Saras Group Half Year Report as at 30 June 2011

Table of contents

Statutory and Control Bodies 3
Group Activities 4
Structure of the Saras Group 5
Stock Performance 6

REPORT ON OPERATIONS 7

Saras Group Key financial and operational results 7
The Oil Market and the Refining Margins 10
Segment Review 12
- Refining 12
- Marketing 15
- Power Generation 16
- Wind 18
- Other Activities 18

Strategy and Investments 19
Outlook 20
Main events after the end of First Half 2011 22
Risk Analysis 23
Other Information 25

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 26

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31

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	Chief Financial Officer

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, and thanks also to continuous investments in plant upgrades.

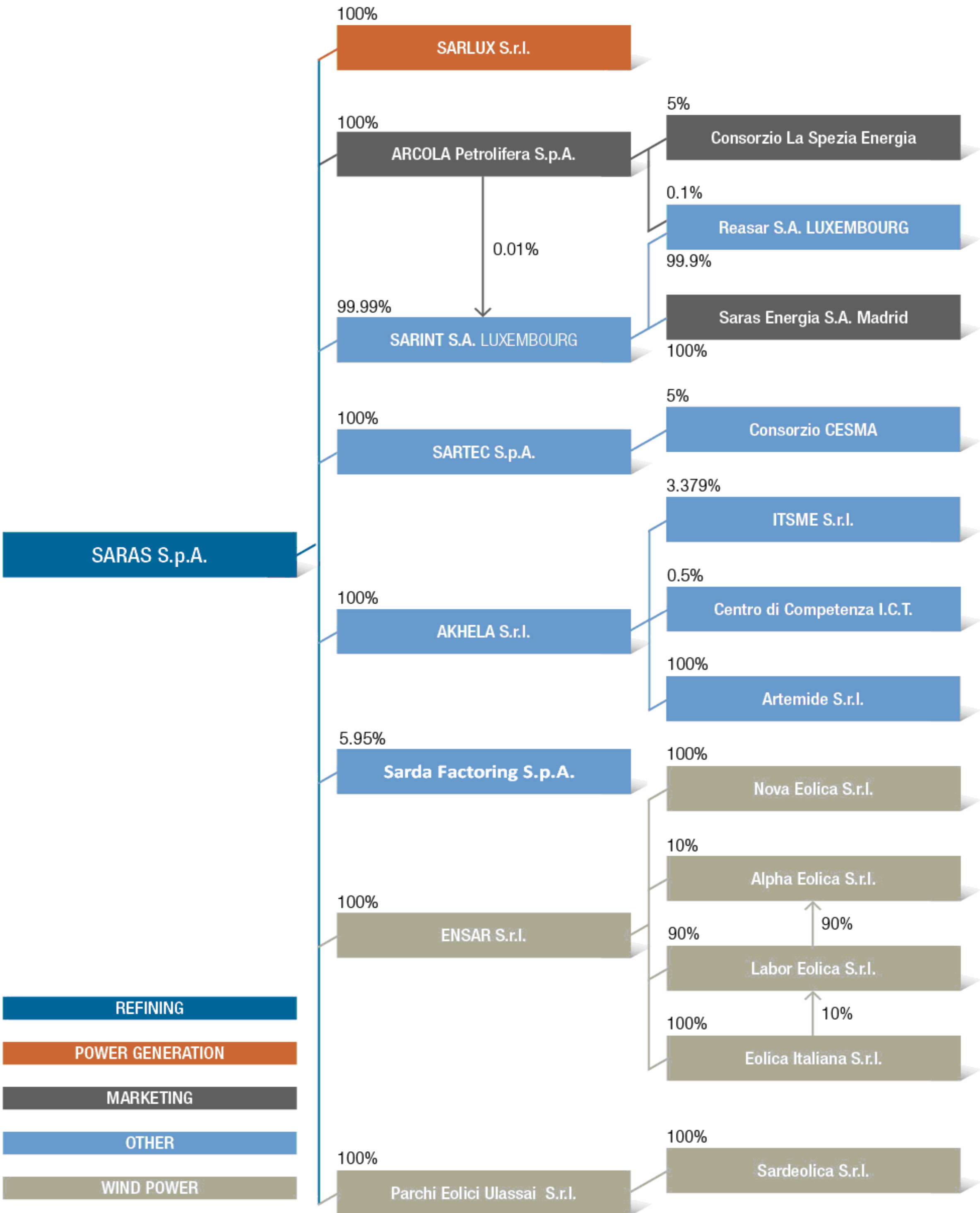
Both directly and through our subsidiaries Arcola Petrolifera S.p.A. (Italy) and Saras Energia S.A. (Spain), the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European and international markets. In particular, in 2010 approximately 1.7 million tons of oil products were sold in Italy, through the subsidiary Arcola Petrolifera, which operates solely in the wholesale market. Arcola Petrolifera also manages a tank farm for petroleum products with a capacity of 200,000 cubic metres, owned by the Group and located in Arcola (La Spezia). A further 2.5 million tons of oil products were sold in the Spanish market through the subsidiary Saras Energia, which is active both in the wholesale and in the retail markets. Saras Energia manages a petroleum products tank farm with a capacity of 112,000 cubic metres, owned by the Group and located in Cartagena (Spain), and also a biodiesel plant with a capacity of 200,000 tons per year, which is also located in Cartagena, in order to generate synergies with the tank farm. Finally, Saras Energia manages a retail network of 124 service stations, primarily located on the Spanish Mediterranean Coast.

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, which has been recently re-powered and it achieved its full capacity of 96MW in the second quarter of 2011. 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

The following picture illustrates the complete structure of the Saras Group and the various segments of business, with the main companies for each segment.



Stock Performance

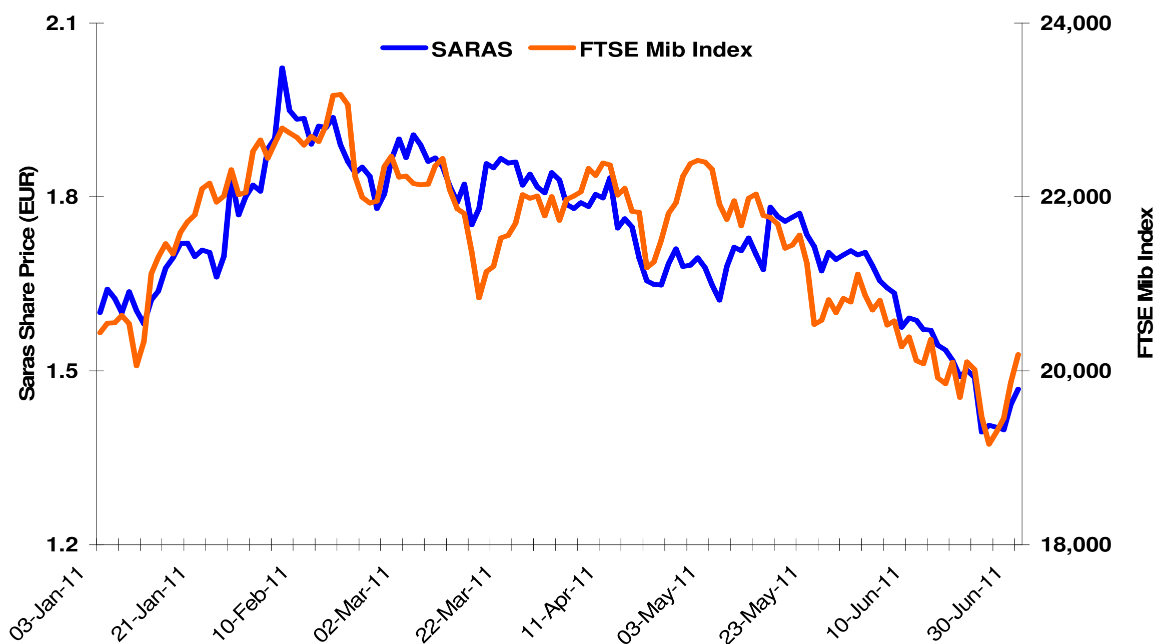
Below are some data concerning prices and daily volumes relating to the Saras share, in the period between 3rd January 2011 and 30th June 2011.

SHARE PRICE (EUR)	H1/11
Minimum price (23/06/2011)	1.394
Maximum price (07/02/2011)	2.023
Average price	1.729
Closing price at the end of the period (30/06/2011)	1.468

DAILY TRADED VOLUMES (Million)	H1/11
Maximum traded volume in EUR (07/02/2011)	40.4
Maximum traded volume in number of shares (07/02/2011)	20.0
Minimum traded volume in EUR (13/06/2011)	0.8
Minimum traded volume in number of shares (13/06/2011)	0.5
Average volume in EUR	5.2
Average volume in number of shares	2.9

Market capitalization on the 30th of June 2011 amounts to EUR 1,396 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

Saras Group Key financial and operational 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 and EBIT) and the Net Result are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, as requested by IFRS accounting principles). The LIFO methodology does not include revaluations and write downs and it combines the most recent costs with the most recent revenues, thus providing a clearer picture of current operating profitability. Furthermore, for the same reason, non recurring items and fair value of the derivative instruments are also deducted, both from the operating results and from the Net Result. Operating results and Net Result calculated as above are called respectively "*comparable*" and "*adjusted*", and they are not subject to audit, just like quarterly results.

Group consolidated income statement figures

EUR Million	Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
REVENUES	2,638	2,183	21%	2,672	5,310	4,065	31%
EBITDA	12.8	51.0	-75%	310.4	323.2	101.7	218%
Comparable EBITDA	**34.2**	**27.9**	**23%**	**154.3**	**188.5**	**41.7**	**352%**
EBIT	(40.2)	(0.2)	n/a	258.0	217.8	(0.1)	n/a
Comparable EBIT	**(18.8)**	**(23.3)**	**19%**	**101.9**	**83.1**	**(60.1)**	**238%**
NET RESULT	(40.6)	21.1	-292%	122.8	82.2	11.8	598%
***Adjusted* NET RESULT**	**(44.3)**	**2.4**	**n/a**	**39.5**	**(4.9)**	**(27.4)**	**82%**

Other Group figures

EUR Million	Q2/11	Q2/10	Q1/11	H1 2011	H1 2010
NET FINANCIAL POSITION	**(527)**	**(567)**	**(524)**	**(527)**	**(567)**
CAPEX	**39**	**60**	**20**	**59**	**83**
OPERATING CASH FLOW (*)	**36**	**136**	**56**	**93**	**49**

Comments to First Half 2011 results

2011 has been so far characterized by two meaningful events for the Saras Group. The first is the Libyan crisis, which caused a sharp increase in crude oil prices, not equally reflected in the prices of the oil products. Indeed, the latter remained capped by a generalized reduction of consumption, high inventory levels, and excess of production capacity. Therefore, this situation led to a squeeze in the refining margins, which impacted the whole industry. Nonetheless, the Libyan crisis also had a specific effect on the Sarroch refinery, which has to adjust to the shortage of some peculiar

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

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

crude oils, whose characteristics make this feedstock particularly attractive for its profitability. The second important event for the Saras Group is related to the 10-year turnaround for planned maintenance of the IGCC plant. The work carried out has obviously influenced the production of electricity and the results of the segment in the period. On the other hand, the Marketing segment achieved a very satisfactory performance, notwithstanding the generalized reduction in oil products' consumption in Italy and Spain, thanks to a strategy focused on the optimization of the mix in sales channels, and a management of sales and inventories integrated with the parent company. Finally, the Wind segment had a good performance, also in consideration of the not particularly favourable weather conditions, especially during the second quarter of the year.

Group Revenues in H1/11 were EUR 5,310 ml, up 31% vs. H1/10, mainly because of the higher revenues coming from the Refining and Marketing segments, in the light of significantly higher prices for all the main oil products (for quick reference, in H1/11 diesel traded at an average of 950 $/ton vs. 659 $/ton in H1/10, and gasoline priced at 984 $/ton vs. 721 $/ton in H1/10). Moreover, the higher revenues in H1/11 derive also from lower third party processing activity, which has been replaced with processing on our own account.

Group *reported* EBITDA in H1/11 was EUR 323.2 ml, higher than EUR 101,7 ml in H1/10. This result came primarily as a consequence of a strong revaluation of the oil inventories, related to the growing trend followed by oil prices in the first half of 2011. Moreover, the higher operational performance of the Sarroch refinery also supported the results of Saras Group in H1/11. **Group *reported* Net Result stood at EUR 82.2 ml**, up vs. EUR 11.8 ml in H1/10, essentially for the same reason explained at EBITDA level.

Group *comparable* EBITDA amounted to EUR 188.5 ml in H1/11, up vs. EUR 41.7 ml in H1/10, and **Group *adjusted* Net Result stood at EUR -4.9 ml**, up vs. EUR -27.4 ml in H1/10. The large improvements versus same period last year can be explained primarily with the better results of the Refining segment (for the reasons which will be subsequently explained in the comments dedicated to that segment). Moreover, in H1/11, also the Marketing segment gave a larger contribution to Group results than in same period last year. On the contrary, it should be noted that the financial charges, which include also the result of the derivative instruments, were negative for EUR 70.5 ml in H1/11, while in H1/10 the Group posted financial income for EUR 11.6 ml.

CAPEX in H1/11 stood at EUR 59.3 ml, in line with the investment programme for the year 2011, and distributed primarily between the Power Generation segment (EUR 27.9 ml) and the Refining segment (EUR 27.9 ml).

Group Net Financial Position on 30th June 2011 was EUR -527 ml, improved versus EUR -560 ml on 31st December 2010, and in line with the financial position on 31st March 2011, which was equal to EUR -524 ml.

Comments on Second Quarter 2011 results

Group Revenues in Q2/11 were EUR 2,638 ml, up 21% vs. Q2/10. Once again, it can be noted that this result is primarily due to the higher revenues coming from the Refining and Marketing segments, in the light of significantly higher oil products' prices (diesel traded at an average of 988 $/ton in Q2/11 vs. 680 $/ton in Q2/10, and gasoline priced on average at 1,043 $/ton vs. 726 $/ton in Q2/10). Moreover, as already noted in the comments for the semester, the higher revenues in 2011 derive also from an increase in volumes of direct sales, in consideration of the expiry of all third party processing contracts, and the consequent increase of refining volumes for own account.

Group *reported* EBITDA in Q2/11 was EUR 12.8 ml, down versus EUR 51.0 ml in Q2/10. This result came primarily as a consequence of the result of the Refining segment in the period, which was influenced by lower margins, and by a penalisation due to the previously mentioned shortage in Libyan crude oils. **Group *reported* Net Result was EUR -40.6 ml**, down vs. EUR 21.1 ml in Q2/10, essentially for the same reason discussed at EBITDA level.

Group *comparable* EBITDA amounted to EUR 34.2 ml in Q2/11, up vs. EUR 27.9 ml in Q2/10, mainly thanks to the excellent results achieved by the Marketing segment. However, **Group *adjusted* Net Result stood at EUR -44.3 ml**, down vs. EUR 2.4 ml in Q2/10. To explain this result, it should be recalled that the Group adopts an hedging policy of its commercial transactions on crude oil and products, using derivative instruments, whose effects are reported in the income statement within the "financial income/charges". To the point, derivative instruments brought a positive contribution to the Q2/10 results (worth approximately EUR 17 ml), while in Q2/11 there were realized losses on derivative instruments worth approximately EUR 24 ml.

CAPEX in Q2/11 stood at EUR 39.4 ml, distributed primarily between the Power Generation segment (EUR 22.4 ml) and the Refining segment (EUR 15.1 ml).

Calculations of the *adjustments* for Group Net Result and EBITDA

As mentioned at the beginning of this section, *reported* and *comparable* 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. The relevance of the various items for the first half and for the second quarter 2011 is reported in the following tables.

Group Net Result *adjustment*

EUR Million	Q2/11	Q2/10	H1 2011	H1 2010
***Reported* NET RESULT**	**(40.6)**	**21.1**	**82.2**	**11.8**
(inventories at LIFO - inventories at FIFO) net of taxes	14.8	(14.6)	(83.0)	(38.8)
non recurring items net of taxes	0.0	0.0	0.0	0.0
change in derivatives fair value net of taxes	(18.6)	(4.0)	(4.0)	(0.4)
***Adjusted* NET RESULT**	**(44.3)**	**2.4**	**(4.9)**	**(27.4)**

Group EBITDA *adjustment*

EUR Million	Q2/11	Q2/10	H1 2011	H1 2010
***Reported* EBITDA**	**12.8**	**51.0**	**323.2**	**101.7**
inventories at LIFO - inventories at FIFO	21.4	(23.1)	(134.7)	(60.0)
non recurring items	0.0	0.0	0.0	0.0
***Comparable* EBITDA**	**34.2**	**27.9**	**188.5**	**41.7**

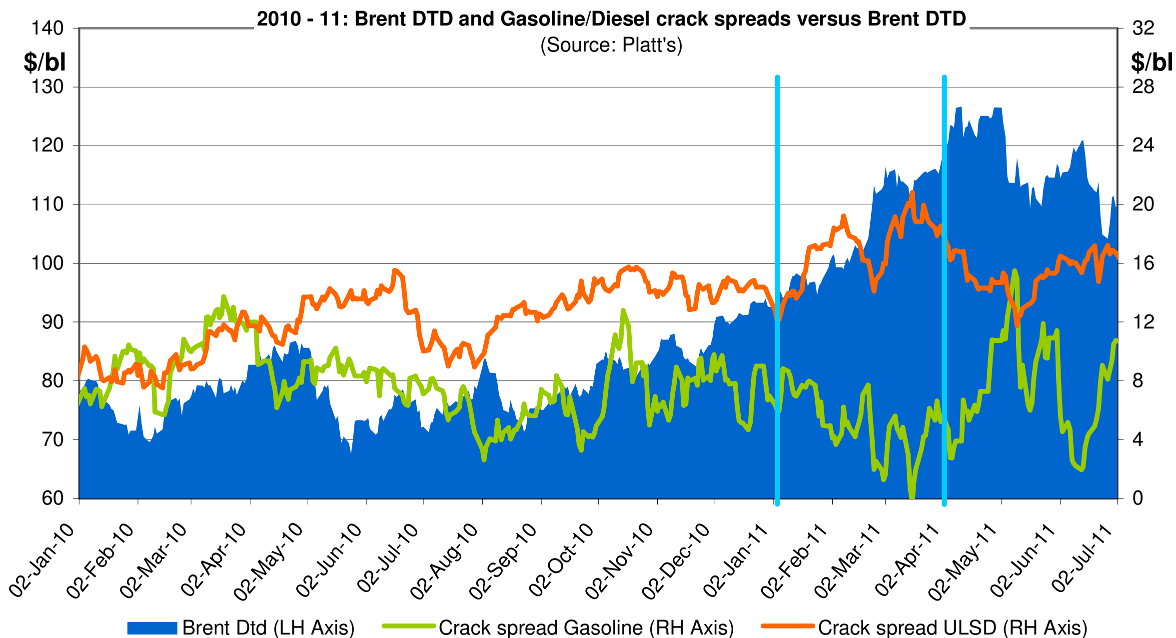
Net Financial Position

EUR Million	30-Jun-11	31-Mar-11	31-Dec-10
Medium/long term bank loans	(41)	(234)	(234)
Bonds	(248)	(248)	(248)
Total long term net financial position	**(289)**	**(482)**	**(482)**
Short term bank loans	(198)	(8)	(8)
Short term financing instruments	(104)	(137)	(155)
Other loans	(13)		
Fair value on derivatives	(16)	(46)	(25)
Other marketable financial assets	7	31	29
Cash and cash equivalents	51	118	81
Warranty deposits for derivative instruments	35		
Total short term net financial position	**(238)**	**(42)**	**(78)**
Total net financial position	**(527)**	**(524)**	**(560)**

The difference in net financial position between 30th June 2011 and 31st December 2010 can be primarily explained with the positive cashflow from operations and self-financing from provisions for depreciation and amortisation, which more than compensated the large increase in working capital and the investments for the period. With specific reference to inventories, it can be noted that there was not only a meaningful increase of their value in the period due to pricing effects, but also a remarkable increase in volumes (approx. 400 ktons, mainly of crude oil), in order to take advantage of commercial opportunities, using also hedging instruments. Such volumes could be eventually sold, with relevant positive effects on the financial position.

The Oil Market and the Refining Margins

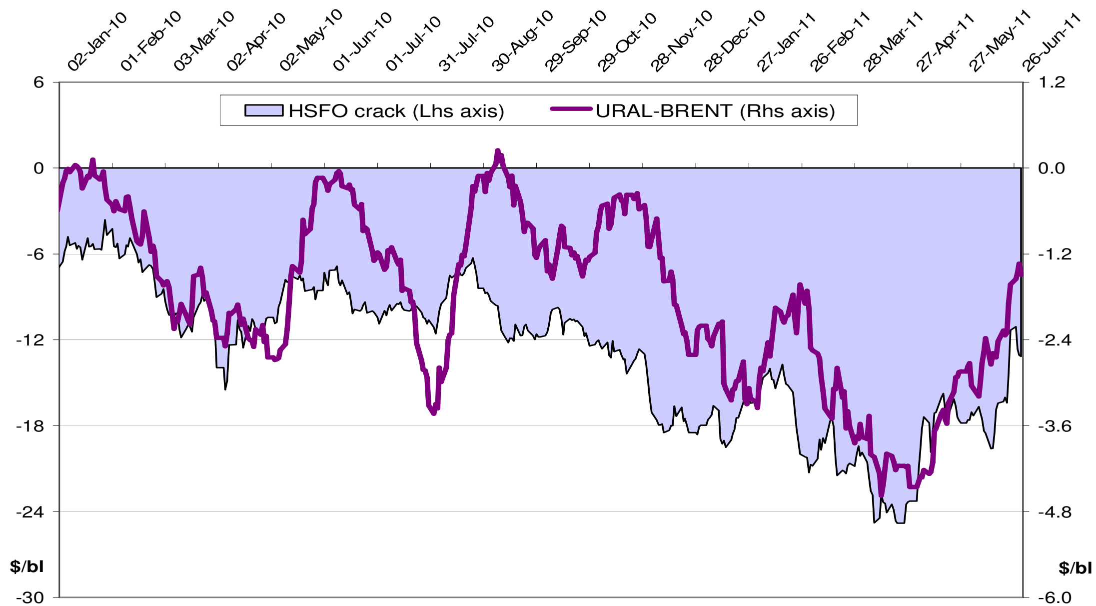
The graph here below shows Brent Dated crude oil prices and "*crack spread*" values (i.e. the difference between the price of a refined oil product and the reference crude oil) for ULSD and Unleaded Gasoline.



In the first quarter 2011 crude oil prices continued the growing trend they began in the previous months, boosted by robust growth in global oil products' demand (particularly strong in the Far East), as well as disruptions in crude oil supply caused by the social unrest in the Middle East and in North Africa (especially in Libya, an important member of the OPEC organization, with a production capacity of 1.7 million barrels per day). Brent Dated quotations had a gradual progression, starting from slightly above 90 $/bl in early January, and arriving as high as approx. 120 $/bl at the end of the first quarter, with only a moderate correction at the beginning of March, following the devastation caused in Japan by a terrifying earthquake and the subsequent tsunami.

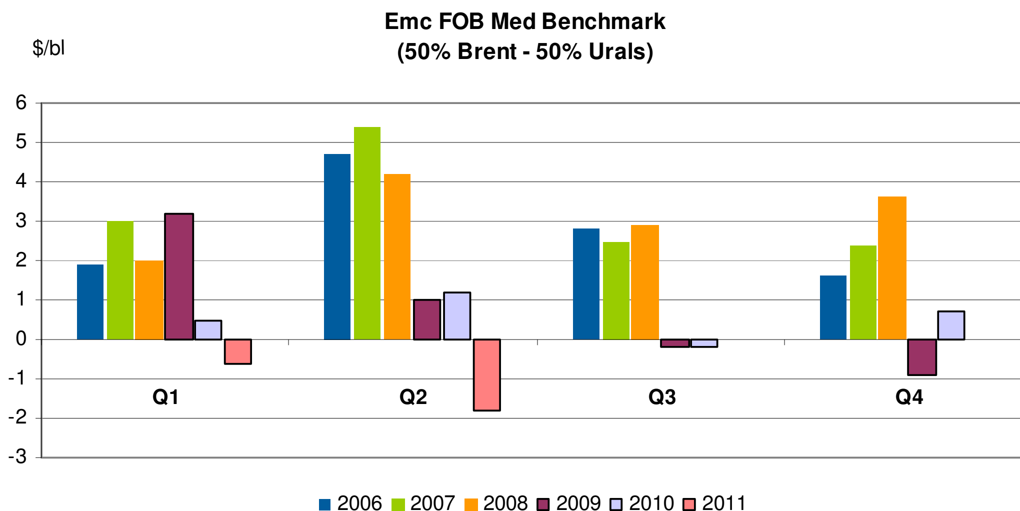
In the second quarter of 2011, prices continued to climb during the entire month of April, along with news of worsening conflicts in North Africa. In this context, Brent Dated touched a peak value of 126.5 $/bl on April 29th. Subsequently, however, crude oil prices moved sharply downwards in May, in tune with a flow of depressing macroeconomic news concerning both advanced economies (with the Euro Zone chocked by the high debts of some peripheral countries, and the United States still dealing with stagnating demand and high unemployment rates), and also developing and emerging economies (slow down in the Chinese growth rates and, more in general, also in the other Asian countries). These factors compounded with the International Energy Agency (IEA) announcement of the release of strategic reserves of crude and refined products, in the second half of June, in order to contrast the bullish effects on "light-sweet" crude oils induced by the shut down of the Libyan production. As such, Brent Dated closed the second quarter on a decreasing note, with a price of 111.5 $/bl on June 30th.

Looking at the differential between "heavy" and "light" crude oil grades (i.e. "Urals" and "Brent" respectively), it can be noted that this indicator widened progressively during the first quarter of 2011, posting an average of -2.7 $/bl, significantly higher than the average of -1.2 $/bl in the fourth quarter of 2010. Subsequently, in the month of April, the "heavy-light" differential continued to open-up, reaching a peak of -4.5 $/bl towards the end of the month. As a matter of fact, with the outbreak of the Libyan crisis, the price of low sulphur crude oils had a steep acceleration, which involved also the West-African grades. At the beginning of May, however, the "Urals-Brent" differential began to shrink. This came as a consequence of strengthening "Urals" (because of loading problems in the ports of the Baltic Sea), at a time of increasing availability of "sweet" grades in the Mediterranean Sea. The latter phenomenon is related to the reduced buying interest on West-African crude oils from refiners both in the USA (spread WTI-Brent) and also in Asia (spread Dubai-Brent). Under such conditions, light sweet West-African crude oils started to flow again towards the Mediterranean Sea. Notwithstanding all of the above, in the second quarter of 2011, the average of the "Urals-Brent" differential remained quite high, at -3.4 $/bl, thus continuing to provide more favourable conditions for complex refiners.



Moving to the profitability analysis of the refining industry, 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.

As it can be noted, the EMC Benchmark weakened in Q1/11, posting an average of -0.6 $/bl vs. 0.7 $/bl in Q4/10. Gasoline *crack spread* remained depressed for a large part of the quarter (average at 5.3 $/bl), suffering from seasonally weak demand. It started to improve only towards the end of the period, ahead of the driving season in the United States of America. On the contrary, middle distillates *crack spread* progressively strengthened throughout Q1/11 (average at 17.1 $/bl), reflecting strong demand for the product, backed by lower seasonal maintenance-related refinery output.



Subsequently, during Q2/11, the EMC Benchmark deteriorated further, setting a quarterly average of -1.8 $/bl, which represents the worst data on records, since the beginning of its calculations. Such unfortunate performance can be explained considering that the increase in crude oil prices was far superior than the corresponding movement in the prices of refined products. This was true for the entire quarter, with the only exception of the month of May, when crude oil had the sharp downward correction already discussed in the previous paragraphs. Gasoline *crack spread* averaged at 7.4 $/bl, slightly improved versus Q1/11, managing to cope with a generalised reduction in consumption, both in the USA and in Europe (expensive retail prices, higher efficiency of cars, and substitution effects from ethanol). On the contrary, the middle distillates softened (*crack spread* average at 15.3 $/bl), due to the previously mentioned economic slow-down, as well as the release of strategic reserves, which included also not negligible volumes of refined products.

Segment Review

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

Refining

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

EUR Million	Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
EBITDA	(44.1)	(20.9)	-111%	235.8	191.7	(39.4)	587%
***Comparable* EBITDA**	**(42.7)**	**(40.7)**	**-5%**	**91.2**	**48.4**	**(79.7)**	**161%**
EBIT	(71.5)	(47.1)	-52%	208.6	137.1	(91.2)	250%
***Comparable* EBIT**	**(70.1)**	**(66.9)**	**-5%**	**64.0**	**(6.2)**	**(131.5)**	**95%**
CAPEX	**15.1**	**42.8**		**12.9**	**27.9**	**62.7**	

Margins and refinery runs

		Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
REFINERY RUNS	thousand tons	3,138	3,330	-6%	3,704	6,842	6,799	1%
	Million bl	22.9	24.3	-6%	27.0	49.9	49.6	1%
	thousand bl/day	252	267	-6%	300	276	274	1%
of which:								
Processing for own account	thousand tons	3,138	2,879	9%	3,704	6,842	6,114	12%
Processing on behalf of third parties	thousand tons	0	451	n/a	0	0	685	n/a
EXCHANGE RATE	EUR/USD	1.439	1.271	13%	1.368	1.403	1.327	6%
EMC BENCHMARK MARGIN	$/bl	(1.8)	1.2		(0.6)	(1.2)	0.8	
SARAS REFINERY MARGIN	$/bl	0.5	1.2		7.6	4.4	1.1	

Comments on First Half 2011 results

On the 11th of April 2011, a tragic accident took place at the DEA3 unit of the Sarroch refinery, which was idle for scheduled maintenance. The incident involved three workers from a contracting company, and one of them died in the early hours of the following morning. The conditions of the other two workers progressively improved in the following days, until their complete recovery. Since investigations are currently being conducted by the relevant Authorities, it is currently not possible to establish any responsibilities.

Refinery runs in H1/11 stood at 6.84 ml tons (49.9 ml barrels, corresponding to 276 thousand barrels per calendar day), essentially in line with the same period last year, because the maintenance activities carried out during the two periods under comparison involved almost the same units, albeit with different timings in within the periods. However, given that all third party processing contracts expired, processing on behalf of third parties went down to zero in the first half of 2011, while it stood at 10 % of total runs in H1/10.

***Comparable* EBITDA of the Refining segment was EUR 48.4 ml in H1/11**, up strongly from EUR -79.7 ml in H1/10, and the Saras refining margin stood at 4.4 $/bl (vs. 1.1 $/bl in H1/10), driven by the following combination of factors.

Firstly, there was a deterioration of the "EMC benchmark" margin (which reflects the profitability of an average refinery in the Mediterranean Sea), which went down to an average of -1.2 $/bl in H1/11, vs. +0.8 $/bl in H1/10. Nonetheless, in H1/11 the market conditions proved more favourable than they were in H1/10, for highly complex refineries geared towards the production of middle distillates, like our Sarroch refinery. Indeed, the "conversion spread" (which is the premium of converting fuel oil into diesel), widened to an average of 342 $/ton, vs. 214 $/ton in H1/10, and the "heavy-light" crude price differential averaged at -3.0 $/bl, vs. -1.2 $/bl in H1/10.

Secondly, it should be remembered that H1/10 results were penalised by some technical issues and scheduled maintenance activities (which reduced runs and caused conversion losses worth approx. USD 35 ml), while maintenance carried out during H1/11 caused smaller conversion losses, quantifiable in approx. USD 20 ml. Moreover, it should be noted that fixed costs in H1/11 were lower by approx. EUR 10ml versus same period last year.

Finally, in H1/11, there were robust trading profits, due to the time differences between purchases and sales, in an oil market characterized by prices on a steep rising trend (especially during Q1/11). In regard of this matter, however, it should be noted that commercial transactions on crude and products are normally hedged with the use of derivative instruments, whose effects are reported in the income statement within the "Financial Income/Expense", and it can be quantified in approximately EUR -62 ml in H1/11 (versus EUR +14 ml in the same period of last year).

Refining **CAPEX in H1/11 was EUR 27.9 ml,** in line with the investment programme planned for the year.

Comments on Second Quarter 2011 results

Refinery runs in Q2/11 stood at 3.14 ml tons (22.9 ml barrels, corresponding to 252 thousand barrels per calendar day), down 6% versus same period last year. This difference can be justified considering that maintenance carried out on one of the atmospheric distillation unit in Q2/11, lasted longer than in Q2/10. Moreover, processing on behalf of third parties was zero (vs. 13.5% of total runs in Q2/10), for the same reason discussed in the comments to the half year.

Comparable **EBITDA of the Refining segment was EUR -42.7 ml in Q2/11**, slightly below EUR -40.7 ml in Q2/10, and the Saras refining margin stood at 0.5 $/bl, vs. 1.2 $/bl in Q2/10. Indeed, market conditions worsened versus the same period of last year, and the "EMC benchmark" margin dropped down to -1.8 $/bl, vs. +1.2 $/bl in Q2/10. Moreover, in Q2/11 the Sarroch refinery had a penalisation related to the shortage of some Libyan crude oils, together with a negative effect (for approx. EUR 20 ml) due to the rebuilding of oil inventories, which were depleted in the previous quarter. Moreover, it should be noted that in Q2/11 fixed costs were lower by approx. EUR 12ml versus same period last year. And, finally, as discussed in the comments for the half year results, within the "Financial Income/Expense" there are realized losses of approximately EUR 24 ml during Q2/11 (versus profits for approx. EUR 17 ml in Q2/10), related to the use of derivative instruments for the hedging of commercial transactions on crude oil and products.

However, despite the unfavourable conditions mentioned above, it should be noted that the premium added by Saras refinery on top of the "EMC Benchmark" margin grew significantly versus same period last year. This confirms the validity of the industrial strategy adopted by the Group, which always invested in increasing the complexity and the technological prominence of its units, as well as achieving high yields in middle distillates. These factors allowed our refinery to take full benefit from the widening of the "conversion spread" (341 $/ton vs. 235 $/ton in Q2/10), and of the "heavy-light" crude price differential (average of -3.4 $/bl, vs. -1.4 $/bl in Q2/10).

Refining CAPEX **in Q2/11 was EUR 15.1 ml,** in line with the investment programme planned for the year.

Crude Oil slate and Production

		Q2/11	H1 2011	H1 2010
Light extra sweet		51%	47%	49%
Light sweet		0%	2%	3%
Medium sweet/extra sweet		4%	2%	1%
Light sour		0%	0%	0%
Medium sour		35%	29%	25%
Heavy sour/sweet		8%	20%	23%
Average crude gravity	°API	32.7	32.4	32.5

With an average density of 32.4°API, the crude mix processed in H1/11 was broadly in line with the average of the °API in the same period of last year. However, the dramatic Libyan crisis forced Saras to source alternative crude oils, with the objective of minimising the economic impact deriving from that situation. In turn, this was reflected in the change of the percentages for each grade of crude oil, as shown in the above table. Moreover, it should be underlined that during Q1/11 Saras had sufficient inventories of Libyan crude oils and, as such, there have been no meaningful changes in the crude mix.

Moving on to the product slate, it can be observed that in H1/11 the middle distillates yield increased, reaching 52.4% thanks to the excellent conversion performance of the MildHydroCracking2 (MHC2) in the first quarter of the year. Contextually, the light distillates yield stood at 27.3%, substantially in line with the previous periods. Therefore, in H1/11 the cumulative percentage of high value products reached 81.7%, when considering also 2.0% of LPG. Finally, the product yields in Q2/11 do not provide any relevant information, because they were heavily influenced by the maintenance programme carried out during the quarter.

		Q2/11	H1 2011	H1 2010
LPG	thousand tons	68	139	175
	yield	2.2%	2.0%	2.6%
NAPHTHA + GASOLINE	thousand tons	848	1,868	1,899
	yield	27.0%	27.3%	27.9%
MIDDLE DISTILLATES	thousand tons	1,587	3,582	3,527
	yield	50.6%	52.4%	51.9%
FUEL OIL & OTHERS	thousand tons	262	354	228
	yield	8.4%	5.2%	3.4%
TAR	thousand tons	176	490	543
	yield	5.6%	7.2%	8.0%

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	Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
EBITDA	7.6	18.4	-59%	15.2	22.8	32.4	-30%
***Comparable* EBITDA**	**27.6**	**15.1**	**83%**	**3.8**	**31.4**	**12.7**	**147%**
EBIT	4.6	15.3	-70%	12.3	16.9	26.3	-36%
***Comparable* EBIT**	**24.6**	**12.0**	**105%**	**0.9**	**25.5**	**6.6**	**286%**
CAPEX	**1.1**	**2.8**		**0.5**	**1.6**	**3.7**	

Sales

		Q2/11	Q2/10	Change %	Q1/11	Q1/11	Q1/10	Change %
TOTAL SALES	thousand tons	1,006	1,058	-5%	1,101	2,107	2,110	0%
of which: in Italy	thousand tons	602	409	47%	537	1,139	790	44%
of which: in Spain	thousand tons	404	650	-38%	564	969	1,320	-27%

Comments on First Half 2011 results

Macroeconomic conditions in H1/11 had a negative influence on consumption of oil products in the peripheral economies of the Euro Zone, and in particular in Spain and Italy, where Marketing activities of the Saras Group are concentrated. In such context, the Marketing segment still posted a very satisfactory performance, especially in the second quarter.

More in details, **in H1/11 *comparable* EBITDA stood at EUR 31.4 ml**, up vs. EUR 12.7 ml in H1/10. This came primarily as a consequence of a healthy increase in gross margins and a strong growth in sale volumes in the Italian wholesale market. Moreover, on the Spanish market, Saras Energia continued the strategy to rationalize all its opportunistic sales towards commercial operators and oil companies, in order to improve its sales margins. The Spanish subsidiary also integrated its management of supplies and inventories together with the parent company. Finally, the bio-diesel plant continued to suffer from high costs of the feedstock, and consequently it alternated periods of operation and periods of stand-by, throughout the semester.

CAPEX in H1/11 were EUR 1.6 ml, in line with our plan for the period.

Comments on Second Quarter 2011 results

Q2/11 was characterized by an excellent performance of the Italian subsidiary Arcola Petrolifera which, as previously mentioned, increased both its gross sale margins and its volumes (reaching a total of 601.7 ktons, up 47.3% versus the same period of last year). At the same time, the Spanish subsidiary Saras Energia continued to protect its gross margins at acceptable levels, through an optimisation of the mix of the sales channels and also of the quantities of products held in stock. On the other hand, the rationalization of sales to channels with lower profitability, unavoidably conditioned the total volumes sold in the Spanish market, which stood at 404.3 ktons, down 37.8% versus Q2/10.

***Comparable* EBITDA in Q2/11 stood at EUR 27.6 ml**, up vs. EUR 15.1 ml in Q2/10, when including also the contribution of the integration with the parent company for the management of supply and oil inventories.

Finally, **CAPEX in Q2/11 were EUR 1.1 ml,** in line with the programme.

Power Generation

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

EUR Milion	Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
EBITDA	46.8	49.7	-6%	54.6	101.4	96.7	5%
***Comparable* EBITDA**	**46.8**	**49.7**	**-6%**	**54.6**	**101.4**	**96.7**	**5%**
EBIT	27.0	30.5	-11%	35.3	62.3	58.2	7%
***Comparable* EBIT**	**27.0**	**30.5**	**-11%**	**35.3**	**62.3**	**58.2**	**7%**
EBITDA ITALIAN GAAP	**8.0**	**50.8**	**-84%**	**34.8**	**42.8**	**71.4**	**-40%**
EBIT ITALIAN GAAP	**(3.1)**	**36.5**	**-108%**	**24.1**	**21.0**	**43.0**	**-51%**
NET INCOME ITALIAN GAAP	**(2.5)**	**23.0**	**-111%**	**15.1**	**12.6**	**26.1**	**-52%**
CAPEX	**22.4**	**2.7**		**5.6**	**27.9**	**4.5**	

Other figures

		Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
ELECTRICITY PRODUCTION	MWh/1000	675	1,075	-37%	1,174	1,849	2,014	-8%
POWER TARIFF	**Eurocent/KWh**	**10.0**	**9.6**	**4%**	**9.8**	**9.9**	**9.4**	**5%**
POWER IGCC MARGIN	$/bl	4.2	4.0	5%	4.1	4.1	4.0	2%

Comments on First Half 2011 results

The results of the Power Generation segment in the H1/11 were in line with expectations, and clearly conditioned by the important 10-year maintenance cycle carried out on the IGCC plant during the second quarter of the year. Consequently, total **power production reached 1.849 TWh**, down 8% versus H1/10.

IFRS EBITDA (which is coincident with the *comparable* EBITDA) was EUR 101.4 ml in H1/11, up vs. EUR 96.7 ml in the same period of last year, mainly due to higher sales of hydrogen and steam (for approx. EUR 4 ml), whose revenues are not subject to the IFRS equalization procedure.

Italian GAAP EBITDA in H1/11 was EUR 42.8 ml, down versus EUR 71.4 ml in H1/10, primarily because of the lower production of electricity, and the higher costs for the procurement of the feedstock, in particular TAR and gasoil. The latter, indeed, is used only during transitory periods and start ups, which have been quite significant in H1/11 due to the 10-year maintenance. These effects have been only partially compensated by the higher sales of hydrogen and steam, and the higher value of the CIP6/92 power tariff (at 9.9 EURcent/kWh, up 5% versus H1/10).

Finally, **CAPEX in H1/11 were EUR 27.9 ml**, due to the efforts required for the 10-year maintenance cycle, and in line with our programme.

Comments on Second Quarter 2011 results

The results of the Power Generation segment in the Q2/11 were conditioned by the important 10-year maintenance cycle, which was necessary in order to inspect and repair all units which do not have a spare in parallel. In addition to that, in the days following the start-up of the plant, there has been a shortage in the supply of oxygen (for approx. 10 days) which is traditionally supplied from a dedicated unit owned by a third party, and which was also undergoing its cycle of 10-year maintenance. As its known, the oxygen is a basic element in the process of gasification, and when its supply is insufficient, there are meaningful limitations on the production of our IGCC plant.

Consequently, **power production in Q2/11 reached 0.675 TWh**, down 37% versus Q2/10 (when there was only routine scheduled maintenance on one of the three parallel trains of "Gasifier - Turbine"), and lower also than our original estimates, due to the above mentioned limitation in the oxygen supply.

IFRS EBITDA (which coincides with the *comparable* EBITDA) was EUR 46.8 ml in Q2/11, slightly lower than EUR 49.7 ml in the same period of last year, mainly due to the lower sales of hydrogen and steam to the refinery (worth approx. EUR 3 ml), whose revenues are not subject to the IFRS equalization procedure.

Italian GAAP EBITDA in Q2/11 was EUR 8.0 ml, down versus EUR 50.8 ml in Q2/10, primarily because of the reduction in the production of electricity, for the reasons discussed above, and also for the lower sales of hydrogen and steam. These effects found only negligible compensation in the higher value of the CIP6/92 power tariff, which stood at 10.0 EURcent/kWh, up 4% versus Q2/10.

Finally, **CAPEX in Q2/11 were EUR 22.4 ml,** in line with the investment planned for the 10-year maintenance cycle.

Wind

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

EUR million	Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
EBITDA	2.8	3.5	-20%	5.0	7.8	11.9	-34%
***Comparable* EBITDA**	**2.8**	**3.5**	**-20%**	**5.0**	**7.8**	**11.9**	**-34%**
EBIT	0.3	1.3	-77%	2.4	2.7	7.4	-64%
***Comparable* EBIT**	**0.3**	**1.3**	**-77%**	**2.4**	**2.7**	**7.4**	**-64%**
CAPEX	**1.0**	**10.7**		**0.0**	**1.0**	**10.8**	

Other figures

		Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
ELECTRICITY PRODUCTION	MWh	27,394	32,094	-15%	37,949	65,343	93,831	-30%
POWER TARIFF	EURcent/KWh	7.4	6.2	18%	6.5	6.9	6.8	1%
GREEN CERTIFICATES	EURcent/KWh	8.0	8.5	-6%	8.2	8.1	8.5	-5%

Comments on First Half 2011 results

IFRS EBITDA (which coincides with the *comparable* EBITDA) stood at EUR 7.8 ml in H1/11 (down vs. EUR 11.9 ml in H1/10), due to unfavourable wind conditions (especially in Q2/11), and lower values of the Green Certificates (down 5% vs. H1/10), whilst the power tariff remained broadly unchanged (6.9 EURcent/kWh, +1% versus the same period of the last year).

On 2nd February 2011, the Group received authorisation from the Sardinian Regional Administration to operate the Ulassai wind park with the capacity of 96MW. All necessary work has been completed in Q2/11, and the park reached full operational availability at the beginning of May.

Comments on Second Quarter 2011 results

IFRS EBITDA (which coincides with the *comparable* EBITDA) stood at EUR 2.8 ml in Q2/11 (down vs. EUR 3.5 ml in Q2/10). The lower production of electricity (-15% versus Q2/10) and the smaller value of the Green Certificates (down 6%), have been almost entirely offset by the higher value of the power tariff (up 18% versus Q2/10) and the lower operational costs.

CAPEX in Q2/11 were EUR 1.0 ml, in order to finish some minor civil works and to install an electric transformer, necessary to complete the repowering project of the Ulassai wind park, which now has an installed capacity of 96MW.

Other Activities

The following table shows the financial highlights of the subsidiaries Sartec S.p.A. and Akhela S.r.l..

EUR Million	Q2/11	Q2/10	Change %	Q1/11	H1 2011	H1 2010	Change %
EBITDA	(0.3)	0.3	-200%	(0.2)	(0.5)	0.1	-600%
***Comparable* EBITDA**	**(0.3)**	**0.3**	**-200%**	**(0.2)**	**(0.5)**	**0.1**	**-600%**
EBIT	(0.6)	(0.2)	-200%	(0.6)	(1.2)	(0.8)	-50%
***Comparable* EBIT**	**(0.6)**	**(0.2)**	**-200%**	**(0.6)**	**(1.2)**	**(0.8)**	**-50%**
CAPEX	**0.0**	**0.6**		**0.9**	**0.9**	**1.2**	

Strategy and Investments

In H1/11, Saras Group strategy continued along the direction outlined at the beginning of the year.

In particular, in the Refining segment Saras continued its asset management programme called "Project FOCUS", which is now in its second year, and it is primarily aimed at improving production efficiency, operational effectiveness and reducing costs. To date, the results are broadly positive, especially in the area of cost rationalization, while progress in the area of energy efficiency is proving a greater than expected challenge.

Saras has decided to broaden the scope of the project by identifying investments that provide quick returns in the areas of energy efficiency, de-bottlenecking of units, and enhancement of product yields. Further emphasis will be placed on cost reductions, with less recourse to outsourcing.

The organizational structure is being reviewed, with the appointment of new widely respected industry professionals, in key management positions.

"Project FOCUS" has been extended to include also the areas of "Planning" and "Supply & Trading". The approach to refinery planning, currently asset driven, will become mainly commercially driven, in order to capture more value from opportunities arising from oil price volatility in a strong market.

Moreover, the Board of Directors approved the partial restart of the multi-year investment plan announced in 2008. More specifically, a total investment of approx. EUR 60 ml has been approved, in order to complete the project for the revamping of the MildHydroCracking2 unit. The revamping will come to fruition towards the end of H1/2013, and it will bring benefits quantifiable in approx. 600 Ktons of additional diesel production (in exchange of heating oil), and an increase in refinery runs for approximately 650 Ktons.

In the Wind segment, the Ulassai wind park achieved the full capacity of 96MW during Q2/11. Currently, the Group is continuing to develop some other projects in its pipeline, concerning sites located in Sardinia and also overseas (Romania).

Finally, regarding Gas Exploration, a new company has been created (Sargas) and the Group is now proceeding along the permitting path. This will eventually lead towards the beginning of drilling activities, which are planned to start between the end of 2011 and the early months of 2012.

CAPEX by segment

EUR Million	Q2/11	H1 2011	FY 2010
REFINING	15.1	27.9	92.5
POWER GENERATION	22.4	27.9	10.3
MARKETING	1.1	1.6	5.1
WIND	1.0	1.0	14.9
OTHER	0.0	0.9	6.2
Total	**39.4**	**59.3**	**129.0**

Outlook

According to the latest "World Economic Outlook" published on 17th June 2011 by the International Monetary Fund (IMF), the global economic recovery had a slow-down during Q2/11, due to a combination of reasons. On one hand, in the advanced economies turbulence re-emerged due to worsening debt conditions (both for some peripheral countries of the Euro Zone, and also for the United States of America, where the situation of political stalemate caused severe delays in reaching an agreement on the necessary actions to be taken, in order to save the country from "*default*"). On the other hand, emerging and developing economies decided to adopt measures to restrict credit to the business sector, in order to contrast inflationary pressures deriving from the economic boom of the previous quarters. Such measures caused an unavoidable slow-down of the economic growth.

In order to factor in the above trends, the IMF trimmed its projections for the global growth rate in 2011 (down to +4.3% versus the previous forecast of +4.4%), whilst it confirmed the expectations for +4.5% in 2012. It is understood that the above forecasts continue to have a remarkable geopolitical unbalance: advanced economies will see only modest growth (at +2.2% versus previous expectations at +2.5% per annum), while emerging and developing countries are projected to grow at a rate of +6.6% per year (confirmed).

In the above macro-economic context, the International Energy Agency (IEA) continues to forecast growth in global demand for oil products (although entirely driven by emerging and developing countries), reaching 89.5 million barrels per day (mbd) in 2011 (+1.2 mbd versus 2010), and then further up to 91.0 mbd in 2012. Finally, it is anticipated that the products with higher margins will continue to be the middle distillates, thanks to their tight link to the economic cycle, and that the highly complex refineries, such as the one owned by the Saras Group, will be best positioned within their competitive context.

REFINING

- **Saras refinery Maintenance and Operations:** the maintenance cycle scheduled for the first half of 2011 has been completed according to schedule. In Q1/11 maintenance involved only the Alkylation unit (ALKY). In Q2/11 instead, maintenance activities took place at the two MildHydroCracking units (MHC1 and MHC2), at the Visbreaking unit (VSB), at one Crude Distillation unit (T1), and also at one Vacuum unit (V1). Considering the above timing of the turnarounds, refinery runs were up to full capacity during Q1/11 (3.71 ml tons), while they slightly decreased in Q2/11 (3.14 ml tons). Furthermore, in Q2/11 there was also a penalisation due to reduced conversion capacity (worth approx. USD 20 ml). In the second half of the year, there will be maintenance at two desulphurisation units (U700 and U500) and one Crude Distillation unit (RT2) in the third quarter, and only some minor activities on the Catalytic Reforming (CCR) and cleaning of the Visbreaking unit (VSB) in the fourth quarter, with estimated losses of conversion capacity worth approx. USD 25 ml in total, and refinery runs projected between 6.6 ÷ 7.2 million tons (equally split between third and fourth quarter).
- **Crude Slate:** In the second half of March 2011, the dramatic developments of the Libyan crisis forced the United Nations Organization and the European Union to adopt trading restrictions towards a number of Libyan companies, including also the Libyan National Oil Company (NOC). Accordingly, since then, the Saras Group suspended all commercial relationships with NOC, which traditionally represented an important supplier of crude oil to the Sarroch refinery (approx. 35% of the total runs on a yearly basis). Before the beginning of the trading restrictions, Saras held sufficient stocks of Libyan crude oil in its refinery's tank farm. Therefore, the impact of the Libyan supply disruption on Saras' crude slate was almost negligible in the first quarter. However, in Q2/11 the Saras Group obviously started to introduce alternative crude oils in the refinery. It then became apparent that, in the absence of some specific Libyan grades of crude oil, it was convenient to slightly reduce runs at the atmospheric distillation units. Consequently, in the second half of the year, the refinery will slightly reduce its runs, versus the original programme. Furthermore, it is estimated that the dis-optimisation of some processing cycles, could bring penalisation to our refining margin worth 0.3 ÷ 0.5 $/bl, under current market conditions. In any case, the Saras Group is monitoring on a daily basis the developments of the Libyan crisis, and it has established relationships with the new political structures which are being created in the country, resulting already in the closing of a commercial transaction.

POWER GENERATION

- **IGCC Maintenance and Operations:** After 10 years of continuous operations, the IGCC plant was entirely shut down during Q2/11, in order to perform a major turnaround. For the remainder of the year, there will only be minor work on one train of "Gasifier – combined cycle Turbine", with negligible effects on the electricity production. Consequently, projections for total power production in 2011 now stand at 4.00 ÷ 4.20 TWh. Despite the 10-year turnaround, this level is not significantly different from the average production in a standard year.

- **EBITDA:** Due to IFRS equalization procedure, *comparable* EBITDA is expected at EUR 200 ml per year, stable until 2021. On the contrary, Italian GAAP EBITDA will continue to reflect oil price volatility, due to the formulas used to calculate the CIP/6 tariff. In particular, the current projections for 2011 stand at EUR 130 ml.
- **CIP/6 power tariff:** The 9-month delay in the formula used to calculate the “fuel component” implies that the CIP/6 power tariff will be range bound for most of 2011, in line with the trend of crude oil prices. Indeed, Brent Dated fluctuated between 70÷85 $/bl for the first nine months of 2010, and then rapidly climbed above 90 $/bl in Q4/10, and continued climbing rapidly also during H1/11, boosted by several bullish factors, as already discussed in the section dedicated to “The Oil Market and Refining Margins”.

MARKETING

- Given the difficult economic conjuncture in Italy and Spain, it is not expected to observe significant changes in the market scenario within the next six months. Therefore, in the Marketing segment, the Group will continue to follow the operational strategy adopted during the first half of the year.

Main events after the end of the First Half 2011

On the **4th July 2011**, the Court of Justice of Cagliari, in relation to the accident on the 26th May 2009, which caused the death of three workers of a contracting company, absolved two managers of Saras, and also discharged Saras from any administrative responsibility under Decree 231/2001. However, the Court of Justice of Cagliari sentenced Saras General Manager and the Refinery Plant Manager, together with a manager of the above mentioned contracting company, to two years term with a suspended sentence, in addition to granting an award of damages to the plaintiffs. The judgement can be appealed by the parties.

Moreover, in the second half of the year, the Group launched a corporate restructuring programme intended to combine specific and clearly identified activities into separate legal entities, in order to make the necessary enhancements to its organisational, managerial and financial structures. In this regard, on **6th July 2011**, the meeting of the shareholders of Arcola Petrolifera S.p.A. approved the plan prepared by the Board of Directors for the partial de-merger of the Company. The plan involves the creation of a new company called “Deposito di Arcola Petrolifera S.r.l.”. All the assets, liabilities and employees of the Arcola facility in Liguria will be transferred into the new company. This will involve a total of 24 employees. In addition, the meetings of the shareholders of Ensar S.r.l. and its subsidiaries Eolica Italiana S.r.l. and Nova Eolica S.r.l. , which were also held on **6th July 2011**, approved the merger plans drawn up by their respective Boards of Directors. These plans set out details of the merger by incorporation of the two subsidiaries into Ensar S.r.l.. Lastly, on **15th July 2011**, Saras S.p.A. created the company Sargas S.r.l., which will operate in the field of gas, hydrocarbons and natural steam, through activities such as exploration and development, as well as the transport, storage, purchase and sale of gaseous hydrocarbons.

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 such risk. To manage financial risks, the Saras Group policy includes the use of derivatives, only for the purposes of hedge 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 inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices.
Also subject to fluctuations is the sale price of electricity, produced and sold by our subsidiaries, as well as the prices of green certificates and emissions credits.
The risk of price fluctuation and of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially preset prices. To mitigate the risks deriving from price fluctuation, the Saras 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 the procurement of crude oil and for the sale of the vast majority of refined oil products 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 payments. Loans at fixed interest rates expose the Group to the risk of variation of the fair value of the loans received. The principal existing loan contracts are stipulated in part at variable market rates and in part at fixed rates. The Saras Group also uses derivates to reduce the risk of variations in results and in cash flows deriving from interest.

Credit risk

The refining sector represents the Group's reference market and it is principally made up of multinational companies operating in the oil sector. Transactions executed are generally settled very quickly and are often guaranteed by primary credit institutions. Sales in the retail and wholesale markets are small on an individual basis; nontheless, also these sales are usually guaranteed or insured.

Liquidity risk

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

Other risks

Risk related to the procurement of crude oil

A relevant portion of the crude oil refined by Saras originates from countries exposed to political, economical and social uncertainties, higher than in other countries: changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potential negative effects on the Group's economic and financial position.

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, under certain circumstances, this programme may not be sufficient to prevent the Group from bearing costs in the event of accidents and/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 (the Italian National Grid Operator) 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 raw materials derived from crude oil, 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 find, or to source at similar economic conditions.

Other Information

Transactions with related parties

The effects on the Balance Sheet and the Income Statement of the Saras Group of transactions or positions with related parties are not significant.

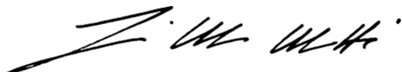
Research and Development

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 half of 2011.

Own shares

During the first half of 2011 Saras did not acquire or sell Company's own shares.

For the Board of Directors
The Chairman
Gian Marco Moratti



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Statement of consolidated Financial Position as of 30th June 2011 and as of 31st December 2010

EUR thousand		30/06/2011	31/12/2010
ASSETS	(1)		
Current assets	**5.1**	**2,180,083**	**1,936,994**
Cash and cash equivalents	5.1.1	51,388	80,835
Other financial assets held for trading	5.1.2	6,544	28,800
Trade receivables	5.1.3	828,008	868,537
Inventories	5.1.4	1,163,620	812,162
Current tax assets	5.1.5	23,554	39,266
Other assets	5.1.6	106,969	107,394
Non-current assets	**5.2**	**1,871,614**	**1,956,224**
Property, plant and equipment	5.2.1	1,443,913	1,473,284
Intangible assets	5.2.2	397,287	414,206
Other equity interests	5.2.3.1	571	571
Deferred tax assets	5.2.4	28,951	67,283
Other financial assets	5.2.5	892	880
Total assets		**4,051,697**	**3,893,218**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	**5.3**	**1,820,013**	**1,495,547**
Short-term financial liabilities	5.3.1	331,132	187,790
Trade and other payables	5.3.2	1,253,903	1,123,500
Current tax liabilities	5.3.3	141,048	89,990
Other liabilities	5.3.4	93,930	94,267
Non-current liabilities	**5.4**	**927,465**	**1,177,286**
Long-term financial liabilities	5.4.1	288,791	481,937
Provisions for risks and charges	5.4.2	78,944	78,533
Provisions for employee benefits	5.4.3	25,427	30,547
Deferred tax liabilities	5.4.4	5,070	0
Other liabilities	5.4.5	529,233	586,269
Total liabilities		**2,747,478**	**2,672,833**
EQUITY	**5.5**		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		1,156,504	1,164,297
Profit/(loss) for the period		82,159	(9,468)
Total equity attributable to owners of the company		**1,304,219**	**1,220,385**
Minority interest		0	0
Total Equity		**1,304,219**	**1,220,385**
Total liabilities and equity		**4,051,697**	**3,893,218**

(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 Jun 2011 and 1st Jan–30th Jun 2010

Consolidated Income Statement for the periods: 1st January - 30th June 2011 and 2010

EUR thousand	(1)	1st January 30th June 2011	of which non recurring	1 January 30th June 2010	of which non recurring
Revenues from ordinary operations	6.1.1	5,270,895		4,013,654	
Other income	6.1.2	39,433		51,410	
Total revenues		**5,310,328**	***0***	**4,065,064**	***0***
Purchases of raw materials, spare parts and consumables	6.2.1	(4,636,236)		(3,584,668)	
Cost of services and sundry costs	6.2.2	(271,067)		(303,845)	
Personnel costs	6.2.3	(79,751)		(74,829)	
Depreciation, amortization and write-downs	6.2.4	(105,436)		(101,806)	
Total costs		**(5,092,490)**	***0***	**(4,065,148)**	***0***
Operating results		**217,838**	***0***	**(84)**	***0***
Net income (charges) from equity interests					
Other financial income	6.3	29,295		33,565	
Other financial charges	6.3	(99,766)		(21,990)	
Profit before taxes		**147,367**	***0***	**11,491**	***0***
Income tax for the period	6.4	(65,208)		305	
Net profit/(loss) for the period		**82,159**	***0***	**11,796**	***0***
Net profit/(loss) for the period attributable to:					
Equity holders of the company		82,159		11,827	
Minority interest		0		(31)	
Earnings per share - basic (Euro cent)		**8.85**		**1.27**	
Earnings per share - diluited (Euro cent)		**8.85**		**1.27**	

Statement of Comprehensive Income for the periods: 1st January - 30th June 2011 and 2010

EUR thousand	1st January 30th June 2011	1 January 30th June 2010
Net result of the period (A)	**82,159**	**11,796**
Effect of exchange rate on financial accounts	3	(16)
Income / (loss), net of fiscal effect (B)	**3**	**(16)**
Consolidated Comprehensive Result of the period (A + B)	**82,162**	**11,780**
Net consolidated Comprehensive Result of the period perteining to:		
Parent Company shareholding	82,162	11,811
Minority Interessence	0	(31)

(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 2009 to 30th June 2011

EUR thousand	Share Capital	Legal Reserve	Other Reserves	Profit (Loss)	Total equity attributable to owners of the company	Minority Interests	Total Equity
Balance as of 31/12/2009	**54,630**	**10,926**	**1,089,884**	**72,552**	**1,227,992**	**48**	**1,228,040**
Period 1/1/2010 - 30/6/2010							
Allocation of previous year profit			72,552	(72,552)	0		0
Reserve for employees stock plan			607		607		607
Effect of exchange rate on financial accounts			(16)		(16)		(16)
Net profit (loss)				11,827	11,827	(31)	11,796
Balance as of 30/06/2010	**54,630**	**10,926**	**1,163,027**	**11,827**	**1,240,410**	**17**	**1,240,427**
Period 1/7/2010 - 31/12/2010							
Reserve for employees stock plan			1,612		1,612		1,612
Effect of exchange rate on financial accounts			6		6		6
Acquisition 49% Artemide S.r.l.			(348)		(348)	(48)	(396)
Net profit (loss)				(21,295)	(21,295)	31	(21,264)
Balance as of 31/12/2010	**54,630**	**10,926**	**1,164,297**	**(9,468)**	**1,220,385**	**0**	**1,220,385**
Period 1/1/2011 - 30/6/2011							
Allocation of previous year profit			(9,468)	9,468	0		0
Reserve for employees stock plan			1,672		1,672		1,672
Effect of exchange rate on financial accounts			3		3		3
Net profit (loss)				82,159	82,159		82,159
Balance as of 30/06/2011	**54,630**	**10,926**	**1,156,504**	**82,159**	**1,304,219**	**0**	**1,304,219**

Consolidated Cash Flow Statements as of: 30th June 2011 and as of 30th June 2010

EUR thousand	(1)	1/1/2011 - 30/06/2011	1/1/2010 - 30/06/2010
A - Cash and cash equivalents at the beginning of period		**80,835**	**111,372**
B - Cash generated from/(used in) operating activities			
Net Profit / (Loss) for the period	5.5	82,159	(9,267)
Amortization, depreciation and write-down of fixed assets	6.2.4	105,436	50,590
Net change in provisions for risks and charges	5.4.2	411	22,851
Net change in employee benefits	5.4.3	(5,120)	(155)
Net Change in tax liabilities and tax assets	5.2.4 - 5.4.4	43,402	(8,991)
Income tax	6.4	65,208	(3,388)
Period-end accrued interest	6.3	6,884	0
Change in Fair Value of financial assets held for trading, and of financial liabilities	5.1.2 - 5.3.1	9,370	0
Other non cash items	5.5	1,675	14
Profit / (Loss) from operating activities before changes in working capital		**309,425**	**51,654**
(Increase) / Decrease in trade receivables	5.1.3	40,529	(199,400)
(Increase) / Decrease in inventory	5.1.4	(351,458)	(108,314)
Increase / (Decrease) in trade and other payables	5.3.2	130,403	147,087
Change in other current assets	5.1.5 - 5.1.6	16,137	(1,264)
Change in other current liabilities	5.3.3 - 5.3.4	(8,254)	58,817
Change in other non-current liabilities	5.4.5	(57,036)	(28,807)
Total (B)		**79,746**	**(80,227)**
C - Cash flow from / (to) investment activities			
Investments in tangible and intangible assets	5.2.1-5.2.2	(59,278)	(23,095)
Change in financial assets	5.1.2	28,613	(4,614)
Interest received		145	26
Other non cash items	5.2.1-5.2.2	132	402
Total (C)		**(30,388)**	**(27,281)**
D - Cash generated from / (used in) financing activities			
Increase / (Decrease) in medium/long term borrowings	5.4.1	(193,146)	(404)
Increase / (Decrease) in short term borrowings	5.3.1	122,489	88,420
Interest paid		(8,148)	(4,124)
Total (D)		**(78,805)**	**83,892**
E - Cashflow for the period (B+C+D)		**(29,447)**	**(23,616)**
F - Cash from new consolidated subsidiaries		**0**	**0**
G - Cash and cash equivalents at the end of period		**51,388**	**87,756**

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

For the Board of Directors
The Chairman
Gian Marco Moratti

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Table of contents

1. Preliminary remarks

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

3. Accounting standards applied
3.1 Basis of consolidation
3.2 Use of estimates

4. Information by business segment
4.1 Preliminary remarks
4.2 Segment information

5. Notes to the statement of financial position
5.1 Current assets
5.1.1 Cash and cash equivalents
5.1.2 Other financial assets held for trading
5.1.3 Trade receivables
5.1.4 Inventories
5.1.5 Current tax assets
5.1.6 Other current assets
5.2 Non-current assets
5.2.1 Property, plant and equipment
5.2.2 Intangible assets
5.2.3 Equity investments
5.2.3.1 Other equity interests
5.2.4 Deferred tax assets
5.2.5 Other financial assets
5.3 Current liabilities
5.3.1 Short-term financial liabilities
5.3.2 Trade and other payables
5.3.3 Current tax liabilities
5.3.4 Other current liabilities
5.4 Non-current liabilities
5.4.1 Long-term financial liabilities
5.4.2 Provisions for risks and charges
5.4.3 Provisions for employee benefits
5.4.4 Deferred tax liabilities
5.4.5 Other non-current liabilities
5.5 Shareholders' equity

6. Notes to the income statement
6.1 Revenues
6.1.1 Revenues from ordinary operations
6.1.2 Other income
6.2 Costs
6.2.1 Purchases of raw materials, spare parts and consumables
6.2.2 Cost of services and sundry costs
6.2.3 Personnel costs
6.2.4 Depreciation and amortisation
6.3 Financial income and charges
6.4 Income tax

7. Other information
7.1 Main legal actions pending
7.2 Transactions with related parties

1. Preliminary remarks

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 SAPA (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 generated by the integrated gasification combined cycle (IGCC) plant operated by its subsidiary Sarlux S.r.l., and the wind farm run by its subsidiary Parchi Eolici Ulassai S.r.l.

These consolidated financial statements for the period to 30 June 2011 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, statement of income and statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousand euro, unless otherwise stated.

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

The Group's consolidated financial statements for the half year ended 30 June 2011 were prepared in accordance with the International Financial Reporting Standards ("IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002. Legislative Decree 38 was subsequently issued on 20 February 2005, introducing the obligation to incorporate IFRS into Italian law, extending it to the preparation of annual accounts by companies having equity or debt securities listed on a regulated market in the EU from the 2006 financial year.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the consolidated financial statements of Saras 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;
- income statement and statement of comprehensive income: 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 standards 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 2010.
The accounting standards and valuation and consolidation criteria adopted to prepare the abbreviated consolidated half-year report are consistent with those used for the consolidated accounts for the year ended 31 December 2010, to which reference should be made for more comprehensive information. The above-mentioned standards have been applied consistently for all periods shown.

The IASB and IFRIC have approved some changes to and interpretations of the IFRS, which were published in part in the Official Journal of the European Union and apply for the first time from 1 January 2011. They have also approved some changes in interpretations already issued but applicable to financial statements relating to subsequent periods.

Accounting standards, amendments and interpretations applicable from 1 January 2011

The following accounting standards, amendments and interpretations were applied by the Group for the first time from 1 January 2011.

On 8 October 2009, the IASB issued an amendment to *IAS 32 – Financial Instruments: Presentation – Classification of rights issues* governing the accounting treatment of rights issues (rights, options or warrants) denominated in a currency other than the issuer's functional currency. Previously, these rights were accounted for as liabilities arising from derivatives; the amendment now requires that, under certain conditions, these rights are classified under shareholders' equity, regardless of the currency in which the exercise price is denominated.
The amendment in question must be applied retrospectively from 1 January 2011. The adoption of the amendment had no effect on the Group's financial statements.

On 4 November 2009, the IASB issued a revised version of *IAS 24 – Related Party Disclosures* that simplifies the type of information required in the event of transactions with related parties that are state-controlled entities and clarifies the definition of related parties. The standard must be applied from 1 January 2011. The adoption of this amendment had no effect on the valuation of items in the financial statements.

On 12 November 2009, the IASB published accounting standard *IFRS 9 – Financial Instruments* on the classification and measurement of financial assets, which is applicable from 1 January 2013. The publication of this standard represents the first stage of a process to fully replace IAS 39. The new standard uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine the measurement criteria, replacing the various rules established by IAS 39. The new standard also sets out a single method of determining the impairment of financial assets. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the new standard: the impact this will have on the group's financial statements is currently being assessed.

On 26 November 2009, the IASB issued a minor amendment to *IFRIC 14 – Prepayments of a Minimum Funding Requirement*, allowing companies making prepayments of a minimum funding requirement to defined benefit pension plans to recognise these payments as assets. The amendment must be applied from 1 January 2011. The adoption of the amendment had no significant impact on the Group's financial statements.

On 26 November 2009, IFRIC issued the interpretation *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments*, which provides guidelines regarding the recognition of a financial liability that has been extinguished using equity instruments. The interpretation states that if a company renegotiates the conditions for extinguishing a financial liability and its creditor agrees to extinguish the liability in return for being issued with shares in the company, the shares issued become part of the price paid to extinguish the financial liability and must be valued at fair value; the difference between the carrying value of the extinguished financial liability and the initial value of the equity instruments issued must be taken to the income statement during the period. The interpretation must be applied from 1 January 2011. The adoption of the interpretation had no significant impact on the Group's financial statements.

On 6 May 2010, the IASB issued a series of modifications to the IFRS ("Improvements") that are applicable from 1 January 2011; below are listed those that contain changes that affect the presentation, recognition and measurement of items in the financial statements, leaving aside those that merely contain terminology changes or editorial amendments with a minimal impact in accounting terms, or those regarding standards or interpretations not applied by the group:

IFRS 3 (2008) – *Business Combinations*: the amendment clarifies that the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets must be measured at fair value or in accordance with the applicable accounting standards. For example, in the event of a business combination, a stock option plan for employees must be valued according to the rules of IFRS 2, and the equity portion of a convertible bond must be valued according to IAS 32.

IFRS 7 – *Financial Instruments: Disclosures:* the amendment highlights the interaction between the qualitative and quantitative information required by the standard regarding the nature and scale of the risks associated with financial instruments. This should help users of the financial statements to link the information presented and should constitute a general description of the nature and scale of the risks deriving from financial instruments. The disclosure requirement regarding financial assets that are past due but which have been renegotiated or impaired and the requirement regarding the fair value of collateral have also been removed.

IAS 1 – *Presentation of Financial Statements*: the amendment requires that a reconciliation of changes to any component of shareholders' equity must be presented either in the notes to the financial statements or in the financial statements themselves.

IAS 34 – *Interim Financial Reporting:* a number of examples have been added to clarify the additional information that must be presented in interim financial reports. The adoption of the interpretation had no significant impact on the Group's financial statements.

On 7 October 2010, the IASB published a number of amendments to IFRS 7 – Financial Instruments: Disclosure, applicable for accounting periods that commence on or after 1 July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets, including the possible impact of any risks still borne by the company transferring the assets. The amendments also require more information to be provided in the event that a disproportionate amount of transactions of this type are generated at the end of the reporting period. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the amendments.

3.1 Basis of consolidation

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

Consolidated on a line-by-line basis	% owned
Arcola Petrolifera 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.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia SA	100%
Reasar SA	100%
Parchi Eolici Ulassai S.r.l. and subsidiary:	100%
Sardeolica S.r.l.	100%

The Group also holds the following 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%
I.C.T. Competence Centre	0.5 %

No changes occurred over the period in the consolidation scope compared with 31 December 2010.

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, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. Actual amounts may differ from those reported in the financial statements due to the lack of certainty surrounding these assumptions and the conditions upon which the estimates are based.

These types of valuations, particularly those which are more complex, such as the determination of 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's consolidated financial statements for the year ended 31 December 2010.

4. Information by business segment

4.1 Preliminary remarks

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

1. Refining activities refer to:

[A] The sale of oil products obtained:

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

Finished products are sold to major international operators such as the Total Group, Polimeri Europa, ENI, Shell, British Petroleum and Repsol.

[B] Revenues from refining activities undertaken on behalf of third parties, which represent only the income from refining activities that the parent company also carries out on behalf of third parties; this service is provided to major clients.

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 by way of a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata, Torre Annunziata);
- in Spain, by Saras Energia S.A. for third-party and Group-owned service stations, and sales to 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. 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.

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.

4.2 Segment information

	Refining	Marketing	Power Generation	Wind Power	Other	Total
			30th June 2010			
Revenues from ordinary operations	3,457,605	1,274,959	258,634	6,386	19,105	5,016,689
deduction: revenues infrasegment	(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: income infrasegment	(42,249)	(44)	(6,984)	0	(162)	(49,439)
Other income 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 (a)	32,660	621	132	86	66	33,565
Financial Charges (a)	(14,611)	(2,495)	(2,150)	(2,596)	(138)	(21,990)
Income taxes	27,913	(6,756)	(20,419)	(303)	(130)	305
Net Profit (Loss) for the period (a)	**(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**
			30th June 2011			
Revenues from ordinary operations	4,644,907	1,764,073	273,281	4,497	20,062	6,706,820
deduction: revenues infrasegment	(1,361,138)	(43,319)	(22,295)	0	(9,173)	(1,435,925)
Revenues from third parties	**3,283,769**	**1,720,754**	**250,986**	**4,497**	**10,889**	**5,270,895**
Other income	60,648	550	30,332	5,869	308	97,707
deduction: income infrasegment	(49,902)	(40)	(8,136)	0	(196)	(58,274)
Other income from third parties	**10,746**	**510**	**22,196**	**5,869**	**112**	**39,433**
Amortisation and Depreciation	**(54,598)**	**(5,914)**	**(39,100)**	**(5,125)**	**(699)**	**(105,436)**
Operating profit (a)	**137,124**	**16,932**	**62,292**	**2,697**	**(1,207)**	**217,838**
Financial Income (a)	30,260	674	701	677	62	32,374
Financial Charges (a)	(96,586)	(3,893)	(613)	(1,596)	(157)	(102,845)
Income taxes	(34,638)	(5,493)	(24,167)	(863)	(47)	(65,208)
Net Profit (Loss) for the period (a)	**36,160**	**8,220**	**38,213**	**915**	**(1,349)**	**82,159**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,154,236**	**713,661**	**1,019,996**	**129,863**	**33,941**	**4,051,697**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,846,313**	**234,636**	**582,944**	**65,490**	**18,095**	**2,747,478**
Investments in tangible assets	27,252	1,511	27,935	333	746	**57,777**
Investments in intangible assets	680	79	0	647	95	**1,501**

(a) Calculated without taking into account infra-segment eliminations

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

5. Notes to the statement of financial position

The most significant changes to the statement of financial position compared with 31 December 2010 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:

	30/06/2011	31/12/2010	Change
Bank and postal deposits	49,143	79,033	(29,890)
Cash	2,245	1,802	443
Total	**51,388**	**80,835**	**(29,447)**

Bank deposits were mainly attributable to Saras S.p.A. (€20,701 thousand), Arcola Petrolifera S.p.A. (€4,029 thousand), Sardeolica S.r.l. (€15,119 thousand) and Reasar S.A. (€5,280 thousand).
For further details on the Net Financial Position please refer to both the Report on Operations, at the section specifically dedicated, and the cash flow statement.

5.1.2 Other financial assets held for trading

This item (€6,544 thousand) mainly includes green certificates (€5,709 thousand) obtained by subsidiary Sardeolica S.r.l. for the generation of energy from renewable sources and still held as of the reporting date, as well as white certificates (€801 thousand) obtained by the parent company for energy savings made by the Sarroch refinery.

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 six months of 2011 are valued at the average market price for the period (€81.08/MWh). Gains and losses realised for the period, and any write-downs applied in cases where the market value is lower than the carrying value at the end of the reporting period, were booked to the income statement under “Other income” or “Sundry costs”.

Similarly, the white certificates relating to the parent company are sold on an appropriate regulated market or via bilateral agreements between market operators; the certificates accrued in the first six months of 2011 were valued at the price registered in the last trading session (€98.23/MWh per certificate). Gains and losses realised during the period were booked to the income statement under “Other income” or “Sundry costs”.

The decrease in the item versus 31 December 2010 is due to the sale of securities held by the parent company.

Changes in the item are as follows:

	Securities	White Certificates	Green Certificates	Total
Balance at 31/12/2009	**17,549**	**0**	**3,752**	**21,301**
Increases for the year	10,170	480	14,065	24,715
Decreases for the year	(11,926)	0	(5,290)	(17,216)
Balance at 31/12/2010	**15,793**	**480**	**12,527**	**28,800**
Increases for the period	4	801	5,709	6,514
Decreases for the period	(15,763)	(480)	(12,527)	(28,770)
Balance at 30/06/2011	**34**	**801**	**5,709**	**6,544**

5.1.3 Trade receivables

Trade receivables totalled €828,008 thousand, net of an impairment provision of €16,387 thousand (€ 868,537 thousand net of an impairment provision of € 15,067 thousand at 31 December 2010), a decrease versus 31 December 2010 of €40,529 thousand, due to lower sales by the parent company, partly offset by higher sales versus the final period of the previous year made by the subsidiary Arcola Petrolifera S.p.A. (mainly in Sardinia).

5.1.4 Inventories

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

	30/06/2011	31/12/2010	Change
Raw materials, spare parts and consumables	416,519	306,668	109,851
Semi-finished products and work in progress	96,625	70,650	25,975
Finished products and good held for resale	650,090	434,608	215,482
Advance payments	386	236	150
Total	**1,163,620**	**812,162**	**351,458**

The valuation of inventories of crude and other oil products at market value led to a write-down of €55.3 million as of 30 June 2011. This valuation is thus equivalent to the market value.
The increase in the value of inventories is attributable to both the greater quantity of inventories and the general increase in prices, mainly of finished products.

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 €21 million at 30 June 2011 (€130 million at 31 December 2010).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets.

	30/06/2011	31/12/2010	Change
VAT	234	239	(5)
IRES	17,277	32,768	(15,491)
IRAP (regional income tax)	0	4,672	(4,672)
Other tax credits	6,043	1,587	4,456
Total	**23,554**	**39,266**	**(15,712)**

The items “IRES receivables” and “IRAP receivables” mainly refer to the surplus of advances made in the previous year for tax liabilities for the year. The decrease recorded during the period is the result of the recognition of tax liabilities.

5.1.6. Other current assets

The balance is detailed below.

	30/06/2011	31/12/2010	Change
Accrued Income	1,518	1,495	23
Prepaid expenses	12,812	12,842	(30)
Other receivables	92,639	93,057	(418)
Total	**106,969**	**107,394**	**(425)**

Prepaid expenses mainly refer to insurance premiums for the parent company and its subsidiary Sarlux S.r.l.

“Other receivables” mainly comprise:

- the receivable of €21,908 thousand due to the subsidiary Sarlux S.r.l. arising from the recognition pursuant to section II, point 7-*bis* of CIP Provision 6/92 of the refund of charges applicable to the first half of 2011 relating to the application of EC Directive 2003/87 (Emissions Trading), as per AEEG Resolution 77/08;
- the recovery of the amount paid by Sarlux S.r.l. to GSE of EUR 30,031, as described in point 7.1;
- deposits to guarantee derivatives, of €35,123 thousand, are represented by the cash required by counterparties to cover transactions in derivatives entered into by the parent company.

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	31/12/2009	Additions	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2010
Land & buildings	224,655	4,885	0		4,566	234,106
Plant & machinery	2,542,809	18,853	(2,404)		80,319	2,639,577
Industrial & commercial equipment	30,631	1,752	(88)		1,276	33,571
Other assets	443,662	543	(622)		22,297	465,880
Work in progress and advances	185,159	96,804	(1,920)		(112,232)	167,811
Total	**3,426,916**	**122,837**	**(5,034)**	**0**	**(3,774)**	**3,540,945**

ACCUMULATED DEPRECIATION	31/12/2009	Depreciation	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2010
Land & buildings	58,000	9,707	0		0	67,707
Plant & machinery	1,486,452	138,361	(2,403)		718	1,623,128
Industrial & commercial equipment	23,039	2,310	(19)		(846)	24,484
Other assets	333,878	19,303	(622)		(217)	352,342
Total	**1,901,369**	**169,681**	**(3,044)**	**0**	**(345)**	**2,067,661**

NET BOOK VALUE	31/12/2009	Additions	(Disposals)	(Depreciation)	Other changes revaluations/write-down	31/12/2010
Land & buildings	166,655	4,885	0	(9,707)	4,566	166,399
Plant & machinery	1,056,357	18,853	(1)	(138,361)	79,601	1,016,449
Industrial & commercial equipment	7,592	1,752	(69)	(2,310)	2,122	9,087
Other assets	109,784	543	0	(19,303)	22,514	113,538
Work in progress and advances	185,159	96,804	(1,920)	0	(112,232)	167,811
Total	**1,525,547**	**122,837**	**(1,990)**	**(169,681)**	**(3,429)**	**1,473,284**

COST	31/12/2010	Additions	(Disposals)	Revaluations (write-down)	Other Changes	30/6/2011
Land & buildings	234,106	720	(165)		1,394	236,055
Plant & machinery	2,639,577	22,313	(114)		19,001	2,680,777
Industrial & commercial equipment	33,571	348	(121)			33,798
Other assets	465,880	494	(657)		4,508	470,225
Work in progress and advances	167,811	33,902			(24,879)	176,834
Total	**3,540,945**	**57,777**	**(1,057)**	**0**	**24**	**3,597,689**

ACCUMULATED DEPRECIATION	31/12/2010	Depreciation.	(Disposals)	Revaluations (write-down)	Other Changes	30/6/2011
Land & buildings	67,707	5,030				72,737
Plant & machinery	1,623,128	71,125	(114)		(25)	1,694,114
Industrial & commercial equipment	24,484	1,023	(87)			25,420
Other assets	352,342	9,817	(654)			361,505
Total	**2,067,661**	**86,995**	**(855)**	**0**	**(25)**	**2,153,776**

NET BOOK VALUE	31/12/2010	Additions	(Disposals)	(Depreciation)	Other changes revaluations/write-down	30/6/2011
Land & buildings	166,399	720	(165)	(5,030)	1,394	163,318
Plant & machinery	1,016,449	22,313	0	(71,125)	19,026	986,663
Industrial & commercial equipment	9,087	348	(34)	(1,023)	0	8,378
Other assets	113,538	494	(3)	(9,817)	4,508	108,720
Work in progress and advances	167,811	33,902	0	0	(24,879)	176,834
Total	**1,473,284**	**57,777**	**(202)**	**(86,995)**	**49**	**1,443,913**

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 2011 was €5,295 thousand, compared with €6,126 thousand at 31 December 2010.

The item “Land and buildings” includes industrial buildings used as offices and warehouses (net value: €111,467 thousand), civic buildings used as offices in Milan, Cagliari and Rome (net value: €14,944 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. (€36,907 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 during the period totalled €57,777 thousand and mainly relate to technological work on the parent company's plants.

The main annual depreciation rates used are as follows:

Industrial buildings (land and buildings)	5.50%
Generic plant (plant and machinery)	8.38% - 6.25%
Highly corrosive plant (plant and machinery)	11.73% - 8.75%
Pipeline and storage (plant and machinery)	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 net book value of zero.

Financial charges of €2,451 thousand and internal costs of €7,005 thousand were capitalised during the period.

5.2.2 Intangible assets

The following table shows the changes in intangible assets.

CATEGORY	31/12/2009	Additions	Disposals	Other Changes	(Amortisation)	31/12/2010
Industrial & other patent rights	2,951	725	(5)	373	(1,936)	2,108
Concessions, licences, trademarks & similar rights	50,362	88	0	0	(2,689)	47,761
Goodwill	24,409	0	(9)	0	0	24,400
Assets in progress & advances	13,878	4,931	(9)	(157)	0	18,643
Other intangible assets	353,949	370	0	(4)	(33,021)	321,294
Total	**445,549**	**6,114**	**(23)**	**212**	**(37,646)**	**414,206**

CATEGORY	31/12/2010	Additions	Disposals	Other Changes	(Amortisation)	30/06/2011
Industrial & other patent rights	2,108	168	0	525	(721)	2,080
Concessions, licences, trademarks & similar rights	47,761	6	0	0	(1,342)	46,425
Goodwil	24,400	0	0	(23)	0	24,377
Assets in progress & advances	18,643	1,327	0	(505)	0	19,465
Other intangible assets	321,294	0	0	24	(16,378)	304,940
Total	**414,206**	**1,501**	**0**	**21**	**(18,441)**	**397,287**

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights
The balance of the item mainly relates 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 relates to goodwill paid for the purchase of 30% of 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.
As an asset with an indefinite useful life, goodwill is not amortised, but is 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 2011, there were no such indications.

Intangible assets in progress and advances
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 of the existing agreement between Sarlux S.r.l. and GSE (Gestore dei Servizi Elettrici S.p.A.), which stands at €294 million.

Amortisation of intangible assets totalled €18,441 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 2011, with the main figures relating to each subsidiary.

Company name	Registered office	Currency	Share Capital	% owned by Group as of 06-11	% owned by Group as of 12-10	% 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:	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	EUR	100,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Nova Eolica S.r.l.	Cagliari	EUR	10,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Labor Eolica S.r.l.	Bucarest (Romania)	Leu	1,000	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.	Rome	EUR	20,000	100.00%	100.00%	100.00%	Akhela S.r.l.	100.00%	Indirect Subsidiary
ITSME S.r.l.	Milan	EUR	39,632	3.38%	3.38%	3.38%	Akhela S.r.l.	3.38%	Other Interests
Sarint S.A. and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Reasar S.A.	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiary:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	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:

	30/06/2011	31/12/2010
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 2011, deferred tax assets stood at EUR 28,951 thousand, and mainly comprised net deferred tax assets of Saras S.p.A. (including EUR 8,316 thousand relating to unused tax losses) and Sarlux S.r.l., relating to the reporting of revenues on a linear basis net of deferred taxes relating to the accounting at fair value of the contract in place with GSE (Gestore dei Servizi Elettrici S.p.A.).
The change versus 31 December 2010, of €38,332 thousand, is due to changes relating to subsidiary Sarlux S.r.l. (€13,095 thousand) and gains on the tax asset (€20,742 thousand) in respect of the taxable income accrued for the period by the Italian subsidiaries.

5.2.5 Other financial assets

The balance at 30 June 2011 was EUR 892 thousand (EUR 880 thousand at 31 December 2010) and is chiefly represented by deposits paid by the parent company Saras S.p.A. and its subsidiary Energia S.A.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities.

	30/6/2011	31/12/2010	Change
Bank loans	197,820	7,977	189,843
Bank accounts	104,311	154,501	(50,190)
Financial Derivatives	15,884	25,312	(9,428)
Other short-term financial liabilities	13,117	0	13,117
Total short-term financial liabilities	**331,132**	**187,790**	**143,342**
Total long-term financial liabilities	**288,791**	**481,937**	**(193,146)**
Total financial liabilities	**619,923**	**669,727**	**(49,804)**

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

At 30 June, the parent company's loan agreement with a pool of banks for a nominal amount of €190 million was reclassified under short-term liabilities, as it has a maturity of 30 June 2012.

The "Financial derivatives" item includes the fair value of the financial derivatives in place at the reporting date.

"Short-term financial liabilities" mainly comprises the interest accrued on the bond issued by the parent company.

For further details, please see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	30/6/2011	31/12/2010	Change
Advances from clients: portion due within the period	310	29,264	(28,954)
Payables to suppliers: portion due within the period	1,253,593	1,094,236	159,357
Total	**1,253,903**	**1,123,500**	**130,403**

Trade payables increased versus the previous year, mainly because of the greater quantities of crude acquired by the parent company.

5.3.3 Current tax liabilities

This item is broken down below.

	30/6/2011	31/12/2010	Change
VAT payables	25,867	38,167	(12,300)
IRES (Corporate Tax)	3,282	297	2,985
IRAP (Regional Tax)	4,031	438	3,593
Other tax payables	107,868	51,088	56,780
Total	**141,048**	**89,990**	**51,058**

The item "VAT payables" is chiefly attributable to the debt position accrued under the VAT consolidation scheme entered into by the Italian companies (€5,788 thousand) and by Saras Energia S.A. (€20,079 thousand).

The item "Other tax payables" mainly includes excise duties on products introduced into the market by Arcola Petrolifera S.p.A. (€93,658 thousand); the increase was largely due to the above-mentioned rise in the company's sales on the Sardinian market, and to advance payments of excise duties made in December, as required by the regulations.

5.3.4 Other current liabilities

A breakdown of other current liabilities is shown below.

	30/6/2011	31/12/2010	Change
Amount payable to welfare and social security bodies: portions due within the year	9,189	8,050	1,139
Due to personnel	23,095	17,658	5,437
Payables to Ministry for grants	43,414	43,141	273
Other payables	16,164	17,520	(1,356)
Other accrued liabilities	1,453	7,448	(5,995)
Other deferred income	615	450	165
Total	**93,930**	**94,267**	**(337)**

The item "Due 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 with the ministry 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 relates to the payment on account received by Akhela S.r.l. 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); note in this regard 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 the current year, as well as for previous years, has been booked on an accruals basis under “Cost of services and sundry costs”.

5.4 Non-current liabilities

5.4.1. Long-term financial liabilities

Long-term financial liabilities break down as follows.

	30/6/2011	31/12/2010	Change
Euro Bond	247,972	247,725	247
Bank loans	40,819	234,212	(193,393)
Total long-term financial liabilities	**288,791**	**481,937**	**(193,146)**

On 16 July 2010, Saras S.p.A., an unrated company, carried out a bond issue aimed solely at institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bonds are listed on the Luxembourg stock exchange, have a coupon of 5.583%, and will mature on 21 July 2015. They are not supported by a guarantee or subject to any covenants, while there are restrictions relating to the majority ownership structure and the possibility of pledging as a guarantee or selling certain assets belonging to the Group. The bond issue is recorded net of issue charges incurred. For further details, please see the cash flow statement.

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

Figures in EUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/10	Outstanding 30/06/11	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	99.7	99.7	99.7			
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	89.6	89.7	89.7			
				189.3	**189.5**	**189.5**	**-**	**-**	
				-	**-**	**-**	**-**	**-**	
Akhela S.r.l.									
Unicredit	6-Aug-08	0.2	0.74%	0.2	-	-			
				0.2	**-**	**-**	**-**	**-**	
Artemide S.r.l.									
Banca Intesa	11-Apr-07	0.3	Euribor 3M	0.1	-	-			
				0.1	**-**	**-**	**-**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	2.2	1.9	1.3	0.6		
				2.2	**1.9**	**1.3**	**0.6**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	50.4	47.2	7.0	40.2	-	
				50.4	**47.2**	**7.0**	**40.2**	**-**	
Total payables to banks for loans				**242.2**	**238.6**	**197.8**	**40.8**	**-**	

The weighted average interest rate at 30 June 2011 was 4.55%.

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 comprising liquidity parameters set out in the agreement and a ban 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;
- corporate, connected to the company's ownership structure, specifically a ban 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 ban on changing business activities, reducing the share capital or carrying out 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 deadline, the restrictions relating to the above-mentioned loans had been complied with.

5.4.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

	31/12/2009	Additions	Decrease for use	Other changes	31/12/2010
Provisions for dismantling of plants	16,826	320			17,146
Provisions for CO2 quotas	18,713	46,978	(18,713)		46,978
Other risk provisions	5,579	5,314	(322)	3,838	14,409
Total	**41,118**	**52,612**	**(19,035)**	**3,838**	**78,533**

	31/12/2010	Additions	Decrease for use	Other changes	30/06/2011
Provisions for dismantling of plants	17,146				17,146
Provisions for CO2 quotas	46,978	14,414	(8,642)	(170)	52,580
Other risk provisions	14,409		(5,191)		9,218
Total	**78,533**	**14,414**	**(13,833)**	**(170)**	**78,944**

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 quotas, €52,580 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.

For 2011, the CO_2 allowances assigned under the National Allocation Plan for the period 2008-2012 were:
- 2,159,696 tons of CO_2 for the refinery plants owned by the parent company, which had emitted 1,150,438 tons of CO_2 as of 30 June. A provision was made for the shortfall for the period, net of purchases, of 959,019 tons, worth €12,122 thousand;
- 444,404 tons of CO_2 for the cogeneration plants owned by Sarlux S.r.l., which had emitted 1,633,489 tons of CO_2 as of 30 June. A provision was made for the shortfall for the period, net of purchases, of 187,300 tons, worth €2,292 thousand.

The item “Other risk provisions” mainly relates to provisions made for possible legal and tax liabilities. The uses made during the period mainly relate to payments made by the parent company as part of the transaction relating to the tragic event of 26 May 2009 that led to the death of three workers. Although Saras S.p.A. accepts no responsibility for the causes behind this event, in order to prevent and/or bring to a close any and every dispute in this regard, in a final and irrevocable settlement of any damages, in February the parent company reached an agreement with the claimants, paying compensation to the civil law parties. The full amount for this transaction, together with the associated legal costs, was set aside in the previous year under “Other risk provisions”.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below.

	30/06/2011	31/12/2010	Change
Employee end-of-service payments	14,397	14,529	(132)
Other complementary provisions	11,030	16,018	(4,988)
Total	**25,427**	**30,547**	**(5,120)**

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.
On 30 June 2010, following the cancellation by the parent company of the agreement establishing CPAS, the company’s supplementary employee pension fund, the fund was dissolved and put into liquidation, with workers given the option of transferring the contributions accrued up until that date to another supplementary pension scheme or of redeeming the funds completely. The trade unions contested the cancellation of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. Having taken legal advice from the lawyers assisting the company in this matter, the company is confident that the correctness of its actions will be upheld in court.

The following table shows the changes in “Employee end-of service payments”:

Balance at 31.12.2009	15,412
Accrual for the year	7,287
Amount used during the year	(8,170)
Balance at 31.12.2010	**14,529**
Accrual for the period	3,614
Amount used during the period	(3,746)
Balance at 30.06.2011	**14,397**

Changes in “Other complementary provisions” are as follows:

Balance at 31.12.2009	20,008
Accrual for the year	1,214
Amount used during the year / settlement	(5,204)
Balance at 31.12.2010	**16,018**
Accrual for the period	0
Amount used during the period/ settlement	(4,988)
Balance at 30.06.2011	**11,030**

5.4.4 Deferred tax liabilities

This item totalled €5,070 thousand, and was due to the deferred tax liabilities of foreign subsidiaries Reasar S.A. (€2,409 thousand) and Saras Energia S.A. (€2,661 thousand).

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	30/6/2011	31/12/2010	Change
Payables to welfare and social security bodies	322	357	(35)
Deferred income	526,316	583,300	(56,984)
Other	2,595	2,612	(17)
Total	**529,233**	**586,269**	**(57,036)**

The change compared with 31 December 2010 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 Shareholders’ equity

Shareholders’ equity comprises the following:

	30/06/2011	31/12/2010	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,156,504	1,164,297	(7,793)
Result for the period	82,159	(9,468)	91,627
	1,304,219	**1,220,385**	**83,834**
Share capital and reserves attributable to minority interests			0
Result for the period attributable to minority interests			0
Total minority interests	**0**	**0**	**0**
Total Shareholders Equity	**1,304,219**	**1,220,385**	**83,834**

Share capital

At 30 June 2011, 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 €1,156,504 thousand, a net decrease of €7,793 thousand compared with the previous period. The net decrease was the combined result of:

- a decrease of €9,468 thousand due to the allocation of the loss from the previous year;
- an increase owing to the translation of the financial statements of subsidiaries in foreign currency (€3 thousand);
- an increase of €1,672 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the stock grant plans.

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

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

Profit for the period
Consolidated net profit for the period was €82,159 thousand.

Dividends
On 28 April 2011, 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.

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:

	30/06/2011	30/06/2010	Change
Sales and services revenues	5,004,192	3,753,236	1,250,956
Processing fee from third parties	0	4,855	(4,855)
Sale of electricity	255,261	244,905	10,356
Other revenues	11,083	10,612	471
Change in construction contracts	359	46	313
Total	**5,270,895**	**4,013,654**	**1,257,241**

Sales and services revenues increased by €1,250,956 thousand compared to the same period of the previous year. This rise was due to the trend in oil prices.

Revenues from the sale of electricity include €250,764 thousand relating to the gasification plant of subsidiary Sarlux S.r.l. and €4,497 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 PAS 09/10.

There have been two significant events for the Saras Group in 2011 so far. The first is represented by the Libyan crisis and the resulting interruption to the production of the crude oils that have particularly useful characteristics for the Sarroch refinery. Moreover, the Libyan crisis has also had a more general effect, severely affecting refining margins, in that the rise in the cost of crude oil has not been adequately reflected in the prices of oil products, which have suffered from reduced consumer spending, high stock levels and excess capacity. The second significant event for the Saras Group is associated with the major ten-year shutdown for programmed maintenance work on the IGCC plant. The extent and importance of this work has naturally affected electricity generation and hence the segment's results for the period. On the other hand, the marketing segment achieved very satisfactory results despite the widespread drop in oil consumption in Italy and Spain, thanks to a strategy focused on improving the sales channel mix and inventory optimisation. Lastly, the wind energy segment performed reasonably well, not least in view of the weather conditions, which were not particularly favourable, especially in the second quarter of the year.

6.1.2 Other income

The following table shows a breakdown of other income.

	30/06/2011	30/06/2010	Change
Revenues for stocking of mandatory supplies	1,128	666	462
Sales of sundry materials	1,997	1,468	529
Grants	5,801	8,102	(2,301)
Chartering of tanker	5,223	1,991	3,232
Recover for demages and compensation	653	463	190
Reimbursment of emission trading charges	21,908	21,144	764
Other income	2,723	17,576	(14,853)
Total	**39,433**	**51,410**	**(11,977)**

“Other income” largely comprises revenues recorded by Sarlux S.r.l. following the recognition of the reimbursement of charges relating to the application of Directive 2003/87/EC (Emission Trading).

In the first half of 2010, the “Other revenues” item included income of €12,507 thousand from the sale of CO_2 allowances by the parent company, whereas no allowances were sold in the first half of 2011.

The item “Grants” includes the revenues from green certificates obtained by Sardeolica S.r.l. The change versus the first half of 2010 was due to the lower wind energy production for third parties.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	30/06/2011	30/06/2010	Change
Purchases of raw materials	4,066,269	2,681,172	1,385,097
Purchases of semifinished materials	22,176	26,970	(4,794)
Purchases of replacement parts and consumables	29,487	35,099	(5,612)
Purchases of finished products	869,357	851,551	17,806
Other purchases	63	105	(42)
Inventory’s change	(351,116)	(10,229)	(340,887)
Total	**4,636,236**	**3,584,668**	**1,051,568**

Costs for the purchase of raw materials, spare parts and consumables totalled €4,636,236 thousand, an increase of €1,051,568 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.

6.2.2 Cost of services and sundry costs

	30/06/2011	30/06/2010	Change
Service costs	240,798	248,096	(7,298)
Use of third-party assets	6,672	7,248	(576)
Provisions for risks and charges	15,789	40,021	(24,232)
Other operating charges	7,808	8,480	(672)
Total	**271,067**	**303,845**	**(32,778)**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities.

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 €2,188 thousand for the next twelve months, and €9,200 thousand for the following years up to five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees. There are no options for contract renewal or acquisition.

The item “Provisions for risks and charges” mainly relates to the cost of acquiring CO_2 emission allowances (€14,414 thousand, for further information please see 5.4.2. above).

The item “Other operating charges” mainly comprises non-income taxes (local property taxes, atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	30/06/2011	30/06/2010	Change
Wages and salaries	54,922	50,168	4,754
Social security	15,415	14,573	842
Staff several indemnity	3,614	3,194	420
Pensions and similar	57	1,052	(995)
Other costs	2,706	2,956	(250)
Directors’ remuneration	3,037	2,886	151
Total	**79,751**	**74,829**	**4,922**

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 2011, a share for every six additional shares held by the beneficiary at 31 December 2010 compared with 31 December 2009;
- for the year 2012, a share for every six additional shares purchased by the beneficiary in 2011, on condition that the number of shares held by the beneficiary on a daily basis during the year is never lower than the number of shares held at 31 December 2010.

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 share allocation for 2011 was made in June.

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, as recorded at the end of each year. The 2010 plan involved the allocation of 1,505,000 shares at a cost for the period of €606 thousand; the 2011 plan will involve the allocation of € 2,658,500 shares at a cost for the period of € 856 thousand.

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below.

	30/06/2011	30/06/2010	Change
Amortisation of intangible assets	18,441	18,811	(370)
Depreciation of tangible assets	86,995	82,995	4,000
Total	**105,436**	**101,806**	**3,630**

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

	30/06/2011	30/06/2010	Change
Financial income:			
- from financial assets recorded under current assets	131	8	123
Other income			
- interest on bank and post office accounts	116	82	34
- fair value of held for trading financial assets	0	3,335	(3,335)
- fair value of derivatives outstanding on reporting date	12,497	135	12,362
- positive differences on derivatives	6,366	21,666	(15,300)
- other income	187	207	(20)
Exchange rate gains	9,998	8,132	1,866
Total Financial Income	**29,295**	**33,565**	**(4,270)**
Financial charges :			
- fair value of derivatives outstanding on reporting date	(6,459)	(3,379)	(3,080)
- fair value of held for trading financial assets	0	0	0
- negative differences on derivatives	(68,437)	(8,056)	(60,381)
- other (interest on loans, arrears, etc.)	(15,724)	(8,580)	(7,144)
Exchange rate losses	(9,146)	(1,975)	(7,171)
Total Financial Charges	**(99,766)**	**(21,990)**	**(77,776)**
Total	**(70,471)**	**11,575**	**(82,046)**

The summary table below is provided to allow an analysis of the main changes during the year:

	30/06/2011	30/06/2010	Change
Net interest gains (losses)	(15,608)	(8,498)	(7,110)
Net result from derivative financial instruments	(56,033)	10,366	(66,399)
- realised	*(62,071)*	*13,610*	*(75,681)*
- fair value of the open positions	*6,038*	*(3,244)*	*9,282*
Net exchange rate gains (losses)	852	6,157	(5,305)
Other	318	3,550	(3,232)
Total	**(70,471)**	**11,575**	**(82,046)**

The higher charges from financial management are largely attributable to:

- higher charges resulting from the 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 the contracts in place (€66,399 thousand);
- lower exchange rate gains obtained this year than in the same period of the previous year (€5,305 thousand);
- higher net interest payable (€7,110 thousand).

6.4 Income tax

Income tax breaks down as follows:

	30/06/2011	30/06/2010	Change
Current taxes	41,064	10,890	30,174
Net deferred taxes	24,144	(11,195)	35,339
Total	**65,208**	**(305)**	**65,513**

Current taxes essentially include IRES and IRAP for the Italian companies, which amount to €32,794 thousand (including €2,511 thousand in additional tax) and €8,270 thousand respectively.

Net deferred tax assets/liabilities refer to changes during the year in the temporary differences between values recorded in the accounts and those recognised for tax purposes.
The most significant changes regard:

- the reversal of deferred tax assets for the linear reporting of Sarlux's margin (€22,151 thousand);
- the reversal of deferred tax assets following the use of tax losses from previous periods (€4,753 thousand);
- the recognition of deferred tax liabilities on unrealised currency gains (€2,751 thousand).

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 inspections and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that any liability is likely to be remote.
Moreover, with reference to the subsidiary Sarlux S.r.l., please note that companies producing electricity that is not from renewable sources or cogeneration (as defined by AEEG Resolution 42/02) are required to purchase green certificates in respect of a certain percentage of electricity introduced into the grid. In 2007, 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 2002-2005. Sarlux appealed against this interpretation to the Lombardy regional administrative court (TAR); the appeal was rejected on 14 June. The liabilities arising from this dispute, as determined by the GSE, which has already adopted this interpretation, are estimated at about EUR 32 million (for the Green Certificates which have already been purchased, as requested by the GSE); 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 EUR 14 million (the refund was carried out during the previous 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 €12 million, with the related refund estimated at around €6 million.
Based on the considerations expressed by its advisors on the TAR's rejection of the appeal, Sarlux will appeal against the TAR's ruling to the High Court and believes that its appeal will be successful. As a result, no provision was made in the accounts at 30 June 2011 for this case.

7.2 Transactions with related parties

The effects on the Saras Group statement of financial position and statements of income and comprehensive income of transactions or positions with related parties are not significant.

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

On 12 April 2011, a tragic accident occurred at the DEA3 plant at the Sarroch refinery, which was closed for planned maintenance. The accident involved three employees of an external company, one of whom died in the early hours of the following morning. The condition of the other two engineers gradually improved over the next few days and they subsequently made a full recovery. As investigations by the public prosecutor's office are currently under way, it is not possible at the present time to give an indication of the extent to which the Company may be liable.

On the 4th July 2011, the Court of Justice of Cagliari, in relation to the accident on the 26th May 2009, which caused the death of three workers of a contracting company, absolved two managers of Saras, and also discharged Saras from any administrative responsibility under Decree 231/2001. However, the Court of Justice of Cagliari sentenced Saras General Manager and the Refinery Plant Manager, together with a manager of the above mentioned contracting company, to two years term with suspended sentence, in addition to granting an award of damages to the plaintiffs. The judgement can be appealed by the parties.

No non-recurring and/or unusual operations were carried out during the period.

Saras SpA

Direzione generale
Sede amministrativa

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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 2011 to 30th June 2011.

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

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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 2011

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

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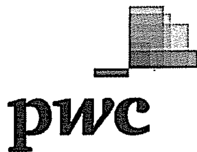

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 2011 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 CONSOB, the national stock exchange commission, 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.

   For the amounts of the consolidated financial statements of the previous year and the condensed consolidated interim financial statements for the corresponding period of the previous year presented as comparatives, reference is made to our reports dated, respectively, 6 April 2011 and 9 August 2010.

3. 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 2011 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 2011

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

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

PricewaterhouseCoopers SpA

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