

**Saras
Group
Half Year
Report
as at
30 June
2007**



“This is a translated version of the first half 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”

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Statutory bodies

BOARD OF DIRECTORS

GIAN MARCO MORATTI
MASSIMO MORATTI
ANGELO MORATTI
GILBERTO CALLERA
MARIO GRECO
ANGELOMARIO MORATTI
GABRIELE PREVIATI
DARIO SCAFFARDI

Chairman
Chief Executive Officer
Vice Chairman
Independent Director
Independent Director
Director
Director
Director and General Manager

BOARD OF STATUTORY AUDITORS

CLAUDIO MASSIMO FIDANZA
GIOVANNI LUIGI CAMERA
MICHELE DI MARTINO
LUIGI BORRE'
MASSIMILIANO NOVA

Chairman
Permanent Auditor
Permanent Auditor
Stand-in Auditor
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-sites¹, 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).

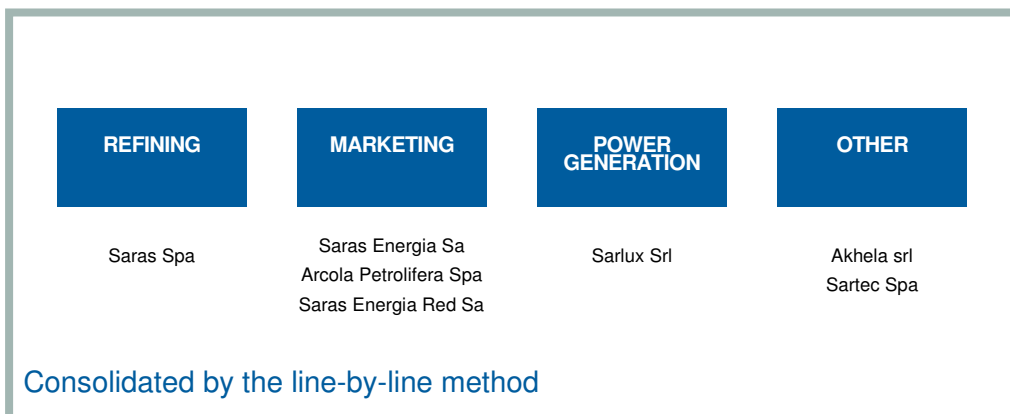
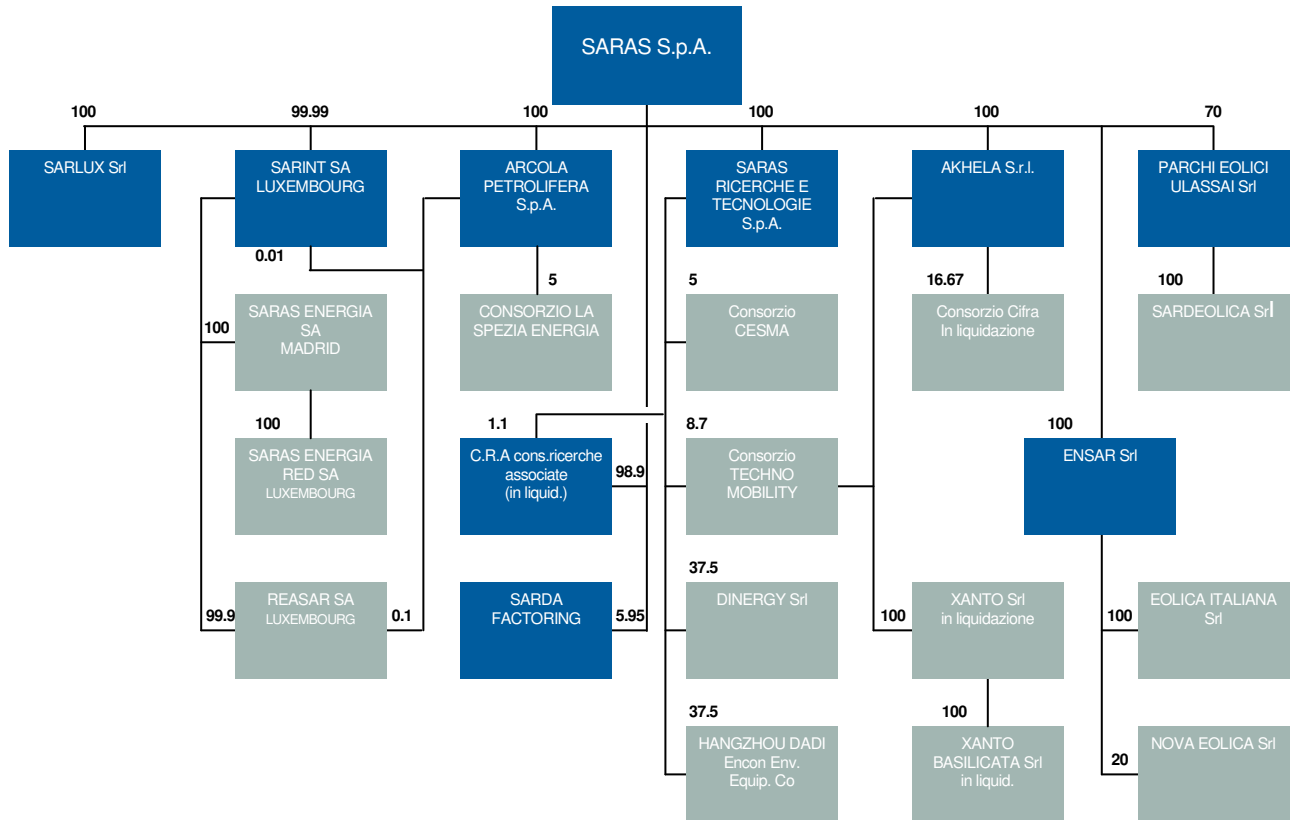
The IGCC plant, which is completely integrated with the Sarroch refinery's production processes, produces power, hydrogen and steam, as well as sulphur and metal concentrates, by using heavy crude oil residues originating from refining processes (assimilated to renewable sources). The power produced 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.



Consolidated under the equity method
Saras share is 70%



Parchi Eolici Ulassai
Sardeclica Srl

Stock performance

Below are some data concerning prices and daily volumes relating to the Saras share between 02/01/2007 and 29/06/2007.

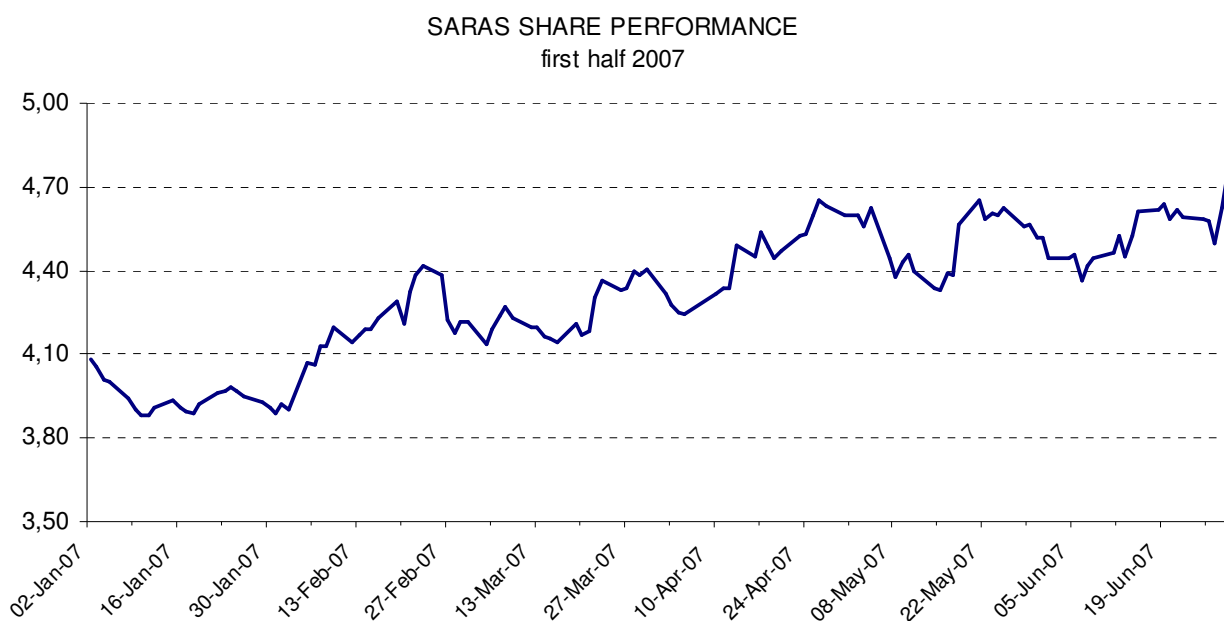
| SHARE PRICE, EURO | Q2/07 | H1/07 |
|--|-------|-------|
| Minimum price * | 4.240 | 3.813 |
| Maximum price * | 4.750 | 4.750 |
| Average price | 4.548 | 4.308 |
| Closing price at the end of the period | 4.743 | 4.743 |

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

| DAILY TRADED VOLUMES, Millions of Euro | Q2/07 | H1/07 |
|--|--------|--------|
| Maximum volume | 46.042 | 54.896 |
| Minimum volume | 6.482 | 5.774 |
| Average volume | 16.182 | 17.411 |

Market capitalization at 29/06 amounts to about EUR 4,511 million.

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



REPORT ON OPERATIONS

Comments on Group results

Highlights for the period

- **Group adjusted net income² at EUR 160.5 ml, up 51% on H1/07**
 - Q2/07 Group adjusted net income EUR 89.5 ml, up 122% on Q2/06
- **Group comparable EBITDA³ at EUR 354.3 ml, up 32% on H1/06**
 - Q2/07 Group comparable EBITDA at EUR 199.3 ml, up 60% on Q2/06
- **Good operating performance of all the segments**, in particular of refining with minimized impact of scheduled maintenance at Sarroch refinery during Q2
- **Saras refining&power margin at record high of 12.2 \$/bl in H1/07 up 11% versus H1/06** (14.3\$/bl in Q2/07 up 17% vs Q2/06)
 - **refinery margin at 8.2 \$/ bl in H1/07** (9.9 \$/bl in Q2/07)
 - **power (IGCC) margin at 4.0 \$/bl vs 4.3 in H1/06**
- **Strong operating cashflow above EUR 500 ml in the period**
 - **Net Financial Position positive by EUR 12 ml** from EUR 135 ml negative on 31/03/2007 and EUR 285 ml negative on 31/12/2006

Key Consolidated Economic and Financial Figures

Below are key consolidated economic and financial figures, shown in comparison with the data related to the same period last year; each individual quarter is not subject to review by the independent auditing firm PricewaterhouseCoopers S.p.A. **It is worth to be noted that** that 2006 figures are proforma, i.e. with Sarlux S.r.l. fully consolidated as of 1st January 2005.

Saras Group income statement figures

| EUR Million | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|----------------------------|--------------|--------------|-------------|--------------|--------------|--------------|------------|
| REVENUES | 1,700.6 | 1,440.0 | 18% | 1,507.4 | 3,208.0 | 2,820.0 | 14% |
| EBITDA | 265.7 | 201.2 | 32% | 145.3 | 411.0 | 339.3 | 21% |
| EBITDA comparable | 199.3 | 124.5 | 60% | 155.0 | 354.3 | 268.1 | 32% |
| EBIT | 225.9 | 161.9 | 40% | 105.3 | 331.2 | 260.8 | 27% |
| EBIT comparable | 159.4 | 85.2 | 87% | 115.0 | 274.4 | 189.6 | 45% |
| NET INCOME | 136.0 | 75.8 | 79% | 50.9 | 186.9 | 138.6 | 35% |
| adjusted NET INCOME | 89.5 | 40.3 | 122% | 71.0 | 160.5 | 106.6 | 51% |

² **Adjusted net income** (not audited) : 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** (not audited) : calculated evaluating inventories at LIFO. In H1/07 a non recurring income of EUR 5.2 million (due to change in law in the calculation of provision for employee retirement benefits) has been deducted

Other Group figures

| EUR Million | Q2/07 | Q2/06 | Q1/07 | H1/07 | H1/06 |
|-------------------------------|-------|-------|-------|-------|-------|
| NET FINANCIAL POSITION | 12 | (304) | (135) | 12 | (304) |
| CAPEX | 57 | 46 | 36 | 93 | 69 |
| OPERATING CASH FLOW | 347 | 54 | 185 | 523 | 66 |

Details of consolidated net income adjustments

| EUR Million | Q2/07 | Q2/06 | Q1/07 | H1/07 | H1/06 |
|--|--------|--------|-------|--------|--------|
| NET INCOME | 136.0 | 75.8 | 50.9 | 186.9 | 138.6 |
| (inventories at LIFO-inventories at FIFO) net of taxes | (38.7) | (48.1) | 6.1 | (32.6) | (44.6) |
| non recurring items net of taxes | (3.5) | 8.1 | | (3.5) | 8.1 |
| change of derivatives fair value net of taxes | (4.3) | 4.5 | 14.0 | 9.7 | 4.6 |
| adjusted NET INCOME | 89.5 | 40.3 | 71.0 | 160.5 | 106.6 |

Remarks on the first half results

Saras Group posted an excellent performance in the first half of 2007, driven by the Refining segment that registered a significant increase on H1/06. The other business segments also achieved good results.

The first half 2007 has been characterized by robust refining margins and an important maintenance cycle at the Sarroch refinery that involved the shutdown of one crude distillation unit, one vacuum unit and the visbreaking unit. As a consequence refinery runs have been reduced by about 5% from normal levels.

Compared to same period of last year, also characterized by maintenance, it is worthy of note that the impact has been significantly lower due to the different units involved in the maintenance: in H1/06 runs were reduced by about 10% from normal levels and also the loss of conversion capacity was higher.

Saras Refining&Power margin reached record high of 12.2 \$/bl (+11% vs H1/06) confirming the track record of superior margins of the Saras site.

Group Revenues of EUR 3,208 ml are up 14% versus H1/06 thanks to higher oil and products prices.

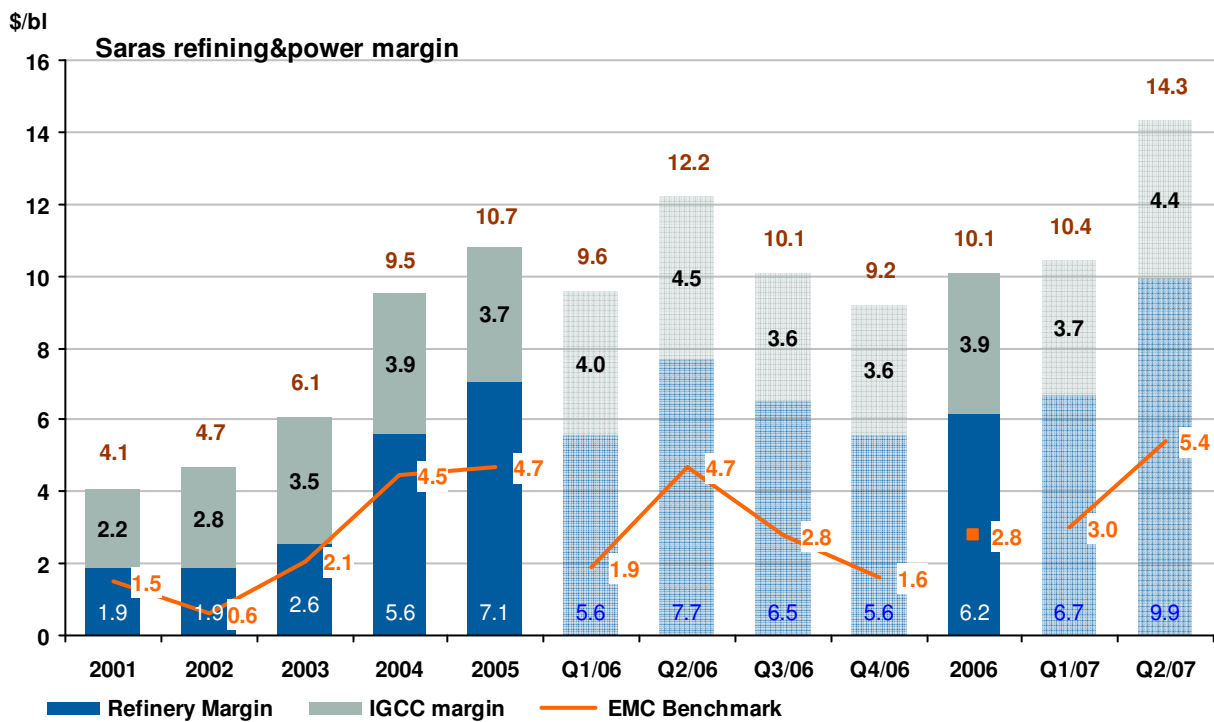
Group Comparable EBITDA of EUR 354 ml registered an increase of 32% vs H1/06 thanks to higher refining margins and good operations in all the segments.

The positive trend of Group results has been partially offset by a sharp increase of EUR/USD exchange rate that gained 8%, from an average value of 1.23 in H1/06 to an average value of 1.33 in H1/07.

Adjusted net income of EUR 161 ml, registered an increase of 51% vs H1/06. The result has been negatively affected by commodity derivatives as a consequence of the hedging program for 2007.

CAPEX were at EUR 93 ml in the period, in line with the investment program for 2007.

Net Financial Position at the end of June turned to a positive of EUR 12 ml from a negative of EUR 285 ml at the end of 2006 thanks to a strong operating cash flow.



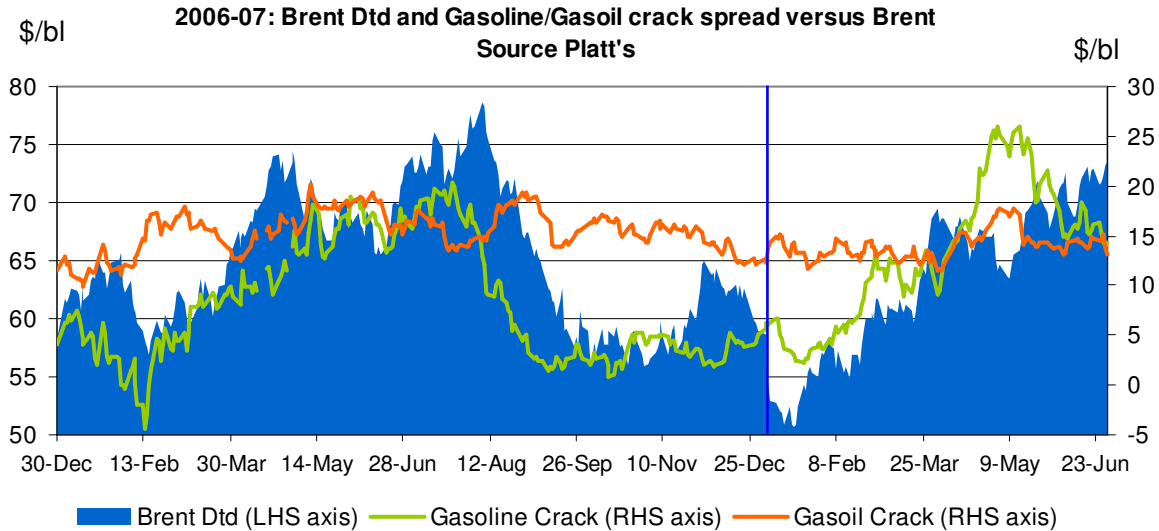
Refinery margins: (comparable refining LIFO EBITDA + Fixed Costs) / Refinery Crude Runs in the period.

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.



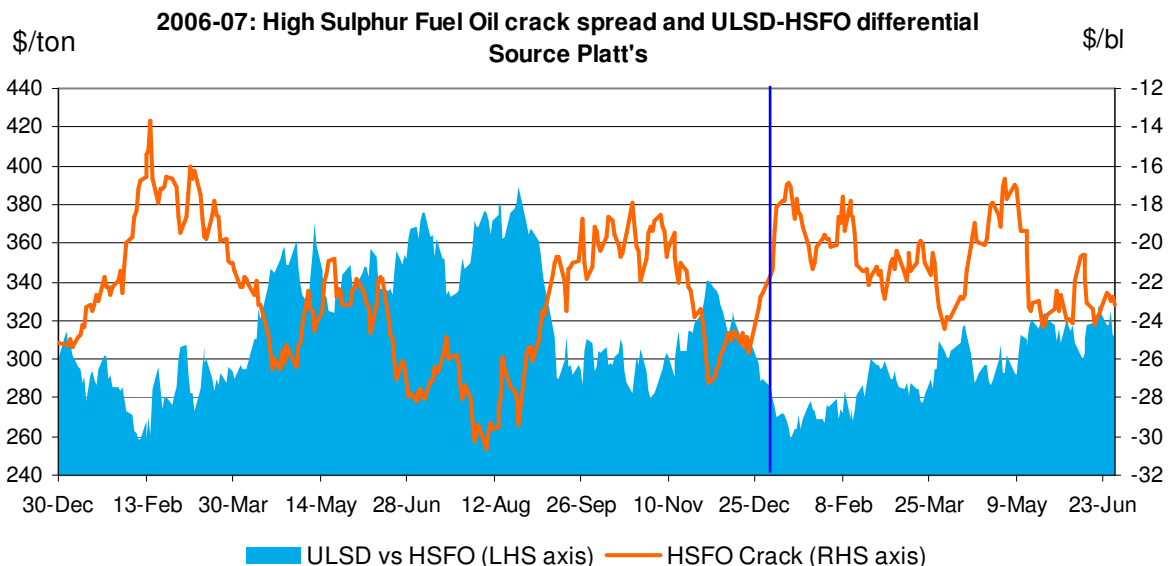
Dated Brent price averaged 68.9 \$/bl in Q2, thus bringing the average price for the first half of the year to 63.2 \$/bl.

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 quite constantly during the first and second quarter up to above 73 \$/bl at the end of June.

The market was substantially product driven and in particular gasoline driven, thanks to a very tight market in the US: a low refinery utilization rate in the US (for planned and unplanned shutdowns) and a robust growth in demand, underpinned by an unseasonal early start of the driving season, pushed gasoline crack spread to above 25 \$/bl in May.

ULSD crack spread was much more stable: at the beginning of the year it moved in the range 13-15 \$/bl, before peaking to almost 20 \$/bl in May and retracing to 13-15 \$/bl in June.



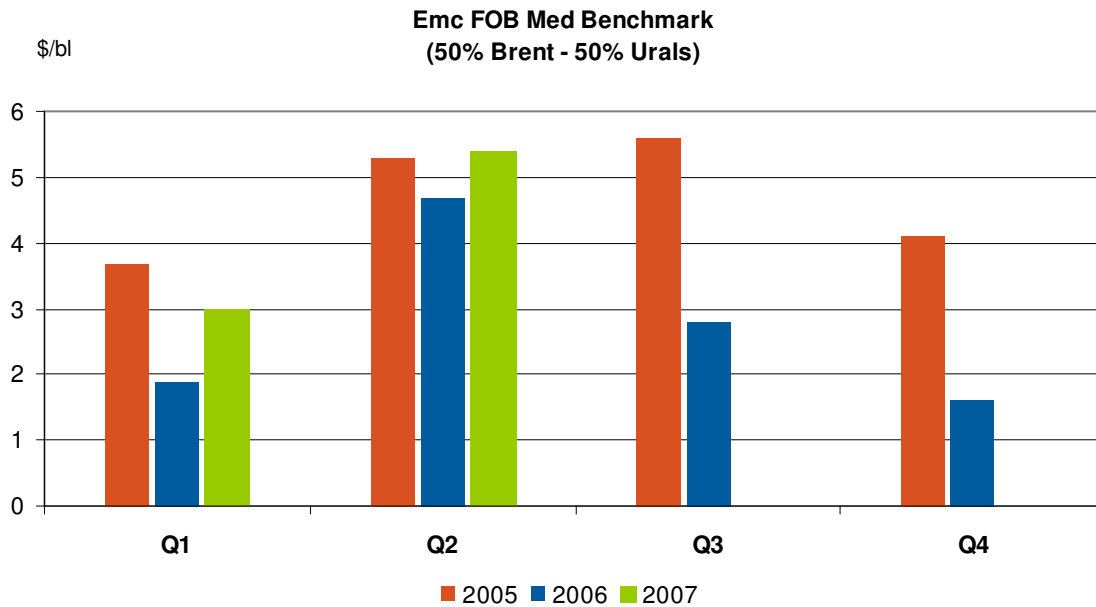
HSFO crack spread was overall quite strong in the first half of the year, but during the second quarter it widened, falling to more typical levels.

The light-heavy differential (ULSD-HSFO) strengthened both during the first and the second quarter, increasing from 260 \$/ton to about 320 \$/ton, with an average value of 309 \$/ton in Q2 and 294 \$/ton in H1.

Below the graph shows the margin calculated by EMC (Energy Market Consultants) used by Saras as a benchmark.

The average of Q2/07 has been 5.4 \$/bl to be compared with 4.7 \$/bl of same quarter last year.

The average of H1/07 has been 4.2 \$/bl to be compared with 3.3 \$/bl of same period last year.



Segment Reviews

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

Refining

| EUR Million | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA | 197.2 | 137.8 | 43% | 88.5 | 285.7 | 206.1 | 39% |
| EBITDA <i>comparable</i> | 140.8 | 66.8 | 111% | 95.7 | 236.5 | 144.5 | 64% |
| EBIT | 179.6 | 120.0 | 50% | 70.7 | 250.3 | 173.2 | 45% |
| EBIT <i>comparable</i> | 123.2 | 49.0 | 151% | 77.9 | 201.1 | 111.6 | 80% |
| CAPEX | 51 | 44 | 15% | 30 | 81 | 67 | 20% |

Remarks on the first half

The first half of 2007 was characterized by and an important maintenance and upgrading cycle at Sarroch refinery that involved the shutdown of one crude distillation unit, one vacuum unit and the visbreaking unit. As a consequence refinery runs have been reduced by about 5% from normal levels.

Compared to same period last year, also characterized by maintenance, the impact of the shut down was significantly lower due to the different units involved: in H1/06 runs were reduced by about 10% and also loss of conversion capacity was significantly higher.

The upgrades carried out during Q2/07 will improve Saras' refining margin by about 0.5 \$/bl starting from Q3/07 thanks to the additional conversion capacity that will allow an incremental production of about 150,000 tons of diesel on a yearly basis.

Refinery runs in the first half were 291 kbd (7.2 Mton) up 9% versus same period last year. Runs for third parties represented 38% of total, a lower figure compared to last year (50%), due to the expiry of a contract that has not been renewed.

Refining margins remained robust during the first half of the year, especially during the second quarter, mainly due to the extremely high gasoline crack spread.

The EMC benchmark averaged 4.2 \$/bl in the first half (3.0 \$/bl in Q1 and 5.4 \$/bl in Q2) up 0.9 \$/bl from same period last year.

Saras' refining margin in H1/07 was 8.2 \$/bl, with a premium over the benchmark of 4.0 \$/bl. The premium improved by 0.6 \$/bl from same period last year thanks to:

- lower impact of maintenance on conversion capacity;
- better product yields after Q2/06 upgrades (additional 200,000 tons of diesel production on yearly basis) which positively impacted by about 0.5 \$/bl;
- improved operational performance

In particular, **during the second quarter**, despite the scheduled partial shutdown carried out in May and June, the premium to the benchmark has been boosted up to 4.5 \$/bl (from 3.7 \$/bl last quarter) as outcome of several factors related both to the market and to excellent operating performance.

On the market side an increased differential between diesel and fuel oil (309 \$/ton in Q2/07 vs 280 \$/ton in Q1/07) helped to improve the premium.

On the operations side, the production of gasoline has been maximized during the second quarter, despite maintenance, thanks to the use of feedstocks for the MildHydrocracking and Cracking units. Naphtha&Gasoline yield in the second quarter reached almost 29% (from 27% in Q1/07) allowing Saras to fully exploit the strong gasoline trend.

Margins and refinery runs

| | | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|---------------------------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|
| REFINERY RUNS | Thousand ton | 3,415 | 2,918 | 17% | 3,809 | 7,224 | 6,627 | 9% |
| | Million bl | 24.9 | 21.3 | 17% | 27.8 | 52.7 | 48.4 | 9% |
| | thousand bl/day | 274 | 234 | 17% | 309 | 291 | 267 | 9% |
| | | | | | | | | |
| of which: Processing for own account | Thousand ton | 2,061 | 1,302 | | 2,420 | 4,481 | 3,314 | |
| Processing on behalf of third parties | Thousand ton | 1,354 | 1,615 | | 1,389 | 2,743 | 3,312 | |
| | | | | | | | | |
| EXCHANGE RATE | EUR/USD | 1.35 | 1.26 | 7% | 1.31 | 1.33 | 1.23 | 8% |
| | | | | | | | | |
| EMC BENCHMARK MARGIN | \$/bl | 5.4 | 4.7 | 15% | 3.0 | 4.2 | 3.3 | 27% |
| SARAS REFINERY MARGIN | \$/bl | 9.9 | 7.7 | 29% | 6.7 | 8.2 | 6.7 | 23% |

Production

| | | Q2/07 | Q1/07 | H1/07 | 2006 |
|--------------------|--------------|-------|-------|-------|-------|
| LPG | thousand ton | 79 | 84 | 163 | 312 |
| | yield | 2.3% | 2.2% | 2.3% | 2.2% |
| NAPHTHA + GASOLINE | thousand ton | 979 | 1,029 | 2,008 | 3,893 |
| | yield | 28.7% | 27.0% | 27.8% | 27.3% |
| MIDDLE DISTILLATES | thousand ton | 1,774 | 1,986 | 3,760 | 7,350 |
| | yield | 51.9% | 52.1% | 52.0% | 51.4% |
| FUEL OIL & OTHERS | thousand ton | 119 | 182 | 301 | 725 |
| | yield | 3.5% | 4.8% | 4.2% | 5.1% |
| TAR | thousand ton | 243 | 306 | 549 | 1,152 |
| | yield | 7.1% | 8.0% | 7.6% | 8.1% |

Crude Oil slate

| | | Q2/07 | Q1/07 | H1/07 | 2006 |
|-----------------------|------|-------|-------|-------|------|
| Light extra sweet | | 48% | 40% | 44% | 43% |
| Light sweet | | 1% | 3% | 2% | 5% |
| Medium sweet | | | | | 1% |
| Light sour | | | | | |
| Medium sour | | 26% | 30% | 28% | 23% |
| Heavy Sour | | 25% | 27% | 26% | 28% |
| Average crude gravity | °API | 33.4 | 32.4 | 32.9 | 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 | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|--------------------------|------------|------------|------------|------------|-------------|-------------|------------|
| EBITDA | 17.3 | 12.4 | 40% | 3.0 | 20.3 | 19.7 | 3% |
| <i>EBITDA comparable</i> | <i>7.2</i> | <i>6.7</i> | <i>7%</i> | <i>5.5</i> | <i>12.7</i> | <i>10.1</i> | <i>26%</i> |
| EBIT | 16.1 | 12.1 | 33% | 1.7 | 17.8 | 19.1 | -7% |
| <i>EBIT comparable</i> | <i>6.0</i> | <i>6.4</i> | <i>-6%</i> | <i>4.2</i> | <i>10.2</i> | <i>9.5</i> | <i>7%</i> |
| CAPEX | 0.8 | 0.0 | | 0.3 | 1.1 | 0.2 | |

Remarks on the first half

The first half of the year has been characterized by lower retail and marketing margins compared to same period last year. The main reason was a mild winter during the first part of the year that caused a significant reduction of heating oil consumption in Europe, putting also pressure on the diesel market. Secondly the rapid run-up in crude prices caused further downward pressures on margins in the second quarter.

The trend of increased diesel consumption has continued both in Italy and Spain in H1/07 (about +3% in Italy and +5% in Spain versus H1/06) while consumption of gasoline is constantly decreasing (about -6% in Italy and -4% in Spain versus H1/06).

In this context the Marketing segment registered a good performance in H1/07, increasing comparable EBITDA by 26% versus same period last year mainly thanks to a robust increase of sales and consequently market share both in Spain and Italy.

The acquisition of 36 service stations located in the Spanish-Med area (not part of the Group in H1/06) contributed to the increase.

To be highlighted the good performance of our subsidiary in the Spanish market, whose sales in the first two quarters of the year grew over 20% compared to same periods of last year. The increase is wholly attributable to diesel sales increased by around 30%.

Sales

| | | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|----------------|------|-------|-------|-------|-------|-------|-------|-------|
| TOTAL SALES | Kton | 920 | 771 | 19% | 934 | 1,854 | 1,574 | 18% |
| of which Italy | Kton | 268 | 236 | 14% | 255 | 523 | 499 | 5% |
| of which Spain | Kton | 652 | 535 | 22% | 680 | 1,331 | 1,075 | 24% |

Power Generation

Below are the main financial data of the Power segment related to operations by Sarlux S.r.l.:

| EUR Milion | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA | 52.3 | 52.3 | | 53.7 | 106 | 115.4 | -8% |
| EBIT | 31.8 | 30.3 | 5% | 33.4 | 65.2 | 71.3 | -9% |
| EBITDA ITALIAN GAAP | 51.3 | 86.8 | -41% | 85.6 | 136.9 | 166.3 | -18% |
| EBIT ITALIAN GAAP | 37.9 | 73.3 | -48% | 72.4 | 110.3 | 139.6 | -21% |
| NET INCOME ITALIAN GAAP | 22.6 | 44.0 | -49% | 43.4 | 66.0 | 83.3 | -21% |
| CAPEX | 5.5 | 2.0 | 175% | 4.5 | 10.0 | 2.0 | 400% |

Other figures

| | | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|
| ELECTRICITY PRODUCTION | MWh/1000 | 934 | 1,136 | -18% | 1,215 | 2,150 | 2,291 | -6% |
| POWER TARIFF | Eurocent/KWh | 13.0 | 13.7 | -5% | 12.7 | 12.8 | 13.5 | -5% |
| POWER IGCC MARGIN | \$/bl | 4.4 | 4.5 | -2% | 3.7 | 4.0 | 4.3 | -5% |

Remarks on the first half

The performance of the Sarlux IGCC plant was in line with expectations during the first half of 2007.

The second quarter was characterized by the routine maintenance on one gasification and one power production train, including a planned major overhaul on one out of three gas turbines and maintenance on the Air Liquide oxygen plant. As a consequence of heavier maintenance total electricity production declined by 18% versus Q2/06 (-6% comparing H1/07 vs H1/06).

Power tariff declined by 5% both Q2/07 vs Q2/06 and H1/07 vs H1/06 due to lower oil prices.

In terms of IFRS EBITDA the second quarter was in line with the same period last year since scheduled maintenance, related production changes and minor tariff changes are included in the linearisation procedure required by the IFRS accounting principles. The decrease registered in H1/07 vs H1/06 is instead attributable to the change of the linearization procedure starting from Q2/06.

In terms of Italian GAAP results the combined effect of lower production and lower power tariff caused a significant contraction of EBITDA: -41% Q2/07 vs Q2/06 and -18% H1/07 vs H1/06

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 | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|---------------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA | (1.1) | (1.3) | 15% | 0.1 | (1.0) | (1.9) | 47% |
| EBIT | (1.6) | (0.5) | -220% | (0.5) | (2.1) | (2.8) | 25% |

First half 2007 confirms the improvements achieved during 2006

Wind

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

| EUR million | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA | 5.9 | 4.7 | 25% | 9.4 | 15.2 | 12.4 | 23% |
| EBIT | 3.6 | 2.8 | 28% | 7.1 | 10.7 | 8.6 | 25% |
| NET INCOME | 2.0 | 1.6 | 25% | 3.8 | 5.8 | 5.0 | 15% |
| Adjusted NET INCOME (*) | 1.4 | 1.6 | -11% | 3.4 | 4.8 | 5.0 | -3% |

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

Other figures

| | | Q2/07 | Q2/06 | var % | Q1/07 | H1/07 | H1/06 | var % |
|-------------------------------|-------------|--------|--------|-------|--------|--------|--------|-------|
| ELECTRICITY PRODUCTION | MWh | 31,789 | 31,624 | 1% | 54,910 | 86,699 | 84,526 | 3% |
| POWER TARIFF | EURcent/KWh | 9.9 | 6.7 | 47% | 7.6 | 8.4 | 7.1 | 19% |
| GREEN CERTIFICATES | EURcent/KWh | 11.9 | 12.1 | -2% | 11.9 | 11.9 | 12.1 | -2% |

Remarks on the first half

Ulassai wind farm achieved a good performance during H1/07 with electricity production up 3% versus same period last year. The increase of power tariff versus same period last year also contributed to the good result.

A significant increase of interest rates caused Adjusted Net Income to be just in line with same period last year.

Net Financial Position

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

| | 30-Jun-07 | 31-Mar-07 | 31-Dec-06 |
|--|--------------|--------------|--------------|
| Medium/long term bank loans | (262) | (322) | (323) |
| total long term net financial position | (262) | (322) | (323) |
| Short term bank loans | (133) | (137) | (139) |
| Bank overdrafts | (70) | (83) | (61) |
| Other loans | 0 | 0 | 0 |
| Loans from unconsolidated subsidiaries | (1) | (1) | (2) |
| Loans made to unconsolidated subsidiaries | 6 | 13 | 9 |
| Interest rate swap fair value | 0 | 0 | 0 |
| Other marketable financial assets | 14 | 14 | 14 |
| Cash and cash equivalents | 458 | 380 | 218 |
| total short term net financial position | 273 | 186 | 38 |
| Total net financial position | 12 | (135) | (285) |

The Net Financial Position at the end of June turned to a positive of EUR 12 from a negative of EUR 135 ml at the end of March and a negative of EUR 285 ml on 31/12/2006.

The explanation of the trend is the strong cash flow from operations that was EUR 523 ml in H106 (EUR 347 ml in the second quarter), of which EUR 139 ml from the reduction of working capital (EUR 54 ml in Q2/07).

Personnel

The average number of employees of the Group during the first half of 2007 was 1,718, 141 higher compared to last year, mainly because of the personnel of Saras Energia Red SA, which started operations in the second half of 2006.

| | 30/06/2007 | 30/06/2006 |
|---------------|--------------|--------------|
| Managers | 70 | 65 |
| White collars | 1,185 | 1,052 |
| Intermediates | 20 | 21 |
| Blue collars | 443 | 439 |
| | 1,718 | 1,577 |

Strategy and Investments

Continuous upgrading of the Sarroch supersite is the main focus of Saras' investments, and will be the key factor in providing significant organic growth whilst ensuring our operations remain competitive and sustainable in the long term.

In this respect, during scheduled maintenance in the second quarter, several upgrades have been undertaken on one crude distillation unit, one vacuum unit and the visbreaker in order to further increase diesel production versus fuel oil by about 150,000 tons per year starting from Q3/07. This will have an impact of about 0.5 \$/bl on Saras' refining margin. These activities mark the completion of the first stage of the 2006-2009 EUR 600 million Capex plan which aimed to increase diesel production by 350,000 tons per year with an expected overall improvement of Saras' refining margin of 1.1-1.2 \$/bl.

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

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

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 and will allow Saras to be aligned with the best standards in terms of sulphur emissions.

The preliminary phase of construction of the bio-diesel plant in Cartagena has been completed, and the unit will be ready for the start up in the first half of 2008.

Other activities

- The other projects of the 2006-2009 investment plan (globally EUR 600 ml) are in the engineering phase and some procurement activities are beginning
- Gas exploration: seismic tests in Sardinia are continuing with encouraging preliminary findings; final results are expected by end 2008.

Capex by segment

| | Q2/07 | Q1/07 | H1/2007 | 2006 |
|-------------------------|-----------|-----------|-----------|------------|
| REFINING | 51 | 30 | 81 | 108 |
| POWER GENERATION | 6 | 4 | 10 | 12 |
| MARKETING | 1 | 0 | 1 | 9 |
| OTHER | 1 | 1 | 1 | 1 |
| Total | 57 | 36 | 93 | 130 |

Outlook

- Starting from the beginning of Q3 refining margins declined sharply on the back of recovering refinery utilization and pressure on crude oil market coming from fundamentals and from speculation. On the fundamentals side the most relevant factors were a temporary reduction in North Sea supplies deriving from field maintenance and the prolonged effect of OPEC production cuts put in place between the end of 2006 and the beginning of this year.
- Notwithstanding the recent dip in refinery margins, the medium term outlook remains positive, given the projected strong growth in oil demand (that IEA sees at 2.0-2.5% per annum) and the tight situation of the refining industry which has also to face the challenge of new investments to comply with more stringent product specifications. All this in an environment of soaring capital costs, lack of engineering skills and consequently increasing delays for projects completion.
- During this temporary market situation Saras will benefit from its processing contracts (about 35-40% of total refinery runs) that provide an efficient protection in case of downturns in refining margins. These contracts have an embedded put option with a minimum guaranteed margin for Saras of about 5.0-5.5 \$/bl (after variable costs).
- During Q4/07 there will be a planned maintenance at one distillation unit which will reduce runs by about 11% from normal levels (estimated runs in Q4/07 in the range of 24.5-25.2 million barrel).
- Gas exploration: seismic tests in Sardinia are continuing with encouraging preliminary findings; final results are expected by end 2008.

Main events after the end of the first half 2007

- At the beginning of Q3 Saras decided to bring forward the catalyst substitution of one of its MildHydrocracking units previously scheduled in the last quarter of 2007. The activity was completed during the month of July 2007, with an impact on EBITDA at the lower end of the anticipated range of 7 to 10 million USD. This will allow to fully benefit of the strong diesel demand that normally characterize last period of the year.
- On 26th July 2007 Saras started the purchase plan of own ordinary shares finalized to the free assignment to employees and to the execution of the Stock Grant plan that will be completed as provided for in the purchase plan approved by the AGM held on 27th April 2007,

SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance-Sheets as at 30/06/07 and 31/12/06

| EUR thousand | (1) | (2) | 30/06/07 | 31/12/06 |
|---|---------|-----|------------------|------------------|
| ASSETS | | | | |
| Current Assets | 5.1 | | 1,672,478 | 1,513,799 |
| Cash and cash equivalents | 5.1.1 | A | 458,155 | 217,604 |
| Other financial assets held for trading | 5.1.2 | B | 14,186 | 13,816 |
| Trade receivables | 5.1.3 | C | 537,425 | 574,483 |
| <i>of which with related parties</i> | | | 240 | 1,094 |
| Inventory | 5.1.4 | D | 624,900 | 599,802 |
| Current tax assets | 5.1.5 | E | 4,107 | 66,344 |
| Other assets | 5.1.6 | F | 33,705 | 41,750 |
| <i>of which with related parties</i> | | | 5,598 | 8,551 |
| Non-current assets | 5.2 | | 1,723,082 | 1,706,568 |
| Property, plant and equipment | 5.2.1 | H | 1,131,671 | 1,105,088 |
| Intangible assets | 5.2.2 | J | 570,762 | 584,350 |
| Equity interests consolidated under the equity method | 5.2.3.1 | K | 13,880 | 9,970 |
| Other equity interests | 5.2.3.2 | K | 1,191 | 1,192 |
| Other financial assets | 5.2.4 | M | 5,578 | 5,968 |
| Total assets | | | 3,395,560 | 3,220,367 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities | 5.3 | | 1,022,184 | 866,545 |
| Short-term financial liabilities | 5.3.1 | R | 208,459 | 202,097 |
| <i>of which with related parties</i> | | | 1,962 | 2,395 |
| Trade and other payables | 5.3.2 | R | 610,547 | 551,622 |
| <i>of which with related parties</i> | | | 581 | 595 |
| Current tax liabilities | 5.3.3 | W | 131,145 | 52,093 |
| Other liabilities | 5.3.4 | R | 72,033 | 60,733 |
| Non-current liabilities | 5.4 | | 1,042,276 | 1,068,440 |
| Long-term financial liabilities | 5.4.1 | R | 261,942 | 322,671 |
| Provisions for risks | 5.4.2 | P | 23,199 | 24,485 |
| Provisions for employee benefits | 5.4.3 | Q | 40,172 | 45,431 |
| Deferred tax liabilities | 5.4.4 | W | 177,454 | 161,087 |
| Other liabilities | 5.4.5 | R | 539,509 | 514,766 |
| <i>of which with related parties</i> | | | | |
| Total liabilities | | | 2,064,460 | 1,934,985 |
| SHAREHOLDERS' EQUITY | 5.5 | O,V | | |
| Share capital | | | 54,630 | 54,630 |
| Legal reserve | | | 10,926 | 10,237 |
| Other reserves | | | 1,078,611 | 825,090 |
| Profit/(loss) for the period | | | 186,933 | 395,425 |
| Total shareholders' equity | | | 1,331,100 | 1,285,382 |
| <i>of which : minority interest</i> | | | | |
| capital and reserves | | | | |
| Profit (loss) for the period | | | | |
| <i>Total minority interest</i> | | | | |
| Total liabilities and shareholders' equity | | | 3,395,560 | 3,220,367 |

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

(2) please refer to the notes to the consolidated financial statements - chapter 3.2 "Summary of accounting principles and policies adopted"

Consolidated Income Statements for the periods 1/1-30/6/07 and 1/1-30/6/06

| EUR thousand | (1) | (2) | 1-Jan-2007 30-Jun-2007 | of which non recurring | 1-Jan-2006 30-Jun-2006 | of which non recurring |
|---|-------|-----|---------------------------|------------------------------|---------------------------|------------------------------|
| Revenues from ordinary operations <i>of which with related parties</i> | 6.1.1 | S | 3,196,044 | | 2,799,777 | |
| Other income <i>of which with related parties</i> | 6.1.2 | S | 12,055 | | 20,609 | |
| | | | 81 | | 108,323 | |
| | | | 172 | | 8,928 | |
| Total revenues | | | 3,208,099 | | 2,820,386 | |
| Purchases of raw materials, spare parts and consumables <i>of which with related parties</i> | 6.2.1 | T | (2,514,946) | | (2,382,518) | |
| Cost of services and sundry costs <i>of which with related parties</i> | 6.2.2 | T | (221,674) | | (160,128) | |
| Personnel costs | 6.2.3 | Q | (60,415) | 5,156 | (53,864) | |
| Depreciation, amortization and write-downs | 6.2.4 | H,J | (79,750) | | (34,512) | |
| | | | (5) | | (1,161) | |
| | | | (1,374) | | (26,016) | |
| Total costs | | | (2,876,785) | 5,156 | (2,631,022) | |
| Operating results | | | 331,314 | 5,156 | 189,364 | |
| Net income (charges) from equity interests <i>of which with related parties</i> | 6.3 | K,V | 3,903 | | 32,279 | |
| Other financial income/(charges), net <i>of which with related parties</i> | 6.4 | X | (32,693) | | (19,583) | |
| Sarlux S.r.l acquisition <i>of which with related parties</i> | 6.5 | | 53 | | 199,167 | 199,167 |
| IPO and company restructuring charges | 6.6 | | | | 199,167 | (12,922) |
| | | | | | (12,922) | (12,922) |
| Profit before taxes | | | 302,524 | 5,156 | 388,305 | 186,245 |
| Income tax for the period | 6.7 | W | (115,591) | (1,701) | (62,370) | 2,717 |
| Net profit/(loss) for the period | | | 186,933 | 3,455 | 325,935 | 188,962 |
| of which minority interest | | | | | | |
| Net Profit (Loss) for the Group | | | 186,933 | 3,455 | 325,935 | 188,962 |
| Earnings per share - base (Euro cent) | | Y | 19.66 | | 38.04 | |
| Earnings per share - diluted (Euro cent) | | Y | 19.66 | | 38.04 | |

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

(2) please refer to the notes to the consolidated financial statements - chapter 3.2 "Summary of accounting principles and policies adopted"

Statement of Changes in Consolidated Shareholders' Equity for the periods 01/01/06-30/06/07

| EUR thousand | Share capital | Legal reserve | Other reserves | Profit/ (Loss) for the period | Shareholders' equity |
|--|---------------|---------------|------------------|-------------------------------|----------------------|
| Balance as at 31/12/2005 | 51,183 | 10,237 | 174,706 | 292,642 | 528,768 |
| Capital increase (net of IPO costs) | 3,447 | | 338,983 | | 342,430 |
| Allocation of previous period profit | | | 152,946 | (152,946) | |
| Dividends | | | (30,485) | (139,696) | (170,181) |
| Shareholders' equity increase related to the fair value evaluation of assets and liabilities of the 55% sarlux stake | | | 188,940 | | 188,940 |
| Profit (loss) for the first half | | | | 325,935 | 325,935 |
| Balance as at 30/06/2006 | 54,630 | 10,237 | 825,090 | 325,935 | 1,215,892 |
| Profit (loss) for the second half half | | | | 69,490 | 69,490 |
| Balance as at 31/12/2006 | 54,630 | 10,237 | 825,090 | 395,425 | 1,285,382 |
| Allocation of previous period profit | | 689 | 252,086 | (252,775) | |
| Dividends | | | | (142,650) | (142,650) |
| Reserve for employee stock plan | | | 1,435 | | 1,435 |
| Profit (loss) for first half | | | | 186,933 | 186,933 |
| Balance as at 30/06/2007 | 54,630 | 10,926 | 1,078,611 | 186,933 | 1,331,100 |

Consolidated Cash Flow Statements as at 30/06/07, 30/06/06 and 31/12/06

| EUR thousand | 1-Jan-2007 30-Jun-2007 | 1-Jan-2006 30-Jun-2006 | 1-Jan-2006 31-Dec-2006 |
|--|---------------------------|---------------------------|---------------------------|
| A - Cash and cash equivalents at the beginning of period (short-term net financial indebtedness) | 217,604 | 24,709 | 24,709 |
| B - Cash generated from/(used in) operating activities | | | |
| Profit/ (Loss) for the period of the Group | 186,933 | 325,935 | 395,425 |
| Non recurring income due to the Sarlux acquisition | | (199,168) | (199,168) |
| Amortization, depreciation and write-down of fixed assets | 79,750 | 34,512 | 118,553 |
| Net (income)/charges from equity interests | (3,910) | 34,026 | (35,512) |
| <i>of which with related parties</i> | <i>(3,910)</i> | <i>34,026</i> | <i>(35,512)</i> |
| Net change in provisions for risks and charges | (1,286) | (117) | (3,082) |
| Net change in employee benefits | (5,259) | (6,176) | (4,586) |
| Change in tax liabilities and tax assets | 16,367 | 91,251 | (33,527) |
| Income tax | 115,591 | 62,370 | 107,026 |
| Profit (Loss) from operating activities before changes in working capital | 388,186 | 342,633 | 345,129 |
| (Increase)/Decrease in trade receivables | 37,058 | 18,382 | 8,110 |
| <i>of which with related parties</i> | <i>854</i> | <i>26,680</i> | <i>(195)</i> |
| (Increase)/Decrease in inventory | (25,098) | (114,261) | (29,766) |
| Increase/(Decrease) in trade and other payables | 58,925 | 40,161 | (15,739) |
| <i>of which with related parties</i> | <i>(14)</i> | <i>(10,694)</i> | <i>(351)</i> |
| Change in other current assets | 70,282 | (30,044) | (41,769) |
| <i>of which with related parties</i> | <i>2,953</i> | <i>24,273</i> | <i>(10,886)</i> |
| Change in other current liabilities | 28,014 | (44,930) | 86,673 |
| Income tax paid | (60,490) | (100,813) | (205,555) |
| Change in other non-current liabilities | 24,743 | (45,074) | 61,513 |
| <i>of which with related parties</i> | | <i>(51,876)</i> | |
| Other non cash items | 1,612 | | |
| Total (B) | 523,232 | 66,054 | 208,596 |
| C - Cash flow from investment activities | | | |
| (Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization | (92,922) | (67,258) | (129,807) |
| Change in equity interests valued under the equity method | | | |
| Change in other equity interests | 1 | (40) | 208 |
| Dividends from unconsolidated subsidiaries | | | |
| 45% Sarlux acquisition | | (127,047) | (127,047) |
| 100% acquisition of Estaciones de Servicio Caprabo S.A. (Saras Energia Red S.A.) | | | (28,041) |
| interest received/(paid) | 7,237 | 4,980 | (12,563) |
| <i>of which with related parties</i> | <i>53</i> | <i>198</i> | <i>327</i> |
| Total (C) | (85,684) | (189,365) | (297,250) |
| D - Cash generated from/(used in) financing activities | | | |
| Increase/(Decrease) in medium/long term borrowings | (60,729) | (55,933) | (134,350) |
| (Increase)/Decrease in other financial assets | 20 | (6,174) | (6,427) |
| Increase/(Decrease) in short term borrowings | 6,362 | 24,952 | (1,409) |
| <i>of which with related parties</i> | <i>(433)</i> | <i>(381)</i> | <i>814</i> |
| Capital increase | | 342,430 | 342,430 |
| Dividend distribution to shareholders | (142,650) | (170,181) | (170,181) |
| Total (D) | (196,997) | 135,094 | 30,063 |
| E - Cashflow for the period (B+C+D) | 240,551 | 11,783 | (58,591) |
| F - Cashflow from new consolidated subsidiaries | | | |
| Sarlux S.r.l. | | 249,940 | 249,940 |
| Caprabo (Saras Energia Red S.A.) | | | 1,546 |
| G - Cash and cash equivalents at the end of period (short-term net financial indebtedness) | 458,155 | 286,432 | 217,604 |

Note: in order to better represent cashflows, new items have been introduced from previous years (income taxes, income taxes paid, interest paid, etc.). Consequently cashflow statement of the previous year has been modified accordingly.

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8. Release of First Half Report 2007

1. Introduction

Saras SpA (also referred to hereinafter as the “parent company” or “Saras”) is a company limited by shares with its registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and is 66% owned by Angelo Moratti S.A.P.A.

Saras operates on the domestic and international oil market as a refiner of crude and seller of products derived from the refining process. The Saras Group is also present in the energy sector as a producer of thermoelectric and wind power.

The currency used in this consolidated half-yearly report, which relates to the period ending 30 June 2007, is the euro, as this is the currency of the economic area in which the group operates. The report comprises the Balance Sheet, Profit and Loss account, Cash Flow Statement, Statement of Changes in Shareholders’ Equity and these Notes. Unless stated otherwise, all amounts shown in the notes to the consolidated half-yearly report are expressed in thousands of euro.

The half-yearly consolidated report to 30 June 2007 should be read in conjunction with the consolidated accounts of the Saras Group for the year ending 31 December 2006.

PricewaterhouseCoopers S.p.A. has carried out a limited review of the half-yearly consolidated report to 30 June 2007; the results of the audit will be published shortly.

2. General criteria for the preparation of the consolidated half-yearly report

The consolidated half-yearly report and financial statements for the period ended 30 June 2007 were prepared in accordance with the International Financial Reporting Standards (hereinafter: “IFRS” or “international accounting standards”) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Commission following the procedure laid down in art. 6 of EC Regulation 1606/2002 (European Parliament and Council) of 19 July 2002.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”), endorsed by the European Commission as of the date on which the draft consolidated financial statements and draft financial statements of the parent company were approved by the Board of Directors of the parent company and set out in the relevant EU Regulations published on the same date.

As required by CONSOB Resolution 15519 of 27 July 2006, the half-yearly financial statements have been prepared in accordance with the following criteria, which are considered those most appropriate to presenting a comprehensive business and financial overview of the group:

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

Pursuant to art. 81 of the implementing regulation for Legislative Decree 58 of 24 February, the half-yearly report has been drawn up in compliance with the international accounting standards applicable to interim reports (IAS 34 - *Interim financial reporting*), adopted in accordance with the procedure set out in art. 6 of EC Regulation 1606/2002. In addition, this half-yearly report includes the financial statements of the parent company.

The accounting policies presented below have been applied consistently in all periods reported.

3. Accounting policies adopted

Please note that the accounting policies applied in drawing up this half-yearly report are the same as those used in the preparation of the annual accounts for the year ending 31 December 2006 and conform to IFRS.

It should be noted that the IASB and IFRIC have approved certain modifications to the IFRS and certain interpretations, some of which have already been published in the Official Journal of the European Community. These modifications and interpretations become applicable for financial years starting on or after 1 January 2006.

1. Accounting principles, changes in accounting principles and interpretations applicable after 1 January 2007 material to the group's consolidated accounts:

- [A] IFRS 7, (*Financial instruments: disclosures*) and changes to IAS 1 (which require additional information to be included in the notes to the accounts); the additional information required will be provided in the annual report following 31 december 2006
- [B] IFRS 8, ("Operating segments") the Group applies IAS 14 according to IFRS 8: information required by the principle will be provided in the financial statements closed after 31 december 2008;
- [C] IFRIC 11, ("Group and treasury shares transactions"): early adopted.

2. Accounting principles, changes in accounting principles and interpretations applicable after 1 January 2006 not material to the group's consolidated accounts:

- [A] IFRIC 7 (*Applying the restatement approach under IAS 29*);
- [B] IFRIC 8 (*Scope of IFRS 2*);
- [C] IFRIC 9 (*Reassessment of embedded derivatives*);
- [D] IFRIC 10 (*Interim financial reporting and impairment*);
- [E] IFRIC 12, ("*Service concession arrangements*");
- [F] IFRIC 13, ("*Customer loyalty programmes*").

3.1 Consolidation method

The half-yearly consolidated financial statements include the statements of the parent company and those companies over which it directly or indirectly exercises control, from the date on which control was acquired and until the date on which such control ceases to exist.

In particular, control is exercised by virtue of the parent company's direct or indirect ownership of the majority of shares carrying voting rights and due to a dominant influence being exercised that is expressed by the power to determine directly, indirectly and by virtue of contractual or legal agreements, the financial and operating policies of the entities involved, thereby obtaining the related benefits, regardless of shareholding relationships.

The existence of any potential voting rights that may be exercised on the reporting date is taken into consideration in determining whether control exists.

The financial statements of the individual entities have been drawn up as at 30 June 2007 and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, which are adjusted as appropriate to bring them into line with the accounting standards adopted by the parent company.

Not included in the group's basis of consolidation (and therefore not consolidated on a line-by-line basis) are those subsidiaries whose consolidation would not have a significant effect from either a quantitative or qualitative point of view on the fair presentation of the group's profit, asset or cash flow position. These entities are accounted for using the equity method described below.

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

| Fully consolidated | percentage owned |
|--|-------------------------|
| Arcola Petrolifera S.p.A | 100% |
| Sarlux S.r.l. | 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 Ventures measured under the equity | |
| Parchi Eolici Ulassai S.r.l. and subsidiary: | 70% |
| Sardealica S.r.l. | 100% |
| | |
| Not relevant subsidiaries excluded from the consolidation area and measured under the equity method | |
| Xanto S.r.l. in liquidazione and subsidiary: | 100% |
| Xanto Basilicata S.r.l. in liquidation | 100% |
| | |
| Associated companies measured under the equity method | |
| Dynergy S.r.l. | 37.5% |
| Hangzhou Dadi Encon Environmental Equipment Co. | 37.5% |
| Nova Eolica S.r.l. | 20% |
| | |
| Other interests measured at cost being not relevant | |
| Consorzio Cesma | 5% |
| Consorzio Cifra | 16.7% |
| Consorzio La Spezia Energia | 5% |
| Consorzio Techno Mobility | 17.4% |
| Sarda Factoring | 6.0% |

It should be noted that from 28 June 2006, when Saras acquired control, the subsidiary Sarlux S.r.l. is now consolidated on a line-by-line basis, whereas, as a joint venture, it was previously carried at equity.

The subsidiary Parchi Eolici Ulassai S.r.l. is consolidated at equity, since although Saras S.p.A.'s stake amounts to 70%, the company is subject to joint control as a consequence of the shareholders agreement.

The following criteria have been adopted for the consolidation of subsidiaries on a line-by-line basis:

- [i] Assets and liabilities, and income and expense items are reported line-by-line, with the allocation – where applicable – of the portion of shareholders' equity and net profit attributable to minority shareholders; these items are shown separately under the relevant headings of the consolidated shareholders' equity statement and profit and loss account;
- [ii] Business combinations that lead to the control of an entity being acquired are accounted for under the purchase method. The cost of acquisition equates to the fair value on the date on which the entity's assets and liabilities, any equity instruments issued and any other directly attributable additional charges are acquired. Where positive, the difference between the acquisition cost and the fair value of the assets and liabilities acquired is allocated to the item 'Goodwill'. Where negative, it is charged to the profit and

loss account, once the fair values of the asset and liabilities acquired and the acquisition cost have again been verified;

- [iii] Gains and losses arising from transactions between fully consolidated companies that have yet to be realised with third parties, are eliminated – where significant – as are any inter-company payables and receivables, costs and revenues, and financial income and charges;
- [iv] Gains and losses arising from the transfer of equity interests in consolidated companies are charged to the profit and loss account in respect of amounts equating to the difference between the selling price and the corresponding percentage of consolidated shareholders' equity effectively transferred;

Investments in subsidiary companies that are not significant and are not consolidated on a line-by-line basis, in companies over which control is exercised jointly with other companies (joint ventures) and in companies over which the group exercises significant influence (referred to hereinafter as "associated companies"), which is presumed to exist when a stake of between 20% and 50% is held, are accounted for by the equity method, except where it is clear that the application of this method does not impact on the group's profit, asset and cash flow position; in such instances, the investment is measured at cost. The way in which the equity method is applied is described below:

- [i] The book value of an equity investment is brought into line with the shareholders' equity of the investee company concerned, adjusted where necessary to reflect the adoption of accounting standards that are in keeping with those adopted by the parent company and includes, where applicable, any goodwill identified at the time of the acquisition;
- [ii] The group's proportionate share of the investee's profits or losses is charged to the consolidated profit and loss account from the date on which the significant influence commences until the date it ceases to exist. Should the company, as a result of losses, report negative equity, the book value of the investment concerned is written off and any excess attributable to the group allocated to the relevant provision, only where the group has undertaken to meet the investee's legal or constructive obligations or in any event to cover its losses. Changes in the equity of investee companies that are not related to the result posted in the profit and loss account are directly added to or deducted from equity reserves.
- [iii] Unrealised gains and losses arising from transactions between the parent company and subsidiaries or investee companies are eliminated based on the value of the stake held by the group in the investees. Unrealised losses are eliminated, except where they represent an impairment loss.

The financial statements of the companies included in the consolidation area are prepared using the currency of the economic area in which the group operates (functional currency).

The consolidated half-yearly report is presented in euro, as this is the functional currency of the parent company.

The following rules are followed when translating the half-yearly reports of companies expressed in a currency other than the functional currency into euro:

- [i] Assets and liabilities are translated at the applicable exchange rates on the reporting date;
- [ii] Costs and revenues are translated at the average exchange rate for the period;
- [iii] The 'translation reserve' includes both exchange rate differences arising from the translation of amounts at an exchange rate different from the rate in force on the reporting date, and those arising from the translation of the opening and closing shareholders' equity balances at different exchange rates;
- [iv] Goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of said entity and translated at the period-end exchange rate;
- [v] When preparing the consolidated cash flow statement, the average exchange rates for the period are used to translate the cash flows of foreign subsidiaries.

3.2 Summary of accounting principles and policies adopted

The consolidated half-yearly financial statements have been prepared based on the cost principle, except in the cases specifically described in the notes below, where fair value accounting has been applied, and is presented – unless indicated otherwise – in thousands of euro.

The main valuation policies adopted are described below.

A Cash and cash equivalents

Cash and cash equivalents predominantly consist of cash on hand, sight deposits with banks, other short-term highly liquid investments (convertible into cash within ninety days) and an overdraft facility; the latter is reported under current

liabilities. Items included as part of net cash and cash equivalents are measured at fair value, and the related changes are reported in the profit and loss account.

B Financial assets held for trading

These are reported at fair value in the profit and loss account, with any gains and losses reported under 'Other net financial income (charges)'.

C Trade receivables

Trade receivables have been measured upon initial recognition at fair value and subsequently at amortised cost by applying the effective interest rate method. Whenever there is objective evidence indicating impairment, the asset concerned is written down to a book value equal to the discounted value of its future cash flows. Impairment losses are recognised in the profit and loss account. If in subsequent periods the reasons for a write-down no longer exist, it is reversed up to the amount that would have resulted from the application of the amortised cost method had the assets not been written down.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial period represented by the amount that the company expects to obtain from their sale during its ordinary business activities. The cost of inventories of crude oil, materials and spare parts is determined using the FIFO method. The cost of oil product inventories is determined by using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked initially in the amount that is expected to be paid to (or recovered from) the tax authorities, taking into account their estimated realisable value, and subsequently, at the amortised cost based on the effective interest rate method.

F Other assets

Other current assets are booked initially at fair value, and subsequently at the amortised cost based on the effective interest rate method.

Whenever there is objective evidence indicating impairment, the asset concerned is written down to a value equal to the discounted value of its future cash flows. Impairment losses are recognised in the profit and loss account. If in subsequent periods, the reasons for a write-down no longer exists, it is reversed up to the amount that would have resulted from the application of the amortised cost method had the assets not been written down.

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised when the right to receive the related cash flows is transferred together with all risks and rewards of ownership, as specified in paragraphs 15-23 of IAS 39.

Financial liabilities are derecognised from the consolidated half-yearly report when they are settled and when the Saras Group has transferred all the risks and charges relating to them.

H Property, plant and equipment

Property, plant and equipment are valued at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all charges incurred directly to make the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expense relating to the construction of tangible assets is capitalised until the asset is ready to be used.

Maintenance and repair expenses are charged directly to the profit and loss account in the year in which they are incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by the company or used by third parties are only capitalised up to the limits within which they fulfil certain conditions to be classified separately as an asset or as part of an asset in accordance with the component approach. Similarly, the replacement costs for identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the residual book value of the component thus replaced is charged to the profit and loss account. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been fulfilled.

The book value of property, plant and machinery is depreciated on a straight-line basis from the time the asset is available and ready to be used, in relation to its estimated useful life.

The useful life estimated by the group for each of the various categories of assets is as follows:

| | |
|-------------------------------|---|
| Buildings | 18 years |
| Generic plant | 12 – 16 years |
| Highly corrosive plant | 9 – 11 years |
| Thermoelectric power station | 22 years |
| Transformation stations | 28 years |
| Office furniture and machines | 4 – 8 years |
| Vehicles | 4 years |
| Other assets | 9 years |
| Improvements to leased assets | The duration of the lease or the useful life of the asset, whichever is the shorter |

The useful life of tangible assets and their residual value are reviewed annually and adjusted accordingly at the end of every year.

Land is not depreciated.

Whenever an asset subject to depreciation is made up of clearly identifiable components whose useful life differs significantly from that of the other components making up the asset, depreciation is carried out separately for each component making up the asset in accordance with the component approach.

I Leased assets

Assets held under finance leases, under which the risks and rewards of ownership are essentially transferred to the group, are recognised as Group assets and carried at fair value or, where lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised in the half-yearly report under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as set out previously for tangible assets.

Arrangements whereby the lessor essentially retains the risks and rewards associated with owning an asset are treated as operating leases. The costs relating to these leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

J Intangible assets

Intangible assets are made up of non-monetary elements without physical substance that are clearly identifiable (i.e. distinct – able to be separated, dismantled or traded – and deriving from other contractual or legal rights), controlled by the enterprise and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which is inclusive of any directly attributable expenses that are incurred in order to make the asset ready for use, net of accumulated amortisation and any impairment losses. Any interest expense accrued during, and in respect of, the development of intangible assets is charged to the profit and loss account. Amortisation commences from the time the asset is available to be used and is carried out on a straight-line basis over its estimated useful life.

[i] Goodwill

Goodwill is the amount by which the acquisition cost exceeds the net fair value, as recorded on the acquisition date, of assets and liabilities consisting of businesses or business units. Goodwill relating to investments valued at equity is included in the value of the investments. It is not systematically amortised but instead undergoes a periodic test to ascertain whether the amount carried in the half-yearly report is appropriate. This test is carried out with regard to the cash generating unit to which goodwill is to be allocated. Any reduction in goodwill is recognised where the recoverable amount of goodwill is less than its book value in the half-yearly report (by recoverable amount we mean the higher of the fair value of the cash generating unit, less cost of disposal, and its value in use, which is the

present value of the cash flows expected to be generated in the years during which the cash generating unit is operating and from its disposal at the end of its useful life).

In the event that the impairment arising from the test is greater than the amount of goodwill allocated to the cash generating unit, then the residual amount is in turn allocated to the assets included within the cash generating unit, in proportion to their book values. The minimum amount for this allocation is the higher of:

- the fair value of the asset, less cost of disposal;
- its value in use, as defined above.

Where goodwill was previously written down for impairment, the write-down is not reversed.

[ii] Patent rights, concessions, licences and software (intangible assets with a finite useful life)

Intangible assets with a finite useful life are systematically amortised over their useful life, which is the estimated period in which the assets will be used by the company; the recoverability of the book value of such assets is verified by the same method as that used for the item 'Property, plant and equipment'.

[iii] Research and development costs

The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or in any event incurred in respect of other scientific research or technological development activities are treated as current costs and charged to the profit and loss account in the year in which they are incurred.

[IV] Exploration and evaluation of mineral resources

Costs incurred in the exploration and evaluation of mineral resources mainly relate to:

- [A] purchase of exploration rights;
- [B] photographic, geological, geo-chemical and geo-physical research;
- [C] exploratory digging;
- [D] excavation;
- [E] sampling;
- [F] technical and commercial feasibility studies for the extraction of mineral resources;

and are recorded under tangible or intangible assets depending on their nature, in accordance with IFRS 6, and the value is reduced when facts and events suggest that book value could exceed the amount to recover. The amortization will start at the beginning of the extraction process.

K Other investments

This item includes investments in entities other than non-consolidated subsidiaries, joint ventures and associated companies, as defined in paragraph 3.1 above.

The investments included in this item are measured at fair value, and any changes are allocated directly to shareholders' equity. Where fair value cannot be determined reliably, they are measured at cost less any impairment losses, in compliance with IAS 36

Not relevant equity investments are valued at cost.

L Impairment of assets

At each annual reporting date, tangible assets and intangible assets with a finite useful life and equity investments are analysed in order to identify any indicators – originating from sources within or outside the group – suggesting that they have undergone impairment. In circumstances where such indicators are present, the recoverable value of these assets is estimated and any write-down duly charged to the profit and loss account. The recoverable value of an asset is the greater of its fair value less cost of disposal and its value in use, where the latter is the present value of the future cash flows that the asset is expected to generate. Value in use is determined by discounting the present value of estimated future cash flows, using a pre-tax discount rate that reflects the time value of money (current market rate) in relation to the period of the investment and the risks specific to the asset concerned. The realisable value of an asset that does not generate significant cash flows on its own is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the profit and loss account whenever the book value of an asset – or of the cash generating unit to which it is allocated – is higher than its recoverable value. When the reasons for a write-down no longer exist, the write-down is reversed with a charge to the profit and loss account, up to the net book value that the asset in question would have had if it had not been written down and had it been depreciated

M Other financial assets and other assets

Receivables and financial assets held to maturity are valued at fair value at their initial booking, and subsequently at their amortised cost based on the effective interest rate method. If there is objective evidence of indicators denoting an impairment, the asset is reduced to a level equal to the discounted value of future cash flows. Impairment losses are booked to the profit and loss account. If in future periods the reasons for a write-down no longer exist, it is reversed up to the amount that would have resulted from the application of the amortised cost method had the assets not been written down.

The treatment of financial assets linked to derivative instruments is shown under point X (Derivative instruments).

N Own shares

Own shares held by the company have been recognised at cost and deducted from shareholders' equity.

O Shareholders' equity

[A] Share capital

The share capital comprises the capital subscribed and paid up by the parent company. Costs relating strictly to the issue of new shares are deducted from other shareholders' equity reserves, after any deferred tax effect.

[B] Other reserves

Other reserves are made up of equity reserves set aside for a specific purpose and relating to the parent company.

[C] Profit (loss) carried forward

This item includes the portion of profits (losses) for both the current period and previous years that has been neither distributed nor allocated to reserves, (in the case of profits, or covered, in the case of losses. It also includes other equity reserves that have been transferred to it, when restrictions previously imposed have been lifted.

P Provisions for risks

Provisions for risks are only recognised where a present obligation (be it legal or constructive) exists for a future outflow of funds in settlement of past events, it is likely that such an outflow will be required in order to meet the obligation and the amount can be reliably estimated. This amount represents the best discounted estimate of the amount needed to be paid in order to discharge the obligation. The rate used to determine the present value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

Those risks in respect of which a future liability is only possible are disclosed in the section concerning commitments and risks, and no provision is made.

Q Provisions for employee benefits

The group provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

As of 1 January 2007, the annual government budget and related ruling decrees introduced changes regarding the employee severance indemnity (the Italian T.F.R.) such as giving employees the choice regarding the destination of their matured severance indemnity. Specifically, the new funds generated for the severance indemnity may be directed by the employee towards a pension fund or be kept within company funds (when the number of employees is lower than 50 units or in the opposite destined to I.N.P.S.). The introduction of such laws involve the following different accounting:

- Amounts accrued as of 31 December 2006:
The staff leaving indemnities due to employees pursuant to the provisions of article 2120 of the Italian Civil Code – is among the “*defined benefit pension plans*”: such plans are based on the length of service of employees and the remuneration received by them over a predefined period of service. Specifically, the liability relating to the staff leaving indemnity is recognised at its actuarial value, in that it is regarded as an employee benefit payable under a defined benefit plan.
Accounting for defined benefit plans involves the actuarial valuation of the amount of benefits vesting in employees in return for service rendered during the current and previous years, as well as discounting these benefits in order to determine the present value of the Group's obligations.
The present value of the Group's obligations is determined by an external expert by what is known as the ‘Projected Unit Credit Method’. This method, which one of the actuarial techniques applicable to ‘vested benefits’, considers each period of service as an additional unit of entitlement: the actuarial liability must

therefore be quantified by taking into account only service up to the date on which it is measured; the total liability thus determined is therefore usually adjusted in proportion to the ratio between the years of service up to the reporting date and the total length of service up to the time the benefit is expected to be paid. This method also requires future salary increases – due for whatever reason up until the time employment is terminated (inflation, career progression, contract renewals, etc.) – to be taken into consideration.

The cost accruing during the year in respect of defined benefit plans and charged to the income statement as part of personnel costs is equal to the sum of the average present value of employees' vested benefits for service rendered by them during the year and the annual interest accruing on the present value of the Group's obligations as at the beginning of the year, calculated by using the discount rate for future outlays used to estimate the liability at the end of the previous year. The annual discount rate used to produce data is assumed equal to the period-end market rate for zero coupon bonds with a maturity that is the same as the residual average term of liabilities.

Actuarial gains and losses due to changes in the actuarial parameters previously used are recognised in the income statement.

- Amounts accrued as of 1 January 2007:
The accruals are accounted according to the methodology provided by "the defined benefit pension plans" since employee position is transferred outside the Group.
The amount of the accrual is determined pursuant to the provisions of article 2120 of the Italian Civil Code.

The introduction of the new law has also required to revise the fund accrued till 31 December 2006; the effect deriving (considered as "curtailment") was accounted in the items personnel costs.

R Financial liabilities, trade payables and payables and other liabilities

These are measured upon initial recognition at fair value, and subsequently at amortised cost by applying the effective interest rate method. Whenever there is a change in the estimated future cash flows and these can be reliably estimated, the value of payables is recalculated in order to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally determined.

S Recognition of revenues

Sales revenues are recognised when the significant risks and rewards of ownership have effectively been transferred or when a service has been rendered.

The recognition of revenues from services is based on the stage of completion effectively reached in providing said services.

Revenues are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly related to them.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or received during the year or by systematic distribution, or when their future usefulness cannot be determined.

U Translation of items expressed in a currency other than the euro

Transactions in foreign currency are translated into euro at the exchange rates prevailing on the date the transaction takes place. Exchange gains and losses arising from the settlement of such transactions and from the translation, at year-end exchange rates, of payables and receivables denominated in a foreign currency, are taken to the profit and loss account.

V Dividends

[A] Received dividends

Dividends are recognised on the date on which the resolution approving them is carried by a meeting of shareholders

[B] Distributed dividends

Dividend distributions to the company's shareholders are recorded as a liability in the period in which the distribution has been approved by the shareholders.

W Taxes

Current assets are calculated based on the taxable income for the period, in application of the prevailing tax rates on the reporting date.

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its book value, with the exception of goodwill and those relating to temporary differences originating from investments in subsidiaries, when the timing of reversal is controlled by the group and it is probable that the differences will not reverse within a reasonably foreseeable timescale. Deferred tax assets, including those relating to tax losses from previous periods, are recognised for the portion not offset against deferred tax liabilities, to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred taxes are calculated using projected tax rates expected to apply in the periods in which temporary differences will arise or reverse.

Current and deferred taxes are recognised in the profit and loss account, with the exception of those relating to items directly deducted from, or added to, shareholders' equity, in which case the tax effect is carried directly as part of shareholders' equity. Current and deferred taxes are set off when income taxes are applied by the same fiscal authority, where there is a legal right of set-off and liquidation of the net balance is expected.

Other taxes not related to income – such as property taxes – are included as part of 'Operating costs'.

X Derivatives

All derivatives are financial assets and liabilities that are recognised at fair value.

They are classified as hedging instruments whenever the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedging relationship – verified periodically – is high. When such derivatives hedge the risk of changes in the fair value of the items being hedged (fair value hedges; e.g. hedging of the variability of the fair value of fixed-rate assets/liabilities), they are measured at fair value and the effects are shown on the profit and loss account; accordingly, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged. When derivatives hedge the risk of changes in the cash flows from the items being hedged (cash flow hedges; e.g. hedging of the variability of the cash flows generated by assets/liabilities due to exchange rate fluctuations), the changes in the fair value of derivatives are initially recorded under shareholders' equity and subsequently transferred to the profit and loss account, with the effects of the hedged items on the profit and loss account also shown.

All derivatives, including those relating to commodities, that do not meet the requirements for hedge accounting laid down by IAS 39 are recognised at fair value, with any change in the fair value of the instrument recorded on the profit and loss account under the heading 'Other net financial income (charges)'.

In order to determine the fair value of financial instruments listed on active markets, the bid price of the security in question on the reporting date is used.

Where there is no active market, fair value is instead determined by using measurement models based largely on objective financial variables, as well as by considering – wherever possible – the prices observed in recent transactions and the prices for comparable financial instruments.

Y Earnings per share

[i] Basic EPS

Basic EPS is calculated by dividing the group's net profit (less the portion of earnings attributable to the holders of preference shares) by the weighted average number of ordinary shares outstanding during the year, excluding own shares.

[ii] Diluted EPS

Diluted EPS is calculated by first dividing the group's net profit (less the portion of earnings attributable to the holders of preference shares) by the weighted average number of ordinary shares outstanding during the year, excluding own shares. The weighted average number of shares outstanding is then modified by assuming the conversion of all dilutive potential ordinary shares, and by adjusting the group's net profit figure in order to take into account the effects (net of taxes) of this conversion process. Diluted EPS is not calculated in the case of losses, since any dilution effect would lead to an improved figure.

Z Segment information

A business segment is defined as a group of assets and operations used to supply specific services, which are subject to risks and returns that are different from those for other business segments.

A geographical segment is defined as a group of assets and operations used to supply services in a certain geographical area, which are subject to risks and returns that are different from those existing in other geographical segments.

AA Personnel costs

Stock Grant assigned to Managers are included in the item "Personnel costs" as they are substantially a kind of

remuneration. The cost is determined with reference to the fair value of the right assigned to the managers at the Grant date and is not subject to a subsequent adjustment: the share related to the period is determined *pro-rata temporis* along the period which the incentive is referred to (so called "vesting period", to be more precise, the period comprise between the Grant date and the date in which the stocks will be delivered).

The fair value of the stock grant is represented by the current value of the share at the date of the approval of the plan, reduced by the actual value of the expected dividends in the "vesting period": such fair value is accounted in compensation in the item of Shareholders Equity "Other reserves".

3.3 The 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 evaluations and estimates founded on past experience and assumptions that from time to time are considered reasonable and realistic given the related circumstances. Using these estimates and assumptions influences the amounts reported in the half-yearly accounts (balance sheet, profit and loss account and cash flow statement) – as well as the accompanying disclosures. The actual amounts of accounting entries for which the above estimates and assumptions have been used may differ from those shown in the annual reports, due to the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

3.4 The most significant accounting policies requiring a greater degree of subjectivity

A brief description is provided below of the most significant accounting policies involving greater subjectivity on the part of the directors when producing estimates and in respect of which a change in the conditions underlying the assumptions used could have a material effect on the restated aggregate financial information.

- [I] Depreciation of non-current assets: depreciation of non-current assets represents a sizeable cost for the group. The cost of property, plant and machinery is depreciated using the straight-line method over the estimated useful life of the assets concerned. The useful life of the group's assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from their estimated useful life. The group periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable value in order for the useful life remaining in an asset to be revised accordingly. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years
- [II] Deferred taxes: deferred tax assets are recognised on the basis of forecast future earnings. The measurement of forecast future earnings for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.
- [III] Risk provisions: in certain circumstances, determining whether there is a current obligation (be it legal or constructive) is not always straightforward. The directors evaluate such circumstances on an individual case basis, while also estimating the amount of financial resources needed to discharge the obligation concerned. When the directors feel that the emergence of a liability is only possible, the associated risks are disclosed in the section concerning commitments and risks and no provision is made.
- [IV] Revenues from electricity sold by the subsidiary Sarlux S.r.l. to G.S.E. (Gestore dei Servizi Elettrici S.p.A.): these revenues are calculated as a monthly average in connection with the fact that the electricity supply contract, pursuant to IAS 17 - *Leasing* and the interpretation 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 are therefore allocated in equal instalments based on the term of the contract (twenty years) and forecasts for the price of crude oil, which constitutes a determining factor for both electricity tariffs and electricity production costs; in the years ahead, crude oil prices could undergo significant changes compared with estimates as a result of events that cannot be predicted at present.

3.5 Risk analysis

The key elements of the Saras Group risk policy are based on the prevention of the main risks linked to group objectives, and involve strategic areas, both operational and financial.

The management of risk highlighted in individual policies and in business processes is based on the principle whereby operational and financial risk is managed by the person responsible for the business process (the process owner).

The main risks are reported and discussed at top management level in order to create the pre-conditions for hedging or insurance and to evaluate them for residual risk.

In addition to the risk management guidelines, there are specific guidelines for financial risk, such as interest rates risk and credit risk.

3.5.1 Financial risks

The Saras Group's priorities include sustainable growth, productivity, profitability and financial reporting quality.

Its financial structures are therefore focused on guaranteeing maximum efficiency in obtaining and using lines of credit to develop commercial business, and reduce to the minimum the financial risks related to industrial operations (adverse risk).

The Saras Group operates internationally in the oil sector, with consequent exposure to currency risk, interest rate risk, credit risks and commodity price fluctuations.

3.5.1.1 Price fluctuation and cash flow risk

Saras Group results are influenced by oil price trends and the effects that these trends have on refining margins (i.e. the difference between the prices of oil products generated through the refining process, and the price of raw materials, mainly crude oil). Furthermore, in order to carry out production, the Saras group has to keep adequate reserves of crude oil and finished products, and the value of these reserves is subject to market price fluctuations.

The risk of fluctuations in commodity prices and the related cash flows is closely connected to the nature of the business and can only be diminished in part through the use of appropriate risk management policies, including setting partially pre-fixed prices for work for third parties.

In order to hedge against risks deriving from price changes, the company uses derivative contracts on commodities that involve the forward purchase and sale of crude and oil products.

3.5.1.2 Currency risk

The group's oil business is exposed to exchange rate fluctuations in that the benchmark prices for the purchase of crude and certain oil products are set in, or linked to, the US dollar.

In order to diminish both exchange rate risk regarding transactions that will be executed in the future, as well as those arising from payables and receivables expressed in currencies other than the functional currency of each group company, the Saras Group uses derivative instruments that involve the forward purchase and sale of US dollars.

Transactions expressed in currencies other than the US dollar are not significant and could only marginally influence Saras Group results.

3.5.1.3 Interest rate risk

Risks related to changes in cash flows linked to interest rate changes involve loans. Variable rate loans expose the Saras Group to the risk of changes in cash flows due to interest payments. Fixed rate loans expose the Saras Group to the risk of changes in the fair value of loans obtained.

The main loans in place have been taken out at variable market rates. The Saras Group's policy is to use derivative instruments to diminish the risk of changes in cash flows relating to interest payments.

3.5.1.4 Credit risks

The market in which the Saras Group operates is mainly made up of multinational players operating in the oil sector. Transactions are generally settled very quickly and are often guaranteed by major banking institutions.

Moreover, receivables are monitored daily by the group's finance management in a systematic and timely manner.

We believe that credit risks are marginal and do not constitute a significant variable in the business in which the Saras Group operates.

3.5.2 Disclosure and management of other risks

3.5.2.1 Risks related to refining production stoppages

The Saras Group's activity largely depends on its refining business in Sardinia, which produces almost all of the oil products it refines and sells.

This activity is subject to risks related to unplanned plant stoppages and accidents.

Saras believes that the complexity of its refining business allows for negative effects of unplanned stoppages to be limited, and that the current security measures (implemented on an ongoing basis) allow the risk of any accidents to be reduced to the minimum; moreover, Saras has put in place a significant insurance policy in order to further cover these risks.

3.5.2.2 Environmental risks

Group activities are regulated by a number of national, regional, local and EU provisions regarding environmental matters.

Although the Saras Group believes that its business activity is carried out in compliance with environmental regulations, the risk of environmental costs and liabilities is intrinsic in its business, and there cannot be any certainty that in the future it will not incur significant costs and liabilities regarding the environment.

The Saras Group therefore has effected, and expects that it will continue to effect, operational expenditure as well as investments to comply with environmental regulations; moreover, Saras has put in place a significant insurance policy in order to further cover these risks.

4. Information by business segment and geographic area

4.1 Preliminary comments

The Saras Group operates primarily in the following segments:

1. refining;
2. marketing;
3. electricity generation;
4. other activities.

1. Refining activities concern the following:

- [A] the sale of oil products, carried out:
- upon completion of the entire production cycle, which ranges from commodity sourcing to refining and production of finished products, which takes place at the company's sites in Sarroch, Sardinia;
 - by acquiring oil products from third parties that were previously refined on behalf of these same third parties at the sites in Sarroch, Sardinia;
 - and by acquiring oil products from third parties, to a minimal extent.

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

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

2. Marketing involves the distribution of oil products to smaller-sized customers and/or those with distribution procedures that differ from those described above regarding refining. These activities are undertaken as follows:

- In Italy, by Arcola Petrolifera S.p.A. for wholesale customers (wholesalers, purchasing consortiums, local authority-owned utility companies and resellers) and oil companies (Eni, Shell, 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, Fiorenzuola, Marghera, Pesaro, Ravenna);
- in Spain, by Saras Energia S.A. and by the subsidiary Saras Energia Red S.A., for third party and group owned service stations, supermarkets and resellers by way of an extensive network of storage facilities spread across the entire Iberian peninsula, the most important of which – the Cartagena storage facility – is owned by the company.

3. Electricity generation involves:

- the sale of electricity produced at the Sarroch power station owned by Sarlux S.r.l., a wholly owned company. This electricity is sold exclusively to GSE (Gestore dei Servizi Elettrici S.p.A.), with sales benefiting from the special tariff scheme laid down in CIP (Interministerial Committee on Prices) 6/92.
- the production of wind power by Parchi Eolici Ulassai S.r.l. (a joint venture).

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

4.2 Segment information

(EUR thousands)

| | Refining | Marketing | Power generation | Other | Total |
|--|------------------|----------------|------------------|---------------|------------------|
| 1st Half 2006 | | | | | |
| Third party revenues | 1,984,795 | 805,637 | | 9,345 | 2,799,777 |
| Other revenues from third parties | 19,424 | 1,068 | | 117 | 20,609 |
| Operating result (a) | 173,175 | 19,086 | | (2,897) | 189,364 |
| Net income on unconsolidated equity investments | | | | | |
| - Sarlux S.r.l. (from 1/1/2006 to 28/06/2006) | | | 28,785 | | 28,785 |
| - Parchi Eolici Ulassai S.r.l. | | | 3,494 | | 3,494 |
| Total | | | 32,279 | 0 | 32,279 |
| TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b) | 1,271,894 | 399,098 | 1,619,881 | 38,990 | 3,329,863 |
| of which: | | | | | |
| Equity investments valued at equity | | | 5,829 | 896 | 6,725 |
| TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b) | 940,087 | 134,947 | 1,004,699 | 34,238 | 2,113,971 |
| Investments in tangible assets | 67,138 | 158 | | 715 | 68,011 |
| Investments in intangible assets | 472 | 141 | | 460 | 1,073 |
| 1st Half 2007 | | | | | |
| Third party revenues | 2,076,741 | 860,812 | 249,503 | 8,988 | 3,196,044 |
| Other revenues from third parties | 9,109 | 2,344 | 397 | 205 | 12,055 |
| Operating result (a) | 250,359 | 17,802 | 65,242 | (2,089) | 331,314 |
| Net income on unconsolidated equity investments | | | | | |
| - Parchi Eolici Ulassai S.r.l. | | | 3,903 | | 3,903 |
| Total | | | 3,903 | 0 | 3,903 |
| TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b) | 1,431,765 | 447,689 | 1,476,905 | 39,201 | 3,395,560 |
| Equity investments valued at equity | | | 12,511 | 1,369 | 13,880 |
| TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b) | 923,525 | 153,073 | 956,123 | 31,739 | 2,064,460 |
| Investments in tangible assets | 73,741 | 676 | 10,020 | 1,104 | 85,541 |
| Investments in intangible assets | 6,902 | 400 | 0 | 79 | 7,381 |

(a) Operating result is determined without considering intra-segment eliminations.

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

4.3 Breakdown by geographic area

Directly attributable assets and investments by geographic location

| | (EUR thousands) | | |
|---|-----------------|------------|-----------|
| | Italy | Rest of EU | Total |
| Directly attributable assets | | | |
| 30th June 2007 | 3,075,710 | 319,850 | 3,395,560 |
| 31 st December 2006 | 2,919,855 | 300,512 | 3,220,367 |
| Investments in tangible and intangible | | | |
| 30th June 2007 | 92,343 | 579 | 92,922 |
| 31 st December 2006 | 121,421 | 8,386 | 129,807 |

Net revenues from ordinary operations by geographic area

| | 30/06/2007 | 30/06/2006 | Change | Sarlux to 30/06/07 |
|------------------------|------------------|------------------|----------------|-----------------------|
| Sales in Italy | 1,117,861 | 1,041,514 | 76,347 | 295,513 |
| Sales in Spain | 999,959 | 914,202 | 85,757 | |
| Other EU country sales | 257,167 | 154,788 | 102,379 | 363 |
| Non-EU country sales | 530,942 | 653,969 | (123,027) | |
| US Sales | 290,115 | 35,304 | 254,811 | |
| Total | 3,196,044 | 2,799,777 | 396,267 | 295,876 |

Amounts are shown net of intra-company eliminations.

The following table shows a breakdown of trade receivables per geographic area:

| | 30/06/2007 | 31/12/2006 | change |
|---------------------------------|----------------|----------------|-----------------|
| Italy | 347,667 | 381,120 | (33,453) |
| Spain | 122,847 | 108,621 | 14,226 |
| Other EU countries | 5,936 | 19,284 | (13,348) |
| Non -EU countries | 67,905 | 72,776 | (4,871) |
| U.S. | 1,225 | 121 | 1,104 |
| Allowance for doubtful accounts | (8,155) | (7,439) | (716) |
| Total | 537,425 | 574,483 | (37,058) |

5. Notes to the balance sheet

The most significant changes in the balance sheet compared to the previous financial year are shown below.

5.1 Current assets

5.1.1 Cash and cash equivalents

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

| | 30/06/2007 | 31/12/2006 | Change |
|--------------------------|----------------|----------------|----------------|
| Bank and postal deposits | 458,062 | 217,506 | 240,556 |
| Cash | 93 | 98 | (5) |
| Total | 458,155 | 217,604 | 240,551 |

Bank deposit were mainly attributable to Sarlux S.r.l. for EUR 219,631 thousands (including cash due by contract for future maintenance commitments and loan repayments) and Saras S.p.A. for EUR 221,885 thousand. The increase originates from operating cash flows generated mainly by the two Companies.

5.1.2 Other held for trading financial assets

| | 30/06/2007 | 31/12/2006 | Change |
|------------------|---------------|---------------|------------|
| Other Securities | 14,186 | 13,816 | 370 |
| Total | 14,186 | 13,816 | 370 |

This item mainly comprises Italian and foreign stocks and government bonds.

The changes in fair value recorded during the period are recognised in the income statement in the item "Other net financial income (charges)" (as of 30 June 2007 charges equalled EUR 601 thousands).

The following table shows the changes in the balance:

| | |
|---------------------------------------|---------------|
| Balance at 31st December 2004: | 12,013 |
| Increases for financial year: | 13,266 |
| Decreases for financial year: | (12,240) |
| Balance at 31st December 2005: | 13,039 |
| Increases for financial year: | 80,464 |
| Decreases for financial year: | (79,687) |
| Balance at 31 December 2006: | 13,816 |
| Increases for financial period: | 8,047 |
| Decreases for financial period: | (7,677) |
| Balance at 30th June 2007: | 14,186 |

5.1.3 Trade Receivables

The following table shows the balance for trade receivables:

| | 30/06/2007 | 31/12/2006 | Change |
|---------------------------------------|----------------|----------------|-----------------|
| Trade Receivables | | | |
| From clients | 537,222 | 573,389 | (36,167) |
| From non consolidated Group companies | 203 | 1,094 | (891) |
| Total | 537,425 | 574,483 | (37,058) |

The balance reported for receivables from unconsolidated subsidiaries is mainly made up of Saras S.p.A. receivables from Parchi Eolici Ulassai S.r.l. and Sardaolica S.r.l..

All receivables are due within 12 months.

5.1.4 Inventories

The following table shows the balance of inventory and the changes during the period:

| | 30/06/2007 | 31/12/2006 | Change |
|---|----------------|----------------|---------------|
| Inventory | | | |
| raw materials, spare parts and consumables | 235,188 | 171,199 | 63,989 |
| work in progress and semi-finished products | 37,817 | 37,815 | 2 |
| finished products and goods held for sale | 342,743 | 388,369 | (45,626) |
| advances | 9,152 | 2,419 | 6,733 |
| Total | 624,900 | 599,802 | 25,098 |

The value of inventory increased due to the increased amount of raw material, spare parts and consumables partially compensated by the decrease of finished products in inventory and also thanks to a generalized price increase.

There are no items of inventory securing liabilities.

The value of the inventories does not differ significantly from market value.

The item "Finished products and goods" includes approximately 470,000 tonnes of oil products (worth approximately EUR 175 million) held in stock as mandatory supplies pursuant to provisions in Italian legislative decree n. 22 of 31 January 2001.

At the Sarroch refinery crude and oil products belonging to third parties are held for a total value, as at 30 June 2007, of EUR 213 million.

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets, which totalled EUR 4,107 thousand (EUR 66,344 thousand as at 31 December 2006):

| | 30/06/2007 | 31/12/2006 | Change |
|----------------------------|--------------|---------------|-----------------|
| VAT | 2,024 | 57,043 | (55,019) |
| IRES (corporate tax) | 20 | 24 | (4) |
| IRAP (regional income tax) | 128 | 7,708 | (7,580) |
| Other tax credit | 1,935 | 1,569 | 366 |
| Total | 4,107 | 66,344 | (62,237) |

The decrease reported for the VAT credit (EUR 55,019 thousand) refers mainly to the full utilization of the plafond accrued on exportations. Given the actual geographical sales allocation, is foreseeable a receivable position again in the second half 2007.

The regional income tax (IRAP) as of 31 December 2006 decreased by EUR 7,580 thousands due to prepayments made as 2006 balance and first tranche advance payment for 2007.

5.1.6. Other current assets

The following table shows the balance in other current assets:

| | 30/06/2007 | 31/12/2006 | Change |
|---|---------------|---------------|----------------|
| Accrued Income | 2,043 | 1,712 | 331 |
| Prepayments | 16,550 | 8,679 | 7,871 |
| Other receivables | 9,514 | 22,808 | (13,294) |
| Loans to unconsolidated Group companies | 5,598 | 8,551 | (2,953) |
| Total | 33,705 | 41,750 | (8,045) |

Prepayments mainly refer to insurance premiums; the increase is due to a wider reference period compared to end of 2007.

The item "Other receivables" mainly includes advances to suppliers for EUR 4.6 millions and escrow accounts on derivatives for EUR 1.6 millions; the decrease is due to the fair value of derivative instruments that was an assets as at 31 December 2006 and became a liability as at 30 June 2007.

For more details on fair value of derivative instruments as of 30 June 2007 please refer to the item "Short term financial liabilities".

The item "Financial receivables to unconsolidated group companies" mainly includes receivables from Nova Eolica S.r.l. for EUR 3,200 thousand, Sardeolica S.r.l. for EUR 1,070 thousands and from Parchi Eolici Ulassai S.r.l. for EUR 1,328 thousand related both to short-term loans, with interest calculated at market rates, and to the transfer of taxes in the subject of the Fiscal Consolidated regime.

The decrease in the item "Financial receivables to unconsolidated group companies" is due for the most part to the lower receivable deriving from the tax consolidation for Sardeolica S.r.l. as well as to the partial repayment of a loan granted to the subsidiary Parchi Eolici Ulassai S.r.l..

5.2 Non-current assets

5.2.1 Property, plants and equipment

The following table shows a breakdown in the item Property, plants and equipment:

| HISTORIC COST | 31/12/2005 | Additions | (Disposals) | Revaluations (Write-downs) | Other changes | 31/12/2006 |
|-------------------------------------|-------------------|------------------|--------------------|---------------------------------------|--------------------------|-------------------|
| Land and buildings | 114,287 | 145 | | | 18,080 | 132,512 |
| Plant and machinery | 1,067,898 | 36,703 | (5,819) | | 854,051 | 1,952,833 |
| Industrial and commercial equipment | 12,307 | 4 | (1,306) | | 3,315 | 14,320 |
| Other assets | 376,610 | 3,895 | (276) | | 38,270 | 418,499 |
| Work in progress and advances | 36,368 | 75,886 | (30) | | (49,974) | 62,250 |
| Total | 1,607,470 | 116,633 | (7,431) | 0 | 863,742 | 2,580,414 |

| ACCUMULATED DEPRECIATION | 31/12/2005 | Depreciation charge | (Disposals) | Revaluations (Write-downs) | Other changes | 31/12/2006 |
|-------------------------------------|-------------------|--------------------------------|--------------------|---------------------------------------|--------------------------|-------------------|
| Land and buildings | 30,546 | 3,620 | | | 2,430 | 36,596 |
| Plant and machinery | 865,142 | 67,467 | (5,819) | | 205,464 | 1,132,254 |
| Industrial and commercial equipment | 9,730 | 1,582 | (1,306) | | (559) | 9,447 |
| Other assets | 258,997 | 19,672 | (274) | | 18,634 | 297,029 |
| Total | 1,164,415 | 92,341 | (7,399) | 0 | 225,969 | 1,475,326 |

| NET BOOK VALUE | 31/12/2005 | Additions | (Disposals) | Revaluations (Write-downs) | Other changes | 31/12/2006 |
|-------------------------------------|-------------------|------------------|--------------------|---------------------------------------|--------------------------|-------------------|
| Land and buildings | 83,741 | 145 | | (3,620) | 15,650 | 95,916 |
| Plant and machinery | 202,756 | 36,703 | | (67,467) | 648,587 | 820,579 |
| Industrial and commercial equipment | 2,577 | 4 | | (1,582) | 3,874 | 4,873 |
| Other assets | 117,613 | 3,895 | (2) | (19,672) | 19,636 | 121,470 |
| Work in progress and advances | 36,368 | 75,886 | (30) | 0 | (49,974) | 62,250 |
| Total | 443,055 | 116,633 | (32) | (92,341) | 637,773 | 1,105,088 |

| HISTORIC COST | 31/12/2006 | Additions | (Disposals) | Revaluations (Write-downs) | Other changes | 30/06/2007 |
|-------------------------------------|-------------------|------------------|--------------------|---------------------------------------|--------------------------|-------------------|
| Land and buildings | 132,512 | 22 | (1) | | 1,572 | 134,105 |
| Plant and machinery | 1,952,833 | 15,175 | (143) | | 39,878 | 2,007,743 |
| Industrial and commercial equipment | 14,320 | 35 | | | 124 | 14,479 |
| Other assets | 418,499 | 382 | (104) | | (1,316) | 417,461 |
| Work in progress and advances | 62,250 | 69,927 | | | (19,640) | 112,537 |
| Total | 2,580,414 | 85,541 | (248) | | 20,618 | 2,686,325 |

| ACCUMULATED DEPRECIATION | 31/12/2006 | Depreciation charge | (Disposals) | Revaluations (Write-downs) | Other changes | 31/12/2007 |
|-------------------------------------|-------------------|--------------------------------|--------------------|---------------------------------------|--------------------------|-------------------|
| Land and buildings | 36,596 | 1,898 | | | (868) | 37,626 |
| Plant and machinery | 1,132,254 | 46,316 | (138) | | 25,236 | 1,203,668 |
| Industrial and commercial equipment | 9,447 | 946 | | | | 10,393 |
| Other assets | 297,029 | 9,516 | (102) | | (3,476) | 302,967 |
| Total | 1,475,326 | 58,676 | (240) | | 20,892 | 1,554,654 |

| NET BOOK VALUE | 31/12/2006 | Additions | (Disposals) | Revaluations (Write-downs) | Other changes | 31/12/2007 |
|-------------------------------------|-------------------|------------------|--------------------|---------------------------------------|--------------------------|-------------------|
| Land and buildings | 95,916 | 22 | (1) | (1,898) | 2,440 | 96,479 |
| Plant and machinery | 820,579 | 15,175 | (5) | (46,316) | 14,642 | 804,075 |
| Industrial and commercial equipment | 4,873 | 35 | | (946) | 124 | 4,086 |
| Other assets | 121,470 | 382 | (2) | (9,516) | 2,160 | 114,494 |
| Work in progress and advances | 62,250 | 69,927 | | 0 | (19,640) | 112,537 |
| Total | 1,105,088 | 85,541 | (8) | (58,676) | (274) | 1,131,671 |

Historic costs are shown net of grants received permanently for the accomplishment of investments.

The gross value of grants deducted from fixed assets in the balance sheet was EUR 160,963 thousand, and related to the "Contratto di programma" entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995, and the "Contratto di programma" entered into with the Ministry of Productive Activities on 10 October 1997.

As at 30 June 2007, the net book value of these grants was EUR 33,654 thousand (EUR 40,470 thousand as at 31 December 2006).

The item "Land and Buildings" includes industrial buildings used as offices and warehouses worth a net value of EUR 51,763 thousand, civic buildings in Cagliari and Rome used as offices worth a net value of EUR 9,163 thousand, land relating largely to the Sarroch and Arcola sites belonging to the Parent Company and Arcola S.p.A. respectively worth a net value of EUR 33,956 thousand .

The item "Plants and Equipment" mainly relates to the refining plants located in Sarroch.

The item "Industrial Trade and Equipment" includes equipment for the chemicals laboratory and the new control room that was built during 2004, which are connected to the Parent Company's refining activities, plus various pieces of equipment needed for the production process.

The item "Other assets" mainly includes tanks and pipelines used to carry products and crude of the Parent Company and the Group's commercial companies (Saras Energia and Arcola).

The item "Assets under construction and advances" reflects costs relating mainly to investments in tanks, and work carried out on facilities necessary to adapt and upgrade existing plants, more specifically for environmental, safety, and reliability issues.

Increases in the period total EUR 85,541 thousand, and mainly refer to technical investments made by the Parent Company, specifically, improvements made on the plants Topping RT2 and Vacuum 1, as well as on the Visbreaking unit and on the plant underconstruction such as the gasoline desulphuration unit (U800) and "tail gas treatment" unit (TGTU).

Among "Other changes" mainly includes the transfer of fixed assets completed during the period.

The main annual depreciation rates used are as following:

| | |
|--|----------------|
| Industrial buildings (Land and Buildings) | 5,50% |
| Generic plants (Plants and machinery) | 8,38% - 6,25% |
| Highly corrosive plants (Plants and machinery) | 11,73% - 8,75% |
| Pipelines and storage (Plants and machinery) | 8,38% - 6,25% |
| Termoelectricity plant | 4,50% |
| Equipment (Equipment) | 25,00% |
| Office furniture and machinery (Other assets) | 12,00% |
| Transport vehicles (Other assets) | 25,00% |

No fixed assets are held for sale.

A concession enabling the Group to occupy state-owned areas until 31 December 2015, where the Sarroch refinery's service facilities are located (i.e. waste water treatment, desalination of seawater, blow-down, torches and wharf), was obtained from the Cagliari Port Authority; currently, there are no factors that might lead us to expect that the concession will not be renewed at expiry.

Leased assets, booked as "transport vehicles" totalled EUR 14,663 thousand, while their residual net value totalled EUR 670 thousand.

During the period, financial charges of EUR 1,476 thousand were capitalised on the value of tangible assets; the applied capitalization rate was 4.32% equivalent to the parent Company's average interest rate on debt.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

| | 31/12/2005 | Additions | (Disposals) | Other changes | (Amortization) | 31/03/2006 |
|---|----------------|---------------|--------------|----------------|-----------------|----------------|
| Industrial and other patent rights | 1 | 1,315 | 0 | 1,116 | (912) | 1,520 |
| Concessions, licences, trade marks and similar rights | 572 | 5,134 | 0 | 26,032 | (931) | 30,807 |
| Goodwill | 2,515 | 0 | 0 | 0 | 0 | 2,515 |
| Asset under construction and advances | 708 | 403 | | (709) | 0 | 402 |
| Other intangible assets | 539 | 6,322 | (959) | 567,573 | (24,369) | 549,106 |
| Total | 4,335 | 13,174 | (959) | 594,012 | (26,212) | 584,350 |
| | 31/12/2006 | Additions | (Disposals) | Other changes | (Amortization) | 30/06/2007 |
| Industrial and other patent rights | 1,520 | 596 | | (12) | (470) | 1,634 |
| Concessions, licences, trade marks and similar rights | 30,807 | | | 242 | (922) | 30,127 |
| Goodwill | 2,515 | | | | | 2,515 |
| Asset under construction and advances | 402 | 6,445 | | (31) | | 6,816 |
| Other intangible assets | 549,106 | 340 | | (94) | (19,682) | 529,670 |
| Total | 584,350 | 7,381 | 0 | 105 | (21,074) | 570,762 |

The main items comprise the following:

Concessions, licenses, trademarks and similar rights:

the item mainly refers to the effects deriving from the acquisition of Estaciones de Servicio Caprabo S.A. (now Saras Energia Red S.A.) by the subsidiary Saras Energia S.A. carried out the 7 July 2006; the fair value measurement of assets and liabilities of the acquired company caused the entry of an intangible asset classified in concessions in order to reflect the contractual conditions that forecast the reinstatement of tangible assets after 20 years.

Goodwill:

this item mainly includes goodwill paid for the acquisition of the subsidiary Carthago S.A. (incorporated in Saras Energia S.A.).

Intangible assets, current and advanced:

the item refers essentially, to the exploration activity finalized at determining the presence of natural gas field in Sardinia.

The item "Other intangible assets" refers mainly to the acquisition of assets relative to the subsidiary Sarlux S.r.l. and includes the fair value measurement as at 30 June 2006 of the contract in place between the subsidiary Sarlux S.r.l. and G.S.E. (Gestore dei Servizi Elettrici S.p.A.).

The amortization of intangible assets totalled EUR 21,074 thousand, is calculated according to the following annual rates:

| | |
|---|----------|
| Industrial patent rights and original work use rights | 20% |
| Concessions, licenses, 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 following table shows a list of the equity investments held as at 30 June 2007, and the main figures of the individual interests

| Name | Headquarter | Currency | Share capital | Portion held by Group (%) | | Portion % of share capital | Shareholder | % voting rights | Business relationship |
|---|--------------------|----------|---------------|---------------------------|-------------|----------------------------|------------------------------------|-----------------|-----------------------|
| | | | | as at 06/07 | as at 12/06 | | | | |
| - Arcola Petrolifera S.p.A | Sarroch (CA) | EUR | 7,755,000 | 100% | 100% | 100% | Saras S.p.A. | 100% | Subsidiary |
| - Sartec Saras Ricerche e Tecnologie S.p.A. | Assemini (CA) | EUR | 3,600,000 | 100% | 100% | 100% | Saras S.p.A. | 100% | Subsidiary |
| - Consorzio Ricerche Associate | Capoterra (CA) | EUR | 3,105,971 | 100% | 100% | 100% | Saras S.p.A. | 100% | Subsidiary |
| - Ensar S.r.l. and subsidiary: | Milan | EUR | 100,000 | 100% | 100% | 100% | Saras S.p.A. | 100% | Subsidiary |
| - Eolica Italiana S.r.l. | Cagliari | EUR | 100,000 | 100% | 100% | 100% | Ensar S.r.l. | 100% | Indirect Subsidiary |
| - Akhela S.r.l. | Uta (CA) | EUR | 3,000,000 | 100% | 100% | 100% | Saras S.p.A. | 100% | Subsidiary |
| - Sarint S.A. and subsidiaries: | Luxembourg | EUR | 50,705,314 | 100% | 100% | 100% | Saras S.p.A. | 100% | Subsidiary |
| - Saras Energia S.A and subsidiaries: | Madrid (Spain) | EUR | 44,559,840 | 100% | 100% | 100% | Sarint S.A. | 100% | Indirect Subsidiary |
| - Saras Energia Red S.A.: | Madrid (Spain) | EUR | 1,322,227 | 100% | 100% | 100% | Saras Energia S.A. | 100% | Indirect Subsidiary |
| - Reasar S.A. | Luxembourg | EUR | 1,225,001 | 100% | 100% | 100% | Sarint S.A. | 100% | Indirect Subsidiary |
| - Sarlux S.r.l. | Sarroch (CA) | EUR | 27,730,467 | 100% | 55% | 100% | Saras S.p.A. | 100% | Subsidiary |
| - Parchi Eolici Ulassai S.r.l. and subsidiary: | Cagliari | EUR | 500,000 | 70% | 70% | 70% | Saras S.p.A. | 70% | Joint venture |
| - Sardeolica S.r.l. | Cagliari | EUR | 56,636 | 100% | 100% | 100% | Parchi Eolici Ulassai S.r.l. | 70% | Joint venture |
| - Xanto S.r.l. in liquidazione and subsidiary: | Milan | EUR | 100,000 | 100% | 100% | 100% | Akhela S.r.l. | 100% | Indirect Subsidiary |
| - Xanto Basilicata S.r.l. in liquidation | Milan | EUR | 10,000 | 100% | 100% | 100% | Xanto S.r.l. | 100% | Indirect Subsidiary |
| - Dynergy S.r.l. | Genova | EUR | 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. | Cagliari | EUR | 10,000 | 20% | 20% | 20% | Ensar S.r.l. | 20% | Associated co |
| - Consorzio Cesma | Castellamonte (TC) | EUR | 51,000 | 5% | 5% | 5% | Saras Ricerche e Tecnologie S.p.A. | 5% | Other interest |
| - Consorzio Cifra in liquidation | Cagliari | EUR | 92,000 | 16.7% | 16.7% | 16.7% | Akhela S.r.l. | 16.7% | Other interest |
| - Consorzio La Spezia Energia | La Spezia | EUR | 50,000 | 5% | 5% | 5% | Arcola Petrolifera S.p.A. | 5% | Other interest |
| - Consorzio Qualità e Tratt. Acque | Napoli | EUR | 10,000 | 9.07% | 9.07% | 9.07% | Saras Ricerche e Tecnologie S.p.A. | 9.07% | Other interest |
| - Consorzio Techno Mobility | Cagliari | EUR | 57,500 | 17.4% | 17.4% | 17.4% | Saras Ricerche e Tecnologie S.p.A. | 17.4% | Other interest |
| - Hydrocontrol Soc. Consortile a r.l. | Capoterra (CA) | EUR | 1,033,000 | 0.0% | 17.0% | 17.0% | Saras S.p.A. | 17.0% | Other interest |
| - Sarda Factoring | Cagliari | EUR | 8,320,000 | 6.00% | 6.00% | 6.00% | Saras S.p.A. | 6.00% | Other interest |

5.2.3.1 Equity interests consolidated under the equity method

This item includes the equity interest held jointly in the company Parchi Eolici Ulassai S.r.l.; the subsidiary Sarlux S.r.l., following the acquisition of the remaining 45% stake in this company by Saras S.p.A. on 28 June 2006, is fully consolidated in these financial statements.

| | Legal offices | % owned | 30/06/2007 | 31/12/2006 |
|------------------------------|---------------|---------|---------------|--------------|
| Parchi Eolici Ulassai S.r.l. | Cagliari | 70% | 12,511 | 8,601 |
| Xanto S.r.l. in liquidation | Milano | 100% | 1,369 | 1,369 |
| Total | | | 13,880 | 9,970 |

The following table shows changes in their book value :

| | 31/12/2005 | Acquisitions and subscriptions | Revaluation / (Write-downs) | Other Changes | 31/12/2006 |
|------------------------------|---------------|--------------------------------|-----------------------------|------------------|--------------|
| Sarlux Srl | 93,943 | | 28,785 | (122,728) | 0 |
| Parchi Eolici Ulassai S.r.l. | 2,335 | | 6,255 | 11 | 8,601 |
| Xanto S.p.A. | 897 | | 472 | | 1,369 |
| Total | 97,175 | 0 | 35,512 | (122,717) | 9,970 |

| | 31/12/2006 | Acquisitions and subscriptions | Revaluation / (Write-downs) | Other Changes | 30/06/2007 |
|------------------------------|--------------|--------------------------------|-----------------------------|---------------|---------------|
| Parchi Eolici Ulassai S.r.l. | 8,601 | | 3,903 | 7 | 12,511 |
| Xanto S.r.l. in liquidazione | 1,369 | | | | 1,369 |
| Total | 9,970 | 0 | 3,903 | 7 | 13,880 |

The figures shown in the column Revaluation/Write-downs reflect the Parent Company's share of net profits for the period for the holdings.

The effect of the consolidation at equity is included in the income statements in the item "Net Income (expense) of equity interest".

Detailed informations regarding the item "Equity interest valued at equity" as at 31 December 2006 and 30 June 2007 is provided in the table below. (The information shown reflects the percentage attributable to the Group)

31 December 2006

| Company name | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenues | Operational expenses | Operating result | Result for the year (1) |
|------------------------------|----------------|--------------------|---------------------|-------------------------|----------|----------------------|------------------|-------------------------|
| Parchi Eolici Ulassai S.r.l. | 1,424 | 33,551 | 2,779 | 23,596 | 0 | 153 | (153) | 6,255 |
| Xanto S.r.l. in liquidation | 1,282 | 508 | 369 | 52 | 0 | 124 | (124) | 472 |
| | | | | | | | | 6,727 |

30 June 2007

| Company name | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenues | Operational expenses | Operating result | Result for the period (1) |
|------------------------------|----------------|--------------------|---------------------|-------------------------|----------|----------------------|------------------|---------------------------|
| Parchi Eolici Ulassai S.r.l. | 1,026 | 36,482 | 1,397 | 23,600 | | (75) | (75) | 3,903 |
| Xanto S.r.l. in liquidation | 1,282 | 508 | 369 | 52 | | | | |
| | | | | | | | | 3,903 |

(1) Parchi Eolici Ulassai S.r.l. include pro-rata result (70%) of the subsidiary Sardeolica S.r.l.

As at 30th June 2006 no associated companies were listed in regulated markets.

5.2.3.2 Other equity interests

The detail of other investments is reported below:

| | 30/6/2007 | 31/12/2006 |
|---|--------------|--------------|
| Nova Eolica S.r.l. | 109 | 109 |
| Dynergy S.r.l. | 91 | 91 |
| Hangzhou Dadi Encon Environmental Equipment Co. | 481 | 481 |
| Consorzio Cesma | 3 | 3 |
| Consorzio Cifra S.r.l. | 0 | 0 |
| Consorzio La Spezia Energia | 2 | 2 |
| Consorzio Qualità e Tratt. Acque | 0 | 0 |
| Consorzio Techno Mobility | 10 | 10 |
| Hydrocontrol - Soc. consort. a r. l. | 0 | 1 |
| Sarda Factoring | 495 | 495 |
| Total | 1,191 | 1,192 |

5.2.4 Other financial assets

The balance at 31 December 2006 of EUR 5,578 thousand is mainly made up of repayments made by the subsidiary Sarlux S.r.l. for future oxygen supplies.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows Short-term financial liabilities:

| | 30/06/2007 | 31/12/2006 | Change |
|---|----------------|----------------|--------------|
| Bank loans | 133,313 | 138,549 | (5,236) |
| Bank accounts | 70,181 | 61,153 | 9,028 |
| Derivative fair value | 4,003 | 0 | 4,003 |
| Loans from unconsolidated group companies | 962 | 2,395 | (1,433) |
| Total | 208,459 | 202,097 | 6,362 |

The item "derivatives fair value" includes the valuation at *fair value* of derivatives instruments as of 30 June 2007.

| (Thousands of euro) | 1H2007 | | FY2006 | |
|---|------------|----------------|---------------|-----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Interest rate swaps | | | | |
| Fair value of currency options | | | 597 | |
| Fair value of acquisition and commodities term sales (oil and other oil products) | 245 | (4,248) | 25,458 | (14,648) |
| Total | 245 | (4,248) | 26,055 | (14,648) |
| Total net | | (4,003) | 11,407 | |

Derivatives contracts closed during the period (1H2007) generated a negative net impact on income statement for EUR 10,574 thousands (EUR 4,970 thousands negative impact in the same period of the previous year), as highlighted in the following paragraph 6.4.

The following table shows the notional values and the fair values of the derivative instruments still open as at 30 June 2007:

| Type of transaction | Interest rates | | | Exchange rates | | | Other rates | | |
|---------------------------------|----------------|------------|----------|----------------|------------|----------|----------------|--------------|---------------|
| | Notional value | Fair value | | Notional value | Fair value | | Notional value | Fair value | |
| | | Pos. | Neg. | | Pos. | Neg. | | Pos. | Neg. |
| (Figures in thousands of euros) | | | | | | | | | |
| <i>Financial derivatives</i> | | | | | | | | | |
| - Futures | | | | | | | | | |
| purchased | | | | | | 52,543 | 1,750 | 2,051 | |
| sold | | | | | | 78,203 | 5,262 | 8,964 | |
| - Options | | | | | | | | | |
| purchased | | | | | | | | | |
| sold | | | | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 | 130,746 | 7,012 | 11,015 |

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

The item “Loans from unconsolidated group subsidiaries” included debts arising from Parchi Eolici Ulassai S.r.l.'s share of the tax consolidation (EUR 362 thousand) and from Xanto S.r.l. in liquidation (EUR 600 thousand); financial debts are settled at market conditions.

For more detail regarding the changes in this item, please see the cash flow statement included within these consolidated financial statements.

5.3.2 Trade and other payables

The following table shows the composition of this item:

| | 30/06/2007 | 31/12/2006 | Change |
|---|----------------|----------------|---------------|
| Advances from clients: portion due within the period | 723 | 2,910 | (2,187) |
| Amounts payable to suppliers: portion due within the period | 609,307 | 548,117 | 61,190 |
| Trade payables to unconsolidated group companies | 35 | 31 | 4 |
| Trade payables to associated companies | 482 | 564 | (82) |
| Total | 610,547 | 551,622 | 58,925 |

The following table shows a breakdown for payables to suppliers per geographic area:

| | 30/06/2007 | 31/12/2006 | Change |
|--|----------------|----------------|---------------|
| Payables to Italian suppliers | 198,748 | 164,421 | 34,327 |
| Payables to Spanish suppliers | 50,455 | 44,832 | 5,623 |
| Payables to other EU country suppliers | 57,383 | 99,607 | (42,224) |
| Payables to non-EU country suppliers | 301,072 | 238,090 | 62,982 |
| Payables to US suppliers | 1,649 | 1,167 | 482 |
| Total | 609,307 | 548,117 | 61,190 |

5.3.3 Current tax liabilities

The following table shows the composition of this item:

| | 30/06/2007 | 30/12/2006 | Change |
|-------------------------------|----------------|---------------|---------------|
| Other | 44,262 | 24,650 | 19,612 |
| to Italian government for VAT | 42,560 | 15,659 | 26,901 |
| IRES (corporation tax) | 41,966 | 9,227 | 32,739 |
| IRAP (regional tax) | 2,357 | 2,557 | (200) |
| Total | 131,145 | 52,093 | 79,052 |

The item “Other” mainly includes debts to both the Italian Technical Office for Manufacturing Tax (UTIF) for excise duties (EUR 33,893 thousand). The increase is due to the lack of prepayment, due instead in the month of December 2006.

The decrease in corporate income tax liabilities (IRES) was largely due to tax provision for the period (EUR 93,526 thousands), net of the amount being paid in June, including the net balance for 2006 financial year, accruals starting from 2007 and of transfers for taxes from subsidiaries in the financial consolidation for a total amount of EUR 60,787 thousands.

5.3.4 Other current liabilities

The following table shows the composition of this item:

| | 30/06/2007 | 31/12/2006 | Change |
|--|---------------|---------------|---------------|
| Amount payable to welfare and grants: portions due within the year | 8,084 | 6,012 | 2,072 |
| Due to personnel | 15,524 | 10,245 | 5,279 |
| Payables to ministry for grants | 29,402 | 29,371 | 31 |
| Other payables | 18,304 | 14,388 | 3,916 |
| Other accrued liabilities | 269 | 406 | (137) |
| Other deferred income | 450 | 311 | 139 |
| Total | 72,033 | 60,733 | 11,300 |

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

The item "Payables to Ministry for grants" includes advances received from the Ministry in connection with the Outline Agreement that was made on 10 June 2002 for which the Final Concession Decree has yet to be granted. EUR 14,361 thousand of the balance refers to Akhela, EUR 1,193 thousand to Sartec, and EUR 13,848 to the Parent Company; the increase refers to the advances received by Sartec.

The item "Other payables" mainly refers to port duties as determined by the Customs Authority (EUR 15,115 thousands); please note that the first tranche of Saras' long-standing dispute with Inland Revenue regarding port duties payable for the Sarroch landing dock for the 1994-95 period was settled to the full satisfaction of Saras, whose case was upheld by a ruling issued by the Italian Supreme Court of Appeal, which definitively declared that the taxes were not due.

Furthermore, a second tranche of the dispute is underway, and, after a favourable ruling issued by the Court of Cagliari, an unfavourable ruling has been pronounced by the Cagliari Court of Appeal. As a consequence Saras decided to make an accrual in respect of the due amount, the payment of which is however temporarily suspended.

5.4 Non-current liabilities

5.4.1 Long-term liabilities

The following table shows this item in detail

| Values in million of Euro | Date of borrowing | Amount originally borrowed | Base rate | Outstanding at 31/12/06 | Outstanding at 30/06/07 | Maturity | | | Security |
|--------------------------------------|-------------------|----------------------------|------------|-------------------------|-------------------------|--------------|-------------------|----------------|----------|
| | | | | | | 1 year | from 1 to 5 years | beyond 5 years | |
| Saras S.p.A. | | | | | | | | | |
| San Paolo Imi | 16-dic-04 | 30.0 | Euribor 6M | 30.0 | 25.0 | 10.0 | 15.0 | - | 25.0 |
| Unicredit | 19-dic-00 | 50.0 | Euribor 6M | 50.0 | 41.7 | 16.7 | 25.0 | - | 41.7 |
| | | | | 80.0 | 66.7 | 26.7 | 40.0 | 0.0 | |
| Sartec S.p.A. | | | | | | | | | |
| San Paolo Imi | 30-giu-01 | 1.7 | 2.31% | 0.8 | 0.7 | 0.2 | 0.5 | - | |
| San Paolo Imi | 30-giu-97 | 1.2 | 2.95% | 0.1 | | | | | |
| | | | | 0.9 | 0.7 | 0.2 | 0.5 | 0.0 | |
| Akhela S.r.l. | | | | | | | | | |
| Banco di Sardegna | 24-apr-02 | 3.1 | Euribor 6M | 1.5 | 1.2 | 0.6 | 0.6 | | |
| BNL | 2-ott-02 | 8.3 | Euribor 6M | 2.7 | 1.4 | 1.4 | - | | |
| | | | | 4.2 | 2.6 | 2.0 | 0.6 | 0.0 | |
| Saras Energia S.A. | | | | | | | | | |
| Banca Esp. De Credito | 11-set-02 | 10.0 | Euribor 6M | 6.7 | 6.1 | 1.1 | 4.4 | 0.6 | |
| | | | | 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 | 190.0 | 61.6 | 128.4 | | 190.0 |
| BEI | 29-nov-96 | 180.0 | 7.35% | 74.5 | 64.5 | 20.8 | 43.7 | | 64.5 |
| BEI | 29-nov-96 | 208.0 | Euribor 3M | 74.6 | 64.6 | 20.9 | 43.7 | | 65 |
| | | | | 369.4 | 319.1 | 103.3 | 215.8 | 0.0 | |
| Total debt to banks for loans | | | | 461.2 | 395.2 | 133.3 | 261.3 | 0.6 | |

The loan received by Saras S.p.A. granted by San Paolo Imi S.p.A. (an initial EUR 30 million) is subject to the following two covenants (with reference to the Parent Company's figures): (i) a Debt/equity ratio of less than 2.3; and (ii) an EBITDA/net interest expense ratio of higher than 3.

Each financing given to Sarlux S.r.l. must be reimbursed on request of the Facilities Agent in case of: (i) the "loan Life Cover Ratio" (Net Present Value Cash Flow Post Tax on total debt) falls below 1.5; (ii) The "Annual Debt Service Cover Ratio" (Available Cash Post Tax – for the following 12 months – on total debt) falls below 1; (iii) the "Forecast Annual Debt Service Cover Ratio" falls below 1.

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;

And that 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.)*: the ratio of *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.

Compliance with all the above ratios has been achieved as of 30 June 2007.

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

5.4.2 Provisions for risks

Provisions for risk can be broken down as follows:

Provisions for risks comprise a plant dismantling provision, entered for future costs for the dismantling of plants and

| | 31/12/2005 | Additions | Deductions | Movements | 31/12/2006 |
|--|---------------|--------------|----------------|--------------|---------------|
| Provision for dismantling of plants | 13,526 | | | 3,300 | 16,826 |
| Provision for other risks | 3,689 | 1,622 | (1,582) | 3,930 | 7,659 |
| Provisions for risks on equity investments | 354 | | (354) | | |
| Total | 17,569 | 1,622 | (1,936) | 7,230 | 24,485 |

| | 31/12/2006 | Additions | Deductions | Movements | 30/06/2007 |
|--|---------------|------------|----------------|-----------|---------------|
| Provision for dismantling of plants | 16,826 | | | | 16,826 |
| Provision for other risks | 7,659 | 540 | (1,826) | | 6,373 |
| Provisions for risks on equity investments | 0 | | | | 0 |
| Total | 24,485 | 540 | (1,826) | | 23,199 |

equipment, considered wherever there is a legal or constructive obligation to be met in this regard; this provision was not discounted in the balance sheet due to its negligible effect on the Group's consolidated financial statements.

The item "Provision for other risks" was established for liabilities of fiscal nature.

5.4.3 Provisions for employee benefits

The following table shows this item in detail

| | 30/06/2007 | 31/12/2006 | Change |
|-------------------------|---------------|---------------|----------------|
| Staff leaving indemnity | 21,401 | 26,983 | (5,582) |
| CPAS fund | 18,771 | 18,448 | 323 |
| Total | 40,172 | 45,431 | (5,259) |

Employee severance indemnity is regulated according to art. 2120 of the Italian Civil Code and reflects the estimated amount, based on actuarial estimates, that the company will be required to pay employees upon termination of employment; the item "CPAS fund" is a special supplementary pension fund for employees (*Fondo Previdenza Aziendale Dipendenti Saras*, i.e. the company pension fund for Saras Employees). This obligation is also measured using actuarial techniques.

The following table shows the changes in the staff leaving indemnity :

| | |
|----------------------------------|---------------|
| Balance at 31.12.2006 | 29,877 |
| Accrual for the year | 4,964 |
| Utilisations for the year | (7,858) |
| Balance at 31.12.2006 | 26,983 |
| Accrual for the period | 2,742 |
| Curtailment due to change in law | (5,156) |
| Utilisations for the period | (2,171) |
| Transfers to other pension funds | (997) |
| Balance at 30.06.2007 | 21,401 |

Changes in the CPAS fund are the following:

| | |
|------------------------------|---------|
| Balance at 31.12.2005 | 19,808 |
| Accrual for the year | 322 |
| Utilisations for the year | (1,682) |
| Balance at 31.12.2006 | 18,448 |
| Accrual for the year | 602 |
| Utilisations for the period | (279) |
| Balance at 30.06.2007 | 18,771 |

In accordance with IAS 19, when measuring the staff leaving indemnity and CPAS fund, the so-called “projected unit credit cost” method has been adopted, making the following assumptions:

| BUSINESS ASSUMPTIONS | 30/06/2007 | 31/12/2006 |
|------------------------------------|-------------------|-------------------|
| Cost of living increases: | 2,00% | 2,00% |
| Discount rate | 5,25% | 4,60% |
| Compensation increases: | 3,00% | 3,00% |
| Annual increase rate in TFR fund: | 3,00% | 3,00% |
| Annual increase rate in CPAS fund: | 11,00% | 11,00% |

DEMOGRAPHIC ASSUMPTIONS

| | |
|---------------------------------|--|
| Probability of death: | Percentage determined by ISTAT in 2002, for each sex separately |
| Probability of disability | Those adopted in the National Insurance model for projections to 2010 |
| Probability of resignation | Annual frequency rates of 0,5% have been considered for all Group companies |
| Probability of retirement | It has been assumed that the first requirement to become eligible for retirement under Compulsory General Insurance has been met |
| Probability of advance payments | A year-on-year rate of 3.00% has been assumed for all Group companies |

The discounting rate used refers to the value of the IBOXX Eurozone AA with a maturity correlated to the average residual length of employment of the staff. As at 30 June 2007, IBOXX Eurozone AA 10 years or more was 4,6% annually.

Considering the adopted accounting method (please see section 3.2 “Summary of accounting principles and policies applied” under point P “Provisions for employee benefits” of these notes), as at 30 June 2007 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

| Deferred tax liabilities | 30/06/2007 | 31/12/2006 | Change |
|---------------------------------|-------------------|-------------------|---------------|
| Deferred tax liabilities | 177,454 | 161,087 | 16,367 |
| Total | 177,454 | 161,087 | 16,367 |

The change is mainly due to the effect generated from the increase of the difference between the inventories valued at FIFO, in the current figures, and LIFO figures adopted for fiscal purposes.

5.4.5 Other liabilities

The following table shows this item in detail:

| | 30/06/2007 | 31/12/2006 | Change |
|---|----------------|----------------|---------------|
| Advances from client: portion due in future | 11 | 1,599 | (1,588) |
| Payables to welfare and grants: portions due after 1 year | 246 | 213 | 33 |
| Other | 5,293 | 4,383 | 910 |
| Long-term deferred income | 533,959 | 508,571 | 25,388 |
| Total | 539,509 | 514,766 | 24,743 |

The increase mainly refers to the increase in the item "Long-term deferred income". This item regards the application of IFRIC 4 from the subsidiary Sarlux S.r.l. for the treatment of the electricity sale 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.

5.5 Shareholders' equity

Shareholders' equity comprises the following

| | 30/06/2007 | 31/12/2006 | Variazione |
|--------------------------------|------------------|------------------|---------------|
| Share capital | 54,630 | 54,630 | 0 |
| Legal reserve | 10,926 | 10,237 | 689 |
| Other reserves | 1,078,611 | 825,090 | 253,521 |
| Profit for the year | 186,933 | 395,425 | (208,492) |
| | 1,331,100 | 1,285,382 | 45,718 |
| of which: minority interest | | | |
| Share capital and reserves | 0 | 0 | 0 |
| Profit (loss) for the year | 0 | 0 | 0 |
| Total minority interest | 0 | 0 | 0 |

Share capital

As at 30 June 2007, share capital – totalling EUR 54,630 thousand fully paid up – comprised a total of n. 951,000,000 ordinary shares worth EUR 0.05744 each; compared with 31 December 2006, remained unchanged.

Legal reserves

Legal reserves, increased by 689 thousands from the achievement of the one fifth of the Share Capital, according to art. 2430 of the Italian Civil Code, as resolved by Parent Company Saras S.p.A. Annual General Meeting held on 27 April 2007.

Other reserves and Profit (loss) from previous periods

This item totals EUR 1,078,611 thousand, with a net increase of EUR 253,521 versus the previous period. This net increase comes from:

- a decrease for the distribution of dividends to shareholders of EUR 142,650 thousand, as ruled at the Parent Company Saras S.p.A. Annual General Meeting held on 27 April 2007 (EUR 0.15 for each of the 951,000,000 issued shares) ;
- an increase for the allocation of profits from the previous period (for EUR 394,736 thousand);
- an increase for the allocation of a reserve for stocks grants to employees and management of the Saras Group based on stock plans approved by the Parent Company Saras S.p.A. (EUR 1,435 thousands) according to IFRS2 chapter 7.

Profit for the period

The net consolidated profit totalled EUR 186,933 thousand.

Restrictions on distribution of equity reserves

The main restrictions on the distribution of equity reserves can be summarised as follows:

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item "Other reserves" includes about EUR 18 million that may only be used to cover losses or increase share capital.

Furthermore, please note that these equity reserves include about EUR 97.6 million that, in the event of distribution, would be taxed by 37.25% which would be charged to the Parent Company.

In the following table a reconciliation between the parent company (Saras S.p.A.) and Saras Group as of 30 June 2007 is reported for Net Profit and Shareholders' Equity:

| | Net Profit | Shareholders' Equity |
|---|-------------------|---------------------------------|
| Saras S.p.A. interim report for the period ending on 30 June 2007 | 142,063 | 867,336 |
| Difference between value at cost as of 30 June 2007 and shareholders' equity of subsidiaries valued at cost in Saras S.p.A accounts | 49,103 | 468,176 |
| Elimination of intercompany profits on inventories | (3,830) | (6,352) |
| Elimination of discounting | (421) | 2,551 |
| Write-off of profits on intangible assets, net of taxes | 18 | (611) |
| | <hr/> | <hr/> |
| Saras Group consolidated Interim report for the period ending on 30 June 2007 | 186,933 | 1,331,100 |
| | <hr/> | <hr/> |

6. Notes to the profit and loss account

In order to provide a complete information on Income Statement and given that, the subsidiaries Sarlux S.r.l. and Saras Energia Red S.A. have been fully consolidated starting from second half 2006, details related to these subsidiaries have been provided with respect to also first half 2007 in the table below.

6.1 Revenues

6.1.1 Revenues from ordinary operations

Revenues from ordinary operations can be broken down as follows:

| | 30/06/2007 | 30/06/2006 | Change Sarlux | |
|---------------------------------------|------------------|------------------|----------------|----------------|
| | | | | to 30/06/2007 |
| Sales and services revenues | 2,949,111 | 2,798,582 | 150,529 | 3,490 |
| Sale of electricity | 246,013 | 0 | 246,013 | 246,013 |
| Change in contracted work in progress | 920 | 1,195 | (275) | |
| Total | 3,196,044 | 2,799,777 | 396,267 | 249,503 |

Compared to the first half 2006, sales and services revenues increase by EUR 396 million. This change is largely due to the consolidation of revenues deriving from the sales of power from the subsidiary Sarlux S.r.l. and to the higher sales deriving from oil products buyback from processors (around EUR 1 million tons), as well as a general rise in prices compared to the same period of last year.

Moreover as of 30 June 2006 revenues from sales and services includes revenues for the sale of TAR to the subsidiary non fully consolidated Sarlux S.r.l. for a total amount of EUR 83,729 thousands.

Revenues from ordinary operations are broken down per business segment and geographic area as described in the notes 4.2 and 4.3 "Segment information" and "Geographic area information" above.

6.1.2 Other income

The following table shows this item in detail:

| | 30/06/2007 | 30/06/2006 | Change Sarlux | |
|--|---------------|---------------|----------------|---------------|
| | | | | to 30/06/2007 |
| Revenues from sale of compulsory storage | 3,692 | 5,282 | (1,590) | |
| Sale of sundry materials | 3,191 | 1,229 | 1,962 | |
| Other income | 5,172 | 14,098 | (8,926) | 397 |
| Totale | 12,055 | 20,609 | (8,554) | 397 |

As of 30 June 2006 the balance for other revenues basically comprises a charge to Sarlux S.r.l. for services under ongoing twenty-year contracts (services supply and services rendered by Saras' employees), for a total amount of EUR 8,615 thousands.

6.2 Costs

Below a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

| | 30/06/2007 | 30/06/2006 | Change Sarlux | |
|---|------------------|------------------|----------------|---------------|
| | | | | to 30/06/2007 |
| Purchases of raw materials, spare parts and consumables | 2,514,946 | 2,382,518 | 132,428 | 6,936 |
| Total | 2,514,946 | 2,382,518 | 132,428 | 6,936 |

The change in this item, is mainly due to the higher purchase of crude and to a global increase in crude oil and oil products prices.

As of 30 June 2006 the items included Group purchase of raw materials, spare parts and consumables from the fully unconsolidated subsidiary Sarlux S.r.l. for EUR 1,161 thousands.

6.2.2 Cost of services and sundry costs

| | 30/06/2007 | 30/06/2006 | Change Sarlux | |
|---------------------------------|----------------|----------------|---------------|---------------|
| | | | | to 30/06/2007 |
| Cost of services | 205,590 | 150,384 | 55,206 | 70,345 |
| Rent, leasing and similar costs | 5,968 | 3,489 | 2,479 | 1,157 |
| Provision for risks | 494 | | 494 | |
| Various management cost | 9,622 | 6,255 | 3,367 | 4,164 |
| Total | 221,674 | 160,128 | 61,546 | 75,666 |

Cost of services is largely composed of maintenance, rentals, freight, electricity, steam, hydrogen and other utilities.

Other operating charges are mainly composed of non-income taxes (property tax, ICI, greenhouse gas emissions tax) and membership fees.

As of 30 June 2006 the items included Group purchases for third parties services and sundry costs from the fully unconsolidated subsidiary Sarlux S.r.l. for EUR 24,308 thousands.

6.2.3 Personnel costs

"Personnel costs" can be broken down as follows:

| | 30/06/2007 | 30/06/2006 | Change Sarlux | |
|--|---------------|---------------|---------------|---------------|
| | | | | to 30/06/2007 |
| Wages and Salaries | 44,276 | 36,967 | 7,309 | 947 |
| Social security | 13,366 | 11,539 | 1,827 | 290 |
| Staff severance indemnity | (2,415) | 1,595 | (4,010) | 47 |
| Pensions and similar | 641 | (420) | 1,061 | |
| other cost | 1,700 | 1,301 | 399 | 97 |
| Compensation to the Board of Directors | 2,847 | 2,882 | (35) | |
| Total | 60,415 | 53,864 | 6,551 | 1,381 |

The increase of the items "Wages & Salaries" and on "Social Security" is mainly due to the full consolidation of the subsidiaries Sarlux S.r.l. and Saras Energia Red S.A. starting from second half 2006 (around EUR 3.2 million) as well as to higher payment and allocations for bonuses to employees, related to the achievement of Company targets (EUR 3.7 millions) and to the charges related to the stock plan commented below.

The 27 April 2007 the Shareholders Meeting of the Parent Company approved the free stock plan of Saras S.p.A. ordinary shares:

- To employees of the company and of the Italian subsidiaries (the Stock Plan for Employees "Piano Azionario");
- To the managers of Saras Group (the "Piano di Stock Grant 2007/2009").

The Stock Plan for Employees is a free assignment of ordinary shares to employees.

- for 2007: 25 shares, as well as a share every six for each share already held at 31 December 2006;
- for 2008 and 2009: a share every six further shares purchased respectively in 2007 and 2008.

The "Stock Plan" foresees also that the total value of the assigned shares for each beneficiary will not exceed, referring to each year, to EUR 2,065.

The Stock Grant Plan 2007/2009 is addressed to managers of the Company and its subsidiaries (as well as to Directors of the Board of Directors of the Parent Company and of its subsidiaries individually identified). The plan foresees the assignment of a "base number of Shares" for each beneficiary, modified:

- based on the ratio between the changes of the share price of the parent Company and the value of the share price of comparables;
- based on the ratio between the forecasted and the actual EBITDA of the Group.

The assignment of shares is forecasted in n. 330,341 shares for the "Stock Plan" and in n. 538,800 shares for the "Stock Grant Plan" (the last just for 2007), while the cost for the plans was, respectively EUR 1.1 millions and EUR 3.0 millions.

The decrease of the allocations of the employee severance indemnity is mainly due to the recent effects due to the changing law that brought to a change in the actualization rates of these provisions, and a subsequent reduction of the liability for severance indemnity quantified in around EUR 5 millions; such decrease has been included in the non-recurring items.

6.2.4 Depreciation, amortization and write-downs

"Depreciation, amortization and write-downs" can be broken down as follows

| | 30/06/2007 | 30/06/2006 | Change Sarlux | |
|--|---------------|---------------|---------------|---------------|
| | | | | to 30/06/2007 |
| Intangible assets amortization | 21,074 | 513 | 20,561 | 19,565 |
| Tangible asset depreciation | 58,676 | 34,752 | 23,924 | 21,143 |
| write-downs of receivables in current assets | | (753) | 753 | |
| Total | 79,750 | 34,512 | 45,238 | 40,708 |

The increase in the items is substantially due to the full consolidation of the subsidiary Sarlux S.r.l. in particular, the amortization of the intangible assets refers to the share related to the contract between Sarlux and the G.S.E. (Gestore dei Servizi Elettrici S.p.A.), valued at fair value as explained in the previous note "Intangible Assets".

6.3 Net income (charges) from equity interests

This item is shown in detail in the following table:

| Net income (charges) from equity interests | 30/06/2007 | 30/06/2006 | Change |
|---|------------|------------|----------|
| Measurement of joint ventures using equity method: | | | |
| Parchi Eolici Ulassai | 3,903 | 3,494 | 409 |
| Sarlux S.r.l. | 0 | 28,785 | (28,785) |
| | 3,903 | 32,279 | (28,376) |

The item includes the effects of the valuation at equity of the joint-ventures; the balance as of 30 June 2006 included the result of the period of the subsidiary Sarlux S.r.l.

6.4 Other financial income (charges)

The financial result can be broken down as follows:

| | 30/06/2007 | 30/06/2006 | Change Sarlux | |
|--|-----------------|-----------------|-----------------|----------------|
| | | | | to 30/06/07 |
| Other financial income | | | | |
| from fin. Assets disclosed under non-current assets | | 457 | (457) | |
| from fin. Assets disclosed under current assets | | | 0 | |
| Income other than above | | | 0 | |
| - from non-consolidated Group companies | 74 | 487 | (413) | |
| - Interests on current accounts held with banks and post offices | 5,285 | 307 | 4,978 | 4,156 |
| - fair value of derivatives recorded at period-end | 105 | | 105 | |
| - positive difference on derivatives | 6,036 | 12286 | (6,250) | |
| - other income | 278 | 768 | (490) | |
| Interest and other financials charges | | | 0 | |
| - from non-consolidated Group companies | (21) | (15) | (6) | |
| - fair value on equity at the end of the period | (685) | | (685) | |
| - fair value of derivatives recorded at period-end | (15,410) | (6,792) | (8,618) | |
| - negative difference on derivatives | (16,610) | (17,256) | 646 | |
| - other (interest on loans, interest on arrears, etc.) | (14,056) | (10,752) | (3,304) | (10,375) |
| Profits and losses on exchange gains on non-commercial transactions | 2,311 | 927 | 1,384 | |
| Total | (32,693) | (19,583) | (13,110) | (6,219) |

The main changes are attributable to the realized differentials made during the year on financial derivative transactions made by the Parent company (substantially hedging for which "hedge accounting" has not been adopted) as well as to the contracts in place as at 30 June 2007 being measured at fair value.

6.5 Sarlux S.r.l. Acquisition

The income for the acquisition of Sarlux S.r.l. (EUR 199,167 thousands), reported in the first half report 2006, refers to the difference between the acquisition cost and the fair value of the assets, liabilities and potential liabilities acquired (generated at the acquisition of 45% of the subsidiary's shares), as well as the fair value of the option exercised to acquire the remaining stake,

6.6 IPO and company's restructuring charges

The item (EUR 12,922 thousands), as reported in the first half 2006, includes remuneration for managers and consultants related to the company listing and charges for the restructuring of company's organization.

6.7 Income tax for the period

Income taxes can be broken down as follows:

| | 30/06/2007 | 30/06/2006 | Change | Sarlux to 30/06/07 |
|--------------------|----------------|---------------|---------------|-----------------------|
| Current taxes | 108,845 | 27,634 | 81,211 | 33,767 |
| Net Deferred taxes | 6,746 | 34,736 | (27,990) | (11,278) |
| Total | 115,591 | 62,370 | 53,221 | 22,489 |

The higher taxation is due to the increased taxable income.

7. Other information

7.1 Analysis of the main litigations pending

The company Saras S.p.A., as well as the subsidiaries Arcola Petrolifera S.p.A., Akhela S.r.l. and Sarlux. S.r.l., were subject to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.

Although the decisions made by the tax courts in relation to the alleged violations are not consistent, Saras assumes that liabilities, although possible, are not probable. Such liabilities, in any case, as of the approvals of the interim financial statements, are not reliably quantifiable.

7.2 Earnings per share

Earnings per share are determined by dividing net profit by the weighted average number of Saras S.p.A. shares outstanding during the year, excluding own shares.

Earnings per share totalled 19.66 eurocents per share for the period as at 30 June 2007, and •38.04 per share for the same period of 2006.

The number of shares outstanding averaged 951,000,000 as at 30 June 2007 and 856,851,381 in the same period of 2006. As at 30 June 2007 Saras S.p.A. had no own shares in portfolio.

Calculation of diluted earnings per share is not applicable in this case because no dilution happened during the period.

7.3 Transactions with related parties

Transactions effected by Saras with related parties basically concern the exchange of goods, the provision of services, and arrangements of a financial nature.

The following table shows the amounts involved in commercial and sundry relations and financial relations created between associates, as well as the nature of the most significant transactions.

| Description | 31-12-2006 | | 30/06/2007 | | Item |
|--|------------|--------|------------|--|--|
| XANTO S.r.l. (in liquidation) | | | | | |
| Measurement of investment at equity | 472 | 1.34% | 0 | | 0.00% Net income (charges) from equity interest |
| Financial income | 0 | 0.00% | 0 | | 0.02% Other net financial income (charges) |
| Financial charges | (9) | 0.45% | (13) | | 0.04% Other net financial income (charges) |
| Receivables for supply of goods and services | 467 | 0.08% | 0 | | 0.00% Current trade receivables |
| Payables for supply of goods and services | (9) | 0.00% | (13) | | 0.00% Current trade payables and other payables |
| Short-term liabilities | (800) | 0.40% | (600) | | 0.29% Short-term liabilities |
| Ires/VAT payables from tax consolidation | (1) | 0.00% | 0 | | 0.00% Short-term liabilities |
| XANTO BASILICATA S.r.l. (in liquidation) | | | | | |
| Corporation tax liabilities due to group tax consolidation | 0 | 0.00% | 0 | | 0.00% Short-term liabilities |
| ISOA SUD S.r.l. (in liquidation) | | | | | |
| Corporation tax liabilities due to group tax consolidation | (11) | 0.01% | 0 | | 0.00% Short-term liabilities |
| NOVA EOLICA S.r.l. | | | | | |
| Financial Income | 0 | 0.00% | 16 | | 0.02% Other net financial income (charges) |
| Financial Charges | (32) | 1.60% | (8) | | 0.02% Other net financial income (charges) |
| Receivables for supply of goods and services | 0 | 0.00% | 18 | | 0.00% Current trade receivables and other payables |
| Payables for supply of goods and services | (9) | 0.00% | (8) | | 0.00% Current trade payables and other payables |
| Loan | 0 | 0.00% | 3,200 | | 9.49% Other current assets |
| Loan | (1,000) | 0.49% | 0 | | 0.00% Short-term financial liabilities |
| PARCHI EOLICI ULASSAI S.R.L. (Joint venture) | | | | | |
| Services received | 6 | 0.02% | 3 | | 0.02% Other income |
| Measurement of investment equity | 6,255 | 17.72% | 3,903 | | 100.00% Net income (charges) from equity interest |
| Financial Income | 148 | 6.29% | 58 | | 0.18% Other net financial income (charges) |
| Financial Charges | (22) | 6.29% | 0 | | 0.00% Other net financial income (charges) |
| Receivables for supply of goods and services | 49 | 0.01% | 61 | | 0.01% Current trade receivables |
| Loan | 3,368 | 8.07% | 1,328 | | 3.94% Other current assets |
| Payables for supply of goods and services | (22) | 0.00% | (22) | | 0.00% Current trade payables and other payables |
| Loan | 0 | 0.00% | 0 | | 0.00% Short-term liabilities |
| Corporation tax liabilities due to group tax consolidation | (583) | 0.29% | (362) | | 0.17% Short-term liabilities |
| SARDEOLICA S.R.L. | | | | | |
| Services received | 0 | 0.00% | 73 | | 0.00% Other income |
| Services given | 83 | 0.25% | 42 | | 0.35% other income |
| Services rendered by staff | 481 | 1.47% | 99 | | 0.82% Other income |
| Financial income | 242 | 12.08% | 0 | | 0.00% Other net financial income (charges) |
| Receivables for supply of goods and services | 538 | 0.09% | 124 | | 0.02% Current trade receivables |
| Corporation tax receivables due to group tax consolidation | 5,183 | 12.41% | 1,070 | | 3.17% Other current assets |
| Loan | 0 | 0.00% | 0 | | 0.00% Other current assets |
| IMMOBILIARE ELLECI S.p.A. | | | | | |
| Rent | (442) | 0.12% | (220) | | 0.10% Cost of services and various cost |
| SECURFIN HOLDINGS S.p.A. | | | | | |
| Services rendered by staff | 15 | 0.05% | 10 | | 0.08% Other income |
| Rent | (489) | 0.13% | (289) | | 0.13% Cost of services and various cost |
| Receivables for supply of goods and services | 15 | 0.00% | 10 | | 0.00% Current trade receivables |
| F.C. INTERNAZIONALE S.p.A. | | | | | |
| Services received | 35 | 0.01% | 0 | | 0.00% Cost of services and various cost |
| ANGELO MORATTI S.p.A. | | | | | |
| Services rendered by staff | 24 | 0.07% | 17 | | 0.14% Other income |
| Receivables for supply of goods and services | 24 | 0.00% | 17 | | 0.14% Current trade receivables |
| DYNERGY S.R.L. | | | | | |
| Services rendered by staff | 1 | 0.00% | 1 | | 0.01% Other income |
| Services received | (1,224) | 0.32% | (865) | | 0.39% Cost of services and various cost |
| Dividends | 38 | 0.11% | 0 | | 0.00% Net income (charges) from equity interest |
| Receivables for supply of goods and services | 1 | 0.00% | 2 | | 0.00% Current trade receivables |
| Payables for supply of goods and services | (500) | 0.09% | (483) | | 0.08% Current trade payables and other payables |
| HANGZHOU DADI ENCON ENVIRONMENTAL EQUIPMENT CO. LTD - China | | | | | |
| Goods supply | 0 | 0.00% | 8 | | 0.00% Purchase of raw materials, spare parts and consumables |
| Purchases of goods | (9) | 0.00% | (5) | | 0.00% Purchase of raw materials, spare parts and consumables |
| Trade receivables | 0 | 0.00% | 8 | | 0.00% Current trade receivables |
| Payables for supply of goods and services | (2) | 0.00% | (2) | | 0.00% Current trade payables and other payables |
| Prepayments for supply fo goods | (53) | 0.01% | (53) | | 0.01% Current trade payables and other payables |

The transactions with the related parties mentioned above have been made at market condition. No provisions for doubtful loans were made regarding the existent balances in that there are no reason for such provisions; no losses were made relative to doubt

The effects of operations and transactions with related parties on balance sheet items are indicated in the following table:

| | 30/06/2006 | | | 30/06/2007 | | |
|----------------------------------|------------|-----------------|--------|------------|-----------------|--------|
| | Total | Related parties | % | Total | Related Parties | % |
| Current trade receivables | 574,483 | 1,094 | 0.20% | 537,425 | 240 | 0.00% |
| Other current assets | 41,750 | 8,551 | 20.50% | 33,705 | 5,598 | 16.60% |
| Short term financial liabilities | 202,097 | 2,395 | 1.20% | 208,459 | 1,962 | 0.90% |
| Trade payables and other current | 551,622 | 595 | 0.10% | 610,547 | 581 | 0.10% |
| Other non current liabilities | 514,766 | 0 | 0.00% | 539,509 | 0 | 0.00% |

The effects of operations and transactions with related parties on income statement items are indicated in the following table:

| | 30/06/2006 | | | 30/06/2007 | | |
|--|------------|-----------------|---------|------------|-----------------|---------|
| | Total | Related parties | % | Total | Related parties | % |
| Revenues | 2,799,777 | 108,323 | 3.90% | 3,196,044 | 81 | 0.00% |
| Other income | 20,609 | 8,928 | 43.30% | 12,055 | 172 | 1.40% |
| Purchases of raw materials spare parts and consumables | 2,382,518 | 1,161 | 0.00% | 2,514,946 | 5 | 0.00% |
| Services supply and other costs | 160,128 | 26,016 | 16.20% | 221,674 | 1,374 | 0.60% |
| Net income (charges) on equity investments | 32,279 | 32,279 | 100.00% | 3,903 | 3,903 | 100.00% |
| Other net financial income (charge) | (19,583) | 198 | n.a. | (32,693) | 53 | n.a. |
| Acquisition of Sarlux | 199,167 | 199,167 | 100.00% | 0 | 0 | 0.00% |

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

| | 30/06/2006 | 30/06/2007 |
|---|---------------|--------------|
| Net (income) charges on equity investments valued at equity | 34,026 | (3,910) |
| (Increase) / decrease of trade receivables | 26,680 | 854 |
| Increase / (decrease) of trade payables and other payables | (10,694) | (14) |
| Change in other current assets | 24,273 | 2,953 |
| Change in other non current liabilities | (51,876) | 0 |
| Cash flow from (to) operating activities | 22,409 | (117) |
| Interest received / (paid) | 198 | 53 |
| Cash flow from (to) investment activities | 198 | 53 |
| Increase / (decrease) of short term financial liabilities | (381) | (433) |
| Cash flow from (to) financing | (381) | (433) |
| Total cash flow to related parties | 22,226 | (497) |

The effects of financial flows with related parties are indicated in the following table:

| | 30/06/2006 | | | 30/06/2007 | | |
|---|------------|-----------------|------|------------|-----------------|------|
| | Total | Related parties | % | Total | Related parties | % |
| Cash flow from (to) operating activities | 66,054 | 22,409 | 34 | 523,232 | (117) | n.a. |
| Cash flow from (to) investment activities | (189,365) | 198 | n.a. | (85,684) | 53 | n.a. |
| Cash flow from (to) financing | 135,094 | (381) | n.a. | (196,997) | (433) | 0.2 |

7.4 Information regarding the fair value of financial assets and liabilities

The fair value of trade receivables and other financial assets – and of trade payables and other financial liabilities – recognised as part of “current” items in the balance sheet and measured using the amortised cost method – given that such items are mainly assets underlying trade agreements that are due to be settled in the short-term – do not differ from the book values reported in the financial statements as at 30 June 2007.

Long-term financial liabilities bearing interest at fixed rates that are not in line with current market rates – as mentioned in note 5.4.1 above – are not significant, and the differences between their respective fair values and their book values as at 30 June 2007 are not considered to be substantial.

7.5 Average number of employees

The Group’s headcount went from 1642 at 30 June 2006 to 1,846 as at 30 June 2007; this increase is mainly due to Saras Energia Red S.A. personnel, a company fully consolidated starting in the second half 2006.

7.6 Compensations to managers with strategic responsibilities

As of 30 June 2007, executives vested with strategic responsibilities, and members of the Statutory Bodies earned emoluments totalling EUR 6,466 thousand.

7.7 Commitments

In order to minimise the effects of fluctuations in the euro/US dollar exchange rate and changes in the spread between raw materials and finished products prices, the Group is party to a number of derivatives contracts, in order to hedge against these risks. As at 30 June 2007 these derivative contracts had notional values of approximately EUR 131 millions.

As at 30 June 2007 and 31 December 2006, there were no irrevocable commitments to purchase materials or provide services of a long-term nature.

In the normal activity of the company, Saras signed financial guarantees for EUR 41,723 thousand as of 30 June 2007 (as of 31 December 2006 were EUR 109,778 thousands) of which EUR 14,236 thousands in favour of the “Ministero delle Attività Produttive” to guarantee the advances received from the Ministry in connection with the Outline Agreement that was made on 10 June 2002.

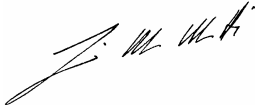
7.8 Non recurring events and non characteristic operations

As of 30 June 2007, Saras did not register any unusual and uncharacteristic operation. The introduction of the government budget 2007 generated the accounting of non recurring items described in the Notes 3.2 paragraf Q and 6.2.3.

8. Publication of First Half Report 2007

On 8 August 2007 Saras S.p.A.'s Board of Directors approved the publication of First Half 2007.

On behalf of the Board of Directors
The Chairman
GianMarco Moratti



SARAS S.p.A.

FINANCIAL STATEMENTS

Saras S.p.A. Balance-Sheets as at 30/06/07 and 31/12/06

| EUR thousand | 30-Jun-07 | 31-Dec-06 |
|---|------------------|------------------|
| ASSETS | | |
| Current Assets | 1,140,139 | 1,040,894 |
| Cash and cash equivalents | 221,886 | 41,152 |
| Other financial assets held for trading or available for sale | 14,186 | 13,816 |
| Trade receivables | 360,857 | 368,969 |
| <i>of which with related parties</i> | <i>149,241</i> | <i>162,467</i> |
| Inventory | 480,042 | 452,202 |
| Current tax assets | 260 | 63,843 |
| Other assets | 62,908 | 100,912 |
| <i>of which with related parties</i> | <i>51,369</i> | <i>78,839</i> |
| Non-current assets | 759,705 | 713,780 |
| Property, plant and equipment | 482,699 | 443,897 |
| Intangible assets | 7,767 | 1,237 |
| Equity interests consolidated under the equity method | 268,301 | 268,007 |
| Other equity interests | 495 | 496 |
| Other financial assets | 443 | 143 |
| Total assets | 1,899,844 | 1,754,674 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | 777,621 | 640,368 |
| Short-term financial liabilities | 117,111 | 92,143 |
| <i>of which with related parties</i> | <i>25,817</i> | <i>27,670</i> |
| Trade and other payables | 534,041 | 492,568 |
| <i>of which with related parties</i> | <i>13,950</i> | <i>19,987</i> |
| Current tax liabilities | 73,801 | 12,584 |
| Other liabilities | 52,668 | 43,073 |
| Non-current liabilities | 254,887 | 247,818 |
| Long-term financial liabilities | 40,000 | 53,333 |
| Provisions for risks | 13,526 | 13,526 |
| Provisions for employee benefits | 36,594 | 42,226 |
| Deferred tax liabilities | 103,233 | 75,584 |
| Other liabilities | 61,534 | 63,149 |
| <i>of which with related parties</i> | <i>57,432</i> | <i>59,918</i> |
| Total liabilities | 1,032,508 | 888,186 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 54,630 | 54,630 |
| Legal reserve | 10,926 | 10,237 |
| Other reserves | 659,717 | 544,068 |
| Profit/(loss) for the period | 142,063 | 257,553 |
| Total shareholders' equity | 867,336 | 866,488 |
| Total liabilities and shareholders' equity | 1,899,844 | 1,754,674 |

Saras S.p.A. Income Statements for the periods 1/1-30/6/07 and 1/1-30/6/06

| EUR thousand | 1-Jan-2007 30-Jun-2007 | <i>of which non recurring</i> | 1-Jan-2006 30-Jun-2006 | <i>of which non recurring</i> |
|---|------------------------------|-----------------------------------|--------------------------------|---------------------------------------|
| Revenues from ordinary operations | 2,864,214 | | 2,690,179 | |
| <i>of which with related parties</i> | <i>787,473</i> | | <i>813,706</i> | |
| Other income | 21,907 | | 22,820 | |
| <i>of which with related parties</i> | <i>12,960</i> | | <i>12,195</i> | |
| Total revenues | 2,886,121 | | 2,712,999 | |
| Purchases of raw materials, spare parts and <i>of which with related parties</i> | (2,400,319) <i>(729)</i> | | (2,327,720) <i>(64,132)</i> | |
| Cost of services and sundry costs <i>of which with related parties</i> | (148,338) <i>(29,245)</i> | | (146,062) <i>(31,032)</i> | |
| Personnel costs | (45,647) | 5,156 | (42,914) | |
| Depreciation, amortization and write-downs | (35,378) | | (32,919) | |
| Total costs | (2,629,682) | 5,156 | (2,549,615) | |
| Operating results | 256,439 | 5,156 | 163,384 | |
| Net income (charges) from equity interests <i>of which with related parties</i> | | | (2,530) | |
| Other financial income/(charges), net <i>of which with related parties</i> | (23,738) <i>667</i> | | (15,860) <i>119</i> | |
| Sarlux S.r.l acquisition <i>of which with related parties</i> | | | 70,457 <i>70,457</i> | 70,457 |
| IPO and company restructuring charges | | | (12,793) | (12,793) |
| Profit before taxes | 232,701 | 5,156 | 202,658 | 57,664 |
| Income tax for the period | (90,638) | (1,701) | (53,733) | 4,222 |
| Net profit/(loss) for the period | 142,063 | 3,455 | 148,925 | 61,886 |
| Earnings per share - base (Euro cent) | 14.94 | | 17.38 | |
| Earnings per share - diluted (Euro cent) | 14.94 | | 17.38 | |

Saras S.p.A. Statement of Changes in Shareholders' Equity for the periods from 01/01/06 to 30/06/07

| EUR thousand | Share capital | Legal reserve | Other reserves | Profit/(Loss) for the period | Shareholders' equity |
|--|---------------|---------------|----------------|------------------------------|----------------------|
| Balance as at 31/12/2005 | 51,183 | 10,237 | 128,685 | 246,579 | 436,684 |
| Capital increase (net of IPO costs) | 3,447 | | 338,984 | | 342,431 |
| Allocation of previous period profit | | | 106,884 | (106,884) | |
| Dividends | | | (30,485) | (139,695) | (170,180) |
| Profit (loss) for the first half | | | | 148,925 | 148,925 |
| Balance as at 30/06/2006 | 54,630 | 10,237 | 544,068 | 148,925 | 757,860 |
| Profit (loss) for the second half half | | | | 108,628 | 108,628 |
| Balance as at 31/12/2006 | 54,630 | 10,237 | 544,068 | 257,553 | 866,488 |
| Allocation of previous period profit | | 689 | 114,214 | (114,903) | |
| Dividends | | | | (142,650) | (142,650) |
| Reserve for employee stock plan | | | 1,435 | | 1,435 |
| Profit (loss) for first half | | | | 142,063 | 142,063 |
| Balance as at 30/06/2007 | 54,630 | 10,926 | 659,717 | 142,063 | 867,336 |

Saras S.p.A. Cash Flow Statements as at 30/06/07, 30/06/06 and 31/12/06

| EUR thousand | 1-Jan-2007 30-Jun-2007 | 1-Jan-2006 31-Dec-2006 | 1-Jan-2006 30-Jun-2006 |
|--|---------------------------|---------------------------|---------------------------|
| A - Cash and cash equivalents at the beginning of period (short-term net financial indebtiness) | 41,152 | 16,892 | 16,892 |
| B - Cash generated from/(used in) operating activities | | | |
| Profit/ (Loss) for the period of the Group | 142,063 | 257,553 | 148,925 |
| Amortization, depreciation and write-down of fixed assets | 35,378 | 68,405 | 32,919 |
| Net (income)/charges from equity interests | | 69,463 | 2,530 |
| <i>of which with related parties</i> | | 74,553 | 2,530 |
| Net change in provisions for risks and charges | | | 5,555 |
| Net change in employee benefits | (5,632) | (4,103) | (5,689) |
| Change in tax liabilities and tax assets | 27,649 | (11,083) | 19,253 |
| Income tax | 90,638 | 81,099 | 53,733 |
| Other non cash income and costs | 1,074 | | (10,143) |
| Profit (Loss) from operating activities before changes in working capital | 291,170 | 461,334 | 247,083 |
| (Increase)/Decrease in trade receivables | 8,112 | (17,479) | (8,803) |
| <i>of which with related parties</i> | 13,226 | (6,198) | 7,636 |
| (Increase)/Decrease in inventory | (27,840) | (27,986) | (116,312) |
| Increase/(Decrease) in trade and other payables | 41,473 | 25,445 | 94,991 |
| <i>of which with related parties</i> | (6,073) | (397) | (2,068) |
| Change in other current assets | 101,587 | (79,141) | (68,908) |
| <i>of which with related parties</i> | 27,470 | 40,555 | (33,261) |
| Change in other current liabilities | 34,256 | 97,243 | 27,877 |
| Income tax paid | (52,482) | (195,958) | (97,929) |
| Change in other non-current liabilities | (1,615) | (5,691) | (574) |
| <i>of which with related parties</i> | (2,486) | (4,971) | (2,486) |
| Total (B) | 394,661 | 257,767 | 77,425 |
| C - Cash flow from investment activities | | | |
| (Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization | (80,643) | (108,420) | (67,138) |
| Change in equity interests | 1 | (195,575) | |
| Sarlux S.r.l. acquisition | | | (127,047) |
| interest received (paid) | (1,600) | (6,919) | (3,777) |
| <i>of which with related parties</i> | 667 | 616 | 119 |
| Total (C) | (82,242) | (310,914) | (197,962) |
| D - Cash generated from/(used in) financing activities | | | |
| Increase/(Decrease) in medium/long term borrowings | (13,333) | (66,948) | (53,614) |
| (Increase)/Decrease in other financial assets | (670) | (643) | (19,934) |
| Increase/(Decrease) in short term borrowings | 24,968 | (27,251) | 32,017 |
| <i>of which with related parties</i> | (1,853) | (13,454) | (8,857) |
| Capital increase | | 342,430 | 342,430 |
| Dividend distribution to shareholders | (142,650) | (170,181) | (170,181) |
| Total (D) | (131,685) | 77,407 | 130,718 |
| E - Cashflow for the period (B+C+D) | 180,734 | 24,260 | 10,181 |
| F - Cash and cash equivalents at the end of period (short-term net financial indebtiness) | 221,886 | 41,152 | 27,073 |

Note: in order to better represent cashflows, new items have been introduced from previous years (income taxes, income taxes paid, interest paid, etc.). Consequently cashflow statement of the previous year has been modified accordingly.

Compensation paid to the controlling bodies members, to key executives and to managers with strategic responsibilities

| (A) | (B) | (C) | (D) | (1) | (2) | (3) | (4) |
|--|--------------------------|---------------------|-------------|--------------------------------------|-----------------------|----------------------------------|------------------------|
| name and surname | Role | Period in this role | End of term | Emoluments for the role in the Group | Non monetary benefits | Bonuses and other incentives (*) | Other remuneration (*) |
| Board of directors | | | | | | | |
| GIAN MARCO MORATTI | CHAIRMAN | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 1,268,000 | | |
| MASSIMO MORATTI | MANAGING DIRECTOR | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 1,268,000 | | |
| ANGELO MORATTI | VICE-CHAIRMAN | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 168,000 | 500,000 | 340,000 |
| DARIO SCAFFARDI | DIRECTOR-GENERAL MANAGER | 19/10/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 18,000 | 127,200 | 157,974 |
| GABRIELE PREVIATI | NON EXECUTIVE DIRECTOR | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 18,000 | | |
| ANGELO MARIO MORATTI | NON EXECUTIVE DIRECTOR | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 18,000 | 100,000 | 100,258 |
| CALLERA GILBERTO | INDEPENDENT DIRECTOR | 28/02/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 18,000 | | |
| GRECO MARIO | INDEPENDENT DIRECTOR | 28/02/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 18,000 | | |
| (*) remuneration for subordinate work | | | | | | | |
| Board of auditors | | | | | | | |
| (**) | | | | | | | |
| CLAUDIO MASSIMO FIDANZA | CHAIRMAN | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 30,854 | | 52,321 |
| MICHELE DI MARTINO | STANDING AUDITOR | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 21,820 | | 5,241 |
| GIOVANNI LUIGI CAMERA | STANDING AUDITOR | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 20,656 | | 32,741 |
| LUIGI BORRE' | SUBSTITUTE AUDITOR | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | | | |
| MASSIMILANO NOVA | SUBSTITUTE AUDITOR | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | | | |
| (**) for auditing services for other Group companies | | | | | | | |
| Watch committee | | | | | | | |
| GABRIELE PREVIATI | CHAIRMAN | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 15,000 | | |
| CLAUDIO MASSIMO FIDANZA | MEMBER | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 10,400 | | 15,080 |
| CONCETTO SIRACUSA | MEMBER | 11/01/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 10,400 | | 67,600 |
| Internal control committee | | | | | | | |
| GABRIELE PREVIATI | CHAIRMAN | 28/02/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 10,500 | | |
| GRECO MARIO | MEMBER | 28/02/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 7,000 | | |
| CALLERA GILBERTO | MEMBER | 28/02/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 7,000 | | |
| Remuneration committee | | | | | | | |
| CALLERA GILBERTO | CHAIRMAN | 28/02/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 10,500 | | |
| GRECO MARIO | MEMBER | 28/02/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 7,000 | | |
| GABRIELE PREVIATI | MEMBER | 03/05/2006 | 31/12/2006 | approv. bil. d'esercizio 2008 | 5,600 | | |
| Managers with strategic responsibilities | | | | | | 1,061,600 | 955,582 |

Saras S.p.A. – Transactions with related parties companies and notes

| Description | Absolute value (Eur/000) and % on items | | | | | | | | | | Items | Business reasons |
|--|---|------|------------|------------|------------|--------|----------|---------|----------|--------|---|---|
| | 2003 | 2004 | 31/12/2005 | 31/12/2006 | 30/06/2007 | | | | | | | |
| SARLUX S.R.L. | | | | | | | | | | | | |
| Supply of goods | 102,321 | n.a. | 110,283 | 3.13% | 138,996 | 2.82% | 164,172 | 2.93% | 71,887 | 2.51% | Revenues from ordinary operations | Supply of raw materials as per project financing agreement |
| Services rendered by staff | 7,389 | n.a. | 7,980 | 21.75% | 8,169 | 18.28% | 8,213 | 18.01% | 3,928 | 17.93% | Other income | Outsourcing of services as per project financing agreement |
| Services received | 11,325 | n.a. | 10,939 | 29.81% | 10,099 | 22.60% | 10,639 | 23.32% | 5,446 | 24.86% | Other income | Outsourcing of services as per project financing agreement |
| Rent received | 130 | n.a. | 134 | 0.37% | 137 | 0.31% | 51 | 0.11% | | | Other income | Outsourcing of services as per project financing agreement |
| Measurement of 45% purchase option | | | | | | | 4,153 | 8.59% | | | Sarlux acquisition | Fair value measurement |
| Measurement of investment at equity 45% of dividends on pre-2005 profits | | | | | | | 66,304 | 137.09% | | | Sarlux acquisition | Distribution of dividends due |
| 2004 Dividend | | | 30,718 | | 127.47% | | | | | | Non-recurring income (charges) | Excess fair value vs. cost of 45% of the JV |
| 2005 Dividends | | | | | | | 74,553 | 107.33% | | | | |
| Purchases of goods | (719) | n.a. | (1,731) | 0.06% | (2,608) | 0.06% | (1,956) | 0.04% | (706) | 0.03% | Purchases of raw materials, replacement parts and consumables | Supply of raw materials as per project financing agreement |
| Utilities | (30,692) | n.a. | (30,897) | 11.40% | (35,446) | 12.94% | (47,928) | 16.05% | (21,172) | 14.27% | Cost of services and various costs | Supply of steam and hydrogen as per project financing agreement |
| Services received | (547) | n.a. | (654) | 0.24% | (693) | 0.25% | (991) | 0.33% | (119) | 0.08% | Cost of services and various costs | Supply of various services |
| Receivables for goods & services supply | 18,580 | n.a. | 25,851 | 7.13% | 43,126 | 12.27% | 43,861 | 11.89% | 11,210 | 3.11% | Current trade receivables | Goods supply |
| Ires/VAT receivables from tax consolidation | | | | | | | 19,364 | 19.19% | 740 | 1.18% | Other current assets | Ires/VAT receivables from tax consolidation |
| Payables for goods & services supply | (83,207) | n.a. | (9,825) | 2.38% | (14,976) | 3.21% | (12,896) | 2.62% | (6,785) | 1.27% | Trade payables & other current payables | Trade payables |
| Payables for goods & services supply | | | (69,860) | 93.07% | (64,889) | 94.26% | (59,918) | 94.88% | (57,432) | 93.33% | Other non current liabilities | Trade payables |
| Financial liabilities | | | (38) | 0.06% | (39) | 0.03% | (56) | 0.06% | (56) | 0.05% | Short term financial liabilities | Financial liabilities |
| Ires/VAT payables from tax consolidation | | | (2,316) | 3.41% | (968) | 0.81% | | | | | Short term financial liabilities | Ires/VAT payables from tax consolidation |
| ARCOLA PETROLIFERA S.p.A. | | | | | | | | | | | | |
| Supply of goods | | | 415,243 | 8.43% | 453,860 | 8.11% | 221,053 | 7.72% | | | Revenues from ordinary operations | Supply of raw materials |
| Services rendered by staff | | | 284 | 0.64% | 141 | 0.31% | 54 | 0.25% | | | Other income | Staff detachment |
| Services received | | | 4,431 | 9.92% | 3,872 | 8.49% | 2,174 | 9.92% | | | Other income | Charges on oil goods movements and service outsourcing |
| Financial Income | | | 113 | 0.03% | 220 | 0.51% | 176 | 0.40% | | | Other net financial income (charges) | Interests on intercompany line credit |
| Purchases of goods | | | (55) | 0.00% | | | | | | | Purchases of raw materials, replacement parts and consumables | Goods consumables supply |
| Services received | | | (553) | 0.20% | (953) | 0.32% | (100) | 0.07% | | | Cost of services and various costs | Charges on sales |
| Financial Charge | | | (138) | 0.03% | (175) | 0.51% | (80) | 0.40% | | | Other net financial income (charges) | Interests on intercompany line credit |
| Receivables for goods & services supply | | | 64,489 | 18.35% | 55,659 | 15.09% | 62,616 | 17.35% | | | Current trade receivables | Trade receivables |
| Ires/VAT receivables from tax consolidation | | | 6,282 | 9.94% | 4,163 | 4.13% | 2,368 | 3.76% | | | Other current assets | Ires/VAT receivables from tax consolidation |
| Financing | | | | | | 1,093 | 1.08% | | | | Other current assets | Intercompany financing |
| Payables for goods & services supply | | | (109) | 0.02% | (115) | 0.02% | (39) | 0.01% | | | Trade payables & other current payables | Trade payables |
| Financial liabilities | | | (8,497) | 7.12% | | | (3,289) | 2.81% | | | Short term financial liabilities | Intercompany financing |
| SARAS RICERCHE E TECNOLOGIE S.p.A. | | | | | | | | | | | | |
| Goods supply | | | 60 | 0.13% | 34 | 0.07% | | | | | Other income | Supply of goods |
| Services rendered by staff | | | 765 | 1.71% | 468 | 1.03% | 193 | 0.88% | | | Other income | Staff detachment |
| Services received | | | 27 | 0.06% | 76 | 0.17% | 45 | 0.21% | | | Other income | Outsourcing of services |
| Measurement of investment | | | (2,012) | 8.35% | (2,178) | 3.14% | | | | | Income (charges) on equity investments | Write-downs on Equity investments |
| Financial income | | | 257 | 0.35% | 420 | 4.76% | 293 | 1.23% | | | Other net financial income (charges) | Interests on intercompany financing |
| Purchases of goods | | | (65) | 0.00% | (42) | 0.00% | (23) | 0.00% | | | Purchases of raw materials, replacement parts and consumables | Goods consumables supply |
| Services received | | | (4,254) | 1.55% | (7,953) | 2.66% | (3,612) | 2.43% | | | Cost of services and various costs | Outsourcing of engineering services |
| Receivables for goods and services supply | | | 722 | 0.21% | 706 | 0.19% | 369 | 0.10% | | | Current Trade Receivables | Trade Receivables |
| Ires/IVA receivables from tax consolidations | | | | | | 305 | 0.30% | 479 | 0.76% | | Other Current Assets | Ires/IVA receivables from tax consolidations |
| Financing | | | 11,700 | 18.51% | 14,544 | 14.41% | 11,184 | 17.78% | | | Other Current Assets | Intercompany Financing |
| Payables for goods and services supply | | | (4,149) | 0.89% | (4,556) | 0.92% | (4,516) | 0.85% | | | Trade Payables and other current liabilities | Trade Payables |
| Ires/IVA payables from tax consolidations | | | (342) | 0.29% | | | | | | | Financial short-term liabilities | Ires/IVA payables from tax consolidations |

| Description | Absolute value (Eur/000) and % on items | | | | | | Items | Business reasons | | |
|---|---|------|------------|------------|------------|-------|------------------------|-----------------------|---|---|
| | 2003 | 2004 | 31/12/2005 | 31/12/2006 | 30/06/2007 | | | | | |
| AKHELA S.r.l. | | | | | | | | | | |
| Goods Supply | | | 6 | 0.01% | 6 | 0.01% | Other Income (charges) | Supply of other goods | | |
| Services Render by Staff | | | 428 | 0.96% | 277 | 0.61% | 120 | 0.55% | Other Income (charges) | Staff Detachment |
| Services Supply | | | 358 | 0.80% | 500 | 1.10% | 143 | 0.65% | Other Income (charges) | Sevices Outsourcing |
| Purchase of goods | | | | | (2) | 0.00% | | | Purchase of Raw Materials replacement parts and consumables | Supply of Consumables |
| Services supply | | | (2,953) | 1.08% | (4,394) | 1.47% | (2,846) | 1.92% | Services supply and other Costs | IT Support Outsourcing |
| Mesurement of equity Investments | | | (3,807) | 15.80% | (2,581) | 3.72% | | | Net Income (charges) on equity investments | Wright-down of equity Investments |
| Financial Charges | | | (227) | 0.31% | (147) | 1.67% | (25) | 0.11% | Other Net Financial Income (charges) | Interests on intercompany credit lines |
| Receivables for goods and services supply | | | 781 | 0.22% | 737 | 0.20% | 262 | 0.07% | Current Trade Receivables | Trade Receivables |
| Payables for goods and services supply | | | (556) | 0.12% | (1,743) | 0.35% | (1,700) | 0.32% | Trade Payables and other current liabilities | Trade Payables |
| Financing | | | (7,011) | 5.87% | (2,319) | 2.52% | (389) | 0.33% | Finacial short-tem liabilities | Intercompany Financing |
| Ires/IVA payables from tax consolidations | | | (2,903) | 2.43% | (1,790) | 1.94% | (519) | 0.44% | Finacial short-tem liabilities | Ires/IVA payables from tax consolidations |
| XANTO S.r.l. (in liquidation) | | | | | | | | | | |
| Financial Income | | | 18 | 0.02% | | | | | Other Net Financial Income (charges) | Intercompany Financing |
| Financial Charges | | | | | (9) | 0.10% | (13) | 0.05% | Other Net Financial Income (charges) | Interests on intercompany financing |
| Receivables for goods and services supply | | | 5 | 0.00% | | | | | Current Trade Receivables | Trade Receivables |
| Payables for goods and services supply | | | | | (9) | 0.00% | (13) | 0.00% | Trade Payables and other current liabilities | Trade Payables |
| Financing | | | | | (800) | 0.87% | (600) | 0.51% | Finacial short-tem liabilities | Intercompany Financing |
| Ires/IVA payables from tax consolidations | | | (429) | 0.36% | (1) | 0.00% | | | Finacial short-tem liabilities | Ires/IVA payables from tax consolidations |
| XANTO BASILICATA S.r.l. (in liquidation) | | | | | | | | | | |
| Ires/IVA payables from tax consolidations | | | (3) | 0.00% | | | | | Finacial short-tem liabilities | Ires/IVA payables from tax consolidations |
| ISOA SUD S.r.l. (in liquidation) | | | | | | | | | | |
| Ires/IVA payables from tax consolidations | | | (13) | 0.01% | (11) | 0.01% | | | Finacial short-tem liabilities | Ires/IVA payables from tax consolidations |
| EOLICA ITALIANA S.r.l. | | | | | | | | | | |
| Services rendered by staff | | | 50 | 0.11% | 62 | 0.14% | | | Other income | Staff detachment |
| Services given | | | 27 | 0.06% | 32 | 0.07% | 15 | 0.07% | Other income | Outsourcing of services |
| Financial income | | | 6 | 0.02% | | | | 0.06% | Other net financial income (charges) | Interests on Intercompany financing |
| Fiancial charges | | | (19) | 0.02% | (23) | 0.26% | (14) | 0.06% | Other net financial income (charges) | Interessi su finanziamento intercompany |
| Receivables for goods & service supply | | | 1 | 0.00% | 67 | 0.02% | 14 | 0.00% | Current trade receivables | Trade receivable |
| Ires/VAT receivables from tax consolidation | | | 87 | 0.14% | | | | | Other current assets | Ires/VAT receivables from tax consolidation |
| Payables for goods & services supply | | | (108) | 0.02% | (9) | 0.00% | (5) | 0.00% | Trade payables & other current payables | Trade payables |
| Financing | | | (1,220) | 1.02% | (899) | 0.98% | (502) | 0.43% | Short term financial liabilities | Intercompany financing |
| Ires/VAT payables from tax consolidation | | | | | (132) | 0.14% | (5) | 0.00% | Short term financial liabilities | Ires/VAT payables from tax consolidation |
| ENSAR S.r.l. | | | | | | | | | | |
| Services rendered by staff | | | | | | | 55 | 0.25% | Other income | Staff detachment |
| Services given | | | 13 | 0.03% | 13 | 0.03% | 9 | 0.04% | Other income | Outsourcing of services |
| Measurement of equity investment | | | | | (100) | 0.14% | | | Net Income (charges) on equity investments | write-downs on equity investments |
| Financial income | | | 15 | 0.02% | 26 | 0.29% | 19 | 0.08% | Other net financial income (charges) | Interests on intercompany financing |
| Receivables for goods & service supply | | | 36 | 0.01% | 8 | 0.00% | 74 | 0.02% | Current trade receivables | Trade receivable |
| Financing | | | 778 | 1.23% | 859 | 0.85% | 1,000 | 1.59% | Other current assets | Intercompany financing |
| Ires/VAT payables from tax consolidation | | | (8) | 0.01% | (21) | 0.02% | (37) | 0.03% | Short term financial liabilities | Ires/VAT payables from tax consolidation |

| Description | Absolute value (Eur/000) and % on items | | | | | | Items | Business reasons | | | | |
|--|---|---------|------------|------------|------------|-------|---------|--------------------------------------|---|-------------------------------------|--|--|
| | 2003 | 2004 | 31/12/2005 | 31/12/2006 | 30/06/2007 | | | | | | | |
| NOVA EOLICA S.r.l. | | | | | | | | | | | | |
| Financial income | | | 6 | 0.00% | | 16 | 0.03% | Other net financial income (charges) | Interests on intercompany financing | | | |
| Financial charges | | | (9) | 0.01% | (32) | 0.36% | (8) | 0.03% | Other net financial income (charges) | Interests on intercompany financing | | |
| Receivables for goods & service supply | | | | | | | 18 | 0.00% | Current trade receivables | Crediti commerciali | | |
| Payables for goods & services supply | | | | | (9) | 0.00% | (8) | 0.00% | Trade payables & other current payables | Trade payables | | |
| Financing | | | | | | | 3,200 | 5.09% | Other current assets | Intercompany financing | | |
| Financing | | | (1,000) | 0.84% | (1,000) | 1.09% | | | Short term financial liabilities | Intercompany financing | | |
| SARDEOLICA S.R.L. | | | | | | | | | | | | |
| Services given | | | 35 | 0.08% | 66 | 0.14% | 30 | 0.14% | Other income | Outsourcing of services | | |
| Services rendered by staff | | | | | 428 | 0.94% | 99 | 0.45% | Other income | Staff detachment | | |
| Financial income | | 583 | -7.03% | 1,142 | -1.56% | 242 | 2.74% | | Other net financial income (charges) | Interests on intercompany financing | | |
| Receivables for goods & service supply | 2 | n.a. | 348 | 0.10% | 707 | 0.20% | 511 | 0.14% | 124 | 0.03% | Current trade receivables | Trade payables |
| Ires/VAT receivables from tax consolidation | | | | | | 5,183 | 5.14% | 1,070 | 1.70% | | Other current assets | Ires/VAT receivables from tax consolidation |
| Financing | | 25,570 | 46.78% | 17,717 | 28.03% | | | | | | Other current assets | Intercompany financing |
| PARCHI EOLICI ULASSAI S.R.L. | | | | | | | | | | | | |
| Services given | | | 6 | 0.01% | 6 | 0.01% | 3 | 0.01% | | | Other income | Outsourcing of services |
| Measurement of equity investment | | | (797) | 3.31% | | | | | | | Net Income (charges) on equity investments | write-downs on equity investments |
| Financial income | | 1 | 0.01% | 329 | 0.43% | 148 | 1.43% | 58 | 0.24% | | Other net financial income (charges) | Interests on intercompany financing |
| Financial charges | | (2) | | (11) | 0.43% | (22) | 1.43% | | | | Other net financial income (charges) | Interests on intercompany financing |
| Receivables for supply of goods and services | | 1 | 0.00% | 186 | 0.05% | 49 | 0.01% | 61 | 0.02% | | Current trade receivables | Trade receivables |
| Loan | | | 1,720 | 2.72% | 3,328 | 3.30% | 1,328 | 2.11% | | | Other current assets | Inter-company lines of credit |
| Payables for supply of goods and services | | | (11) | 0.00% | (22) | 0.00% | (22) | 0.00% | | | Current trade payables and other payables | Trade payables |
| Loan | | (1,820) | | | | | | | | | Short-term liabilities | Inter-company loans |
| Corporation tax liabilities due to group tax consolidation | | | (133) | 0.11% | (583) | 0.63% | (362) | 0.31% | | | Short-term liabilities | Corporation tax liabilities due to group tax consolidation |
| Consorzio Ricerche Associate (in liquidazione) | | | | | | | | | | | | |
| Services given | | | (78) | 0.00% | (17) | 0.01% | | | | | Cost of services and various costs | Consortium costs coverage |
| Measurement of equity investment | | | (4) | 0.02% | | | | | | | Net Income (charges) on equity investments | write-downs on equity investments |
| Payables for supply of goods and services | | | (78) | 0.11% | (17) | 0.00% | | | | | Current trade payables and other payables | Trade payables |
| Loan | | | (1,858) | 1.56% | (1,858) | 2.02% | (1,858) | 1.59% | | | Short-term liabilities | Inter-company loans |
| IMMOBILIARE ELLECI S.p.A. | | | | | | | | | | | | |
| Rent | (324) | (415) | 0.15% | (426) | 0.16% | (442) | 0.15% | (220) | 0.15% | | Cost of services and various costs | Rent of buildings |
| SECURFIN HOLDINGS S.p.A. | | | | | | | | | | | | |
| Services rendered by our staff | | | | | 15 | 0.03% | 10 | 0.05% | | | Other income | Personnel detachments |
| Rent | (514) | (520) | 0.19% | (583) | 0.21% | (489) | 0.16% | (289) | 0.19% | | Cost of services and various costs | Rental of building + parking spaces in Milan |
| Receivables for supply of goods and services | | | | | 15 | 0.00% | 10 | 0.00% | | | Current trade receivables | Trade receivables |

| Description | Absolute value (Eur/000) and % on items | | | | | Items | Business reasons | | | |
|--|---|------|------------|------------|------------|------------------------------------|---|---------------------------|---|--|
| | 2003 | 2004 | 31/12/2005 | 31/12/2006 | 30/06/2007 | | | | | |
| F.C. INTERNAZIONALE S.p.A. | | | | | | | | | | |
| Services received | | | | (35) | 0.01% | Cost of services and various costs | Purchase of entrance tickets for sports matches | | | |
| ANGELO MORATTI S.A.p.A. | | | | | | | | | | |
| Services rendered by our staff | | | | 24 | 0.05% | 17 | 0.08% | Other income | Personnel detachments | |
| Receivables for supply of goods and services | | | | 24 | 0.01% | 17 | 0.00% | Current trade receivables | Trade receivables | |
| DYNERGY S.R.L. | | | | | | | | | | |
| Services rendered by our staff | | | | 1 | 0.00% | 1 | 0.00% | Other income | Management fees | |
| Services received | | | (1,235) | 0.45% | (1,209) | 0.40% | (865) | 0.58% | Cost of services and various costs | Support for refining process activities |
| Receivables for supply of goods and services | | | | 1 | 0.00% | 2 | 0.00% | Current trade receivables | Trade receivables | |
| Payables for supply of goods and services | | | (180) | 0.04% | (320) | 0.06% | (483) | 0.09% | Current trade payables and other payables | Trade payables |
| SARAS ENERGIA S.A. (Spagna) | | | | | | | | | | |
| Supply of goods | | | 651,543 | 13.23% | 953,841 | 17.04% | 494,533 | 17.27% | Revenues from ordinary operations | Supply of oil products |
| Services rendered by our staff | | | 404 | 0.90% | 493 | 1.08% | 216 | 0.99% | Other income | Personnel detachments |
| Services received | | | 554 | 1.24% | 611 | 1.34% | 402 | 1.84% | Other income | Payment for stocking of mandatory supplies and demurrage |
| Financial income | | | | | 526 | 5.96% | 624 | 2.63% | Other net financial income (charges) | Interest on inter-company loans |
| Purchases of goods | | | | | (94,665) | 1.90% | | | Purchases of raw materials, replacement parts and consumables | Repayment of operational loans on Sarroch |
| Services received | | | (312) | 0.11% | (294) | 0.10% | (22) | 0.01% | Cost of services and various costs | Charges on sales |
| Receivables for supply of goods and services | | | 46,216 | 13.15% | 60,829 | 16.49% | 74,464 | 20.64% | Current trade receivables | Supply of oil products |
| Loan | | | | | 30,000 | 29.73% | 30,000 | 47.69% | Other current assets | Inter-company loans |
| Payables for supply of goods and services | | | (108) | 0.02% | (129) | 0.03% | | | Current trade payables and other payables | Trade payables |
| SARINT S.A. (Lussemburgo) | | | | | | | | | | |
| Financial charges | | | (263) | 0.36% | (464) | 5.26% | (306) | 1.29% | Other net financial income (charges) | Interest on inter-company loans |
| Payables for supply of goods and services | | | (93) | 0.02% | (134) | 0.03% | (306) | 0.06% | Current trade payables and other payables | Trade payables |
| Loan | | | (14,250) | 11.94% | (14,700) | 15.95% | (14,700) | 12.55% | Short-term liabilities | Inter-company loans |
| REASAR S.A. (Lussemburgo) | | | | | | | | | | |
| Financial charges | | | (67) | 0.09% | (94) | 1.07% | (73) | 0.31% | Other net financial income (charges) | Interest on inter-company loans |
| Payables for supply of goods and services | | | (16) | 0.00% | (28) | 0.01% | (73) | 0.01% | Current trade payables and other payables | Trade payables |
| Loan | | | (2,450) | 2.05% | (3,500) | 3.80% | (3,500) | 2.99% | Short-term liabilities | Inter-company loans |

The transactions with the related parties mentioned above have been made at market conditions.

No provisions for doubtful loans were made regarding the existing balances in that there are no reasons for such provisions; no losses were made relative to doubtful or bad loans from associates

AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

To the Shareholders of
Saras SpA

- 1 We have performed a limited review of the separate and consolidated interim financial statements consisting of balance sheets, income statements, statements of changes in shareholders' equity and cash flows (hereinafter "accounting statements") and related explanatory and supplementary notes included in the interim financial reporting of Saras SpA (parent company) and of the Saras Group for the period ended 30 June 2006. The interim financial reporting is the responsibility of Saras SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.
- 2 Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution no. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the interim financial statements. The limited 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 the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

- 3 Regarding the comparative data of the prior year separate and consolidated financial statements and of the prior year interim financial reporting presented in the "accounting statements", reference should be made to our reports dated 11 April 2007 and 18 September 2006.
- 4 Based on our review, no significant changes or adjustments came to our attention that should be made to the "accounting statements" and related explanatory and supplementary notes of Saras SpA (parent company) and of the Saras Group, identified in paragraph 1 of this report, in order to make them consistent with the international accounting standard IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of the CONSOB Regulation approved by Resolution no. 11971 of 14 May 1999 and subsequent amendments and integrations.

Milan, 12 September 2007

PricewaterhouseCoopers SpA



Pierangelo Schiavi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References to the financial statements in this report refer to the original Italian financial statements and not to their translation.



Investor Relations

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