the Spanish Mediterranean Coast. Furthermore, Saras Energia manages also a biodiesel plant, with a capacity of 200.000 tons per year, which was built in Cartagena (Spain) at the end of 2008, and it has reached stable full scale production during the second half of 2009. Important synergies can also be generated by the biodiesel plant, thanks to its location in the proximity of an oil products tank farm already owned by the Group, with a capacity of 112,000 cubic metres.

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

Moreover, in the island of Sardinia, the Group is also involved in the production of power from renewable sources, through a wind farm situated in Ulassai, with a capacity of 72MW (upgradeable to 96MW). Finally, Saras operates also in the information technology services sector through its subsidiary Akhela S.r.l., and it provides industrial engineering and scientific research services to the oil, energy and environment industry via its subsidiary Sartec S.p.A..

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.



Stock Performance

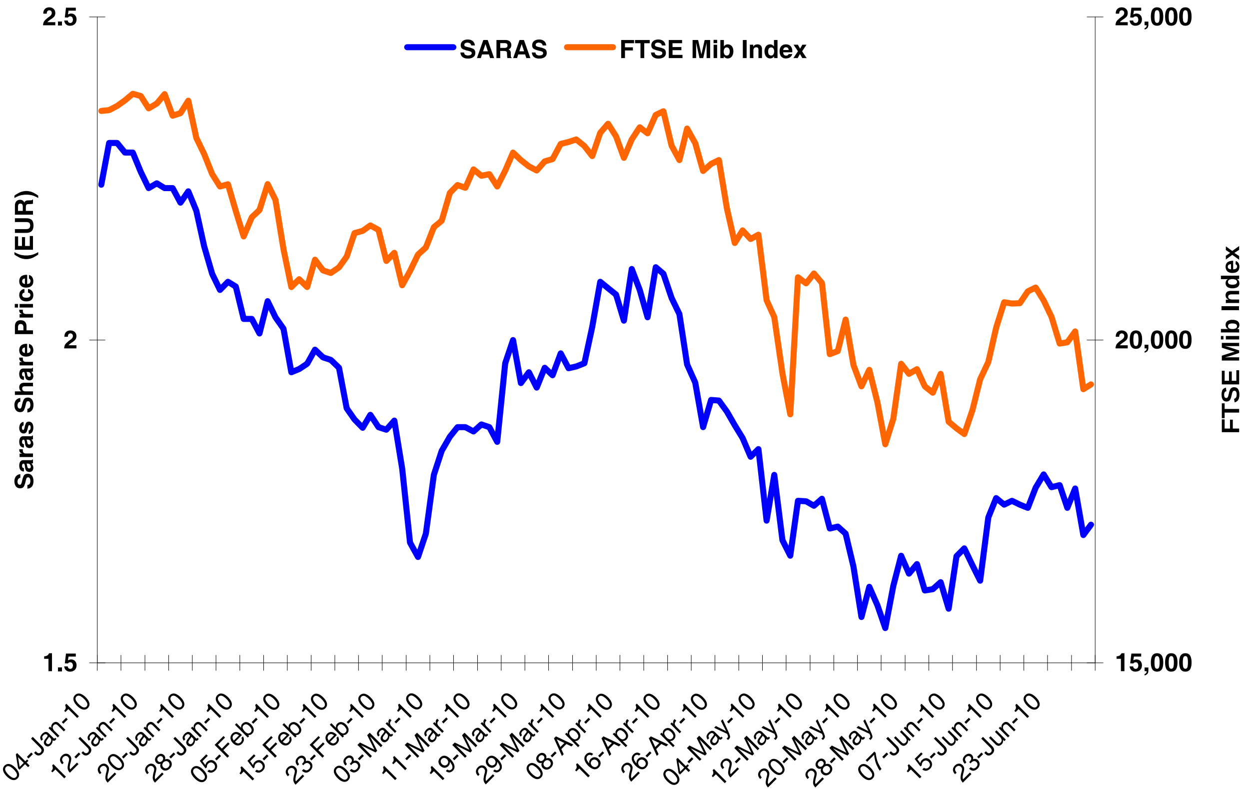
Below are some data concerning prices and daily volumes relating to the Saras share, in the period between 4th January 2010 and 30th June 2010.

SHARE PRICE (EUR)	H1/10
Minimum price (25/05/2010)	1.554
Maximum price (06/01/2010)	2.305
Average price	1.894
Closing price at the end of the period (30/06/2010)	1.714

DAILY TRADED VOLUMES (Million)	H1/10
Maximum traded volume in EUR (26/02/2010)	31.6
Maximum traded volume in number of shares (26/02/2010)	18.8
Minimum traded volume in EUR (17/06/2010)	1.2
Minimum traded volume in number of shares (17/06/2010)	0.7
Average volume in EUR	7.1
Average volume in number of shares	3.8

Market capitalization on the 30th of June 2010 amounts to EUR 1,630 million and, at the same date, the outstanding shares were approximately 928 million.

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



REPORT ON OPERATIONS

Comments on Group Results[1]

In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, the Operating Results (EBITDA[2] and EBIT[3]) and the Net Results are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, as requested by IFRS accounting principles). The LIFO methodology does not include revaluations and write downs and it combines the most recent costs with the most recent revenues, thus providing a clearer picture of current operating profitability. Furthermore, for the same reason, non recurring items are deducted both from the Operating Results and from Net Results. Operating Results and Net Results calculated as above are called respectively "*comparable*" and "*adjusted*", and they are not subject to audit.

First Half 2010 highlights

- **Group *reported* EBITDA** at EUR 101.7 ml (vs. EUR 292.5 ml in H1/09)
- **Group *comparable*[4] EBITDA** at EUR 41.7 ml (vs. EUR 115.2 ml in H1/09)
- **Group *reported* Net Result** at EUR 11.8 ml (vs. EUR 117.0 ml in H1/09)
- **Group *adjusted*[5] Net Result** at EUR -27.4 ml (vs. EUR 7.1 ml in H1/09)
- **Saras refining margin** after variable costs at 1.1 $/bl
- **Net financial position** improved to EUR -567 ml as of 30th Jun 2010, vs. EUR -643 ml on 31st Mar 2010

Second Quarter 2010 highlights

- **Group *reported* EBITDA** at EUR 51.0 ml (vs. EUR 147.9 ml in Q2/09)
- **Group *comparable* EBITDA** at EUR 27.9 ml (vs. EUR 24.1 ml in Q2/09)
- **Group *reported* Net Result** at EUR 21.1 ml (vs. EUR 58.8 ml in Q2/09)
- **Group *adjusted* Net Result** at EUR 2.4 ml (vs. EUR -18.3 ml in Q2/09)
- **Saras refining margin** after variable costs at 1.2 $/bl

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

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

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

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

[5] ***Adjusted* Net Result:** Net Income or Loss adjusted for the differences between LIFO and FIFO inventories after taxes, non recurring items after taxes and change in the derivatives fair value after taxes.

Key Consolidated financial figures

Below are key consolidated economic and financial figures, shown in comparison with the data related to the same period last year. Quarterly, *comparable* and *adjusted* figures are unaudited.

Saras Group Income Statement figures:

EUR Million	Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	Var %
REVENUES	2,183	1,109	97%	1,882	4,065	2,337	74%
EBITDA	51.0	147.9	-66%	50.7	101.7	292.5	-65%
Comparable EBITDA	**27.9**	**24.1**	**16%**	**13.8**	**41.7**	**115.2**	**-64%**
EBIT	(0.2)	102.3	-100%	0.1	(0.1)	202.3	-100%
Comparable EBIT	**(23.3)**	**(21.5)**	**-8%**	**(36.8)**	**(60.1)**	**25.0**	**-340%**
NET RESULT	21.1	58.8	-64%	(9.3)	11.8	117.0	-90%
***Adjusted* NET RESULT**	**2.4**	**(18.3)**	**113%**	**(29.9)**	**(27.4)**	**7.1**	**-488%**

Detail of Group Net Result *adjustment*:

EUR Million	Q2/10	Q2/09	H1 2010	H1 2009
***Reported* NET RESULT**	**21.1**	**58.8**	**11.8**	**117.0**
(inventories at LIFO - inventories at FIFO) net of taxes	(14.6)	(77.8)	(38.8)	(111.8)
non recurring items net of taxes	-	-	-	-
change in derivatives fair value net of taxes	(4.0)	0.7	(0.4)	1.8
***Adjusted* NET RESULT**	**2.4**	**(18.3)**	**(27.4)**	**7.1**

Detail of Group EBITDA *adjustment*:

EUR Million	Q2/10	Q2/09	H1 2010	H1 2009
***Reported* EBITDA**	**51.0**	**147.9**	**101.7**	**292.5**
inventories at LIFO - inventories at FIFO	(23.1)	(123.8)	(60.0)	(177.3)
non recurring items	-	-	-	-
***Comparable* EBITDA**	**27.9**	**24.1**	**41.7**	**115.2**

Other Group figures:

EUR Million	Q2/10	Q2/09	Q1/10	H1 2010	H1 2009
NET FINANCIAL POSITION	**(567)**	**(472)**	**(643)**	**(567)**	**(472)**
CAPEX	**60**	**122**	**23**	**83**	**182**
OPERATING CASH FLOW (*)	**136**	**31**	**(87)**	**49**	**201**

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

Comments to First Half 2010 results

During the first half of 2010, the global economy slowly recovered from the severe recession of 2009. However, while financial markets reacted quickly, the real economy played only a slow catch up, with consumers still watching their pockets, especially in OECD countries. In this context, oil products demand remained subdued and, although refining margins posted gains versus the last semester of 2009, they continued to be significantly lower than in H1/09 (for sake of example, the EMC benchmark refining margin stood at 0.8 $/bl in H1/10, up 233% vs. -0.6 $/bl in H2/09, but down 61% vs. 2.1 $/bl in H1/09).

Saras Group posted a weak performance in the Refining segment, also negatively impacted by a scheduled cycle of maintenance activities. The Power Generation segment was broadly in line with expectations. Moreover, the Marketing segment posted strong results, in spite of the generalised reduction of oil consumption in both the Italian and Spanish markets, thanks to a strategic focus on improving the mix of sales channels. Finally, the Wind segment posted a robust performance, aided by very favourable wind conditions in the first quarter of the year.

Group Revenues in H1/10 were EUR 4,065 ml up 74% vs. H1/09, with substantially higher revenues coming from the Refining and Marketing segments, in the light of significantly higher oil products' prices (for quick reference, in H1/10 diesel traded at an average of 659 $/ton vs. 470 $/ton in H1/09, and gasoline priced at 721 $/ton vs. 502 $/ton in H1/09).

Group *reported* EBITDA in H1/10 was EUR 101.7 ml, (down 65% vs. H1/09). This result can be explained almost entirely with the weak performance of the Refining segment, which suffered from the above mentioned low margin scenario (Saras refining margin stood at 1.1 $/bl in H1/10, vs. 3.5 $/bl in H1/09).

Group *reported* Net Result stood at EUR 11.8 ml, down 90% when compared to the same period of 2009, for the same reasons explained at EBITDA level. It should be noted that in H1/10 there were higher depreciation and amortization charges *vis a vis* H1/09 (EUR 101.8 ml, vs. EUR 90.2), and net "Financial Income" for approx. EUR 12 ml, compared to approx. EUR 14 ml net "Financial Expense" in H1/09. Since interest expense stood at approx. EUR 8 ml in both periods, this difference is largely due to gains/losses on hedging instruments.

Group *comparable* EBITDA amounted to EUR 41.7 ml, down 64% vs. EUR 115.2 ml in H1/09, and **Group *adjusted* Net Result was EUR -27.4 ml**, vs. EUR 7.1 ml in H1/09, for the same reasons explained for the *reported* figures.

As mentioned at the beginning of the "Comments on Group Results", *comparable* and *reported* figures differ primarily because of the different methodologies used to evaluate the oil inventories. More specifically, the *reported* (IFRS) figures evaluate oil inventories according to the FIFO methodology, while the *comparable* figures are based on the LIFO methodology. In H1/10, the above mentioned FIFO/LIFO difference after tax was equal to EUR -38.8 ml, due to the increase in crude and oil products prices.

CAPEX in H1/10 amounted to approx. EUR 83 ml, in line with the previously announced investment programme to be carried out during 2010, and primarily distributed between the Refining Segment (EUR 63 ml) and the Wind segment (EUR 11 ml).

At the 30th of June 2010, the Group Net Financial Position was negative by EUR 567 ml, compared to a negative figure of EUR 643 ml at the 31st March 2010. The above change in NFP can be almost entirely explained by positive cashflow from operations (approx. EUR 140 ml, related to a decrease in working capital requirements and to self-financing from provisions for depreciation and amortisation), and cashflow for the CAPEX of the period (approx. EUR 60 ml).

Comments to Second Quarter 2010 results

Group Revenues in Q2/10 were EUR 2,183 ml up 97% vs. Q2/09. The substantially higher revenues came primarily from the Refining and Marketing segments, in the light of significantly higher oil products' prices (for quick reference, in Q2/10 diesel traded at an average of 680 $/ton vs. 503 $/ton in Q2/09, and gasoline priced at 726 $/ton vs. 582 $/ton in Q2/09).

Group *reported* EBITDA in Q2/10 was EUR 51.0 ml, down 66% vs. Q2/09, depressed by low refining margins and also influenced by changes in the value of oil inventories (considering their fluctuations both in terms of prices and quantities), while the performance of all other Group segments was broadly in line with same period last year.

Group *reported* Net Result in Q2/10 was EUR 21.1 ml, down 64% vs. Q2/09. This result can be explained with the same factors discussed at the EBITDA level, plus the differences in depreciation and amortization charges (EUR 51.2 ml in Q2/10 vs. EUR 45.6 ml in Q2/09), and also in "Financial Income/Expense" (positive for approx. EUR 24 ml in Q2/10, while in Q2/09 they were negative for approx. EUR 11 ml).

Group *comparable* EBITDA in Q2/10 amounted to EUR 27.9 ml, up by 16% vs. Q2/09. The weak performance in the second quarter of 2010 was still stronger than in the corresponding period of 2009, because in Q2/09 the Refining segment had a very heavy maintenance and investment cycle, which involved one crude distillation unit (leading to lower runs) and several conversion units (reducing production of both gasoline and middle distillates). Moreover, in Q2/09 further losses were caused by a tragic incident at the MHC1 unit, which delayed the completion of maintenance activities.

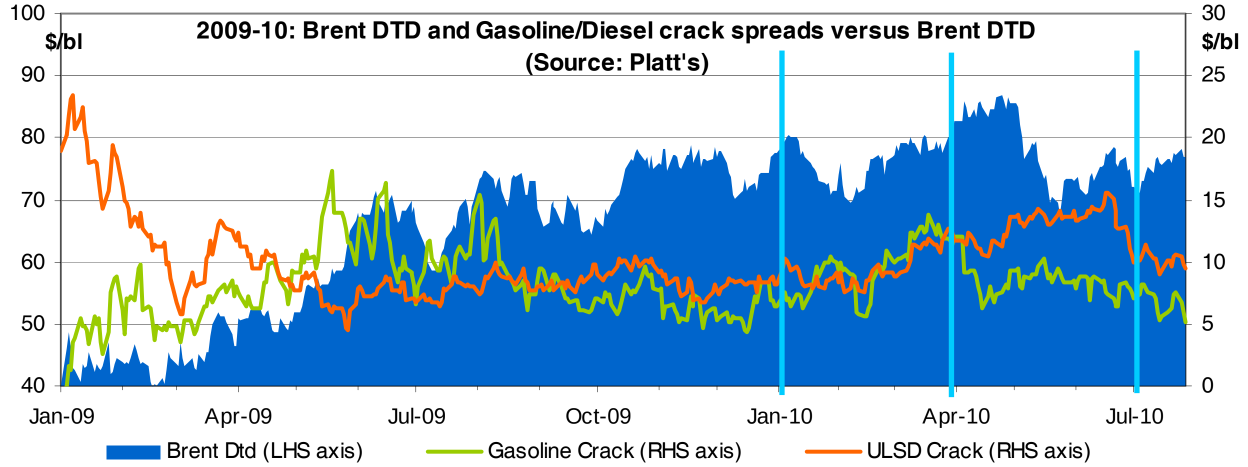
Group *adjusted* Net Result was EUR 2.4 ml in Q2/10, up 113% vs. Q2/09, mainly due to gains on hedging instruments, which in Q2/10 brought a positive contribution of approx. EUR 22 ml, included in the "Financial Income/Expense".

When looking at the adjustment of the Net Result in the second quarter 2010, it can be observed once again that the *comparable* figures differ from the *reported* ones, mainly because of the difference between FIFO/LIFO inventory evaluations, equal to negative EUR 14.6 ml, for the same reasons explained in the comments of the half year results.

CAPEX amounted to approx. EUR 60 ml in Q2/10, substantially in line with our investment plan. This figure includes approx. EUR 43 ml related to the investment activities carried out in the Sarroch refinery during the period, as well as approx. EUR 11 ml related to the construction of 6 new aero-generators "Vestas V80" which are being installed in our Ulassai Wind park.

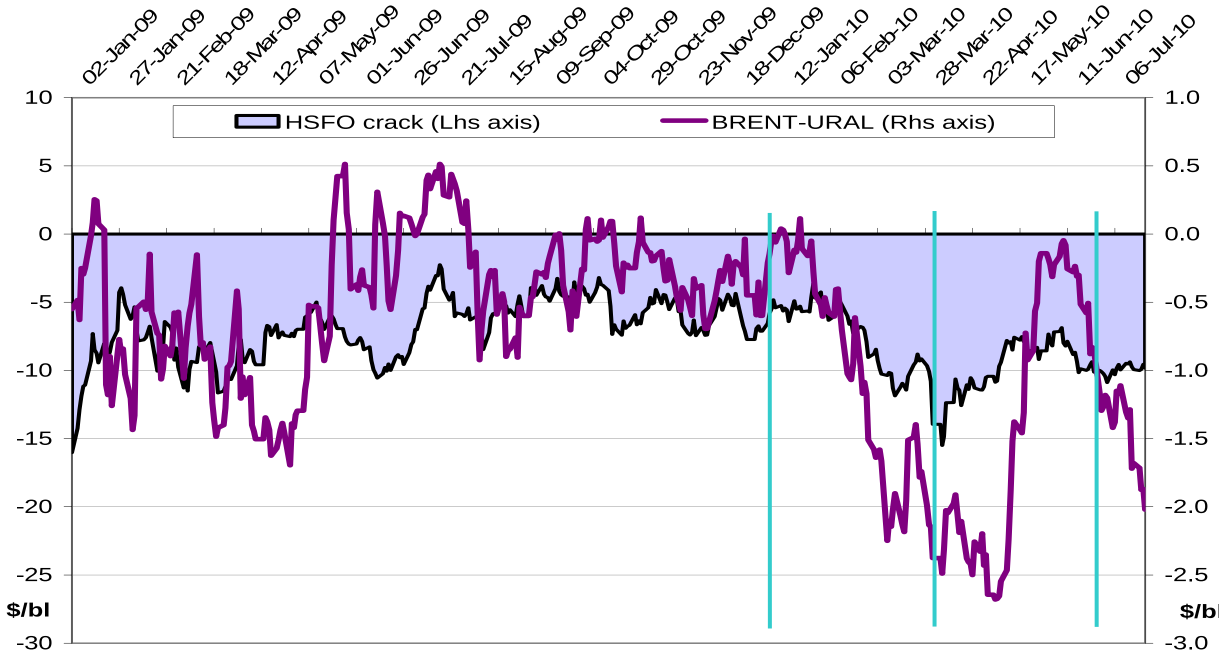
The Oil Market

The graph here below shows the course of Brent Dated crude oil prices, and the crack spread[7] values for ULSD and Unleaded Gasoline.



During the first quarter of 2010 Brent Dated crude oil prices have been basically confined in the 70 ÷ 80 $/bl corridor: opening at approx. 77 $/bl on 1st Jan 2010, prices initially climbed to 80 $/bl in the first week of the year, and subsequently fell down to 70 $/bl by early February. Later on, prices started to gradually raise again (closing the first quarter just above 80 $/bl), and reaching their highest levels since autumn 2008 by mid April. This upward trend was supported by positive market sentiment and expectations of a quick economic recovery on a global scale, which in turn would have boosted robust growth in oil demand. On such premises, Brent Dated reached 85 $/bl. However, towards the end of April, the European debt crisis caused a steep drop in global equity markets, and also crude oil prices went down sharply throughout the month of May, going as low as 67 $/bl, on May 20th. Later on, Brent Dated recovered to some extent in June, reaching 75 $/bl at the end of the second quarter.

The graph below shows that in Q1/10 the price differential between heavy and light crude oil (i.e. "Brent – Urals") widened to approx. 1.0 $/bl, vs. the narrow spread of 0.5 $/bl experienced in Q1/09. This was a consequence of the low OPEC compliance with their production quotas. However, in Q2/10 the heavy-light differential narrowed again, driven by high speculation in the Urals market, as well as lower export schedule in May and June from the Russian ports of Primorks and Novorossijsk.

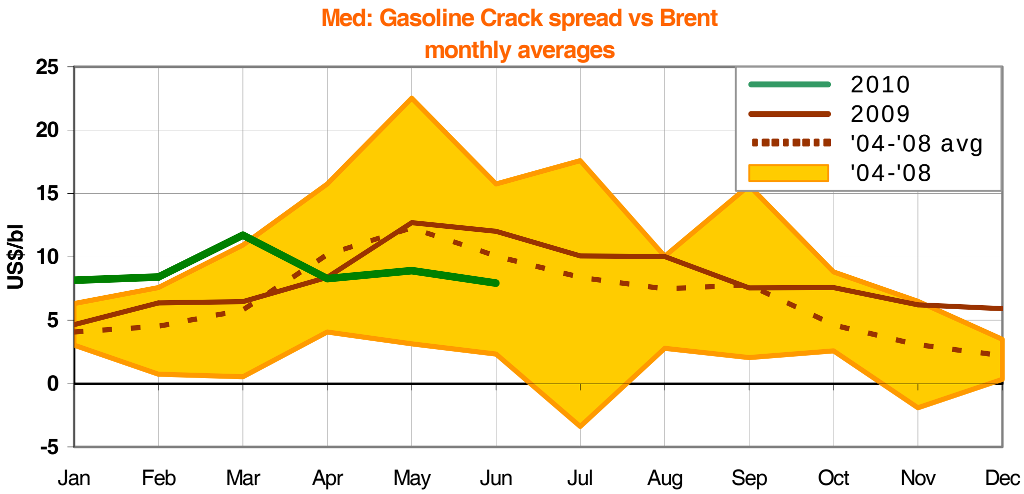


[7] **Crack spread**: difference between price of a product and reference crude oil.

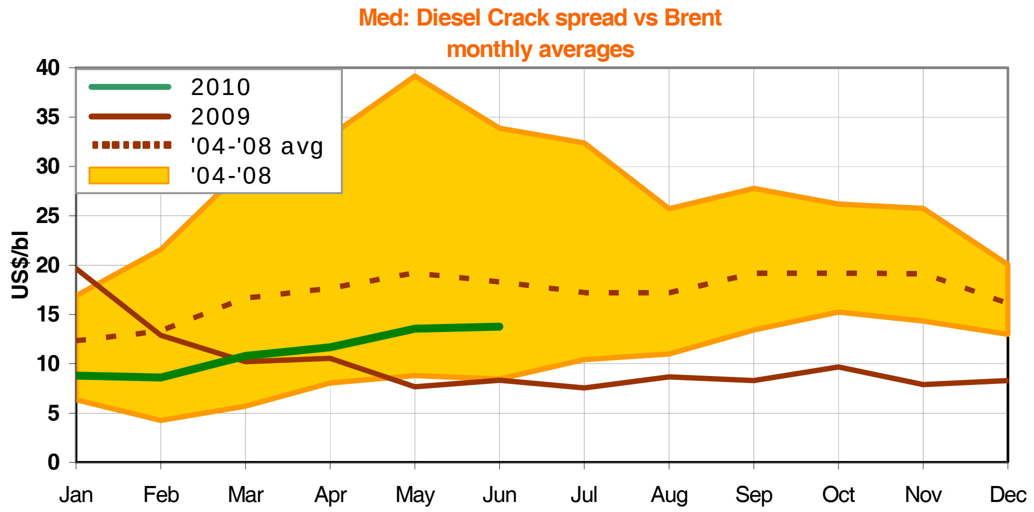
Wide price differentials between "heavy" and "light" crude grades are instrumental to restore part of the competitive advantage of complex refineries. Moreover, greater availability of heavy crude oils has a further beneficial effect of removing support to the fuel oil crack, hence allowing the "conversion spread" to widen again, to the advantage of complex refineries like Saras. In the early weeks of Q3/10, the "heavy-light" differential has started to widen again.

Moving on to oil products, throughout the first half of the year, demand experienced only modest signals of improvement for the various product categories.

In January and February 2010, the gasoline crack spread remained at similar level as in Q4/09, with MED monthly averages around 8 \$/bl. Subsequently, in March, gasoline crack had a 40% rebound, reaching a peak value of 14 \$/bl. This came as a consequence of the traditional "spring maintenance" for various refineries in USA and Europe, combined with robust buying interest from West Africa and Middle East. April, May and June however, saw the gasoline crack moving back below 10 \$/bl, due to the end of the maintenance season, and sluggish demand in the USA, leading to high inventory levels and the closure of arbitrage windows from Europe.



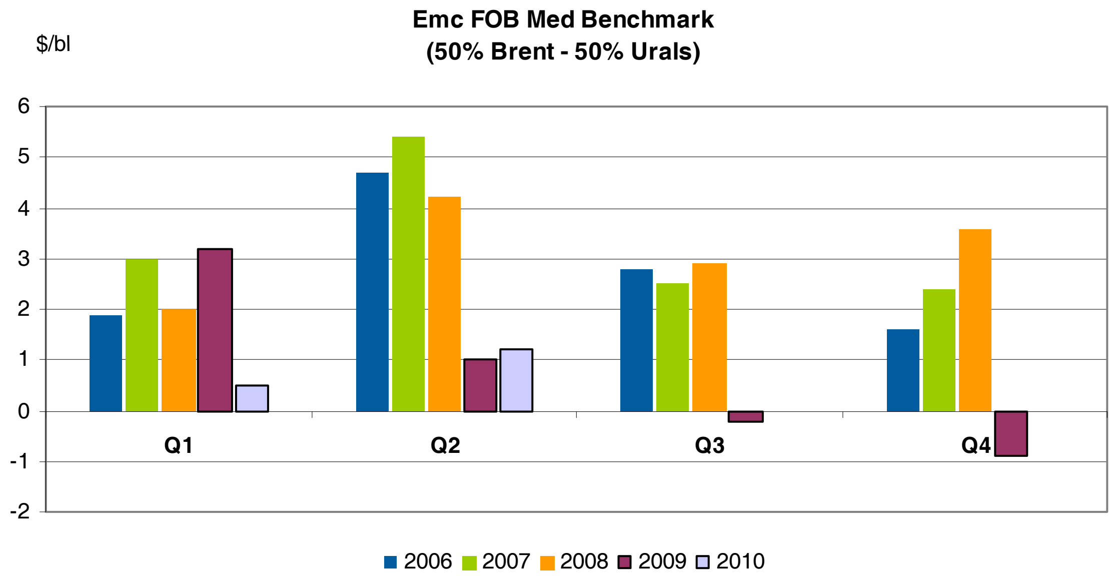
Middle distillates were quite depressed in the first two months of Q1/10, due to ample inventories and weak demand trends, which moved in synchrony with the slow pace of the industrial and economic recovery. Later on, in March, the above mentioned refinery "spring maintenance" played a fundamental role in reducing the massive inventory overhang, more than halving the volumes held in floating storage. In April, May and June diesel crack spread continued its progressive recovery, amid strong buying interest in Middle East and Asia, combined with a supply reduction of Russian export gasoil. The latter was decided by FSU traders, waiting to profit from an announced 15% cut in diesel export duties, which Russian Government decided to make effective as of 1st July 2010.



Moving on to fuel oil, in January and the first half of February 2010, fuel oil crack spreads remained at a sustained level, primarily because of strong buying interest in Asia. However, from mid February onwards, the reduction in OPEC compliance with their production quotas, combined with higher supplies from Russia, weakened fuel oil, bringing its crack spread to -14 $/bl in early April, a level not seen since late 2008. Subsequently, the previously mentioned steep contraction in “heavy-light” crude price differentials provided new support to fuel oil, and the crack spread went up to -9 $/bl in May and June.

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

The average of the EMC margin in Q1/10 was 0.5 $/bl (vs. 3.2 $/bl in Q1/09) due to a steep spike of gasoline crack spread in March. The benchmark went however back to zero in April, and it recovered in May and June as a result of cheaper crude oil and growing demand for diesel in Asia and in the United States. The average in Q2/10 settled to 1.2 $/bl (vs. 1.0 $/bl in Q2/09).



Segment Review

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

Refining

With a production capacity of 15 ml tons per year, Saras refinery situated in Sarroch (on the South-Western coast of Sardinia) accounts for about 15% of Italy's total refining capacity. It is one of the biggest and most complex sites in the Mediterranean area.

EUR Million	Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
EBITDA	(20.9)	67.5	-131%	(18.5)	(39.4)	156.8	-125%
***Comparable* EBITDA**	**(40.7)**	**(38.9)**	**-5%**	**(39.0)**	**(79.7)**	**0.5**	**n/a**
EBIT	(47.1)	46.0	-202%	(44.1)	(91.2)	114.2	-180%
***Comparable* EBIT**	**(66.9)**	**(60.4)**	**-11%**	**(64.6)**	**(131.5)**	**(42.1)**	**-212%**
CAPEX	**42.8**	**90.9**		**19.9**	**62.7**	**143.5**	

Margins and refinery runs

		Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
REFINERY RUNS	thousand tons	3,330	2,704	23%	3,469	6,799	6,427	6%
	Million bl	24.3	19.7	23%	25.3	49.6	46.9	6%
	thousand bl/day	267	217	23%	281	274	259	6%
of which:								
Processing for own account	thousand tons	2,879	1,878	53%	3,235	6,114	4,566	34%
Processing on behalf of third parties	thousand tons	451	826	-45%	234	685	1,861	-63%
EXCHANGE RATE	EUR/USD	1.271	1.363	-7%	1.383	1.327	1.333	0%
EMC BENCHMARK MARGIN	$/bl	1.2	1.0	20%	0.5	0.8	2.1	-62%
SARAS REFINERY MARGIN	$/bl	1.2	1.4	-8%	0.9	1.1	3.5	-68%

Comments to First Half 2010 results

Refinery runs in H1/10 stood at 6.8 ml tons (49.6 ml barrels, corresponding to 274 thousand barrels per day). This operating performance was 6% higher than same period last year. The difference can be explained when considering that H1/09 scheduled maintenance work on crude distillation units was heavier than in H1/10, causing a larger reduction on runs.

Processing on behalf of third parties went down to 10% of total runs (vs. 29% in H1/09), because a processing contract expired at the end of 2009 and was not renewed. Indeed, at the time of renegotiating the aforementioned contract, the prevailing market conditions were characterised by an extremely depressed refining margin. Under the circumstances, Saras choose not to lock a considerable part of its refining capacity in a processing contract with a low "base fee".

***Comparable* EBITDA was EUR -79.7 ml in H1/10** vs. EUR 0.5 ml in H1/09, depressed by significantly lower refining margin than in same period last year. Indeed, the **EMC benchmark margin stood at 0.8 $/bl** (vs. 2.1 $/bl in H1/09), and the **Saras refining margin stood at 1.1 $/bl** (vs. 3.5 $/bl in H1/09). These values came as a consequence of the unfavourable market conditions, characterized by sluggish demand for oil products, tight price differential between “heavy” and “light” crude oils (-1.19 $/bl), and narrow “conversion spread” for the upgrading process of fuel oil into diesel (214 $/tons in H1/10).

Refining **CAPEX in H1/10 was EUR 62.7 ml**, in line with investment plan for the period.

Comments to Second Quarter 2010 results

Crude runs for Q2/10 were 3.3 ml tons (24.3 ml barrels, corresponding to 267 thousand barrels per day), up 23% versus same quarter last year. As explained above, maintenance on the crude distillation units in Q2/09 was significantly heavier, and in May 2009 there were further delays caused by the tragedy at the MHC1 unit.

Processing on behalf of third parties in Q2/10 was approx. 13% of total runs (vs. 30% in Q2/09), due to the previously mentioned decision not to renew a processing contract expired at the end of 2009.

***Comparable* EBITDA came at EUR -40.7 ml in Q2/10**, down 5% vs. Q2/09. The slightly lower results of the second quarter 2010, despite the higher runs, are primarily related to the **Saras refining margin, which was only 1.2 $/bl** (compared to 1.4 $/bl in Q2/09). However, from a practical stand-point, the performance of our Refining segment in Q2/10 was much better than it appears, when taking into account gains for EUR 22 ml net, due to hedging instruments on crude and oil products, which have been included within the “Financial Income/Expense”. Therefore, when considering the hedging measures discussed above, the corresponding **Saras refining margin in Q2/10 lands at 2.3 $/bl** (with a premium of 1.1 $/bl on top of the EMC benchmark, versus a premium of 0.4 $/bl in Q2/09).

CAPEX for refining in Q2/10 was EUR 42.8 ml, substantially in line with 2010 investment programme.

Finally, on the 24th of June 2010, the Cagliari Public Prosecutor served a notice of pending investigation on the Company, four of its managers and two managers of CO.ME.SA., together with a notice of conclusion of the preliminary investigation, with reference to the tragic event that caused the death of three workers of CO.ME.SA. at the Sarroch refinery on the 26th of May 2009.

Crude Oil slate and Production

		Q2/10	H1 2010	FY 2009
Light extra sweet		50%	49%	48%
Light sweet		3%	3%	0%
Medium sweet		0%	1%	0%
Light sour		0%	0%	0%
Medium sour		23%	25%	28%
Heavy Sour		23%	23%	24%
Average crude gravity	°API	32.6	32.5	32.4

With an average density of 32.5°API in H1/10 (and 32.6°API in Q2/10), the crude mix was in line with the average of last year. However, while the percentage of “light extra sweet” crude oil was practically in line with the average of 2009, the percentages of “medium sour” and “heavy sour” crude oils decreased versus 2009 values, and these grades were replaced primarily by “light sweet” and “medium sweet” crude oils.

Moving on to the product slate, in H1/10 the middle distillates yield reached 51.9% (and 52.1% in Q2/10), while the light distillates yield stood at 27.9% (and 28.0% in Q2/10). Therefore, when considering also the production of LPG, we can conclude that the percentage of high value products in H1/10 reached 82.4% (and 83.0% in Q2/10).

		Q2/10	H1 2010	FY 2009
LPG	thousand tons	98	175	221
	yield	2.9%	2.6%	1.7%
NAPHTHA + GASOLINE	thousand tons	933	1,899	3,343
	yield	28.0%	27.9%	25.1%
MIDDLE DISTILLATES	thousand tons	1,735	3,527	6,769
	yield	52.1%	51.9%	50.9%
FUEL OIL & OTHERS	thousand tons	74	228	1,119
	yield	2.2%	3.4%	8.4%
TAR	thousand tons	281	543	1,077
	yield	8.4%	8.0%	8.1%

Balance to 100% is “Consumption & Losses”

Marketing

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

EUR Million	Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
EBITDA	18.4	30.5	-40%	14.0	32.4	33.3	-3%
***Comparable* EBITDA**	**15.1**	**13.1**	**15%**	**(2.4)**	**12.7**	**12.3**	**3%**
EBIT	15.3	28.5	-46%	11.0	26.3	30.0	-12%
***Comparable* EBIT**	**12.0**	**11.1**	**8%**	**(5.4)**	**6.6**	**9.0**	**-27%**
CAPEX	**2.8**	**26.2**		**0.8**	**3.7**	**30.4**	

Sales

		Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
TOTAL SALES	thousand tons	1,058	985	7%	1,052	2,110	1,998	6%
of which: in Italy	thousand tons	409	304	34%	382	790	612	29%
of which: in Spain	thousand tons	650	681	-5%	670	1,320	1,387	-5%

Comments to First Half 2010 results

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

On top of the difficult scenario, seasonality effects conditioned the performance in Q1/10 of our Marketing segment, which posted negative results. This was however, followed by very strong figures in the second quarter, hence closing the semester marginally ahead of same period last year (+3% at *comparable* EBITDA level).

From a macro perspective, the Spanish market posted a 6.1% decrease in gasoline demand vs. H1/09, and a further 1.1% contraction for middle distillates (with a split of –0.5% for diesel, and -2.7% for heating and agricultural gasoil). In this difficult context, **Saras Energia continued its strategy** of reducing opportunity sales of gasoline and diesel towards commercial operators and major oil companies, while increasing sales towards more profitable channels (i.e. unbranded service stations, small retail operators, etc.). As a result of this initiative, **gross margins remained healthy in the semester, but there was an overall contraction in sale volumes which stood at 1,320 ktons** (-4.8% vs. H1/09), with total gasoil down by 4.1% vs. H1/09 (split as -2.6% for diesel, and -8.3% for heating and agricultural gasoil), and also gasoline down by 10.5%.

Looking at the Italian market, in H1/10 total demand for oil products decreased by 2.5% vs. H1/09. Gasoline was down by 6.9%, while middle distillates were down by 1.4% (with a split of -0.3% for diesel, -9.5% for heating oil, and agricultural gasoil also down by 8.0%). In this scenario, **sales of Arcola (Italy) in H1/10 were 790 ktons** (+29.2% vs. H1/09), due to an increase in the Sardinian wholesale market share. More in detail, gasoline sales went up by 147%, diesel went up by 16.4%, while sales of other gasoil were down by 26.6%, vs. same period last year. Margins were weak in the first quarter of the year, due to seasonality effects, but went back up to healthy levels in the second quarter of 2010.

***Comparable* EBITDA was EUR 12.7 ml in H1/10**, up 3% compared to the same period last year, thanks to a very robust performance in Q2/10, which completely offset the negative results of Q1/10 which, as explained before, were due to seasonally low margins and negative contribution from the bio-diesel plant.

CAPEX in H1/10 was EUR 3.7 ml, in line with the investment plan for the period.

Comments to Second Quarter 2010 results

During Q2/10 demand for middle distillates in Spain lost 0.9% versus Q2/09 (of which -0.5% for diesel, and -1% for heating oil and agricultural gasoil), and also gasoline shrank by 6.5% versus Q2/09.

In this challenging market scenario, **Saras Energia reduced sales by 4.6%, while protecting marginality at healthy levels**, thanks to a progressive shift towards more profitable sales channels (in particular, sales to unbranded retail stations went up by 14%), as discussed in the results for the semester. When looking more closely at the individual products, it can be observed that total gasoline sales of Saras Energia contracted by 9.2%, and total gasoil flexed by 3.9% vs. Q2/09 (-3.2% for diesel, and -6.7% for heating and agricultural gasoil).

Similarly, in the Italian market, total oil products demand slowed by 6.7% in Q2/10 versus same period last year, dragged down by gasoline (-7.0%), fuel oil (-71,2%) and also middle distillates (-2,8% for transportation diesel, and -11,7% for heating gasoil). However, **sales of Arcola Petrolifera went up by 34.4%** vs. Q2/09, due to the previously discussed growth in the Sardinian wholesale market. More specifically, Arcola sales of gasoline climbed by 153%, diesel sales enjoyed and increase of 17.3%, while other kind of gasoil went down by 39.7%, vs. same period last year.

All in all, **in Q2/10 *comparable* EBITDA of the Marketing segment was very strong at EUR 15.1 ml** (up 15% when compared to EUR 13.1 ml in Q2/09). Such performance can be attributed to our ongoing strategy to push sales of products with higher margins, and shift the mix of sales channels towards a more profitable base.

CAPEX in Q2/10 was EUR 2.8 ml, in line with the investment plan for the quarter.

Power Generation

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

EUR Milion	Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
EBITDA	49.7	45.7	9%	47.0	96.7	89.5	8%
***Comparable* EBITDA**	**49.7**	**45.7**	**9%**	**47.0**	**96.7**	**89.5**	**8%**
EBIT	30.5	26.4	16%	27.7	58.2	51.0	14%
***Comparable* EBIT**	**30.5**	**26.4**	**16%**	**27.7**	**58.2**	**51.0**	**14%**
EBITDA ITALIAN GAAP	**50.8**	**47.8**	**6%**	**20.6**	**71.4**	**105.7**	**-32%**
EBIT ITALIAN GAAP	**36.5**	**33.7**	**8%**	**6.4**	**43.0**	**77.5**	**-45%**
NET INCOME ITALIAN GAAP	**23.0**	**17.6**	**31%**	**3.1**	**26.1**	**43.7**	**-40%**
CAPEX	**2.7**	**3.2**		**1.8**	**4.5**	**5.9**	

Other figures

		Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
ELECTRICITY PRODUCTION	MWh/1000	1,075	1,116	-4%	939	2,014	2,014	0%
POWER TARIFF	**Eurocent/KWh**	**9.6**	**9.6**	**1%**	**9.2**	**9.4**	**11.1**	**-16%**
POWER IGCC MARGIN	$/bl	4.0	4.8	-17%	4.1	4.0	4.0	0%

Comments to First Half 2010 results

Results of the Power Generation segment were in line with expectations in the first half 2010, with **Power production standing at 2.014 TWh,** exactly in line with H1/09. This level of production was associated with the maintenance activities on two of the three parallel trains of “Gasifier - Turbine”, which were completed during the semester, according to schedule.

***Comparable* EBITDA in H1/10 was EUR 96.7 ml,** up 8% vs. same period last year, due to higher sales of Hydrogen and Steam (approx. EUR 6 ml), whose revenues are not subject to the IFRS linearization procedure.

Italian GAAP EBITDA in H1/10 was EUR 71.4 ml, down 32% versus first half 2009. Indeed, the expiry in April 2009 of the “incentive” component of the CIP6/92 tariff, led to a reduction of H1/10 Italian GAAP EBITDA worth approx. EUR 40 ml. This was also reflected in the average value of the **total CIP6/92 power tariff, which in H1/10 stood at 9.4 EURcent/kWh,** down 16% versus H1/09. On the other hand, in July 2010 the Ministry for Economic Development defined the adjustment value of the “fuel” component of the CIP6/92 tariff for the year 2009, which resulted in a “one-off” pre-tax gain of EUR 23 million in H1/10.

CAPEX in H1/10 was EUR 4.5 ml, as per investment plan.

Comments to Second Quarter 2010 results

In Q2/10 the performance of the Power Generation segment was in line with expectations, and all scheduled maintenance activities were completed as per plan. **Power production stood at 1.075 TWh,** slightly lower than Q2/09 (down 4%).

***Comparable* EBITDA was EUR 49.7 ml**, up 9% vs. same period last year, due to higher sales of Hydrogen and Steam (up by EUR 2.9 ml), whose revenues are not subject to the IFRS linearization procedure, as explained in the comments for the half year results.

Italian GAAP EBITDA was EUR 50.8 ml, up 6% versus Q2/09. This result is explained considering the previously mentioned "one-off" pre-tax gain of EUR 23 million in Q2/10, due to the final determination of the adjustment value for the 2009 "fuel" component of the CIP6/92 tariff. This gain more than offset the lower revenue due to the expiry of the "incentive" component of the CIP6/92 tariff, and also the lower electricity production and the higher "non-TAR feedstock" costs.

CAPEX was EUR 2.7 ml, in line with the investment plan for the period.

Wind

Saras Group is active in the renewable power production and sale through its subsidiary Parchi Eolici Ulassai S.r.l. (PEU), fully consolidated as of the 30th June 2008. PEU operates a 72MW wind park, located in Ulassai (Sardinia).

EUR million	Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
EBITDA	3.5	3.7	-5%	8.4	11.9	12.0	-1%
***Comparable* EBITDA**	**3.5**	**3.7**	**-5%**	**8.4**	**11.9**	**12.0**	**-1%**
EBIT	1.3	1.3	0%	6.1	7.4	7.2	3%
***Comparable* EBIT**	**1.3**	**1.3**	**0%**	**6.1**	**7.4**	**7.2**	**3%**
CAPEX	**10.7**	**0.1**		**0.1**	**10.8**	**0.1**	

Other figures

		Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
ELECTRICITY PRODUCTION	MWh	32,094	25,249	27%	61,737	93,831	83,805	12%
POWER TARIFF	EURcent/KWh	6.2	6.4	-3%	7.1	6.8	7.4	-8%
GREEN CERTIFICATES	EURcent/KWh	8.5	8.0	6%	8.5	8.5	8.3	3%

Comments to First Half 2010 results

In H1/10 the Ulassai wind park posted strong results, substantially in line with the same period of last year. More specifically, ***comparable* EBITDA stood at EUR 11.9 ml in H1/10,** (down 1% vs. H1/09), thanks to remarkably higher sales of electricity. It's worth to remember that in H1/09, the EBITDA of the Wind segment received a substantial boost (approx. EUR 1.3 ml) from the sales of Green Certificates related to the year 2008. By contrast, in H1/10 there were no meaningful sales of Green Certificates pertaining to previous years.

Electricity production in H1/10 stood at 93,831 MWh (up 12% vs. the 83,805 MWh produced in H1/09), due to very favourable wind conditions in the first quarter of 2010, followed by seasonally lower production in the second quarter.

The average price of **Green Certificates in H1/10 stood at 8.5 EURcent/kWh** (up 3% vs. H1/09), while the power tariff declined down to 6.8 EURcent/kWh (from 7.4 EURcent/kWh in H1/09), reflecting reduced demand for electricity related to slow industrial activity.

CAPEX in H1/10 were EUR 10.8 ml, almost entirely spent in Q2/10, for the completion of the Ulassai wind park.

Comments to Second Quarter 2010 results

In the second quarter of 2010, the performance of the Ulassai wind farm was in line with expectations, with a seasonally lower **production of electricity (32,094 MWh)**, which was however 27% higher than same quarter last year.

***Comparable* EBITDA in Q2/10 stood at EUR 3.5 ml** (down 5% vs. Q2/09). Indeed, despite the higher production of electricity in Q2/10, the EBITDA of Q2/09 received an important contribution from the above mentioned sale of Green Certificates related to the year 2008 (worth approx. EUR 1.3 ml).

Green Certificates in Q2/10 had an average price of 8.5 EURcent/kWh, up 6% vs. Q2/09, thus providing compensation for the reduction in the value of the power tariff (-3%).

CAPEX were EUR 10.7 ml, in line with the project to complete the Ulassai wind park, which consists in the installation of 6 new aero-generators model "Vestas V80", each one with a capacity of 2MW.

Other Activities

The following table shows the financial highlights of the segment related to operations by Sartec S.p.A. and Akhela S.r.l..

EUR Million	Q2/10	Q2/09	Var %	Q1/10	H1 2010	H1 2009	var %
EBITDA	0.3	0.5	-40%	(0.2)	0.1	0.9	-89%
***Comparable* EBITDA**	**0.3**	**0.5**	**-40%**	**(0.2)**	**0.1**	**0.9**	**-89%**
EBIT	(0.2)	0.1	n/a	(0.6)	(0.8)	(0.1)	n/a
***Comparable* EBIT**	**(0.2)**	**0.1**	**n/a**	**(0.6)**	**(0.8)**	**(0.1)**	**n/a**

Net Financial Position

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

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

At the 30th of June 2010, the Group Net Financial Position was negative by EUR 567 ml, compared to a negative figure of EUR 643 ml at the 31st March 2010. The above change in NFP can be almost entirely explained by positive cashflow from operations (approx. EUR 140 ml, related primarily to a decrease in working capital requirements and to self-financing from provisions for depreciation and amortisation), and cashflow for the CAPEX of the period (approx. EUR 60 ml).

Strategy and Investments

At a time of global economic turbulence, low demand for oil products, and consequently thin refining margins, the effects of non-optimal operations is more apparent.

In order to achieve maximum efficiency in production and effectiveness in operations, Saras launched an ambitious asset management programme, in cooperation with world-class consultants, named “Project Focus”. Industrial operations have been divided in three main areas, each headed by a senior manager. Overall, the programme involves directly the vast majority of Saras personnel, with specific targets to be achieved within the following aspects of refinery operations:

- ✓ “Asset Integrity” (enhancing both routine and turn-around maintenance procedures)
- ✓ “Asset Efficiency” (addressing consumption and losses)
- ✓ “Asset Effectiveness” (addressing productivity and availability)

The immediate results which the programme is expected to deliver in 2010 can be quantified in approx. EUR 10 ml, almost entirely related to a reduction in fixed costs. In the mid-term the evaluations are presently showing a significantly larger potential, spread among the areas of cost reductions, efficiency gains, and asset productivity. “Project Focus” shall continue until 2013, and it has been estimated that it’s Net Present Value corresponds to approx. EUR 0.3 per share.

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

In the Wind segment, the Group is proceeding with the completion of the Ulassai wind park, which consists in the construction of another 6 “Vestas V80” aero-generators. This project is expected to be completed by early Q4/10, and it will increase the total installed capacity of the park to 96MW. At the same time, Saras Group is progressing also with the development of its pipeline, both in southern Italy and also abroad.

Finally, regarding gas exploration activities, the studies carried out during the second half of 2009 were encouraging, showing possible geological formations usually associated with natural gas. These results have warranted further seismic testing, in order to better determine the optimal location for exploration wells.

CAPEX by segment

EUR Million	Q2/10	H1/10	FY 2009
REFINING	42.8	62.7	244.4
POWER GENERATION	2.7	4.5	12.4
MARKETING	2.8	3.7	56.6
WIND	10.7	10.8	0.3
OTHER	0.6	1.2	3.3
Total	**59.7**	**82.7**	**317.0**

Outlook

In the latest "World Economic Outlook" (WEO), published on July 7th, the International Monetary Fund (IMF) expects World Growth at about 4.6% in 2010, and 4.3% in 2011. Relative to the April 2010 WEO, this represents an upward revision of about ½ percentage point in 2010, reflecting stronger economic activity during the first half of the year, while 2011 forecast is unchanged.

While growth projections are now more bullish, downside risks have risen sharply amid renewed financial turbulence. In this context, the new IMF forecasts are based on the implementation of policies to rebuild confidence and stability, particularly in the Eurozone (fiscal consolidation, accommodative monetary conditions, financial and structural reforms).

REFINING

- Coherently with the IMF forecasts, the International Energy Agency (IEA) retains an optimistic view on **oil demand** trends for the second half of 2010, with global oil demand expected to climb back at 86.5 mb/d (+1.8 mb/d year-on-year), close to pre-crisis levels. Nevertheless, growth will not be homogeneous: six non-OECD countries (China, Saudi Arabia, India, Brazil, Russia and Iran) are expected to account for almost three-quarters of global oil demand growth in 2010.
- On the **crude supply** side, in their last "policy setting" meeting, OPEC decided again to leave output targets unchanged. However, compliance has been below 50% since several months, bringing back to the market increasing quantities of heavy crude oil. The "heavy-light" price differential widened in the first quarter of the year. Subsequently, in May and June, a reduction in supplies of Urals, combined with growing demand of heavy grades in the Far East, caused a new contraction of the "heavy-light" price differential. There are signs that increased availability of heavier crude oils should ease the differential in the remaining part of the year.
- Looking at **oil products inventories**, during the first half of 2010 middle distillates decreased meaningfully, and are now expected to move progressively in line with seasonal norms. On the contrary, gasoline stocks have recently started to increase again, as the US driving season is ending.
- **Refining margins** started very weak in the third quarter, with the EMC benchmark moving back into negative territory (-0.4 $/bl in July). Accordingly, Saras is making economic run-cuts in Q3/10. The new projections for refinery runs in Q3/10 are now between 3.3 ÷ 3.5 million tons (24.0 ÷ 25.6 million barrels), bringing the full year runs in the range 13.9 ÷ 14.2 million tons (101.5 ÷ 103.7 million barrels).
- Looking towards the end of the year, the international Agencies expect **diesel cracks** to further strengthen in Q4/10, as a result of seasonality as well as demand growth linked to economic and industrial activity; on the contrary, **gasoline cracks** are expected to soften in the remaining part of 2010, due to the seasonal weakening of demand. Accordingly, Saras now projects the **EMC benchmark** to average between 1 ÷ 1.5 $/bl, and the **conversion spread** between 200 ÷ 250 $/tons.
- All **scheduled maintenance activities are now completed** in the Sarroch refinery for the year 2010.

POWER GENERATION

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

Main events after the end of First Half 2010

On the 16th of July 2010, Saras S.p.A. ("unrated"), announced a Eurobond transaction restricted to institutional investors, with a total principal amount of EUR 250 million and a maturity of 5 years. The bonds are listed in the "Luxembourg Stock Exchange", have a coupon of 5.583%, maturity 21st July 2015, and do not carry guarantees or covenants. The proceeds will be used to refinance and extend the maturity of debt, and for general corporate purposes.

On the 23rd of July 2010, the subsidiary Sarlux S.r.l. notified the European Investment Bank (EIB) and Banca Intesa San Paolo S.p.A. of its intention to proceed with early repayment, on the 15th of September 2010, of the loans of EUR 32 million and EUR 47 million respectively, taken out on 29th November 1996 for a total amount of EUR 960 million. Repayment of the loans will result in the cancellation of the obligations, guarantees and covenants described in detail in section 5.4.1 "Long-term financial liabilities" in the "Notes to the Financial Statements".

Risk Analysis

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

The principal risks are reported to and discussed by the Group's top management, to create the prerequisites for their management and to assess the acceptable residual risk. Management of the risks found in the company processes is based on the principle by which the operational or financial risk is managed by the person responsible for the related process, based on the indications of top management, while the control function measures and controls the level of exposure to risk and the results of the actions to reduce the risk.

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

Financial risks

Price fluctuation risk

The results of Saras Group are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining process and the price of the raw materials, principally crude oil). In addition, to carry out production, the Saras Group is required to maintain adequate stores of crude oil and finished products, and the value of the stores is subject to the fluctuations of market prices. Also subject to variation are the electricity sale prices charged by controlled companies, as well as the prices of green certificates and emissions credits.
The price variation risk and the related financial flow risk is closely linked to the very nature of the business and can only be partly mitigated through the use of appropriate risk management policies, including agreements to refine oil for other companies at partially preset prices. To mitigate the risks deriving from price variations, the group also takes out derivative contracts on commodities.

Exchange rate risk

The Group's oil business is structurally exposed to fluctuations in exchange rates, because the reference prices for buying crude and for most product sales are linked to the US dollar. To reduce both the exchange rate risk for transactions that will be executed in the future and the risk originating from payables and receivables expressed in currencies other than the functional currency, Saras also uses derivative instruments.

Interest rate risk

Loans at variable interest rates expose the Group to the risk of variations in results and in cash flows, due to interest. Loans at fixed interest rates expose the Group to the risk of variation of the fair value of the loans received. The principal existing loan contracts are stipulated at variable market rates. The Saras Group also uses derivates to reduce the risk of variations in results and in cash flows deriving from interest.

Credit risk

The refining sector represents the Group's reference market and it is principally made up of multinational companies operating in the oil sector. Transactions executed are generally settled very quickly and are often guaranteed by primary credit institutions. Retail and wholesale sales are particularly small, and these are often also guaranteed or insured.

Liquidity risk

The Group finances its activities both through the cash flows generated by operating activities and through the use of externally-sourced financing, and it is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit as well as fulfil contractual obligations deriving from the financing contracts entered into. The significant capacity for self-financing, together with the low level of debt, lead us to consider that the liquidity risk is moderate.

Other risks

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia, and on the contiguous IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shutdowns.
Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks. However, in certain circumstances this programme may not be sufficient to prevent the Group from bearing costs in the event of accident or interruption to production.

Environmental risk

The activities of the Saras Group are regulated by many European, national, regional and local laws regarding the environment.
The highest priority of the Saras Group is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity, and it is not possible to say with certainty that new legislation will not impose further costs in the future

Legal (Regulatory) risk

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

Dependencies on third parties

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

Other information

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

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

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

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

For the Board of Directors
The Chairman
Gian Marco Moratti

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Statement of consolidated Financial Position as of 30th June 2010 and as of 31st December 2009

EUR thousand		30/06/2010	31/12/2009
ASSETS	(1)		
Current assets	**5.1**	**1,650,260**	**1,405,678**
Cash and cash equivalents	5.1.1	96,300	111,372
Other financial assets held for trading	5.1.2	25,582	21,301
Trade receivables	5.1.3	687,932	396,954
of which with related parties		*48*	*90*
Inventories	5.1.4	733,747	732,077
Current tax assets	5.1.5	37,199	39,983
Other assets	5.1.6	69,500	103,991
Non-current assets	**5.2**	**2,015,893**	**2,019,986**
Property, plant and equipment	5.2.1	1,518,263	1,525,547
Intangible assets	5.2.2	431,377	445,549
Other equity interests	5.2.3.1	571	571
Deferred tax assets	5.2.4	57,932	46,932
Other financial assets	5.2.5	7,750	1,387
Total assets		**3,666,153**	**3,425,664**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	**5.3**	**1,431,860**	**1,181,771**
Short-term financial liabilities	5.3.1	435,245	379,562
Trade and other payables	5.3.2	795,113	646,992
of which with related parties		*69*	*30*
Current tax liabilities	5.3.3	110,638	67,955
Other liabilities	5.3.4	90,864	87,262
Non-current liabilities	**5.4**	**993,866**	**1,015,853**
Long-term financial liabilities	5.4.1	259,011	289,552
Provisions for risks	5.4.2	80,993	41,118
Provisions for employee benefits	5.4.3	35,140	35,420
Other liabilities	5.4.4	618,722	649,763
Total liabilities		**2,425,726**	**2,197,624**
EQUITY	5.5		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		1,163,027	1,089,884
Profit/(loss) for the period		11,827	72,552
Total equity attributable to owners of the company		**1,240,410**	**1,227,992**
Minority interest		17	48
Total Equity		**1,240,427**	**1,228,040**
Total liabilities and equity		**3,666,153**	**3,425,664**

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

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st Jan–30th Jun2010 and 1st Jan–30th Jun 2009

Consolidated Income Statement for the period 1st January - 30th June 2010 and 2009 (EUR thousand)

EUR thousand	(1)	1st January 30th June 2010	of which non recurring	1st January 30th June 2009	of which non recurring
Revenues from ordinary operations	6.1.1	4,013,654		2,300,494	
Other income	6.1.2	51,410		36,436	
of which with related parties		*48*		*98*	
Total revenues		**4,065,064**	***0***	**2,336,930**	***0***
Purchases of raw materials, spare parts and consumables	6.2.1	(3,584,668)		(1,706,491)	
Cost of services and sundry costs	6.2.2	(303,845)		(264,755)	
of which with related parties		*(656)*		*(959)*	
Personnel costs	6.2.3	(74,829)		(73,222)	
Depreciation, amortization and write-downs	6.2.4	(101,806)		(90,207)	
Total costs		**(4,065,148)**	***0***	**(2,134,675)**	***0***
Operating results		**(84)**	***0***	**202,255**	***0***
Net income (charges) from equity interests					
Financial income	6.3	33,565		11,276	
Financial charges	6.3	(21,990)		(25,442)	
Profit before taxes		**11,491**	***0***	**188,089**	***0***
Income tax	6.4	305		(71,117)	
Net profit/(loss) for the period		**11,796**	***0***	**116,972**	***0***
Net profit/(loss) for the period attributable to:					
Equity Holders of the company		11,827		116,972	
Minority interest		(31)			
Earnings per share - basic (Euro cent)		**1.27**		**12.61**	
Earnings per share - diluited (Euro cent)		**1.27**		**12.61**	

Statement of Comprehensive Income for the periods 1st January -- 30th June 2010 and 2009 (EUR thousand)

EUR thousand	1st January 30th June 2010	1st January 30th June 2009
Result of the period (A)	**11,796**	**116,972**
Effect of exchange rate on financial accounts	(16)	
Profit / (loss), net of fiscal effect (B)	**(16)**	**0**
Consolidated Comprehensive Result (A + B)	**11,780**	**116,972**
Consolidated Comprehensive Result perteining to:		
Parent Company shareholding	11,780	116,972
Minority Interest	(31)	0

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

Statement of Changes in Consolidated Shareholders' Equity from 31st December 2008 to 30th June 2010

EUR thousand	Share Capital	Legal Reserve	Other Reserves	Profit (Loss)	Total equity attributable to owners of the company	Minority interest	Total Equity
Balance as of 31/12/2008	**54,630**	**10,926**	**1,183,675**	**61,822**	**1,311,053**	**0**	**1,311,053**
Allocation of previous year profit			61,822	(61,822)			**0**
Reserve for employees stock plan			2,515		2,515		2,515
Dividends			(157,721)		(157,721)		(157,721)
Effect of Corporate tax rate reduction (IRES)			84		84		84
Minority on Artemide Srl acquisition						7	7
Profit (loss) for the period				116,972	116,972		116,972
Balance as of 30/06/2009	**54,630**	**10,926**	**1,090,375**	**116,972**	**1,272,903**	**7**	**1,272,910**
Reserve for employees stock plan			(464)		(464)		(464)
Effect of Corporate tax rate reduction (IRES)			(29)		(29)		(29)
Minority on Artemide Srl acquisition					0	35	35
Profit (loss) for the period			2	(44,420)	(44,418)	6	(44,412)
Balance as of 31/12/2009	**54,630**	**10,926**	**1,089,884**	**72,552**	**1,227,992**	**48**	**1,228,040**
Allocation of previous year profit			72,552	(72,552)	0		0
Reserve for employees stock plan			607		607		607
Profit (loss) for the period			(16)	11,827	11,811	(31)	11,780
Balance as of 30/06/2010	**54,630**	**10,926**	**1,163,027**	**11,827**	**1,240,410**	**17**	**1,240,427**

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

EUR thousand	(1)	1/1/2010 - 30/06/2010	1/1/2009 - 30/06/2009
A - Cash and Cash Equivalents at the beginning of period		**111,372**	**65,180**
B - Cash generated from/(used in) operating activities			
Profit/ (Loss) of the Group	5.5	11,796	116,972
Amortization, depreciation and write-down of fixed assets	6.2.4	101,806	90,207
Net change in provisions for risks and charges	5.4.2	39,875	17,661
Net change in employee benefits	5.4.3	(280)	(1,514)
Net Change in tax liabilities and tax assets	5.2.4	(11,000)	17,204
Income tax	6.4	(305)	71,117
Other non cash items		591	2,606
Profit (Loss) from operating activities before changes in working capital		**142,483**	**314,253**
(Increase)/Decrease in trade receivables	5.1.3	(290,978)	190,439
of which with related parties	*5.1.3*	*42*	*239*
(Increase)/Decrease in inventory	5.1.4	(1,670)	(228,883)
Increase/(Decrease) in trade and other payables	5.3.2	148,121	(37,518)
of which with related parties	*5.3.2*	*39*	*59*
Change in other current assets	5.1.5- 5.1.6	37,275	(63,893)
Change in other current liabilities	5.3.3 -5.3.4	54,770	21,385
Income tax paid		0	0
Change in other non-current liabilities	5.4.4	(31,041)	1,449
Total (B)		**58,960**	**197,232**
C - Cash flow from (to) investment activities			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(81,159)	(182,276)
(Investments) disinvestments in other holdings		0	440
Change in financial assets	5.1.2- 5.2.5	(10,644)	(6,421)
Interest received		84	617
Other non cash items		809	7,827
Total (C)		**(90,910)**	**(179,813)**
D - Cash generated from/(used in) financing activities			
Increase/(Decrease) in medium/long term borrowings	5.4.1	(30,541)	152,874
Increase/(Decrease) in short term borrowings	5.3.1	55,683	84,661
Dividend distribution to shareholders	5.5	0	(157,721)
Interest paid		(8,264)	(6,485)
Total (D)		**16,878**	**73,329**
E - Cashflow for the period (B+C+D)		**(15,072)**	**90,748**
F - Cash from new consolidated subsidiaries		**0**	**0**
G - Cash and Cash Equivalents at the end of period		**96,300**	**155,928**

(1) Please refer to the Notes to the Financial Statements chapter 5 "Notes to the financial position" and 6 "Notes to the Income Statement"

For the Board of Directors
The Chairman
Gian Marco Moratti

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Notes to the Consolidated Financial Statements for the six months ended 30 June 2010

1. Introduction

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

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

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

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

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

The group's consolidated financial statements for the six months to 30 June 2010 were prepared in accordance with the International Financial Reporting Standards ("IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002. Legislative Decree 38 was subsequently issued on 20 February 2005, introducing the obligation to incorporate IFRS into Italian law, and extending it to the preparation of annual financial statements by companies with equity or debt securities listed on a regulated market in the EU from the 2006 financial year.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the consolidated financial statements of Saras S.p.A were approved by its Board of Directors and set out in the relevant EU regulations published as of that date.

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

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

3. Accounting principles applied

These consolidated financial statements were prepared in condensed form, in accordance with the international accounting standard that applies to interim financial statements (IAS 34 "Interim Financial Reporting"), adopted according to the procedures set out in article 6 of regulation (EC) 1606 of 2002, and must be read in conjunction with the consolidated accounts for the year ended 31 December 2009.
The accounting standards and measurement and consolidation criteria adopted for the drafting of the condensed half-year financial statements are consistent with those used to prepare the financial statements for the year ended 31 December 2009; please refer to the latter for more comprehensive information. The aforementioned standards have been applied consistently for all periods shown.

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

- IFRS 3 – "Business Combinations" / IAS 27 "Consolidated and Separate Financial Statements" (amendment): the main changes made to IFRS 3 concern the removal of the obligation to value individual assets and liabilities of subsidiaries at fair value at each successive acquisition following the acquisition of control, where the acquisition takes place in stages. Goodwill will only be determined at the stage of the acquisition of control, and will be calculated as the difference between the value of shareholdings immediately prior to acquisition, the cost of the transaction and the value of the net assets acquired. In addition, if the group does not acquire 100% of the shares in an acquisition, the minority interests may be valued either at fair value, or using the method set out previously in IFRS 3. The revised version of the standard also requires the allocation to the income statement of all costs related to business aggregations and the recording as of the date of acquisition of liabilities for payments subject to conditions. In the amendment to IAS 27, however, the IASB established that changes in shareholdings that do not constitute a loss of control must be treated as equity transactions and therefore require an offsetting entry under shareholders' equity. Furthermore, it established that when a parent company transfers control of one of its subsidiaries but continues to hold a stake in the company, it must value this holding at fair value and record any gains or losses arising from the loss of control in the income statement. Lastly, the amendment to IAS 27 requires that all losses attributable to minority shareholders are allocated to minority interests, even if these exceed their portion of the subsidiary's equity.

- IFRS 2 – Group Cash-settled Share-based Payment Transactions expands the scope of IFRIC 11.

The following international accounting standards and interpretations will be applicable in subsequent years:

- IFRIC 14 – "Prepayments of a Minimum Funding Requirement" provides for the recognition of assets in relation to prepayments of minimum funding requirements.

- IFRIC 19 – "Extinguishing Financial Liabilities with Equity Instruments" defines the accounting treatment to be adopted where financial liabilities are settled via the issue of equity instruments.

- IAS 24 – "Related Party Disclosures" extends the definition of related parties.

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

Lastly, the following international accounting standards and interpretations have not yet been endorsed by the EU and will be applicable in subsequent years:

- IFRS 9 – Financial Instruments: modifies the reporting and measurement criteria for financial assets and the related classification in the financial statements.

Basis of consolidation

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

Consolidated on a line-by-line basis	% owned
Arcola Petrolifera S.p.A.	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. and subsidiaries:	100%
Nova Eolica S.r.l.	100%
Eolica Italiana S.r.l.	100%
Labor Eolica S.r.l.	100%
Alpha Eolica S.r.l.	100%
Akhela S.r.l. and subsidiary:	100%
Artemide S.r.l.	51%
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%

The group also holds the following other investments:

Other investments of insignificant value (valued at cost)	
ITSME S.r.l.	3,379%
Consorzio Cesma	5%
Consorzio La Spezia Energia	5%
Sarda Factoring	5,95%
Centro di Competenza I.T.C.	0,5 %

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

3.2 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methods that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions influences the amounts reported in the financial statements, i.e. the statement of financial position, the comprehensive income statement and the cash flow statement, as well as the accompanying notes. Actual amounts may differ from those reported in the financial statements due to the uncertainty surrounding these assumptions and the conditions upon which the estimates are based.

These types of valuations, particularly those which are more complex, such as establishing any loss in value of fixed assets, are only fully carried out when the annual consolidated financial statements are prepared, at which time all the required information is available, except in cases where there are impairment indicators requiring an immediate valuation of loss in value.

A summary of the most significant estimates is provided in the group consolidated financial statements for the year ended 31 December 2009.

4. Information by business segment and geographical area

4.1 Preliminary remarks

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

1. Refining activities refer to:

[A] The sale of oil products obtained:

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

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

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

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

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

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

- the sale of electricity produced at the Sarroch power plant owned by Sarlux S.r.l., a wholly-owned subsidiary. This electricity is sold exclusively to the grid operator GSE (Gestore dei Servizi Elettrici S.p.A.), with sales benefiting from tariffs included in the CIP 6/92 agreement.

4. Wind power is generated:

- by the Ulassai wind farm owned by subsidiary Sardeolica S.r.l. (100%-owned by subsidiary Parchi Eolici Ulassai S.r.l.).

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

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

4.2 Segment information

	Refining	Marketing	Power Generation	Wind Power	Other	Total
30th June 2009						
Revenues from ordinary operations	1,973,952	789,403	236,959	6,194	14,774	3,021,282
deduction: revenues infrasector	(675,911)	(23,007)	(15,941)	0	(5,929)	(720,788)
Revenues from third parties	**1,298,041**	**766,396**	**221,018**	**6,194**	**8,845**	**2,300,494**
Other revenues	43,448	920	25,926	8,263	288	78,845
deduction: revenues infrasector	(36,131)	(71)	(6,066)	0	(141)	(42,409)
Other revenues from third parties	**7,317**	**849**	**19,860**	**8,263**	**147**	**36,436**
Amortisation and Depreciation	**(42,639)**	**(3,254)**	**(38,479)**	**(4,816)**	**(1,019)**	**(90,207)**
Operating profit (a)	**114,166**	**30,048**	**50,997**	**7,179**	**(135)**	**202,255**
Financial Income	10,700	157	284	74	61	11,276
Financial Charges	(18,506)	(728)	(3,972)	(2,183)	(53)	(25,442)
Income taxes	(41,993)	(9,321)	(17,832)	(1,630)	(341)	(71,117)
Net Profit	**64,626**	**19,543**	**29,801**	**3,441**	**(439)**	**116,972**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,515,821**	**516,434**	**1,317,504**	**119,691**	**32,912**	**3,502,362**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,004,817**	**239,526**	**882,841**	**86,586**	**15,682**	**2,229,452**
Investments in tangible assets	143,197	28,237	5,900	90	611	**178,035**
Investments in intangible assets	293	2,154	0	5	1,789	**4,241**
30th June 2010						
Revenues from ordinary operations	3,457,605	1,274,959	258,634	6,386	19,105	5,016,689
deduction: revenues infrasector	(954,632)	(19,450)	(19,489)	0	(9,464)	(1,003,035)
Revenues from third parties	**2,502,973**	**1,255,509**	**239,145**	**6,386**	**9,641**	**4,013,654**
Other revenues	63,120	563	28,669	8,106	391	100,849
deduction: revenues infrasector	(42,249)	(44)	(6,984)	0	(162)	(49,439)
Other revenues from third parties	**20,871**	**519**	**21,685**	**8,106**	**229**	**51,410**
Amortisation and Depreciation	**(51,818)**	**(6,123)**	**(38,555)**	**(4,475)**	**(835)**	**(101,806)**
Operating profit (a)	**(91,231)**	**26,310**	**58,202**	**7,377**	**(742)**	**(84)**
Financial Income	32,660	621	132	86	66	33,565
Financial Charges	(14,611)	(2,495)	(2,150)	(2,596)	(138)	(21,990)
Income taxes	27,913	(6,756)	(20,419)	(303)	(130)	305
Net Income	**(45,269)**	**17,680**	**35,765**	**4,564**	**(944)**	**11,796**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,767,547**	**622,208**	**1,127,160**	**113,045**	**36,193**	**3,666,153**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,356,600**	**215,705**	**754,092**	**83,416**	**15,913**	**2,425,726**
Investments in tangible assets	59,001	3,064	4,473	10,763	626	**77,927**
Investments in intangible assets	3,682	614	0	0	524	**4,820**

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

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

4.3 Breakdown by geographical area

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

Directly attributable assets and investments by geographical area:

	30/06/2010	31/12/2009	Change
Directly attributable assets			
Italy	3,255,700	3,019,762	235,938
Rest of EU	410,453	405,902	4,551
Total	**3,666,153**	**3,425,664**	**240,489**

	30/06/2010	30/06/2009	Change
Investments in tangible and intangible assets			
Italy	79,382	152,610	(73,228)
Rest of EU	3,365	29,666	(26,301)
Total	**82,747**	**182,276**	**(99,529)**

Net revenues from ordinary operations by geographical area:

	30/06/2010	30/06/2009	Change
Sales in Italy	1,642,900	1,128,579	514,321
Sales in Spain	982,615	533,171	449,444
Sales in other EU countries	487,043	266,375	220,668
Sales in non-EU countries	777,129	351,875	425,254
Sales in US	123,967	20,494	103,473
Total	**4,013,654**	**2,300,494**	**1,713,160**

Amounts are shown net of intragroup eliminations.

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

	30/06/2010	31/12/2009	Change
Italy	406,237	247,780	158,457
Spain	138,091	113,237	24,854
Other EU countries	64,052	22,257	41,795
Non-EU countries	90,172	22,818	67,354
US	234	244	(10)
Allowances for doubtful accounts	(10,854)	(9,382)	(1,472)
Total	**687,932**	**396,954**	**290,978**

5. Notes to the statement of financial position

The most significant changes to the statement of financial position and to the income statement, when compared with the same period last year are shown below.

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	30/06/2010	31/12/2009	Change
Bank and postal deposits	94,423	110,044	(15,621)
Cash	1,877	1,328	549
Total	**96,300**	**111,372**	**(15,072)**

Bank deposits were mainly attributable to Sarlux S.r.l. (EUR 59,221 thousand, including cash contractually due for future loan repayments), Sardeolica S.r.l. (EUR 16,900 thousand), Saras S.p.A. (EUR 6,500 thousand) and Arcola Petrolifera S.p.A. (EUR 5,329 thousand). For further details, please refer to section 5.4.1 “Long-term financial liabilities” and the cash flow statement.

5.1.2 Other financial assets held for trading

This item (€25,582 thousand) mainly includes Italian and foreign equities and government bonds held by the parent company (€17,585 thousand) and green certificates (€7,984 thousand) obtained by Sardeolica S.r.l. for the generation of energy from renewable sources and still held as of the reporting date.
Gains and losses, together with changes in fair value, are recorded in relation to the Italian and foreign equities and government bonds reported in the income statement under “Financial income” or “Financial charges”, while the green certificates are allocated to “Other income” or “Sundry costs”.
The green certificates relating to subsidiary Sardeolica S.r.l. are sold on an appropriate regulated market or via bilateral agreements between market operators; the certificates accrued in the first half of 2010 were valued at the average market price for the period (€85.09/MWH).
The decreases due to the sale of green certificates allocated in the period or in previous years are valued at the sale price.

Changes in the item are as follows:

Investments

Balance as of 31/12/2009	**17,549**
Increase for the period	5,742
Decrease for the period	(5,693)
Balance as 30/06/2010	**17,598**

Green Certificates

Balance as 31/12/2009	**3,752**
Increase for the period	7,984
Decrease for the period	(3,752)
Balance as 30/06/2010	**7,984**

5.1.3 Trade receivables

Trade receivables totalled €687,932 thousand, net of an impairment provision of €10,854 thousand, with an increase versus 31 December 2009 of €290,978 thousand, due to higher sales than in the last quarter of the previous year for the parent company and Arcola Petrolifera S.p.A. (the latter mainly in Sardinia).

5.1.4 Inventories

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

	30/06/2010	31/12/2009	Change
Inventories:			
Raw materials, replacements parts and consumabl	280,020	213,437	66,583
Semi-finished products and work in progress	78,128	54,647	23,481
Finished products and good held for resale	373,913	453,555	(79,642)
Advance payments	1,686	10,438	(8,752)
Total	**733,747**	**732,077**	**1,670**

The valuation of inventories of crude and other oil products at market value led to a write-down of €7.3 million as of 30 June 2010.

No stocks are put up as guarantees for liabilities.

The Sarroch refinery held crude and oil products belonging to third parties worth a total of €172 million at 30 June 2010.

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets.

	30/06/2010	31/12/2009	Change
VAT	215	150	65
Income tax	33,569	32,051	1,518
IRAP (regional income tax)	2,317	5,896	(3,579)
Other tax credits	1,098	1,886	(788)
Total	**37,199**	**39,983**	**(2,784)**

The items "Income tax" and "IRAP (regional income tax)" receivables mainly refer to the surplus payments on account made in the previous year for tax liabilities for the year, which take into account the reduction in the related taxable amounts.

5.1.6. Other assets

The balance is detailed below.

	30/06/2010	31/12/2009	Change
Accrued Income	2,245	991	1,254
Prepaid expenses	10,909	12,787	(1,878)
Other receivables	56,346	90,213	(33,867)
Total	**69,500**	**103,991**	**(34,491)**

"Other receivables" at 30 June 2010 mainly included the receivable of €21,144 thousand of the subsidiary Sarlux S.r.l. arising from the recognition of the refund of charges relating to the application of EC Directive 2003/87 (Emissions Trading) with reference to the first six months of 2010; the item also includes €17,701 thousand relating to the recovery of the amount paid by subsidiary Sarlux S.r.l. to GSE, as described in point 7.1.

The decrease for the period is attributable to the receivable obtained by Sarlux S.r.l. in respect of the refund of emissions trading allowances relating to the previous year.
The item also includes the fair value of derivatives contracts entered into by the parent company (€5,617 thousand).

The table below shows the fair value of derivatives:

	30/06/2010		31/12/2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps		(5,300)		(2,540)
Fair value of forward purchases and sales of commodities (oil & other oil products)	5,572		2,986	
Fair value of interest rate options	45		245	
Total	**5,617**	**(5,300)**	**3,231**	**(2,540)**

The following tables show notional values and relating fair values for derivatives outstanding at 31 December 2009 and 30 June 2010.

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

Type of transaction	Interest rate			Other		
Figures at 30/06/2010	Notional Value	Fair value		Notional Value	Fair value	
		Pos.	Neg.		Pos.	Neg.
Financial derivatives						
Futures						
purchases				(374,893)	7,320	
sales				291,325	(3,788)	
Swap						
Oil and Oil products				24,900	2,040	
Interest rates	195,191		(5,300)			
Options						
Interest rates	50,000	45				
Total	**245,191**	**45**	**(5,300)**	**(58,668)**	**5,572**	**0**

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

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

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

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

COST	31/12/2009	Additions	(Disposals)	Revaluations (write-down)	Other changes	30/6/2010
Land & buildings	224,655	236			3,428	228,319
Plant & machinery	2,542,809	4,241	(1,919)		29,828	2,574,959
Industrial & commercial equipment	30,631	1,152	(88)		1,544	33,239
Other assets	443,662	279	(225)		12,595	456,311
Work in progress and advances	185,159	72,019	(1,509)		(48,365)	207,304
Total	**3,426,916**	**77,927**	**(3,741)**	**0**	**(970)**	**3,500,132**

ACCUMULATED DEPRECIATION	31/12/2009	Depreciation	(Disposals)	Revaluations (write-downs)	Other changes	30/6/2010
Terreni e Fabbricati	58,000	4,745			1	62,746
Impianti e Macchinari	1,486,452	66,165	(1,918)		2,156	1,552,855
Attrezzature industriali e commerciali	23,039	2,708	(19)		(2,401)	23,327
Altri beni	333,878	9,377	(215)		(99)	342,941
Total	**1,901,369**	**82,995**	**(2,152)**	**0**	**(343)**	**1,981,869**

NET BOOK VALUE	31/12/2009	Additions	(Disposals)	(Depreciation)	Other changes Rev./W.D.	30/6/2010
Land & buildings	166,655	236	0	(4,745)	3,427	165,573
Plant & machinery	1,056,357	4,241	(1)	(66,165)	27,672	1,022,104
Industrial & commercial equipment	7,592	1,152	(69)	(2,708)	3,945	9,912
Other assets	109,784	279	(10)	(9,377)	12,694	113,370
Work in progress and advances	185,159	72,019	(1,509)		(48,365)	207,304
Total	**1,525,547**	**77,927**	**(1,589)**	**(82,995)**	**(627)**	**1,518,263**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was €167,089 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995 and the Ministry of Productive Activities on 10 October 1997. The residual value of these grants at 30 June 2010 was €7,927 thousand, compared with €9,728 thousand at 31 December 2009.

The item "Land and buildings" includes industrial buildings used as offices and warehouses (net value: €113,527 thousand), civic buildings in Cagliari and Rome used as offices (net value: €15,215 thousand) and land, which largely relates to the Sarroch and Arcola sites belonging to the parent company and Arcola Petrolifera S.p.A. respectively, and service stations belonging to Saras Energia S.A. (€36,831 thousand).

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

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

"Other assets" mainly includes tanks and pipelines used to carry the products and crude oil of both the parent company and the group's trading companies (Saras Energia S.A. and Arcola Petrolifera S.p.A.).

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

Increases for the period total €77,927 thousand and mainly relate to technological work carried out at the parent company's plants, in particular, the revamping of the MHC2 plant and the end of works at the FCC plant (revamping of the CO boiler, installation of a catalyst cooler and heat recovery equipment), and the expansion of the Ulassai wind farm owned by Sardeolica S.r.l. (€10,756 thousand).

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

The most significant depreciation rates used are as follows:

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

No fixed assets are held for sale.
The group has a concession from the Cagliari Port Authority allowing it to occupy state-owned areas until 31 December 2015. These areas contain the Sarroch refinery's service facilities (waste-water treatment, seawater desalinisation, blow-down, flare system and landing stage). Currently there is no reason to believe that the concession will not be renewed on expiry.
Leased assets, booked as "Vehicles", totalled €14,663 thousand, with a residual net value of zero.

Financial charges of €2,904 thousand and internal costs of €4,217 thousand were capitalised during the period.

5.2.2 Intangible assets

The following table shows the changes in intangible assets.

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

CATEGORY	31/12/2009	Additions	Disposals	Other changes	(Amortisation)	30/06/2010
Industrial & other patent rights	2,951	499		(10)	(892)	2,548
Concessions, licences, trademarks & similar rights	50,362				(1,351)	49,011
Goodwill	24,409			(9)		24,400
Assets in progress & payments on account	13,878	3,951		(157)		17,672
Other intangible assets	353,949	370		(5)	(16,568)	337,746
Total	**445,549**	**4,820**	**0**	**(181)**	**(18,811)**	**431,377**

The main items are set out in detail below:

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

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

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

Other intangible assets
This item largely refers to the booking at fair value (€325 million) of the existing agreement between Sarlux S.r.l. and GSE (Gestore dei Servizi Elettrici S.p.A.).

In 2009, the multi-year charges incurred by Sardeolica S.r.l. to obtain loans, which were previously classified under intangible assets, were reclassified as a decrease recorded under these loans: the effect of the reclassification (approximately €5 million) is shown in the column "Other changes".

Financial charges capitalised in the period totalled €161 thousand.

Amortisation of intangible assets totalled €18,811 thousand, and was calculated using the annual rates shown below.

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

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

5.2.3 Equity investments

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

Company name	Registered Office	Currency	Share Capital	% owned by Group as of 06-10	% owned by Group as of 12-09	% share Capital	Shareholder	% of voting rights	Category
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiaries:	Milano	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	EUR	100,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Nova Eolica S.r.l.	Cagliari	EUR	10,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	EUR	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Labor Eolica S.r.l.	Bucarest (Romania)	EUR	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Akhela S.r.l. and subsidiaries:	Uta (CA)	EUR	3,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Artemide S.r.l.	Roma	EUR	20,000	51.00%	51.00%	51.00%	Akhela S.r.l.	51.00%	Indirect Subsidiary
ITSME S.r.l.	Milano	EUR	39,632	3.38%	3.38%	3.38%	Akhela S.r.l.	3.38%	Other Interests
Sarint S.A. and subsidiaries:	Lussemburgo	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.	Madrid (Spagna)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Reasar S.A.	Lussemburgo	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiary:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect Subsidiary
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
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other Interests
Centro di Competenza I.C.T.	Cagliari	EUR	20,000	0.50%	0.50%	0.50%	Akhela S.r.l.	0.50%	Other Interests

5.2.3.1 Other Equity interests

Other investments break down as follows:

	30/06/2010	31/12/2009
ITSME S.r.l.	50	50
Consorzio Cesma	3	3
Consorzio La Spezia Energia	2	2
Sarda Factoring	495	495
Centro di Competenza I.C.T.	21	21
Total	**571**	**571**

5.2.4 Deferred tax assets

At 30 June 2010, deferred tax assets stood at €57,932 thousand, and mainly comprised net deferred tax assets of Saras S.p.A. (including €7,653 thousand relating to tax losses) and Sarlux S.r.l. (relating to the reporting of revenues on a linear basis net of related deferred taxes and the accounting at fair value of the contract in place with GSE - Gestore dei Servizi Elettrici S.p.A).

5.2.5 Other financial assets

The balance of this item at 30 June 2010 was €7,750 thousand (€1,387 thousand at 31 December 2009) and mainly consisted of long-term trade receivables due to the subsidiary Arcola Petrolifera S.p.A.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities.

	30/6/2010	31/12/2009	Change
Bank loans	65,984	69,598	(3,614)
Bank accounts	363,233	276,038	87,195
Financial Derivatives	5,300	2,540	2,760
Other short term financial liabilities	728	31,386	(30,658)
Total short-term financial liabilities	**435,245**	**379,562**	**55,683**
Total long-term financial liabilities	**259,011**	**289,552**	**(30,541)**
Total financial liabilities	**694,256**	**669,114**	**25,142**

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

For further details, please see the cash flow statement.

In the previous year, the item "Other short-term financial liabilities" included sales transactions with the obligation to purchase CO2 allowances, which were not carried out in the period under review.

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	30/6/2010	31/12/2009	Change
Advances from clients: portion due within the year	224	16,661	(16,437)
Payables to suppliers: portion due within the year	794,889	630,331	164,558
Total	**795,113**	**646,992**	**148,121**

Trade payables increased versus the previous year, mainly because of the trend in oil prices and the greater quantities of crude acquired by the parent company.
The table below shows a geographical breakdown of payables to suppliers.

	30/06/2010	31/12/2009	Change
Payables to Italian suppliers	299,322	230,682	68,640
Payables to Spanish suppliers	79,224	84,959	(5,735)
Payables to other EU country suppliers	6,445	71,704	(65,259)
Payables to non-EU country suppliers	409,844	242,381	167,463
Payables to US suppliers	54	605	(551)
Total	**794,889**	**630,331**	**164,558**

5.3.3 Current tax liabilities

This item is broken down below.

	30/6/2010	31/12/2009	Change
VAT payables	24,005	40,890	(16,885)
IRES (Corporate Tax)	4,261	218	4,043
IRAP (Regional Tax)	2,071	191	1,880
Other tax payables	80,301	26,656	53,645
Total	**110,638**	**67,955**	**42,683**

VAT payables mainly relate to the debt position of subsidiary Saras Energia S.A..

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

5.3.4 Other liabilities

A breakdown of other liabilities is shown below.

	30/6/2010	31/12/2009	Change
Amount payable to welfare and social security bodies: portions due within the year	8,614	9,936	(1,322)
Due to personnel	20,663	16,598	4,065
Payables to Ministry for grants	43,142	42,197	945
Other payables	17,018	16,714	304
Other accrued liabilities	1,155	1,226	(71)
Other deferred income	272	591	(319)
Total	**90,864**	**87,262**	**3,602**

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

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

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

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

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

5.4 Non-current liabilities

5.4.1. Long-term financial liabilities

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

	Date of borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/09	Outstanding 30/06/10	Maturity			Collateral
						1 year	from 1 to 5 years	beyond 5 years	
Saras S.p.A.									
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	99.4	99.5		99.5		
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	89.4	89.5		89.5		
				188.8	**189.0**	**-**	**189.0**	**-**	
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1.7	2.35%	0.1	-	-			
				0.1	**-**	**-**	**-**	**-**	
Akhela S.r.l.									
Unicredit	6-Aug-08	0.2	0.74%	0.2	0.2	0.2			
				0.2	**0.2**	**0.2**	**-**	**-**	
Artemide S.r.l.									
Banca Intesa	11-Apr-07	0.3	Euribor 3M	0.2	0.1	0.1			
				0.2	**0.1**	**0.1**	**-**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	3.3	2.8	1.1	1.7		
				3.3	**2.8**	**1.1**	**1.7**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	56.7	53.5	6.4	26.2	20.9	53.5
				56.7	**53.5**	**6.4**	**26.2**	**20.9**	
Sarlux S.r.l.									
Banca Intesa	29-Nov-96	572.0	Libor 3M	65.5	47.4	34.7	12.7		47.4
BEI	29-Nov-96	180.0	7.35%	22.3	16.1	11.8	4.3		16.1
BEI	29-Nov-96	208.0	Euribor 3M	22.1	16.0	11.7	4.3		16.0
				109.9	**79.5**	**58.2**	**21.3**	**-**	
Total payables to banks for loans				**359.2**	**325.1**	**66.0**	**238.2**	**20.9**	

The weighted average interest rate at 30 June 2010 was 2.81% (including guarantees and commitment fees for the subsidiary Sarlux S.r.l.).

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

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

- the following ratios, taken from Sarlux's annual accounts figures and projections, must be achieved:
  [1] annual debt service coverage ratio: the ratio of available post-tax cash flow for the next 12 months to total debt to be repaid in the same period must be more than 1.15
  [2] loan life coverage ratio: the ratio of the net present value of post-tax cash flow expected over the remaining life of the contract to total remaining debt to be repaid must be more than 1.2

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

In addition, to guarantee the loans taken out by Sarlux S.r.l., all of the shares in the company were pledged as collateral to the financing banks.

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

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

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

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

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

If the company fails to comply with these restrictions, the pool of lending banks has the right to demand early repayment of the loan.
At the last contractual date for assessing compliance with the restrictions relating to the above-mentioned loans, the conditions had been met.

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

	30/06/10	31/12/09
Medium-/long-term bank loans	(259,011)	(289,552)
Short-term bank loans	(65,984)	(69,598)
Bank overdrafts	(363,233)	(276,038)
Other financial debts	(728)	(31,386)
Fair value net derivatives	317	691
Other held for trading financial assets	25,582	21,301
Cash and equivalents	96,300	111,372
Total net debt	**(566,757)**	**(533,210)**

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

5.4.2 Provisions for risks

Provisions for risks and future liabilities break down as follows:

	31/12/2008	Additions	Decrease for use	31/12/2009
Provisions for dismantling of plants	16,826			16,826
Provisions for CO2 quotas	5,135	18,713	(5,135)	18,713
Other risk provisions	7,234	672	(2,327)	5,579
Total	**29,195**	**19,385**	**(7,462)**	**41,118**

	31/12/2009	Additions	Decrease for use	30/06/2010
Provisions for dismantling of plants	16,826			16,826
Provisions for CO2 quotas	18,713	40,021		58,734
Other risk provisions	5,579	71	(217)	5,433
Total	**41,118**	**40,092**	**(217)**	**80,993**

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

The provision for CO_2 emission allowances, €58,734 thousand in respect of the parent company, was made pursuant to Legislative Decree 216 of 4 April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.
Under Italy's National Allocation Plan, the parent company Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.
The CO_2 allowances assigned under the National Allocation Plan for the full-year 2010 were:
- 2,159,696 tons of CO_2 for refining plants belonging to the parent company; actual emissions at 30 June were 1,212,042 tons of CO_2; the proportional shortfall in the period compared with estimated emissions for the full year was 97,559 tons. The overall figure for the shortfall in the period and the related allowances for the previous year still to be acquired was €31,781 thousand.
- 444,404 tons of CO2 for the cogeneration plant belonging to subsidiary Sarlux S.r.l.; actual emissions at 30 June were 1,758,755 tons of CO2; the proportional shortfall in the period compared with estimated emissions for the full year was 1,550,509 tons. The overall figure for the shortfall in the period and the related allowances for the previous year still to be acquired was €26,953 thousand.

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

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below.

	30/06/2010	31/12/2009	Change
Employee end-of-service payments	14,703	15,412	(709)
Other complementary provisions	20,437	20,008	429
Total	**35,140**	**35,420**	**(280)**

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

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

Balance at 31.12.2008	**17,480**
Accrual for the period	6,722
Amount used for external pension fund	(8,790)
Balance at 31.12.2009	**15,412**
Accrual for the period	3,194
Amount used for external pension fund	(3,903)
Balance at 30.06.2010	**14,703**

The table below shows changes in the CPAS fund.

Balance at 31.12.2008	**20,014**
Accrual for the period	2,077
Amount used during the period	(2,083)
Balance at 31.12.2009	**20,008**
Accrual for the period	1,052
Amount used during the period	(623)
Balance at 30.06.2010	**20,437**

5.4.4 Other liabilities

Other non-current liabilities break down as follows:

	30/6/2010	31/12/2009	Change
Advances from clients: portion due in future years	902	5,822	(4,920)
Payables to welfare and social security bodies	321	347	(26)
Deferred income	614,815	640,876	(26,061)
Other	2,684	2,718	(34)
Total	**618,722**	**649,763**	**(31,041)**

The change compared with 31 December 2009 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux S.r.l. The item in question relates to the agreement for the sale of energy between Sarlux S.r.l. and GSE (Gestore dei Servizi Elettrici S.p.A.), which was accounted for according to IFRIC 4.

Revenues from the sale of energy are calculated on a linear basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a linear basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs.

5.5 Equity

Equity comprises the following:

	30/06/2010	31/12/2009	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	1,163,027	1,089,884	73,143
Profit for the period	11,827	72,552	(60,725)
	1,240,410	**1,227,992**	**12,418**
Share capital and reserves attributable to minority interests	48	42	6
Profit (loss) for the period attributable to minority interests	(31)	6	(37)
Total minority interests	**17**	**48**	**(31)**
Total Shareholders Equity	**1,240,427**	**1,228,040**	**12,387**

Share capital
At 30 June 2010, the share capital of €54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no nominal value.

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

Other reserves
This item totalled €1,163,027 thousand, a net decrease of €73,143 thousand compared with the previous period. The net decrease was the combined result of:

- an increase of €72,552 thousand due to the allocation of profit from the previous year;
- a decrease owing to the foreign currency translation of the financial statements of subsidiaries (€16 thousand);
- an increase of €607 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management of group companies under stock grant plans.

The item is shown net of an amount of €17,881 thousand (including a tax effect of €10,119 thousand) for charges stemming from the stock market listing operation which took place in 2006.

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

Profit for the period
Consolidated net profit for the period was €11,827 thousand.

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

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

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item "Revenues from ordinary operations" breaks down as follows:

	30/06/2010	30/06/2009	Change
Sales and services revenues	3,753,236	2,022,625	1,730,611
Processing fee from third parties	4,855	35,000	(30,145)
Sale of electricity	244,905	227,017	17,888
Other revenues	10,612	10,534	78
Change in construction contracts	46	5,318	(5,272)
Total	**4,013,654**	**2,300,494**	**1,713,160**

Sales and services revenues increased by €1,730,611 thousand compared to the same period of the previous year. The change was mainly due to the larger quantities sold and the trend in oil prices.

Payment for processing for third parties totalled €4,855 thousand and relates to refining services carried out by the parent company for third parties: the change versus the first half of 2009 was due to the lower quantities processed for third parties.

Other payments include additional charges connected with processing for quality adjustments and logistical changes.

Revenues from the sale of electricity include €238,520 thousand relating to the gasification plant of subsidiary Sarlux S.r.l. and €6,385 thousand relating to the wind farm owned by subsidiary Sardeolica S.r.l.
Revenues from the sale of electricity by Sarlux S.r.l. reflect the reporting of figures on a linear basis (as indicated in point 5.4.4 – Other non-current liabilities, above), calculated on the basis of the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude price and projections of the EUR/USD exchange rate until the contract expires.

Note that, pending the settlement of the dispute with the AEEG (gas and electricity regulator) over the method of calculating the avoided fuel cost component (CEC), for the purposes of the half-year results, revenues from the sale of electricity were determined in accordance with AEEG Resolution ARG/elt 154/08.

On 12 July 2010, the Minister for Economic Development defined the adjustment values for the 2009 avoided fuel cost component for tariff CIP6/92. This decision resulted in income of around €23 million for the subsidiary Sarlux S.r.l. This income, reported on a linear basis until 2020 in accordance with IFRS principles, led to the recognition of additional revenues of around €1 million for the first half of 2010.

During the first half of 2010, the global economy slowly started to recover from the trough of the severe recession in 2009. Although the financial markets saw substantial gains, the real economy achieved only a moderate recovery. Consumers continued to focus on saving, especially in developed (OECD) countries. In this climate, demand for oil products fell short of expectations and refining margins, although recovering from the low levels reached in the second half of 2009, still remained well below the average for the first half of 2009 (as an example, the EMC benchmark refining margin was 0.8 $/bl in the first half of 2010, a 233% increase over the figure of -0.6 $/bl in the second half of 2009, but down 61% compared to the figure of 2.1 $/bl achieved in the first half of 2009).

The Saras Group's performance in the refining segment was weak, partly due to the negative impact of a planned maintenance programme. The electricity generation segment was broadly in line with expectations. In addition, the marketing segment achieved very satisfactory results despite the widespread drop in oil consumption in both Italy and Spain, thanks to a strategy focused on improving the sales channel mix. Finally, the wind power segment also put in a very positive performance, due to the favourable weather conditions during the first quarter.

6.1.2 Other income

The following table shows a breakdown of other income.

	30/06/2010	30/06/2009	Change
Revenues for stocking of mandatory supplies	666	1,306	(640)
Sales of sundry materials	1,468	419	1,049
Grants	8,102	8,249	(147)
Chartering of tanker	1,991	1,395	596
Recover for damages and compensation	463	754	(291)
Reimbursment of emission trading charges	21,144	19,225	1,919
Other income	17,576	5,088	12,488
Total	**51,410**	**36,436**	**14,974**

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

The item "Grants" includes the revenues from green certificates obtained by Sardeolica S.r.l.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	30/06/2010	30/06/2009	Change
Purchases of raw materials	2,681,172	1,303,391	1,377,781
Purchases of semifinished materials	26,970	15,126	11,844
Purchases of spare parts and consumables	35,099	44,700	(9,601)
Purchases of finished products	851,551	559,204	292,347
Other purchases	105	639	(534)
Inventory's change	(10,229)	(216,569)	206,340
Total	**3,584,668**	**1,706,491**	**1,878,177**

Costs for the purchase of raw materials, replacement parts and consumables totalled €3,584,667 thousand, an increase of €1,878,176 thousand compared to the same period of the previous year: this rise was chiefly due to the trend in average prices of crude and oil products, and the larger quantities purchased.

The item "Use of third-party assets" includes €1,037 thousand in parent company costs relating to rental of the building that houses the new registered office in Milan. The cost has been reported on a linear basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 31 October 2015. Minimum future payments under the terms of the contract are €2,075 thousand in the subsequent year, €8,913 thousand for the following years up to five years, and €862 thousand after five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees. There are no options for contract renewal or acquisition.

6.2.2 Cost of services and Sundry costs

	30/06/2010	30/06/2009	Change
Service costs	248,096	229,917	18,179
Use of third-party assets	7,248	7,094	154
Provisions for risks	40,021	21,687	18,334
Other operating charges	8,480	6,057	2,423
Total	**303,845**	**264,755**	**39,090**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities.
The item "Provisions for risks" mainly relates to the cost of acquiring CO_2 emission allowances (€40,021 thousand, for further information please see 5.4.2. above).

Other operating costs mainly comprise non-income tax (property tax, emissions tax) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	30/06/2010	30/06/2009	Change
Wages and salaries	50,168	50,038	130
Social security	14,573	14,412	161
Staff several indemnity	3,194	2,470	724
Pensions and similar	1,052	724	328
Other costs	2,956	2,661	295
Directors' remuneration	2,886	2,917	(31)
Total	**74,829**	**73,222**	**1,607**

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

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

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

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

The Stock Grant Plan 2010/2012 (for directors of the parent company, and directors and managers individually specified by the Board of Directors of the parent company and subsidiaries) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to the difference between the change in value of the parent company's shares and that of the shares of a group of comparable companies. This plan will involve the allocation of 1,512,000 shares, at a cost for the period of €411 thousand.

Furthermore, beneficiaries who also participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until 2013, in return for a one-off premium to be paid in shares as part of the current plan. This option will involve the allocation of 918,700 shares, at a cost for the period of €106 thousand.

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

6.2.4 Depreciation, amortisation and write-downs

Depreciation and amortisation figures are shown below.

	30/06/2010	30/06/2009	Change
Amortisation of intangible assets	18,811	18,952	(141)
Depreciation of tangible assets	82,995	71,255	11,740
Total	**101,806**	**90,207**	**11,599**

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

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

	30/06/2010	30/06/2009	Change
Other financial income:			
- from financial assets recorded under current assets	8	107	(99)
Other income			
- interest on bank and post office accounts	82	522	(440)
- fair value of derivatives outstanding on reporting date	3,335	334	3,001
- fair value of held for trading financial assets	135	0	135
- positive differences on derivatives	21,666	6,799	14,867
- other income	207	185	22
Exchange rate gains on non-commercial transactions	8,132	3,329	4,803
Total Financial Income	**33,565**	**11,276**	**22,289**
Financial charges:			
- fair value of derivatives outstanding on reporting date	(3,379)	(3,387)	8
- fair value of held for trading financial assets	0		0
- negative differences on derivatives	(8,056)	(4,341)	(3,715)
- other (interest on loans, arrears, etc.)	(8,580)	(8,592)	12
Exchange rate losses on non-commercial transactions	(1,975)	(9,122)	7,147
Total Financial Charges	**(21,990)**	**(25,442)**	**3,452**
Total	**11,575**	**(14,166)**	**25,741**

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

- differences in value realised during the year on derivatives used as hedges in operations where hedge accounting was not adopted, and to the changes in fair value of these derivatives (€14,161 thousand);
- net exchange rate gains (€11,950 thousand), compared with net exchange rate losses for the first six months of 2009.

6.4 Income tax

Income tax breaks down as follows:

	30/06/2010	30/06/2009	Change
Current taxes	10,890	68,313	(57,423)
Net deferred taxes	(11,195)	2,804	(13,999)
Total	**(305)**	**71,117**	**(71,422)**

Current taxes include the income taxes of subsidiary Saras Energia S.A. of €2,142 thousand, and the IRAP and additional IRES of the Italian companies, of €5,448 thousand and €3,300 thousand respectively.
In respect of deferred tax assets/liabilities, €7,191 thousand of the total amount refers to an increase in tax assets during the period included in the temporary differences between the figures reported in the financial statements and those recognised for tax purposes, while €4,004 thousand relates to the reporting of tax assets calculated on the consolidated tax loss of the group's Italian companies; the latter sum takes into account €6,224 thousand deriving from the application of article 5 of Decree Law 78/09 (known as *Tremonti-ter*).

7. Other information

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

7.1 Main legal actions pending

Parent company Saras S.p.A. and subsidiaries Arcola Petrolifera S.p.A., Sarlux S.r.l. and Akhela S.r.l. were subject to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that liabilities, while possible, are not probable.
Moreover, with reference to the subsidiary Sarlux S.r.l., please note that companies producing electricity that is not from renewable sources or cogeneration (pursuant to AEEG Resolution 42/02) are required to purchase green certificates in respect of a certain percentage of electricity introduced into the grid. A specially-created AEEG committee, in coming to a different interpretation of the resolution subsequently, deemed the subsidiary subject to this obligation for the years 2002-2006. Sarlux appealed against this interpretation, based on the opinion of its advisers, and believes that its appeal will be successful. As a result, no provision was made in the accounts for the six months ended 30 June 2010 for this case. The liabilities arising from this dispute, as determined by the GSE, which has already adopted this interpretation, are estimated at about €32 million (requested by the GSE and paid by the subsidiary); however, these liabilities would qualify for partial relief pursuant to section II, point 7-*bis* of CIP Provision 6/92 in respect of costs arising from article 11 of Legislative Decree 79/99 in application of AEEG Resolution 113/06, as supplemented by AEEG Resolution ARG/elt 80/08, of around €14 million (the refund was carried out during the first half of the year through the compensation fund for the electricity sector – *CCSE*).
If the interpretation of the above-mentioned AEEG committee is confirmed, the obligation in question would be extended to 2009, adding a further potential liability of around €17 million, with the related refund estimated at around €8 million.

7.2 Transactions with related parties

In accordance with IAS 24 and the provisions of Consob Regulation 17221/2010, the following table shows a summary of transactions/positions in respect of related parties as a proportion of the total amount of accounting items in the statement of financial position, comprehensive income statement and cash flow statement for the Saras Group; the size of these transactions/positions is not significant.

	30.06.2010			31.12.2009		
	Total	**Related Parties**	**Portion %**	**Total**	**Related Parties**	**Portion %**
Current trade receivables	687,932	48	0.0%	396,954	90	0.0%
Trade payables and other current payables	795,113	69	0.0%	646,992	30	0.0%

	30.06.2010			30.06.2009		
	Total	**Related Parties**	**Portion %**	**Total**	**Related Parties**	**Portion %**
Other income	51,410	48	0.1%	36,436	87	0.2%
Service and miscellaneous costs	303,845	656	0.2%	264,755	959	0.4%

Effects of cash flows	30.06.2010			30.06.2009		
	Total	**Related Parties**	**Portion %**	**Total**	**Related Parties**	**Portion %**
Monetary flows from (to) assets in the year	58,960	81	0.1%	197,232	298	0.2%
Monetary Flows from (to) investments	(90,910)	0	n.a.	(179,813)	0	n.a.
Monetary flows from (to) financial assets	16,878	0	n.a.	73,329	0	n.a.

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

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

7.4 Earnings per share

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

Earnings per share totalled 1.27 euro cents for the first half of 2010, and 12.61 euro cents in 2009. Diluted earnings per share do not vary significantly from basic earnings per share.

The average number of shares outstanding was 927,870,313 in the first half of 2010 and 927,771,714 in the first half of 2009. At 30 June 2010, Saras S.p.A. held 22,832,784 own shares in relation to the bonus allocation of shares to employees and management of group companies.

7.5 Commitments

As at 30 June 2010 and 31 December 2009 the group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the parent company Saras S.p.A. has issued sureties, whose value at 30 June 2010 totalled €104,464 thousand, mainly comprising €10,400 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant, €73,128 thousand to subsidiaries, €3,162 thousand to the Cagliari port authorities as a guarantee for state maritime concessions and €14,236 thousand to the Ministry of Productive Activities as a guarantee for the advance payment of taxes required by the programme agreement signed on 10 June 2002.

8. Publication of the consolidated half-year accounts

At its meeting on 9 August 2010, the Board of Directors of Saras authorised the publication of the consolidated half-year results.

For the Board of Directors
The Chairman
Gian Marco Moratti

Saras SpA

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371
Fax 02 76020640

Attestation of the interim consolidated half year financial statements, pursuant to the article 81-ter of Consob Regulation n. 11971 of 14 May 1999 and subsequent amendment and additions.

1. The undersigned, Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, CEO, and Corrado Costanzo, Executive Director responsible for the preparation of the financial statements of Saras S.p.A,, hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the appropriateness in respect of the type of company, and
- the efficient application of the administrative and accounting procedures for the preparation of the interim consolidated half year financial statements, for the period 1st January 2010 to 30th June 2010.

2. In addition, the undersigned declare that:

2.1 the interim consolidated half year financial statements:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union, pursuant to European Parliament and Council Regulation (EC) n. 1606/2002 of 19th July 2002;

b) accurately represent the figures in the company's accounting records;

c) give a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies.

2.2 the interim "report on operations" includes a reliable analysis of the main events which took place during the first semester of the financial year and their impact on company results, together with a description of the main risks and uncertainties for the remaining semester of the financial year. The interim consolidated half year financial statements also contain a reliable analysis of the transactions with related parties.

Saras SpA

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371
Fax 02 76020640

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of the Legislative Decree 58, dated 24th February 1998.

Milan, 9th August 2010

Signature: delegated authority	Signature: director responsible for the preparation of the financial statements
(Dott. Gian Marco Moratti)	(Dott. Corrado Costanzo)
(Dott. Massimo Moratti)	

Raffineria
Sede legale
I-09018 Sarroch (Cagliari)
S.S. Sulcitana n.195 – Km.19°
Telefono 070 90911
Fax 070 900209

Direzione relazioni pubbliche e
affari amministrativi
I-00187 Roma
Salita S. Nicola da Tolentino 1/b
Telefono 06 4203521
Fax 06 42035222

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PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

To the shareholders of
Saras SpA

1. We have reviewed the condensed consolidated interim financial statements of Saras SpA and its subsidiaries (Saras Group) as of 30 June 2010 and for the six months then ended, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related explanatory notes. Saras SpA's directors are responsible for the preparation of the condensed consolidated 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 condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the amounts contained in the above-mentioned condensed 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 condensed consolidated interim financial statements.

3. With regard to the amounts of the previous year's consolidated financial statements and condensed consolidated interim financial statements presented as comparatives, reference is made to our reports dated, respectively, 9 April 2010 and 7 August 2009.

4. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Saras Group as of 30 June 2010 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, 9 August 2010

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

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