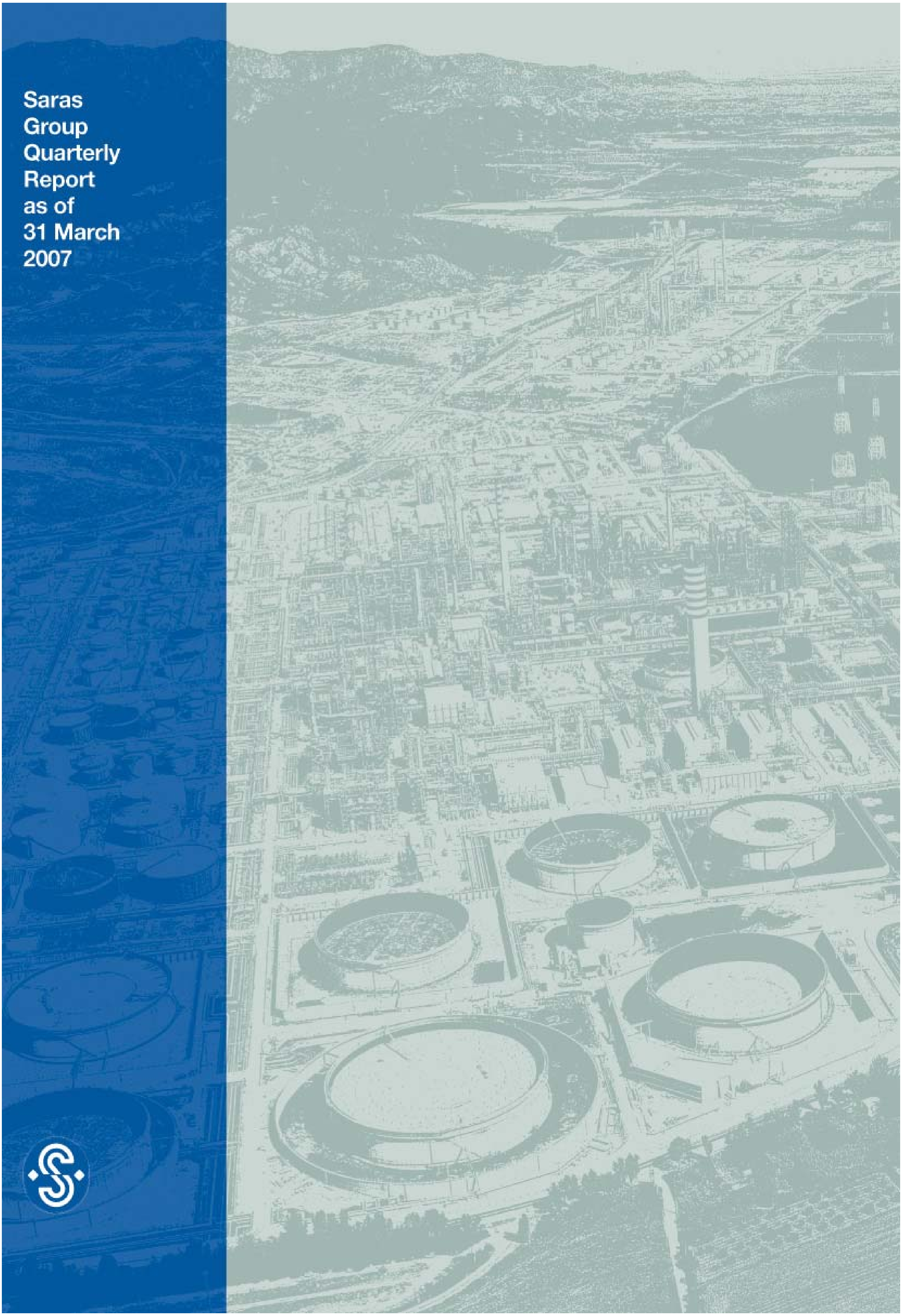
Saras Group Quarterly Report as of 31 March 2007



“This is a translated version of the first quarter 2007 report of the Saras Group especially intended for an international audience. Those who wish to receive the original report in Italian should address their request in writing or refer to the company website”

Saras’s first quarter 2007 results, unaudited, have been prepared in accordance with the evaluation and measurement criteria contained in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

The contents of the quarterly report, following the provisions in Consob resolution n. 14990 dated 14 April 2005, are defined according to indications in attachment 3D of Consob Issuers Regulations (Consob Regulation n. 11971 dated 14 May 1999 and further modifications); therefore, the provisions in the international accounting principle regarding interim reports (IAS 34 “Interim Financial Reporting”) were not adopted. The presentation of accounting prospectus corresponds to those presented in the half-year report and the annual report.

Statutory Boards

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITING FIRM

PRICEWATERHOUSECOOPERS S.p.A.

Group Activities

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

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

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

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

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

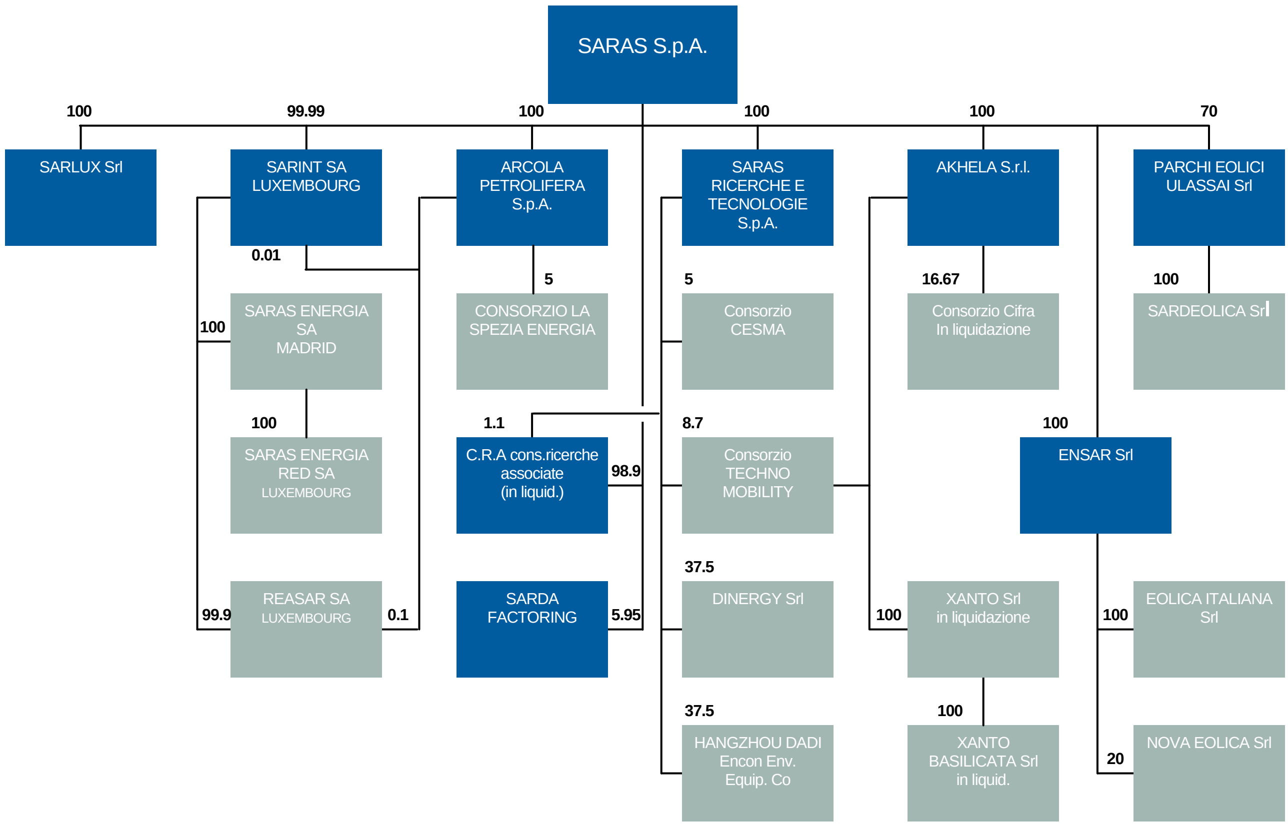
The IGCC plant, which is completely integrated with the Sarroch refinery's production processes, produces power, hydrogen and steam, as well as sulphur and metal concentrates, by using heavy crude oil residues originating from refining processes (assimilated to renewable sources). The power produced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

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

[1] Source: Wood Mackenzie

Structure of the Saras Group

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



REFINING
Saras Spa

MARKETING
Saras Energia Sa
Arcola Petrolifera Spa
Saras Energia Red Sa

POWER GENERATION
Sarlux Srl

OTHER
Akhela srl
Sartec Spa

Consolidated by the line-by-line method

Consolidated by the equity method
Saras share is 70%

WIND
Parchi Eolici Ulassai
Sardeolica Srl

Highlights for the period

- Higher Q1/07 Group **adjusted net income**[2] **of EUR 71 ml**, up (+7%) both on Q1/06 and Q4/06 (EUR 66 ml)

- Q1/07 **comparable EBITDA**[3] **of the Group at EUR 155.0** ml (+8%) vs EUR 143.6 ml in Q1/06 and EUR 138.9 ml in Q4/06

- Saras refining&power margin at 10.4 $/bl (9.2 $/bl in Q4/06)

  - **refinery margin 6.7 $/ bl** rebounded from Q4/06 lows of 5.6 $/bl
  - power (IGCC) margin 3.7 $/bl (3.6 $/bl in Q4/06)

- Good performance of the Power Generation and Marketing segment

- **Net debt (NFP)** decreased to EUR 135 ml from EUR 285 ml at 31/12/2006

Key Consolidated financial figures

Below are key consolidated financial figures, shown in comparison with the data related to the same period last year and previous quarter. **It should be noted** that Q1/06 figures are proforma, i.e. with Sarlux S.r.l. fully consolidated as of 1st January 2005.

Saras Group income statement figures:

EUR Million	Q1/07	Q1/06	var %	Q4/06
REVENUES	1,507	1,531	-2%	1,200
EBITDA	145.3	138.1	5%	102.4
EBITDA *comparable*	**155.0**	**143.6**	**8%**	**138.9**
EBIT	105.3	98.9	6%	58.7
EBIT *comparable*	**115.0**	**104.4**	**10%**	**95.2**
NET INCOME	50.9	62.8	-19%	35.7
***adjusted* NET INCOME**	**71.0**	**66.3**	**7%**	**66.2**

[2] **Adjusted net income:** Net income adjusted by difference between inventories at LIFO and inventories at FIFO after taxes, non recurring items after taxes and change in the derivatives fair value after taxes

[3] **Comparable EBITDA:** calculated evaluating inventories at LIFO

Other Group figures:

EUR Million	Q1/07	Q1/06	Q4/06
NET FINANCIAL POSITION	(135)	(655)	(285)
CAPEX	36	27	41
OPERATING CASH FLOW	189	116	(63)

Remarks on the first quarter results

Saras Group achieved a positive overall performance in Q1/07, with a substantial increase on Q1/06 due in particular to the Refining segment. Good results also from Power Generation and Marketing.

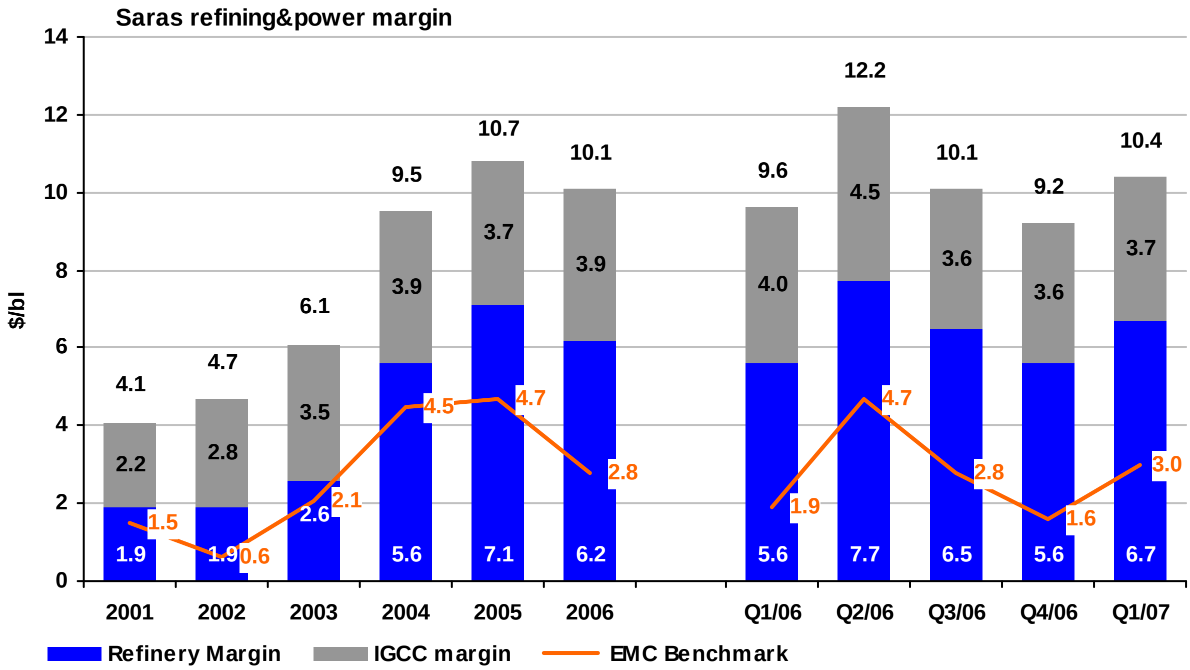
Saras **Refining&Power margin** reached 10.4 $/bl (+13% vs Q4/06) confirming the track record of superior margins of the Saras site.

Group **Comparable EBITDA** of EUR 155 ml registered an increase of 8% vs Q1/06 and of 12% vs Q4/06 thanks to refining margins that rebounded from end 2006 lows.
The positive trend of margins was partially offset by a sharp increase of EUR/USD exchange rate that gained 9% vs Q1/06 (average of Q1/07 has been 1.31 vs 1.20 in Q1/06).

Same trend for the **Adjusted net income** of EUR 71 that registered an increase of 7% both vs Q1/06 and Q4/06.

CAPEX were at EUR 36 ml in the quarter, in line with the investment program for 2007.

Net Debt (NFP) at the end of the quarter decreased to EUR 135 ml (from EUR 285 ml at end 2006) thanks to a strong operating cash flow during the period.

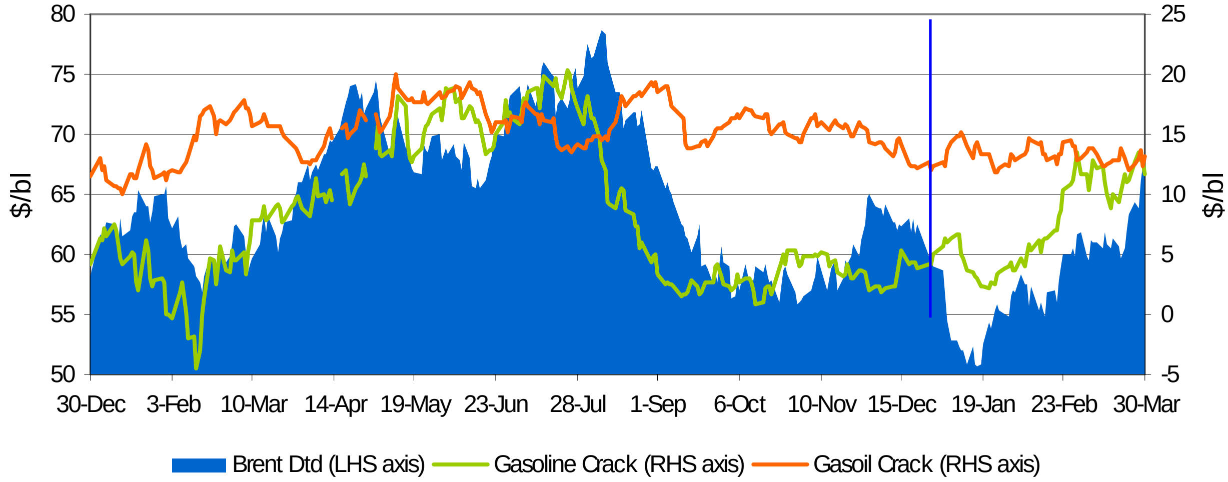


Refinery margins: (comparable refining LIFO EBITDA + Fixed Costs) / Refinery Crude Runs in the period.
IGCC margin: (power.gen EBITDA + Fixed Costs) / Refinery Crude Runs in the period
EMC benchmark: margin calculated by EMC (Energy Market Consultants) based on runs equal to 50% of Urals and 50% of Brent.

The Oil Market

The graph shows the course of the price of Dated Brent crude oil and the crack spread values for ULSD and Unleaded Gasoline.

2006-07: Brent Dtd and Gasoline/ Gasoil crack spread versus Brent
Source Platt's

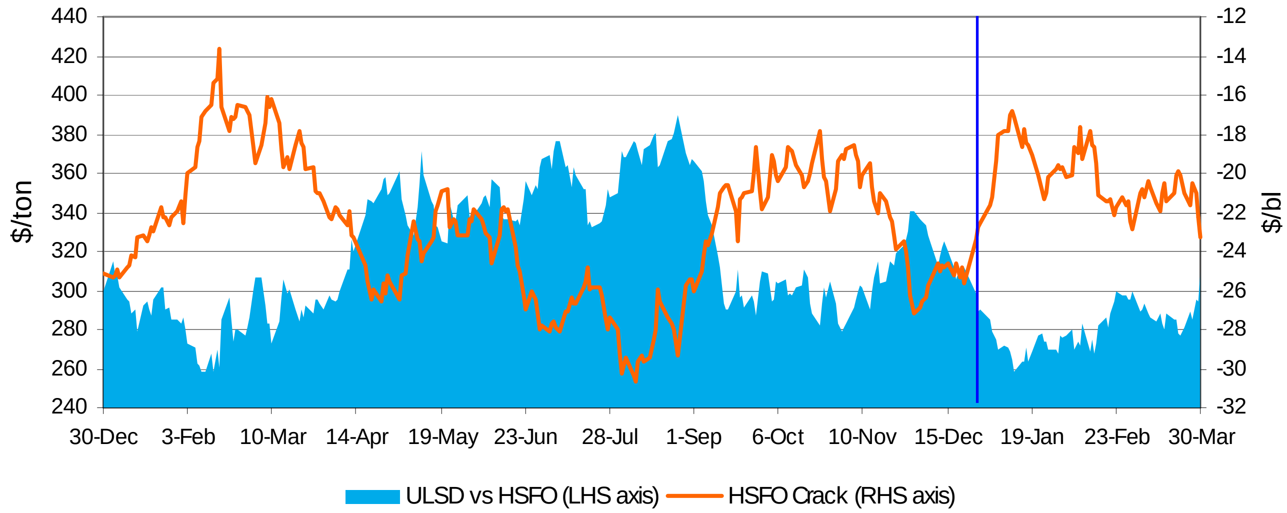


Dated Brent price averaged 58.6 $/bl in Q1 and traded in a very wide range, from -14% to +17% vs the average price.

At the beginning of 2007 Brent was at about 59 $/bl, but fell sharply in the first half of January close to the 50 $/bl threshold, mainly as a consequence of the easing of geopolitical factors and the low global demand due to a very mild winter in the northern hemisphere.
Starting from the second half of January the trend reversed and crude prices grew steadily during the quarter up to above 68 $/bl at the end of March, the main reasons being the low refinery utilization rate in the US (for planned and unplanned shutdowns) and a robust growth in gasoline demand, underpinned by an unseasonal early start of the driving season.

ULSD crack spread was quite stable in the range 13-15 $/bl and not particularly strong because of the weak demand for heating gasoil that affected all the middle distillates; gasoline crack spread strengthened during the quarter to levels that were not seen since last summer, supported by a long series of weekly stock draws reported by EIA[4] in the US.

2006-07: High Sulphur Fuel Oil crack spread and ULSD-HSFO differential
Source Platt's

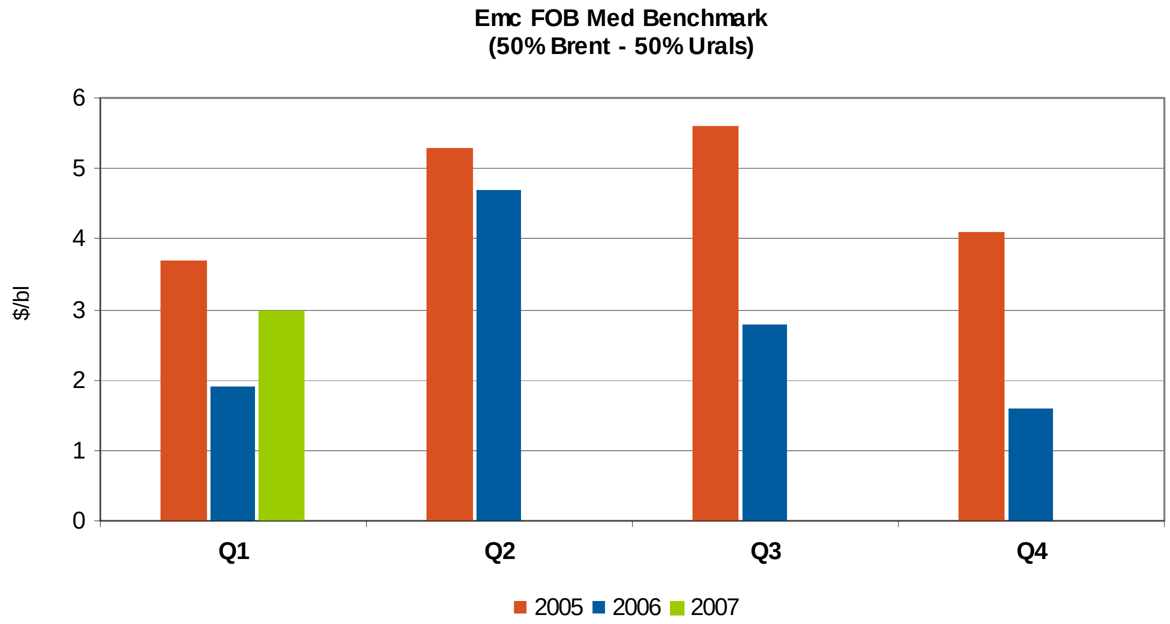


[4] EIA: Energy Information Administration, agency of the US department of energy.

It's worth noting that Q1 confirmed the pattern according to which ULSD crack is substantially stable and sets the base level for crude price, while gasoline crack spread is very volatile and drives the fluctuations of crude oil price.

HSFO crack spread was strong in the period and only in the second half of the quarter widened.
As a consequence the light-heavy differential (ULSD-HSFO) was very weak when compared to recent data and averaged just 280 $/ton; this narrow differential didn't allow complex refiners to fully take advantage of their conversion capacity.

Below the graph shows the margin calculated by EMC (Energy Market Consultants) used by Saras as a benchmark. The average of Q1/07 has been 3.0 $/bl to be compared with 1.6 $/bl of previous quarter and 1.9 $/bl of same quarter last year.
The increase both vs Q1/06 and vs Q4/06 was substantially due to the improved crack spread of gasoline.



Segment Reviews

Below is the main information relating to the various business segments within the Saras Group.
Furthermore, detailed results of the Sardeolica joint venture (wind segment) are given in order to provide complete information, although the company is consolidated using the equity method.

EUR Million	Q1/07	Q1/06	var %	Q4/06
EBITDA	88.5	68.3	30%	55.1
EBITDA *comparable*	**95.7**	**77.7**	**23%**	**80.8**
EBIT	70.7	53.2	33%	36.8
EBIT *comparable*	**77.9**	**62.6**	**24%**	**62.5**
CAPEX	**30.0**	**22.7**		**26.0**

Refining

Refining margins improved during Q1 mainly due to the increase of gasoline crack spread. During this period there has been an uncharacteristic narrowing of the price differential between ULSD (Ultra Low Sulphur Diesel) and HSFO (High Sulphur Fuel Oil) that was on average equal to 280 $/ton, the narrowest of recent quarters.

The EMC benchmark averaged 3.0 $/bl, up 1.1 $/bl from last year and up 1.4 $/bl from Q4/06.
Saras provides guidance to assist in predicting its margins by updating the most relevant EMC benchmark on its website (www.saras.it) weekly. On average Saras's margins outperform this benchmark by 4 $/bl.

This premium is based on the fact that typically Saras can achieve better yields compared to the benchmark thanks to its higher complexity, in particular a higher production of ULSD (about +10% on crude oil) and a lower production of HSFO (about -10% on crude oil); if we take as a reference a differential of 300 $/ton between ULSD and HSFO, the previous better yields allow Saras to have a premium over the benchmark of about 4 $/bl.
Therefore when the price of diesel relative to fuel oil is high, according to the expected trend, the target premium is reached and exceeded, but in the unusual case of a reversal, the target premium can be lower. This was the case in Q1/07, where the average ULSD-HSFO differential of 280 $/ton brought the expected premium to 3.8 $/bl (vs 4.2 in Q4/06).
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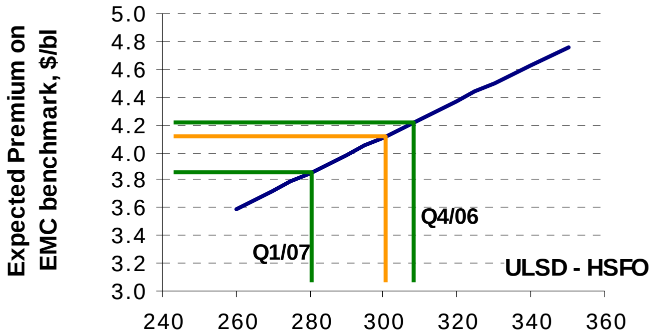
		Q1/07	Q4/06	Q3/06	Q2/06	Q1/06
ULSD vs HSFO	$/ton	280	307	347	339	287



Saras' refining margin in Q1/07 was 6.7 $/bl, with a premium over the benchmark of 3.7 $/bl.
Refinery runs in the quarter were 309 kbd (3.8 Mton) in line with the previous quarter. Runs for third parties represented 36% of total; the decrease is due to ongoing contract negotiations.

Middle distillates yield in Q1/07 was 52.1% vs 51.6% in Q4/06, with the average API gravity of crude slate unchanged.

Margins and refinery runs

		Q1/07	Q1/06	var %	Q4/06
REFINERY RUNS	Thousand ton	3,809	3,709	3%	3,895
	Million bl	27.8	27.1	3%	28.4
	thousand bl/day	309	301	3%	309
of which: Processing for own account	Thousand ton	2,420	2,012		2,085
Processing on behalf of third parties	Thousand ton	1,389	1,697		1,810
EMC BENCHMARK MARGIN	$/bl	3.0	1.9	58%	1.6
SARAS REFINERY MARGIN	$/bl	6.7	5.6	20%	5.6

Production

		Q1/07	Q4/06	2006
LPG	thousand ton	84	60	312
	yield	2.2%	1.5%	2.2%
NAPHTHA + GASOLINE	thousand ton	1,029	1,055	3,893
	yield	27.0%	27.1%	27.3%
MIDDLE DISTILLATES	thousand ton	1,986	2,011	7,350
	yield	52.1%	51.6%	51.4%
FUEL OIL & OTHERS	thousand ton	182	275	725
	yield	4.8%	7.1%	5.1%
TAR	thousand ton	306	263	1,152
	yield	8.0%	6.8%	8.1%

Crude Oil slate

		Q1/07	Q4/06	2006
Light extra sweet		40%	38%	43%
Light sweet		3%	9%	5%
Medium sweet		0%	2%	1%
Light sour		0%	0%	0%
Medium sour		31%	23%	23%
Heavy Sour		27%	28%	28%
Average crude gravity	°API	32.4	32.4	32.9

Marketing

Below are the main financial data of the marketing segment, concentrated especially in the wholesale business where the Saras Group operates through Arcola Petrolifera S.p.A. in Italy and Saras Energia S.A. in Spain.

EUR Million	Q1/07	Q1/06	var %	Q
EBITDA	3.0	7.3	-59%	(5.4)
EBITDA *comparable*	**5.5**	**3.4**	**62%**	**5.4**
EBIT	1.7	7.0	-76%	(7.6)
EBIT *comparable*	**4.2**	**3.1**	**35%**	**3.2**
CAPEX	0.3	0.0		6.0

A very mild winter reduced heating oil consumption in Europe and also put pressure on the diesel market. Nonetheless, EBITDA increased by 62% versus the same period last year thanks to a significant growth in sales (up 16% versus Q1/06) driven by our activities in Spain.

In Italy total consumption of oil products fell by 12% during the quarter (heating gasoil -36%) while sales by Arcola Petrolifera declined by only 3%, raising Italian market share to 5.6%.

Sales in Spain registered a significant growth (+26%) versus Q1/06. Particularly worthy of note is the growth in diesel sales by 41% whilst Spanish consumption increased by 6% in the period leading also in Spain to an increased market share. The acquisition of 36 service stations (not yet part of the Group in Q1/06) contributed to the increase. Retail and wholesale margins, however, registered a slight reduction versus the same period last year.

Sales

		Q1/07	Q1/06	var %	Q4/06
TOTAL SALES	Kton	934	803	16%	870
of which Italy	Kton	255	263	-3%	276
of which Spain	Kton	680	540	26%	594

Power Generation

€ Milion	Q1/07	Q1/06	var %	Q4/06
EBITDA	**53.7**	**63.1**	**-15%**	**52.0**
EBIT	**33.4**	**41.0**	**-19%**	**29.9**
EBITDA ITALIAN GAAP	85.6	79.5	8%	68.8
EBIT ITALIAN GAAP	72.4	66.3	9%	55.2
NET INCOME ITALIAN GAAP	43.4	39.3	10%	32.4
CAPEX	4.0	0.9		13.0

Other figures

		Q1/07	Q1/06	var %	Q4/06
ELECTRICITY PRODUCTION	MWh/1000	1,215	1,155	5%	999
POWER TARIFF	€cent/KWh	12.67	13.31	-5%	13.49
POWER IGCC MARGIN	$/bl	3.7	4.0	-8%	3.6

The Sarlux IGCC plant operated at full capacity during the whole quarter with electricity production reaching a record high in a quarter of 1,215 thousand of MWh (+5% vs Q1/06).

In terms of Italian GAAP, EBITDA increased by 8% vs same quarter last year. This was mainly attributable to:

- the strong operational performance as mentioned above, partially mitigated by a decrease of the power tariff (-5%) due to lower oil product prices compared to same quarter last year
- a reduction of maintenance costs postponed to next quarters (about EUR 2 ml).

In terms of IFRS EBITDA the positive effects described above are linearised over the life of the sale contract to GSE (Italian grid operator) as required by the IFRS accounting principles.

It should be noted that the power tariff has been calculated on the basis of the indexation methodology indicated by CIP6/92 law and no provisions had been made in respect of the new indexation introduced by the Energy authority resolution issued on November last year because Saras considered this illegal for various reasons. Consequently in November 2006 the resolution was challenged before the relevant court in Italy, which ruled in Saras' favour at the beginning of May 2007.

Other

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

EUR Million	Q1/07	Q1/06	var %	Q
EBITDA	**0.1**	**(0.6)**	**117%**	**0.7**
EBIT	**(0.5)**	**(2.3)**	**78%**	**(0.4)**

First quarter 2007 confirms the improvements achieved during 2006.

Wind

Please note that wind segment is a Joint Venture (Saras share 70%) consolidated by the equity method.
Results below are 100% figures.

EUR million	Q1/07	Q1/06	var %	Q4/06
EBITDA	9.4	7.7	22%	7.9
EBIT	7.1	5.8	23%	5.6
NET INCOME	3.8	3.4	11%	3.2
***Adjusted* NET INCOME (*)**	3.4	3.4	0%	1.7

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

		Q1/07	Q1/06	var %	Q4/06
ELECTRICY PRODUCTION	MWh	54,910	52,902	4%	39,708
POWER TARIFF	€cent/KWh	7.6	7.5	2%	8.2
GREEN CERTIFICATES	€cent/KWh	11.9	10.9	9%	12.1

Ulassai wind farm achieved a good performance during Q1/07 with electricity production up 4% versus same quarter last year and up 38% versus previous quarter. Increase of power tariff versus same quarter last year also contributed to the good result.

Net Financial Position

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

	31/03/2007	31/12/2006
Medium/long term bank loans	(322)	(323)
total long term net financial position	**(322)**	**(323)**
Short term bank loans	(137)	(139)
Bank overdrafts	(83)	(61)
Other loans	0	0
Loans from unconsolidated subsidiaries	(1)	(2)
Loans made to unconsolidated subsidiaries	13	9
Interest rate swap fair value	0	0
Other marketable financial assets	14	14
Cash and cash equivalents	380	218
total short term net financial position	**186**	**38**
Total net financial position	**(135)**	**(285)**

Net Financial Position at the end of the quarter decreased to a negative of EUR 135 ml (improved by EUR 150 ml versus end of 2006) in the light of the strong operating cash flow of the period.

Strategy and Investments

Continuous upgrading of the Sarroch supersite is the main focus of Saras' investment and will be key to significant organic growth and long term sustainable and competitive operations.

At the same time, Saras carefully scrutinizes M&A opportunities as well as possible expansion in wind power and bio-fuels.

In this respect a non binding offer has been made for the acquisition of I.E.S. S.p.A., an Italian independent refining and marketing company whose assets include a 57,000 barrels per day refinery in Mantua (North East Italy) and a retail network of about 150 service stations.

This strategy is consistent with our positive view on the refining market for the forthcoming years and reflects our strong belief that the European deficit of high-quality automotive diesel will persist.

Ongoing construction activities

The construction of a gasoline desulphurization unit and a tail gas treatment/sulphur recovery plant at the Sarroch refinery is on track. The first is expected to come on stream by mid 2008 and will allow the full production of gasoline with less than 10 ppm sulphur, as required by EU specification starting from 2009. The second will be operational in the second half of 2008.
The construction of the biodiesel plant in Cartagena is in the preliminary phase with expected completion in the first half of 2008.

Other activities

- Gas exploration: seismic tests in Sardinia are continuing with encouraging preliminary findings; final results are expected by end 2008.
- 2006-2009 investment plan of EUR 600 ml: the projects are in the engineering phase

Capex by segment

	Q1/07	2006
REFINING	30.2	108.0
POWER GENERATION	4.5	16.0
MARKETING	0.3	7.0
OTHER	0.6	2.0
	35.5	**133.0**

Stock Performance

Below are some data concerning prices and daily volumes relating to the Saras share between 01/01/2007 and 31/03/2007.

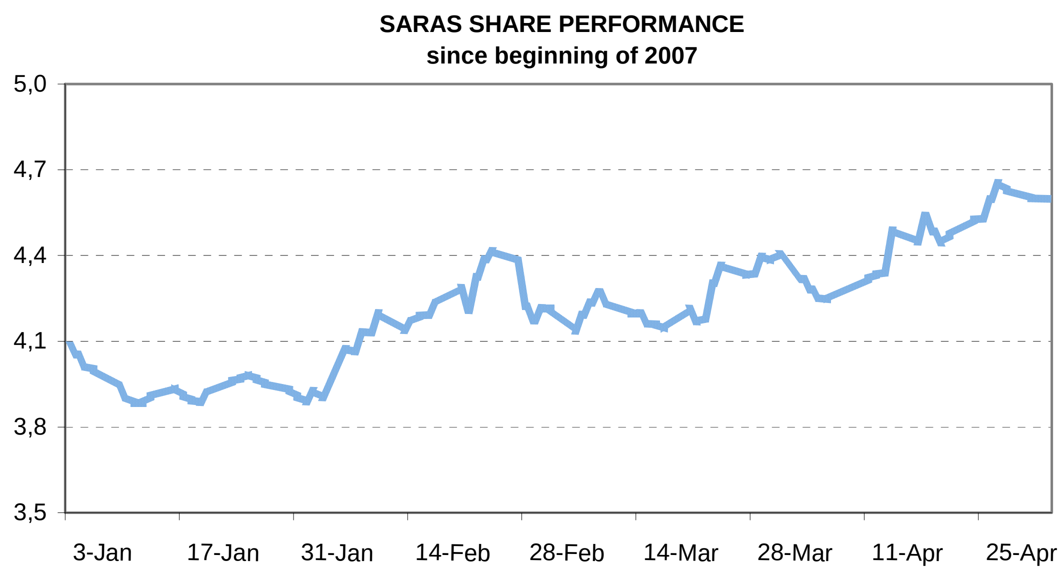
SHARE PRICE	Euro
Minimum price (18/01/2007) *	3.813
Maximum price (26/02/2007) *	4.445
Average price	4.124
Closing price at 30/03/2007	4.404

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

DAILY TRADED VOLUMES	Millions of Euro
Maximum volume (21/02/2007)	54.9
Minimum volume (13/03/2007)	5.8
Average volume	18.6

Market capitalization at 30/03 amounts to about € 4,188 million.

The graph reported below shows the daily performance of the share.



Outlook

- Margins are expected to remain robust in the medium term due to very tight refining capacity and constantly increasing demand. During the last months we have observed numerous cancellations and delays of projects which aimed to increase refining capacity.

- An early start of the driving season due to mild weather and higher than normal maintenance and outages in US refineries caused margins to reach the highest levels so far in 2007 at the beginning of Q2. Saras' EMC benchmark averaged 4.7 $/bl in April and above 9 $/bl in the first days of May.

- Processing contracts: all but one have been renewed at improved conditions; negotiations in progress for the remainder.

- In Q2/07 there will be a planned maintenance cycle and upgrading investments that will involve one of the three crude distillation units, one of the two vacuum units and the visbreaker:
  - the estimated impact of the shutdown, in addition to the reduction of crude runs, will be 7-10 million USD
  - as of Q3/07 these investments will increase diesel production by 150,000 tons on a yearly basis and increase reliability
  - gasoline production will not be affected by the maintenance because the gasoline producing units will maintain maximum runs.

- Gas exploration: seismic tests in Sardinia are continuing with encouraging preliminary findings; final results are expected by end 2008.

- IGCC is also expected to undergo 2 maintenance cycles during Q2 and Q4 but without any impact on EBITDA since maintenance cycles are already included in the linearization procedure required by IFRS.

- Sarlux project finance renegotiation was concluded during Q1/07. Benefits from Q2/07 will be about EUR 1 million per quarter (about EUR 0.5 ml on interests and balance on EBITDA).

Significant events after the end of the quarter

- CIP6: Saras' legal action to challenge resolution n. 24906 dated 15th November 2006 of the "Autorità per l'energia elettrica e il gas" (Italian Energy Authority) on 9th May 2007 was resolved in Saras' favour. The ruling by the tribunal might still be appealed by the Authority at the highest administrative level (Consiglio di Stato).

- As previously reported a non binding offer has been presented for the acquisition of I.E.S. S.p.A., an Italian independent Refining and Marketing company based in Genoa. In the early days of May Saras has been short-listed for possible furthers steps in the acquisition procedure.

- On 27 April 2007 The annual shareholders' meeting resolved in relation to the allocation of 2006 net profit:

  - To allocate € 689,334 of the net profit of the year to the legal reserve, to the attainment of the one-fifth of the share capital as provided by Art. 2430 of the Italian Civil Code;

  - To allocate as follows the net profit of EUR 256,864,084 resulting after the partial utilization for the legal reserve as for previous point:
    - to dividend of € 0.15 for each of the 951,000,000 ordinary shares, for a total of € 142,650,000
    - to "Other Reserves" for the residual amount € 114,214,084

  The above mentioned resolution has not been considered for the preparation of this quarterly report.

Saras Group Financial Statements

Consolidated Balance-Sheet as at 31/3/07 and 31/12/06

€ thousand	31-Mar-07	31-Dec-06
ASSETS		
Current Assets	**1,681,624**	**1,513,799**
Cash and cash equivalents	380,371	217,604
Other financial assets held for trading or available for sale	14,175	13,816
Trade receivables	567,086	574,483
Inventory	637,856	599,802
Current tax assets	41,322	66,344
Other assets	40,814	41,750
Non-current assets	**1,704,621**	**1,706,568**
Property, plant and equipment	1,106,847	1,105,088
Intangible assets	578,174	584,350
Equity interests consolidated by the equity method	12,603	9,970
Other equity interests	1,191	1,192
Other financial assets	5,806	5,968
Total assets	**3,386,245**	**3,220,367**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**979,852**	**866,545**
Short-term financial liabilities	231,219	202,097
Trade and other payables	557,983	551,622
Current tax liabilities	126,223	52,093
Other liabilities	64,427	60,733
Non-current liabilities	**1,069,948**	**1,068,440**
Long-term financial liabilities	321,628	322,671
Provisions for risks	21,700	24,485
Provisions for employee benefits	45,709	45,431
Deferred tax liabilities	138,621	161,087
Other liabilities	542,290	514,766
Total liabilities	**2,049,800**	**1,934,985**
SHAREHOLDERS' EQUITY		
Share capital	54,630	54,630
Legal reserve	10,237	10,237
Other reserves	657,144	657,144
Profit/ (loss) carried forward	563,371	167,946
Profit/ (loss) for the period	51,063	395,425
Total shareholders' equity	**1,336,445**	**1,285,382**
Total liabilities and shareholders' equity	**3,386,245**	**3,220,367**

Consolidated Income Statements for the periods 1/1-31/3/07 and 1/1-31/3/06

€ thousand	1/1-31/03/2007	1/1-31/03/2006
Revenues from ordinary operations	1,502,055	1,430,314
Other income	5,432	10,019
Total revenues	**1,507,487**	**1,440,333**
Purchases of raw materials, spare parts and consumables	(1,218,037)	(1,257,779)
Cost of services and sundry costs	(112,891)	(78,031)
Personnel costs	(31,202)	(29,563)
Depreciation, amortization and write-downs	(39,942)	(17,008)
Total costs	**(1,402,072)**	**(1,382,381)**
Operating results	**105,415**	**57,952**
Net income (charges) from equity interests	2,633	18,732
Other financial income/(charges), net	(23,539)	2,760
Profit before taxes	**84,509**	**79,444**
Income tax for the period	(33,446)	(23,378)
Net profit/(loss) for the period	**51,063**	**56,066**
of which		
minority interest	0	0
Net Profit (Loss) for the Group	51,063	56,066
Earnings per share - base (€ cent)	**5.37**	**6.29**
Earnings per share - diluted (€ cent)	**5.37**	**6.29**

Statement of Changes in Consolidated Shareholders' Equity for the periods from 1/1/06 to 31/3/07

€ thousand	Share capital	Legal reserve	Other reserves	Profit/ (Loss) carried forward	Profit/ (Loss) for the period	Shareholders' equity
Balance as at 01/01/2006	**51,183**	**10,237**	**268,915**	**(94,209)**	**292,642**	**528,768**
Dividends			(30,485)		(139,696)	(170,181)
First quarter 2006 result					56,066	56,066
Balance as at 31/03/2006	**51,183**	**10,237**	**238,430**	**(94,209)**	**209,012**	**414,653**
Capital increase (net of IPO costs)	3,447		338,983			342,430
Appropriation of previous period profit			(109,209)	262,155	(152,946)	
Fair value of 55% Sarlux stake			188,940			188,940
Result of the period 1st April- 31st December 2006					339,359	339,359
Balance as at 31/12/2006	**54,630**	**10,237**	**657,144**	**167,946**	**395,425**	**1,285,382**
Appropriation of previous period profit				395,425	(395,425)	
First quarter 2007 result					51,063	51,063
Balance as at 31/03/2007	**54,630**	**10,237**	**657,144**	**563,371**	**51,063**	**1,336,445**

Consolidated Cash Flow Statements as at 31/3/07, 31/3/06 and 31/12/06

€ thousand	1/1-31/03/2007	1/1-31/03/2006	1/1-31/12/2006
A - Cash and cash equivalents at the beginning of period (short-term net financial indebteness)	**217,604**	**24,709**	**24,709**
B - Cash generated from/(used in) operating activities			
Profit/ (Loss) for the period of the Group	51,063	56,066	395,425
Non recurring income due to the Sarlux acquisition	0	0	(199,168)
Amortization, depreciation and write-down of fixed assets	39,942	17,008	118,553
Net (income)/charges from equity interests	(2,633)	(18,732)	(35,512)
Net change in provisions for risks and charges	(2,785)	1,822	(3,082)
Net change in employee benefits	278	963	(4,586)
Change in tax liabilities and tax assets	(22,466)	141	(33,527)
Income taxes	33,446	23,378	107,026
Profit (Loss) from operating activities before changes in working capital	**96,845**	**80,646**	**345,129**
(Increase)/Decrease in trade receivables	7,397	(34,959)	8,110
(Increase)/Decrease in inventory	(38,054)	(6,681)	(29,766)
Increase/(Decrease) in trade and other payables	6,361	55,636	(15,739)
Change in other current assets	25,958	(19,991)	(41,769)
Change in other current liabilities	48,489	24,984	86,673
Income taxes paid	0	0	(205,555)
Change in other non-current liabilities	27,546	2,716	61,513
Total (B)	**174,542**	**102,351**	**208,596**
C - Cash flow from investment activities			
(Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization	(35,547)	(23,876)	(129,807)
Change in equity interests valued by the equity method	0	30	
Dividends from unconsolidated subsidiaries	1	0	208
45% Sarlux acquisition	0	0	(127,047)
100% Caprabo (Saras Energia Red S.A. acquisition	0	0	(28,041)
Total (C)	**(35,546)**	**(23,846)**	**(284,687)**
D - Cash generated from/(used in) financing activities			
Increase/(Decrease) in medium/long term borrowings	(1,043)	(10,747)	(134,350)
(Increase)/Decrease in other financial assets	(197)	(984)	(6,427)
Increase/(Decrease) in short term borrowings	29,122	119,472	(1,409)
Capital increase	0	0	342,430
Dividend distribution to shareholders	0	(170,181)	(170,181)
Fair Value beni immateriali Sarlux Srl (al netto effetto fiscale)	0	0	
Interest received/(paid)	(4,111)	(2,163)	(12,563)
Total (D)	**23,771**	**(64,603)**	**17,500**
E - Cashflow for the period (B+C+D)	**162,767**	**13,902**	**(58,591)**
F - Cash from new consolidated subsidiaries	**0**	**0**	**251,486**
Sarlux S.r.l.	0	0	249,940
Caprabo (Saras Energia Red S.A.)	0	0	1,546
G - Cash and cash equivalents at the end of period (short-term net financial indebteness)	**380,371**	**38,611**	**217,604**

Notes to the Consolidated Quarterly Report as at 31 March 2007

1. Foreword

Saras S.p.A. (also referred to hereinafter as the “Holding Company” or “Saras”) is a joint-stock company with its registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and is controlled by Angelo Moratti S.A.P.A. for 62.461%.

The Saras Group operates in the domestic and international oil market as a refiner of crude oil and as seller of products derived from the refining process. The group is also engaged in electricity generation through the integrated gasification combined cycle (IGCC) plant of its subsidiary Sarlux S.r.l. and a joint venture, Parchi Eolici Ulassai S.r.l., which owns and operates a wind farm.

The financial data shown refer to the period from 1 January to 31 March for the financial years 2007 and 2006 respectively. The balance sheet figures refer to 31 March 2007 and to 31 December 2006

This consolidated quarterly report is presented in euro because euro is the currency of the economy in which the Group operates, and is composed of a Balance Sheet, Income Statement, Cashflow Statement, Statement of Changes in Shareholders’ Equity and these Notes. Unless stated otherwise, all amounts shown in the above statement and in the notes to the consolidated quarterly report, bearing in mind their size and significance, are expressed in thousands of euro, as permitted by art. 1 of Consob resolution n. 11661 dated 20 October 1998.

The quarterly report as at 31 March 2007 must be read jointly with the Saras Group consolidated report as at 31 December 2006.

The quarterly report as at 31 March 2007 is not subject to audit.

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

The consolidated quarterly report as at 31 March 2007 has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure outlined in Article 6 of Regulation EC No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The contents of the quarterly report, following the provisions in Consob resolution n. 14990 dated 14 April 2005, are defined according to indications in attachment 3D of Consob Issuers Regulations (Consob Regulation n. 11971 dated 14 May 1999 and further modifications); therefore, the provisions in the international accounting principle regarding interim reports (IAS 34 "Interim Financial Reporting") were not adopted. The presentation of accounting prospectus corresponds to those presented in the half-year report and the annual report.

The consolidation perimeter comprises the following companies:

	Percentage owned
Fully consolidated	
- Sarlux S.r.l.	100%
- Arcola Petrolifera S.p.A	100%
- Sartec Saras Ricerche e Tecnologie S.p.A.	100%
- Consorzio Ricerche Associate in liquidation	100%
- Ensar S.r.l. and subsidiary:	100%
· Eolica Italiana S.r.l.	100%
- Akhela S.r.l.	100%
- Sarint S.A. and subsidiaries:	100%
· Saras Energia S.A. and subsidiary:	100%
· Saras Energia Red S.A.	100%
· Reasar S.A.	100%
Joint Venture measured at equity	
- Parchi Eolici Ulassai S.r.l. and subsidiary:	70%
· Sardeolica S.r.l.	100%
Not relevant subsidiaries excluded from the consolidation area and measured at equity	
- Xanto S.r.l. in liquidation and subsidiary:	100%
· Xanto Basilicata S.r.l. in liquidation	100%
Associated companies measured at equity	
- Dynergy S.r.l.	37.5%
- Hangzhou Dadi Encon Environmental Equipment Co.	37.5%
- Nova Eolica S.r.l.	20%
Other interests measured at fair value as per IAS 39	
- Consorzio Cesma	5%
- Consorzio Cifra in liquidation	16.67%
- Consorzio La Spezia Energia	5%
- Consorzio Techno Mobility	17.4%
- Sarda Factoring	6%

A change from the first quarter 2006 is the inclusion in the consolidation area of Saras Energia Red S.A., a spanish-law company acquired on 7 July 2006 by the subsidiary Saras Energia S.A., which operates in the oil products distribution sector.

Moreover, a change from 31 March 2006 is that on 28 June 2006, the Court of Cagliari released from seizure the 45% of Sarlux S.r.l.. Therefore, as of 28 June 2006 Saras acquired control of Sarlux S.r.l. and increased its shareholding from 55% to 100%. As from that date, Sarlux is therefore booked in the Saras Group financial statements according to the full consolidation (line-by-line) method.

The stake in Hydrocontrol Società Consortile a r.l. has been sold on 2 February 2007.

3. Segment review

The main financial items for each segment are reported in the following table:

(€ thousand)	Refining	Marketing	Power Generation (c)	Other	Total
31 march 2006					
Net revenues from ordinary operations	1,406,207	430,940		8,020	1,845,167
to deduct: intra-segment revenues	(356,251)	(54,427)		(4,175)	(414,853)
Third parties revenues	1,049,956	376,513		3,845	**1,430,314**
Other revenues	11,151	535		166	11,852
to deduct: intra-segment revenues	(1,604)	(120)		(109)	(1,833)
Other revenues from third parties	9,547	415		57	**10,019**
Operating Profit (a)	53,176	7,017		(2,241)	**57,952**
Net income on non consolidated subsidiaries					
- Sarlux S.r.l.			16,355		16,355
- Parchi Eolici Ulassai S.r.l.			2,426		2,426
- Xanto S.r.l. in liquidation				(49)	(49)
Total net income on non consolidated subsidiaries			18,781	(49)	**18,732**
TOTAL ASSETS DIRECTLY ATTRIBUTABLE (b)	1,334,257	360,729		37,602	**1,732,588**
of which:					
equity interests valued by the equity method					
- Sarlux S.r.l.			110,298		110,298
- Parchi Eolici Ulassai S.r.l.			4,731		4,731
- Xanto S.r.l. in liquidation				848	848
Total equity interests valued by the equity method			115,029	848	**115,877**
TOTAL LIABILITIES DIRECTLY ATTRIBUTABLE (b)	1,144,701	139,510		34,030	**1,318,241**
Investments in tangible assets	22,696	31		537	**23,264**
Investments in intangible assets		92		5	**97**

(€ thousand)	Refining	Marketing	Power Generation (c)	Other	Total
31 March 2007					
Net revenues from ordinary operations	1,333,982	432,682	132,968	8,861	**1,908,493**
to deduct: intra-segment revenues	(362,049)	(31,046)	(8,392)	(4,952)	**(406,439)**
Third parties revenues	971,933	401,636	124,576	3,909	**1,502,054**
Other revenues	10,087	1,475	3,220	177	**14,959**
to deduct: intra-segment revenues	(6,282)	(32)	(3,101)	(112)	**(9,527)**
Other revenues from third parties	3,805	1,443	119	65	**5,432**
Operating Profit (a)	70,742	1,730	33,398	(455)	**105,415**
Net income on non consolidated subsidiaries					
- Parchi Eolici Ulassai S.r.l.			2,633		**2,633**
Total			2,633		**2,633**
TOTAL ASSETS DIRECTLY ATTRIBUTABLE (b)	1,371,833	400,340	1,573,504	40,568	**3,386,245**
of which:					
equity interests valued by the equity method					
- Parchi Eolici Ulassai S.r.l.			11,234		**11,234**
- Xanto S.r.l. in liquidation				1,369	**1,369**
Total equity interests valued by the equity method			11,234	1,369	**12,603**
TOTAL LIABILITIES DIRECTLY ATTRIBUTABLE (b)	841,415	161,380	1,014,475	32,530	**2,049,800**
Investments in tangible assets	25,964	147	4,464	573	**31,148**
Investments in intangible assets	4,233	130		36	**4,399**

(a) Operating result is determined without considering intra-segment eliminations.
(b) Total asset and liabilities are calculated after intra-segment eliminations.
(c) Sarlux S.r.l. has been consolidated with the line-by-line method as of 28 June 2006.

Intra-segment transactions have been made at prevailing market conditions.

4. Trade receivables

Detailed information as follows:

	31/03/2007	31/03/2006	Change
Trade Receivables			
From clients	566,156	573,389	(7,233)
From non consolidated Group companies	930	1,094	(164)
Total	**567,086**	**574,483**	**(7,397)**

5. Inventories

Detailed information as follows:

	31/03/2007	31/03/2006	Change
Inventory			
raw materials, spare parts and consumables	223,758	171,199	52,559
work in progress and semi-finished products	42,364	37,815	4,549
finished products and goods held for sale	365,995	388,369	(22,374)
advances	5,739	2,419	3,320
Total	**637,856**	**599,802**	**38,054**

The increase in this item is mainly due to higher inventory quantities (mainly crude oil).

6. Property, plant and equipment

Detailed information as follows:

HISTORIC COST	31/12/2006	Additions	(Disposals)	Revaluations (Write-downs)	Other changes	31/03/2007
Land and buildings	132,512	16			(837)	**131,691**
Plant and machinery	1,952,833	1,477			34,123	**1,988,433**
Industrial and commercial equipment	14,320	6			12	**14,338**
Other assets	418,499	191			(7,516)	**411,174**
Work in progress and advances	62,250	29,458			(5,820)	**85,888**
Total	**2,580,414**	**31,148**	**0**	**0**	**19,962**	**2,631,524**

ACCUMULATED DEPRECIATION	31/12/2006	Depreciation charge	(Disposals)	Revaluations (Write-downs)	Other changes	31/03/2007
Land and buildings	36,596	1,087			(1,423)	**36,260**
Plant and machinery	1,132,254	23,316			25,228	**1,180,798**
Industrial and commercial equipment	9,447	470			0	**9,917**
Other assets	297,029	4,580			(3,906)	**297,703**
Total	**1,475,326**	**29,453**	**0**	**0**	**19,899**	**1,524,678**

NET BOOK VALUE	31/12/2006	Additions	(Disposals)	Revaluations (Write-downs)	Other changes	31/03/2007
Terreni e Fabbricati	95,916	16		(1,087)	586	**95,431**
Impianti e Macchinari	820,579	1,477		(23,316)	8,895	**807,635**
Attrezz. industriali e comm.li	4,873	6		(470)	12	**4,421**
Altri beni	121,470	191		(4,580)	(3,610)	**113,471**
Immobilizz. in corso ed acconti	62,250	29,458			(5,820)	**85,888**
Total	**1,105,088**	**31,148**	**0**	**(29,453)**	**63**	**1,106,846**

The increase in the period is mainly due to investments in the refining segment on a new desulphurization plant and a unit for the treatment of tail gas from sulphur recovery plants.

7. Intangible assets

	31/12/2006	Additions	(Disposals)	Other changes	(Amortization)	31/03/2007
Industrial and other patent rights	1,520	85		434	(217)	**1,822**
Concessions, licences, trade marks and similar rights	30,807			113	(395)	**30,525**
Goodwill	2,515					**2,515**
Asset under construction and advances	402	4,233				**4,635**
Other intangible assets	549,106	81		(633)	(9,877)	**538,677**
Total	**584,350**	**4,399**	**0**	**(86)**	**(10,489)**	**578,174**

The item "Concessions, licenses, trademarks and similar rights" mainly refers to the effects deriving from the acquisition of Estaciones de Servicio Caprabo S.A. (now Saras Energia Red S.A.) by Saras Energia S.A.; the fair value valuation of assets and liabilities implied the accounting of an additional intangibile asset to reflect the contractual conditions implying the return of such asset after 20 years.

The item "Goodwill" refers to the acquisition of Carthago S.A. (now incorporated in Saras Energia S.A.).

The item "Other intangible assets" mainly refers to the 45% Sarlux S.r.l. acquisition and includes the fair value as at 30 June 2006 of the sale contract between Sarlux S.r.l. and the national grid operator Gestore del Sistema Elettrico (GSE).

The Additions in the period are mainly due to the gas exploration activities in the south of Sardinia.

8. Short and medium-long term financial liabilities

Detailed information as follows:

	31/03/2007	31/12/2006	Change
Bank loans	137,064	138,549	(1,485)
Bank accounts	82,979	61,153	21,826
Loans from unconsolidated group companies	801	2,395	(1,594)
Derivatives	10,375		10,375
Total short term financial liabilities	**231,219**	**202,097**	**29,122**
Bank loans	321,628	322,671	(1,043)
Total medium-long term financial liabilities	**321,628**	**322,671**	**(1,043)**

Additional information related to bank loans are reported in the following table:

Values in million of Euro	Date of borrowing	Amount originally borrowed	Base rate	Outstandig at 31/12/06	Outstanding at 31/03/07	Maturity 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years	Security
Saras S.p.A.									
San Paolo Imi	20-Dec-04	30.0	Euribor 6M	30.0	30.0	10.0	20.0	-	30.0
Unicredit	20-Dec-04	50.0	Euribor 6M	50.0	50.0	16.7	33.3	-	50.0
Total Saras S.pA.				**80.0**	**80.0**	**26.7**	**53.3**	**0.0**	
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1.7	2.35%	0.8	0.8	0.1	0.7	-	
San Paolo Imi	30-Jun-97	1.2	2.95%	0.1	0.1	0.1	0.0	-	
Akhela S.r.l.									
Banco di Sardegna	24-Apr-02	3.1	Euribor 6M	1.5	1.5	0.6	0.9		
BNL	2-Oct-02	8.3	Euribor 6M	2.7	1.4	1.4			
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	6.7	6.1	1.1	4.4	0.6	
Sarlux S.r.l.									
Banca Intesa	29-Nov-96	572.0	Libor 3M	220.3	219.9	63.5	156.3		220
BEI	29-Nov-96	180.0	7.35%	74.5	74.4	21.6	52.9		75
BEI	29-Nov-96	208.0	Euribor 3M	74.6	74.5	22.0	52.5		75
Total debt to banks for loans				**461.2**	**458.7**	**137.1**	**321.0**	**0.6**	

The weighted average interest rate as at 31st March 2007 was equal to 5.5% (commitment and guarantee fees of Sarlux S.r.l. included).

The loan received by Saras S.p.A. granted by San Paolo Imi S.p.A. (an initial €30 million) is subject to the following two covenants (with reference to the Parent Company's figures):

- Debt/equity ratio of less than 2.3; and
- EBITDA/net interest expense ratio of higher than 3.

Furthermore, please note that Sarlux S.r.l. must respect certain parameters before distributing dividends with regards to these loans. Specifically, in order to free up this liquidity, the following must be respected:

- The following bank accounts of the subsidiary held at Banca Intesa in London must contain funds to cover the costs expected:
    - Maintenance Reserve Account: collects the amounts for commitments made to guarantee maintenance operations of the I.G.C.C. plant for the following half-year;
    - Debt Service Reserve Account: includes the amounts destined to banks to make loan repayments (the capital plus interest) that are due in the following half-year;
    - Air Liquide Account: includes the amounts to guarantee the supply of oxygen that Air Liquide Italia will make in the following half-year;
- The following parameters are respected, with reference to the financial figures deriving from the financial statements and forecasts of Sarlux S.r.l.:
    - Annual Debt Service Cover Ratio (A.D.S.C.R.): the ratio of Available Cash Flow Post Tax (for the following 12 months) and the Total debt to be repaid (in the following 12 months), must be higher than 1.15;
    - Loan Life Cover Ratio (L.L.C.R.): Net Present Value Cash Flow Post Tax (expected for the residual life of the contract) and the Total debt to be repaid, must be higher than 1.2.

In addition, the entirety of Sarlux S.r.l. shares were pledged to banking institutions to guarantee loans granted.

9. Trade and other payables

Detailed information as follows:

	31/03/2007	31/12/2006	Change
Advances from clients	3,413	2,910	503
Amounts payable to suppliers	553,794	548,117	5,677
Trade payables to unconsolidated group companies	638	31	607
Trade payables to associate companies	138	564	(426)
Total	**557,983**	**551,622**	**6,361**

10. Current tax liabilities

Detailed information as follows:

	31/03/2007	31/12/2006	Change
To Italian Government for IRES	58,027	9,227	48,800
To Italian Government for IRAP	5,605	2,557	3,048
To Italian Government for VAT	16,717	15,659	1,058
Other current tax liabilities	45,874	24,650	21,224
Total	**126,223**	**52,093**	**74,130**

The increase in IRES (i.e. corporate) income tax and IRAP (regional tax) debt on 31 March 2006 figures is due to tax provisions made for the period.
The item “Other” includes debt for excise duties; the increase in this item is caused by the prepayment request only in the month of December.

11. Provisions for risks

Detailed information as follows:

	31/03/2007	31/12/2006	Change
Provision for dismantling of plants	16,826	16,826	0
Provision for other risks	4,874	7,659	(2,785)
Total	**21,700**	**24,485**	**(2,785)**

The decrease of “Other provisions” mainly refers to the adjustments done in order to comply to the Emission Trading regulations.

12. Deferred taxes

This item has decreased by € 22,466 thousand compared to 31 December 2006 figure.
Deferred tax liabilities are shown net of deferred tax assets.

Deferred tax liabilities mainly refer to :

- the accelerated depreciation and to the inventory LIFO valuation made solely for tax purposes
- the effect of the evaluation at fair value as at 30 June 2006 of the existing contract with the National Grid Operator .

Deferred taxes principally arise due to the accounting methods followed for existing leasing contracts, referred to in the following note regarding “Other non-current liabilities”.
Changes from 31 december 2006 are due to the increase of tax assets related to the existing leasing contracts.

13. Other non-current liabilities

	31/03/2007	31/12/2006	Change
Advances from clients	809	1,599	(790)
Payables to welfare and social security	230	213	17
Other	6,077	4,383	1,694
Deferred income	535,174	508,571	26,603
Total	**542,290**	**514,766**	**27,524**

The item “deferred income” regards the application of IFRIC 4 for the treatment of the energy contract in place with G.S.E. (Gestore dei Servizi Elettrici S.p.A.). Revenues from electricity sold are affected by their being linearised in connection with the fact that the electricity supply contract, pursuant to IAS 17, Leasing and the interpretation of IFRIC 4, *Determining whether an arrangement contains a Lease*, has been recognised as a contract regulating the utilisation of the plant by the customer of the company Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been linearised in keeping with both the term of the contract, 20 years, and forecasts for the price of crude oil, which constitutes a determining factor when it comes to both electricity tariffs and electricity production costs.

14. Shareholders’ equity

The Group shareholders’ equity as at 31 March 2007 is equal to € 1,336,445 thousand (to be compared to € 1,285,382 thousand as at 31 December 2006).
The analysis of the movements is reported in the Group Financial statement section in this report .
The increase is due to the first quarter 2007 profit (€ 51,063 thousand).
On 27th April 2007, the AGM approved the distribution of an ordinary dividend of 0.15 euro per share for a total amount of € 142,650 thousand; such dividend has not been included in the liabilities.

15. Earnings per share

In the calculation of the “base earning per share” the net profit of the Group has been used.
The base earning per share for the quarter is 5.37 €cent per share.
Since no diluting factors exist, diluted earnings per share are the same as base earnings per share.

16. Revenues

		31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Revenues from ordinary operations		1,502,055	1,430,314	71,741	124,576
Other revenues		5,432	10,019	(4,587)	119
	Total	**1,507,487**	**1,440,333**	**67,154**	**124,695**

Not considering Sarlux S.r.l. revenues, not consolidated in the first quarter 2006, the decrease is mainly attributable to a decrease of oil products prices partially compensated by an increase of the quantities sold.

17. Other income

		31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Revenues for stocking and mandatory supplies		1,886	2,834	(948)	
Tanker ship rentals		0	0	0	
Sale of sundry materials		1,014	826	188	
Insurance reinbursement		84	551	(467)	
Orher revenues		2,448	5,808	(3,360)	119
	Total	**5,432**	**10,019**	**(4,587)**	**119**

The balance of other revenues is basically made up of charges to Sarlux S.r.l. up to 30 June 2006, the date at which full consolidation of the subsidiary began, for services sold to Sarlux based on existing 20-years contracts.

18. Purchases of raw materials, spare parts and consumables

		31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Purchase of raw material, spare parts and consumables		1,218,037	1,257,779	(39,742)	1,334
	Total	**1,218,037**	**1,257,779**	**(39,742)**	**1,334**

The decrease is mainly attributable to a decrease of oil products prices partially compensated by an increase of the quantities purchased.

19. Cost of services and sundry costs

	31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Cost of services	103,347	72,765	30,582	35,250
Rents, leasing and similar costs	3,110	1,675	1,435	648
Provision for risks	10	0	10	
Other provisions	0	0	0	
Other charges	6,424	3,591	2,833	2,953
Total	**112,891**	**78,031**	**34,860**	**38,851**

Cost of services includes chartering of tankships, other transportation costs, electricity, steam, hydrogen and other utilities; the increase is mainly due to the consolidation of Sarlux S.r.l..

Other operating charges includes local taxes not related to income (ICI) and membership fees.

20. Personnel cost

	31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Wages and salaries	20,711	19,258	1,453	416
Social security	6,806	5,857	949	121
Staff severance indemnity	853	1,598	(745)	19
Pension and similar	648	864	(216)	4
Other costs	762	562	200	25
Emoluments to directors	1,422	1,424	(2)	
Total	**31,202**	**29,563**	**1,639**	**585**

The change in the items “staff leaving indemnity” and “pensions and similar obligations” is due to the change of the actualisation rate used between 31 March 2007 and 31 December 2006, pursuant to IAS 19 (notes 78 and 79).

21. Depreciation, amortisation and write-downs

	31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Intangible assets amortization	10,489	248	10,241	9,783
Tangible assets depreciation	29,453	16,032	13,421	10,540
Other write-downs of assets	0	0	0	
Write-downs of receivables in current assets	0	728	(728)	
Total	**39,942**	**17,008**	**22,934**	**20,323**

As shown in the table above, the increase in amortisations and depreciations is mainly due to the consolidation of the subsidiary Sarlux S.r.l. and the related amortisation of the national grid operator contract.

22. Net income/(charges) from equity interests

	31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Parchi Eolici Ulassai S.r.l.	2,633	2,425	208	
Sarlux S.r.l.		16,355	(16,355)	
Xanto S.r.l. in liquidation		(48)	48	
Total	**2,633**	**18,732**	**(16,099)**	**0**

It is worth to be noted that Sarlux S.r.l. is still evaluated by the equity method in the first quarter of 2006 since acquisition took place as at 28 June 2006.

23. Financial income/(charges)

	31/03/2007	31/03/2006	Change	Sarlux from 01/01 to 31/03/07
Other financial income				
from fin. assets recorded under current assets	29	378	(349)	
Income other than above				
- from non-consolidated subsidiaries	37	114	(77)	
- bank account and postal deposits interests	2,070	66	2,004	1,569
- fair value of existing financial derivative instruments at closing date				
- positive differences on financial derivative instruments	4,944	5,616	(672)	
- other income	23	542	(519)	
Interests and other financial charges				
- to non-consolidated subsidiaries	(16)	(499)	483	
- to associated companies	(8)		(8)	
- fair value of existing financial derivative instruments at closing date	(21,987)	(87)	(21,900)	
- negative differences on financial derivative instruments	(1,985)	(455)	(1,530)	
- other (interest on mortgages, interest in arrears, etc.)	(7,246)	(4,325)	(2,921)	(5,414)
Profits and losses on exchange differences for non commercial transactions	600	1,410	(810)	(18)
Total	**(23,539)**	**2,760**	**(26,299)**	**(3,863)**

In the first quarter 2007 derivative contracts made to reduce the company's exposure to price fluctuations in refining margins, had a negative impact due to the significant increase in these margins.

Detail of the Group companies

Name	Headquarter	Currency	Share capital	Portion consolidated by Grouup (%)		Portion % of share capital	Shareholder	% voting rights	Business relatonship
				as at March 2007	as at December 2006				
- Arcola Petrolifera S.p.A	Sarroch (CA)	Euro	7,755,000	100%	100%	100%	Saras S.p.A.	100%	Subsidiary
- Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	Euro	3,600,000	100%	100%	100%	Saras S.p.A.	100%	Subsidiary
- Consorzio Ricerche Associate in liq.	Capoterra (CA)	Euro	3,105,971	100%	100%	100%	Saras S.p.A.	100%	Subsidiary
- Ensar S.r.l. e società controllata:	Milano	Euro	100,000	100%	100%	100%	Saras S.p.A.	100%	Subsidiary
· Eolica Italiana S.r.l.	Cagliari	Euro	100,000	100%	100%	100%	Ensar S.r.l.	100%	Subsidiary
- Akhela S.r.l.	Uta (CA)	Euro	3,000,000	100%	100%	100%	Saras S.p.A.	100%	Subsidiary
- Sarint S.A. e società controllate:	Luxembourg	Euro	50,705,314	100%	100%	100%	Saras S.p.A.	100%	Subsidiary
· Saras Energia S.A e società controllate:	Madrid (Spagna)	Euro	44,559,840	100%	100%	100%	Sarint S.A.	100%	Subsidiary
· Saras Energia Red S.A.	Madrid (Spagna)	Euro	1,322,227	100%	100%	100%	Saras Energia S.A.	100%	Subsidiary
· Reasar S.A.	Luxembourg	Euro	1,225,001	100%	100%	100%	Sarint S.A.	100%	Subsidiary
- Sarlux S.r.l.	Sarroch (CA)	Euro	27,730,467	100%	100%	100%	Saras S.p.A.	100%	Subsidiary
- Parchi Eolici Ulassai S.r.l. e società controllata:	Cagliari	Euro	500,000	70%	70%	70%	Saras S.p.A.	70%	Joint venture
· Sardeolica S.r.l.	Cagliari	Euro	56,696	100%	100%	100%	Parchi Eolici Ulassai S.r.l.	70%	Joint venture
- Xanto S.r.l. in liquidazione e Società controllate:	Milano	Euro	100,000	100%	100%	100%	Akhela S.r.l.	100%	Subsidiary
· Xanto Basilicata S.r.l. in liquidazione	Milano	Euro	10,000	100%	100%	100%	Xanto S.r.l.	100%	Subsidiary
- Dynergy S.r.l.	Genova	Euro	179,000	37.5%	37.5%	37.5%	Saras Ricerche e Tecnologie S.p.A.	37.5%	Associated co
- Hangzhou Dadi Encon Environmental Equipment Co.	Hangzhou	RMB	14,050,200	37.5%	37.5%	37.5%	Saras Ricerche e Tecnologie S.p.A.	37.5%	Associated co
- Nova Eolica S.r.l.	Cgliari	Euro	10,000	20%	20%	20%	Ensar S.r.l.	20%	Associated co
- Consorzio Cesma	Castellamonte (TO)	Euro	51,000	5%	5%	5%	Saras Ricerche e Tecnologie S.p.A.	5%	Other interest
- Consorzio Cifra in liquidazione	Cagliari	Euro	92,000	16.67%	16.67%	16.67%	Akhela S.r.l.	16.67%	Other interest
- Consorzio La Spezia Energia	La Spezia	Euro	50,000	5%	5%	5%	Arcola Petrolifera S.p.A.	5%	Other interest
- Consorzio Techno Mobility	Cagliari	Euro	57,500	17.4%	17.4%	17.4%	Saras Ricerche e Tecnologie S.p.A.	17.4%	Other interest
- Sarda Factoring	Cagliari	Euro	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other interest

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