

Saras Group
Quarterly report
as at 30 September 2006



“This is a translated version of the third quarter 2006 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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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.

As part of its refining activities, it processes both crude oil obtained directly from Saras 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 the Mediterranean's largest refinery in terms of productive capacity, and one of Western Europe's six *super-sites*¹, as well as one of the most complex refineries. Boasting an effective refining capacity of approximately 15 million tons per year (around 300,000 barrels/day), the refinery accounts for 15% of Italy's total distillation capacity. Thanks to the refinery's size, highly complex organisation and location, the Saras Group has been able to refine different types of crude oil, while developing commercial relationships over the years with both crude-producing 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 SpA 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.

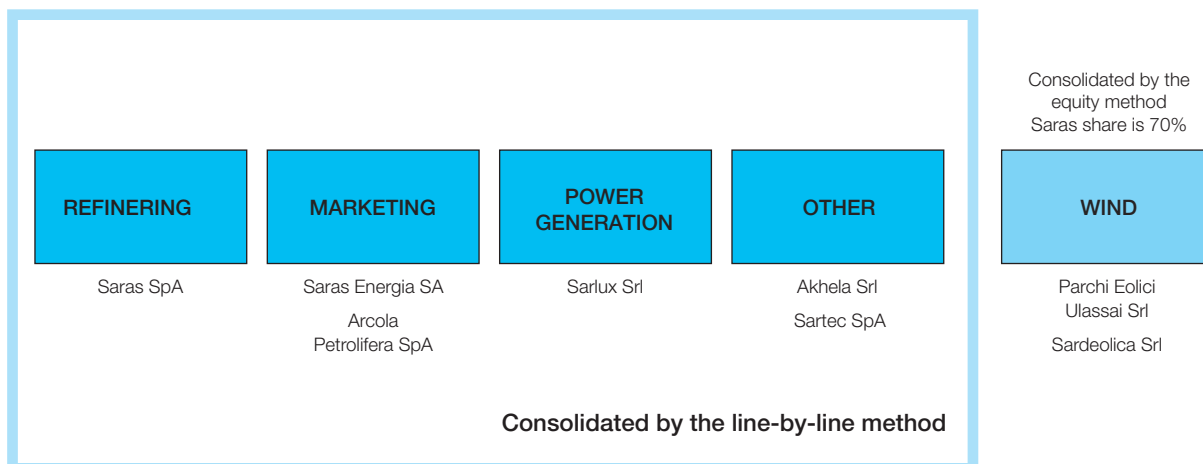
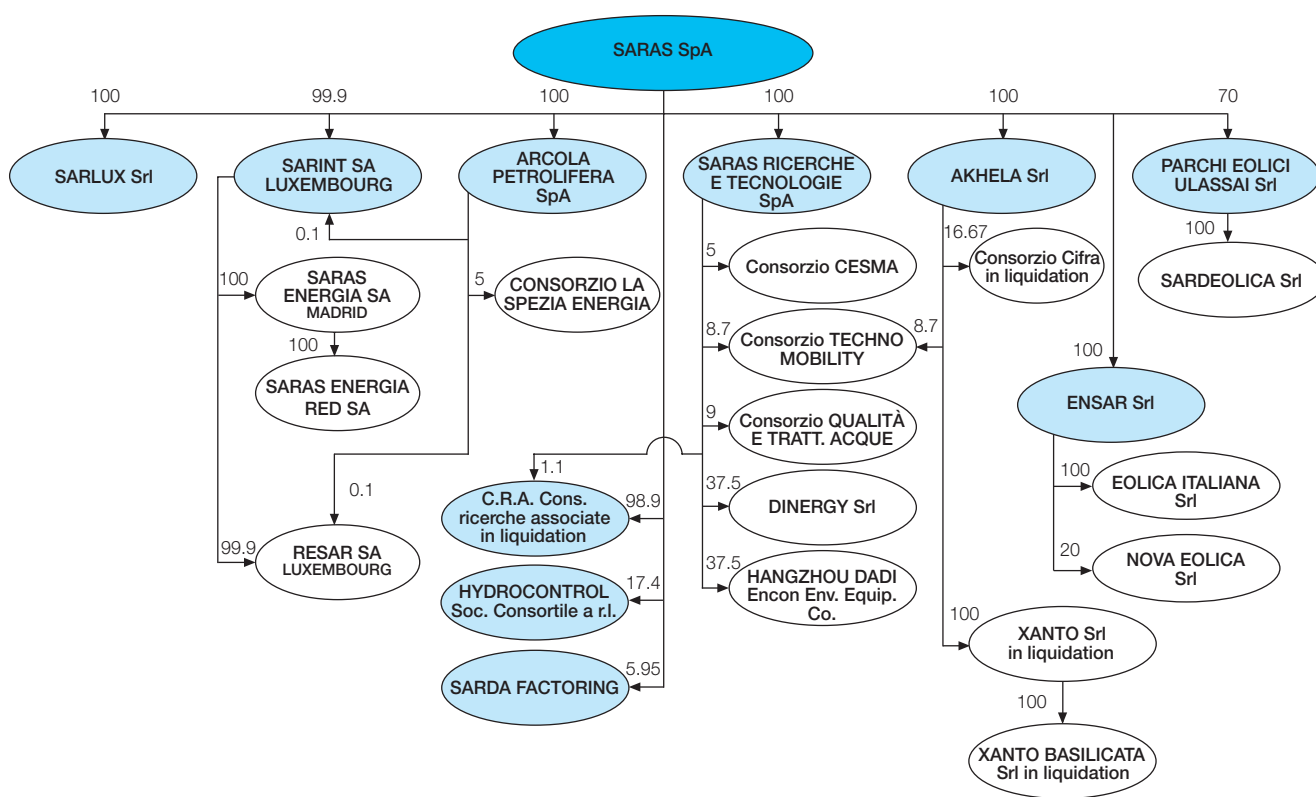
The Saras Group also operates in the power sector through the IGCC plant (Integrated Gasification Combined Cycle) of the subsidiary Sarlux Srl and the joint venture Parchi Eolici Ulassai Srl, which owns and manages the wind power farm located in the Municipality of Ulassai in the Sardinia island (power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

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 residues originating from refining processes (assimilated to renewable sources). The power produced by the IGCC plant is sold to 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 and operates in the information services sector.

¹ Source Wood Mackenzie, February 2006.

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.



Highlights

- Q3 2006 Proforma ² adjusted net income ³ of the Group 69.2 M€, higher than Q3 2005 60.8 M€ and than Q2 2006 40.3 M€.
- Q3 2006 Proforma comparable EBIT ⁴ of the Group 120.0 M€ vs 159.4 M€ in Q3 2005 and 85.2 M€ in Q2 2006.
- Saras Refining&Power margin 10.1 \$/bl:
 - Refinery margin 6.5 \$/bl (3.7 \$/bl above EMC benchmark);
 - Power (IGCC) margin 3.6 \$/bl.
- Impact of unscheduled shutdown of Reformer unit on Q3: -0.6 \$/bl (-13 M€).
- Achieved target of 200,000 ton/year of additional Ultra Low Sulphur Diesel production adding approx. 0.6 \$/bl to refining margin.
- Strong performance of Power and Marketing segment.

| Group Proforma key figures €M | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 | 2005 |
|---------------------------------------|---------|---------|---------|---------|----------|----------|-------|
| Comparable EBITDA ⁵ | 160.5 | 201.2 | 124.4 | 143.6 | 428.6 | 496.4 | 653.6 |
| Comparable EBIT | 120.0 | 159.4 | 85.2 | 104.4 | 309.6 | 370.1 | 482.7 |
| Adjusted net income | 69.2 | 60.8 | 40.3 | 66.3 | 175.8 | 156.5 | 230.5 |

Significant events by the end of the third quarter

- Since the beginning of the fourth quarter refinery margins have started to recover after the downward trend registered during the latter part of the Summer. We believe that this confirms our view that the recent dip of refining margins will not continue in the long term.
- In terms of plant availability Q4 will be characterized by the ordinary shutdown of 2 out of 3 power plant trains. There will be no impact on IFRS EBITDA since maintenance cycles are already included in the linearization process.
- Cleaning of the visbreaker unit has been completed during the month of October. Impact on Q4 EBITDA will be less than 5 M€.

² Proforma: considering Sarlux Srl fully consolidated with the line-by line method as of 1st January 2005.

³ Adjusted Net income: Net income adjusted by: (inventories at LIFO – inventories at FIFO) after taxes, non recurring items after taxes and variation in the derivatives fair value after taxes.

⁴ Comparable EBIT: equal to comparable EBITDA⁵ minus depreciation & amortization.

⁵ Comparable EBITDA: calculated evaluating inventories at LIFO.

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.

Please note that, as reported in the Q2 2006 report, Sarlux has been fully consolidated with the line-by-line method as of 28th June 2006. In order to facilitate quarter on quarter comparisons and to better explain impact of acquisition, a proforma reporting has been made available by Saras on 25th October 2006.

In the proforma figures the main assumption is the full consolidation of Sarlux as of 1st January 2005. Please refer to press release issued on 25th October 2006 for a more detailed explanation.

Proforma Saras Group income statement figures:

| €/Mil. | Q3 2006 | Q3 2005 | Δ% | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 | Δ% |
|---|--------------|--------------|------------|--------------|--------------|--------------|--------------|------------|
| REVENUES | 1,999 | 1,473 | +36 | 1,440 | 1,531 | 4,970 | 3,829 | +29 |
| EBITDA | 84.5 | 298.1 | | 201.2 | 138.1 | 423.8 | 681.6 | |
| Comparable EBITDA ¹ | 160.5 | 201.2 | -20 | 124.5 | 143.6 | 428.6 | 496.4 | -14 |
| EBIT | 44.2 | 256.3 | | 161.7 | 98.9 | 304.8 | 555.3 | |
| Comparable EBIT ² | 120.0 | 159.4 | -25 | 85.2 | 104.4 | 309.6 | 370.1 | -16 |
| NET INCOME | 33.8 | 145.1 | | 75.5 | 62.8 | 172.1 | 258.4 | |
| Adjusted ³ NET INCOME | 69.2 | 60.8 | +13 | 40.3 | 66.3 | 175.8 | 156.5 | +12 |

¹ Comparable EBITDA: calculated evaluating inventories at LIFO.

² Comparable EBIT: equal to comparable EBITDA minus depreciation & amortization.

³ Adjusted Net income: Net income adjusted by: (inventories at LIFO – inventories at FIFO) after taxes, non recurring items after taxes and variation in the derivatives fair value after taxes.

Saras Group income statement figures

Comparisons quarter on quarter are not relevant due to the change in the consolidation area from Q3 2006.

| €/Mil. | Q3 2006 | Q3 2005 | Δ% | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 | Δ% |
|------------|---------|---------|-----|---------|---------|----------|----------|-----|
| Revenues | 1,999 | 1,397 | +43 | 1,380 | 1440 | 4,820 | 3,598 | +34 |
| EBITDA | 84.7 | 246.2 | -66 | 148.9 | 75.0 | 308.5 | 521.0 | -41 |
| EBIT | 44.2 | 226.2 | -81 | 131.5 | 57.9 | 233.5 | 463.1 | -50 |
| NET INCOME | 33.8 | 139.9 | -76 | 269.8 | 56.1 | 359.7 | 245.7 | +46 |

Group Proforma balance-sheet and cashflow figures

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Financial Position | (187) | (724) | (304) | (655) | (187) | (724) |
| Of which Sarlux Project Finance | (421) | (507) | (421) | (465) | (421) | (507) |
| CAPEX | 47 | 14 | 46 | 27 | 120 | 48 |
| Operating Cashflow ¹ | 164 | (48) | 54 | 116 | 335 | 205 |

¹ Includes working capital changes.

Group balance-sheet and cashflow figures

Comparisons quarter on quarter not relevant due to the change in consolidation area in Q2 2006

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|---------------------------------|---------|---------|---------|---------|----------|----------|
| Net Financial Position | (187) | (307) | (304) | (277) | (187) | (307) |
| CAPEX | 47 | 11 | 44 | 24 | 114 | 39 |
| Operating Cashflow ¹ | 164 | (77) | (29) | 100 | 253 | (32) |

¹ Includes working capital changes.

Remarks on the third quarter proforma results

Saras Group achieved a positive overall performance in Q3 2006, with a substantial increase vs Q2 2006 thanks in particular to the Refining segment with Sarroch refinery at full production after the major maintenance of last quarter. Good results also from the Power Generation and Marketing segment.

Saras refining&power margin continue to be **above 10 \$/bl** despite an unfavourable, but we believe temporary, downward trend in refining margins confirming the track record of superior margins of the Saras site.

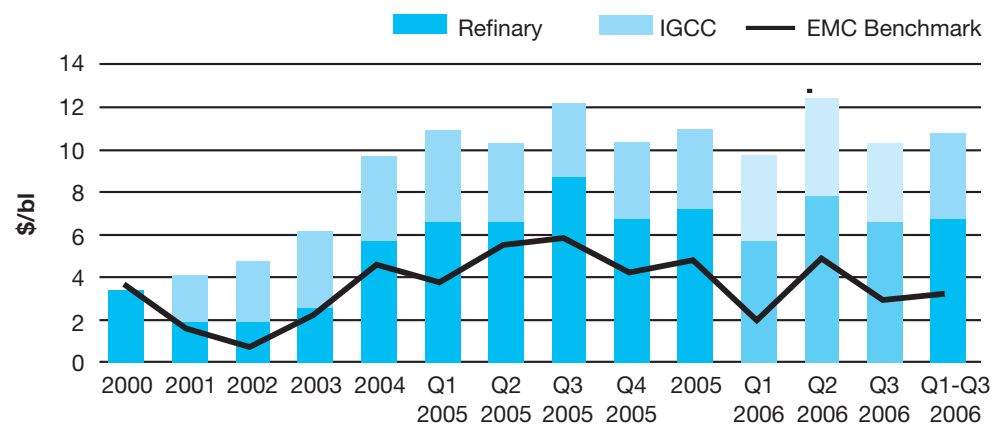
Revenues increased by 36% vs Q3 2005 and by 39% vs Q2 2006 due to the increase of oil product prices.

Proforma Comparable EBIT registered an increase of 41% vs Q2 2006 (during which refinery underwent major maintenance) and a decrease of 25% vs the same quarter of 2005 when refining margins reached historical high levels due to the effects of hurricanes in the US Gulf region.

Despite decline of EBIT the **Proforma adjusted net income** of 69.2 M€ is above to the 60.8 M€ of the same period of 2005 thanks to reduced net financial expenses that in 2005 were affected by losses on oil derivatives. The first 9 months of the year registered an increase of 19.3 M€ vs same period last year.

CAPEX includes the investment of 28 M€ for the acquisition of the service stations from Caprabo. Investments in the refining segment back to normal level after the increase in Q2 due to the major maintenance in the refinery.

Net Financial Position at the end of the quarter decreased to -187 M€ (+117 M€ vs previous quarter) in the light of the strong operating cashflow of the period (164 M€) to which contributed a consistent reduction in working capital (71 M€) caused by a fall in oil prices.

Saras refining&power margin


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

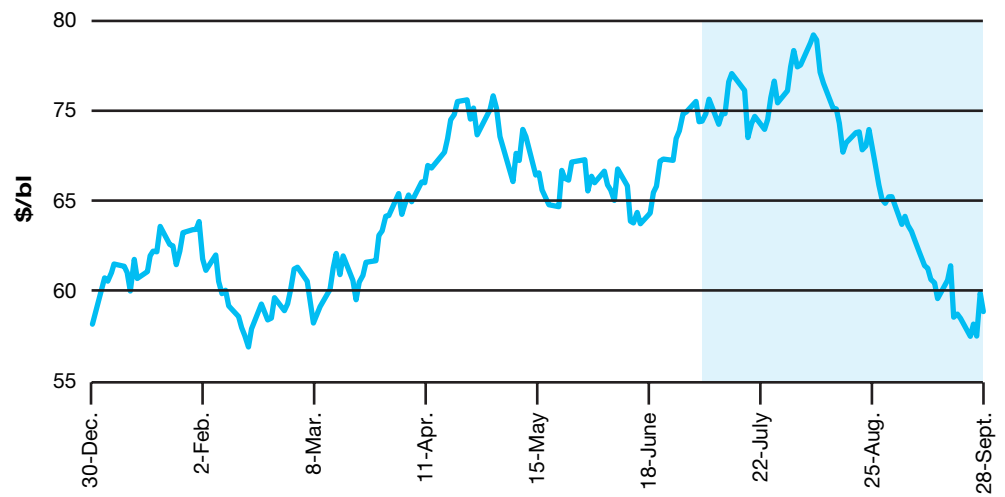
IGCC margin: (power.gen EBITDA + Fixed Costs)/Refinery Crude Runs in the period.

EMC benchmark: margin calculated by EMC (Energy Market Consultants) based on runs equal to 50% of Ural and 50% of Brent and used by Saras as a benchmark.

The oil market

The graph shows the course of the price of Dated Brent crude oil in the first nine months.

Q1 to Q3: Dated Brent



Source: Platt's

In the first part of the third quarter crude prices remained in the range 71-79 \$/bl, hitting the highest level ever on 8th of August (78.7 \$/bl); after that, Brent quotations fell sharply to an end of quarter value of less than 60 \$/bl.

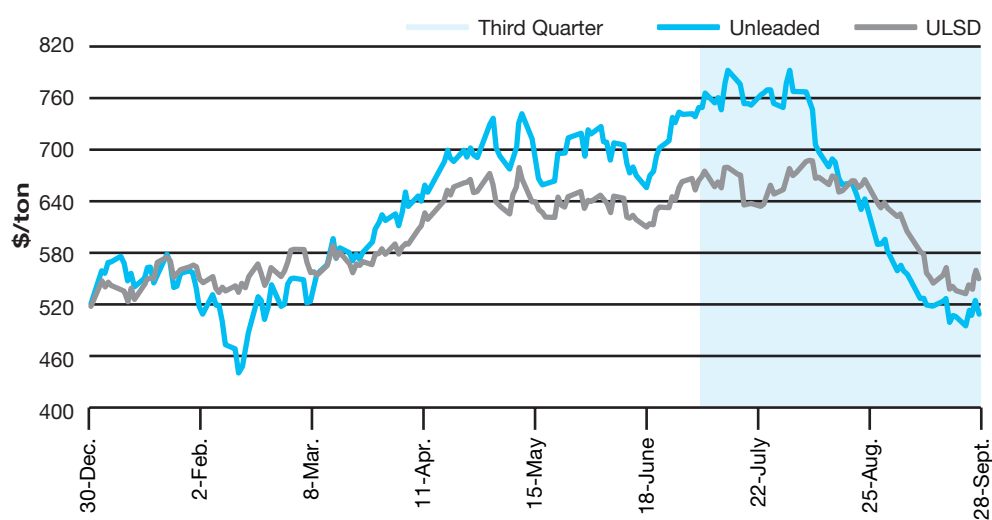
The main drivers for this trend are the easing of the tension between the international community and Iran (UN sanctions affecting oil supply seems now unlikely) and the lack of significant disruption created by hurricanes in the US Gulf Coast (to be compared to the violent hurricane season in 2005 with Katrina and Rita) notwithstanding threatening forecasts at the beginning of the summer.

With all the refining capacity in place, gasoline and distillates inventories grew to a seven year high from August on, and both crude and products prices went under pressure.

Starting from mid August, ULSD quotations in the Med overtook Gasoline, anticipating the typical winter season pattern.

The course of product prices is shown in the following graph:

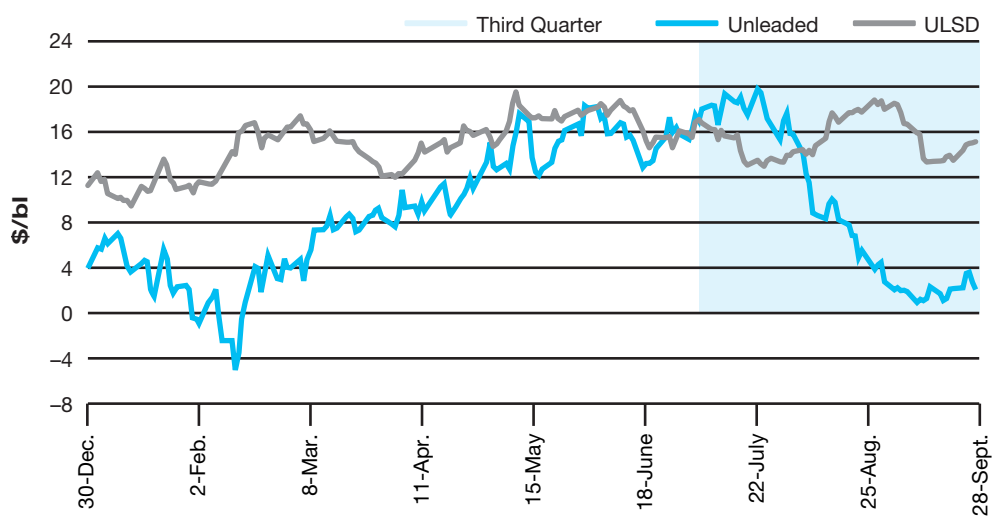
Q1 to Q3: unleaded gasoline/ultra low sulphur diesel (ULSD) Fob Med quotations



Source: Platt's

The price of diesel fell by 17% in the third quarter and gasoline fell by more than 30%, largely outpacing the fall in crude prices.

Q1 to Q3: unleaded gasoline/ultra low sulphur diesel (ULSD) Fob Med crack spreads vs Brent

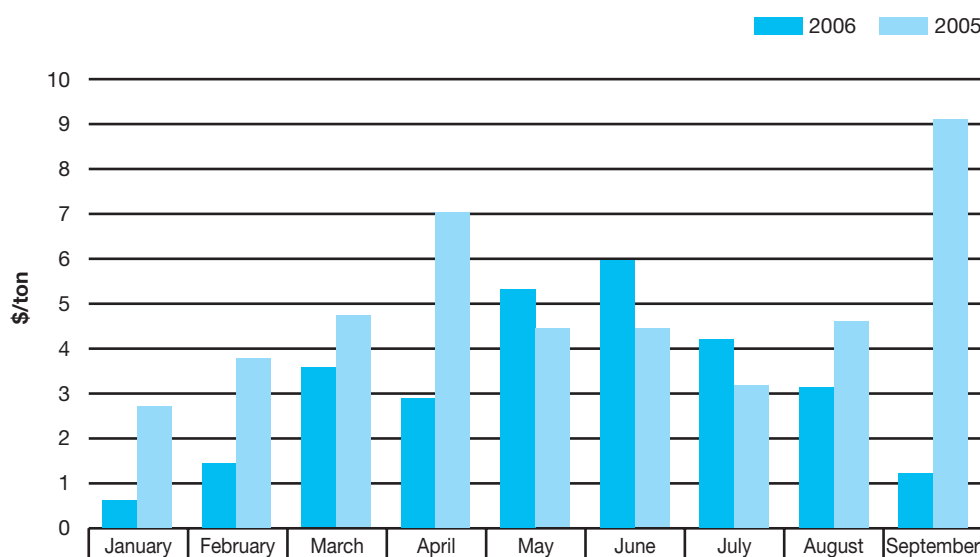


Source: Platt's

As a consequence gasoline crack spread narrowed significantly and refining margins followed; the outcome was that average refining margins were lower both in comparison with the second quarter and in comparison with the third quarter of 2005.

The graphs shows the margin calculated by EMC (Energy Market Consultants) used by Saras as a benchmark. Average of Q3 2006 has been **2.8 \$/bl** to be compared with 4.7 \$/bl of previous quarter and 5.6 \$/bl of same quarter last year.

Emc Fob Med Benchmark (50% Brent - 50% Urals)



Source: Platt's

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

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|--------------------------|-------------|--------------|-------------|-------------|--------------|--------------|
| EBITDA | 31.0 | 223.1 | 137.8 | 68.3 | 237.1 | 472.9 |
| Comparable EBITDA | 98.5 | 147.2 | 66.8 | 77.7 | 243.0 | 320.7 |
| EBIT | 13.8 | 202.4 | 120.0 | 53.2 | 187.0 | 420.2 |
| Comparable EBIT | 81.3 | 126.5 | 49.0 | 62.6 | 192.9 | 268.0 |

Saras refinery margin reached 6.5 \$/bl despite the unexpected shutdown of the Reformer unit which impacted on the margin by 0.6 \$/bl (13 M€ on EBITDA).

Overall performance of the refinery has been good and the announced target of 200 kt/year of incremental ULSD production has been achieved.

This is also confirmed by the fact that premium of refinery margin over the EMC benchmark continue to increase. The premium was 2.4 \$/bl in 2005, 3.7\$/bl in Q1 2006, 4.2 \$/bl in Q2 2006 (adding to refinery margin the loss of 1.2 \$/bl for reduced conversion due to major maintenance) and finally 4.3 \$/bl in Q3 2006 (adding also in this case the 0.6 \$/bl loss for unexpected shutdown of Reforming unit).

Margins and refinery runs

| €/Mil. | | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|---------------------------------------|--------|---------|---------|---------|---------|----------|----------|
| Benchmark refining margin * | \$/bbl | 2,8 | 5,6 | 4,7 | 1,9 | 3,1 | 4,9 |
| Saras refinery margin ** | \$/bbl | 6,5 | 8,6 | 7,7 | 5,6 | 6,5 | 7,2 |
| Total refinery runs | Kt | 3.764 | 3.684 | 2.918 | 3.709 | 10.391 | 10.658 |
| of which: processing for own account | Kt | 1.981 | 1.981 | 1.303 | 2.012 | 5.296 | 5.357 |
| processing on behalf of third parties | Kt | 1.783 | 1.703 | 1.615 | 1.697 | 5.095 | 5.301 |

* Calculated by EMC: 50% Ural + 50% Brent (see our website www.saras.it for more details).

** (Comparable EBITDA + fixed costs)/Refinery Runs.

Refinery runs are higher compared to same quarter last year and also to Q1 2006 (comparison to previous quarter is not meaningful since Q2 2006 was affected by major maintenance). Despite major maintenance in Q2 2006, refinery runs in the first 9 months of this year are 267,000 ton only lower than same period last year.

Looking at refinery productions, there is a clear trend of increased production in middle distillates (mainly ULSD) versus less valuable components. In Q3 2006, despite Reformer shutdown, ULSD production increased by 104,000 ton vs same quarter last year.

Since total production can also be affected by change in runs, in order to have a clearer picture of the increased conversion it is better to look at middle distillates yield (see table below): this is equal to 50.9% in Q3 2006 to be compared with 49.2% both in Q3 2005 and in the full 2005. An increase of 1.6% is equal to 230,000 ton per year (using the 2005 reference production of 14.4 million tons per year) well above our declared target of 200,000 ton per year incremental production of ULSD.

Production

| | | Q3 2006 | Q3 2005 | 1-9/2006 | 1-9/2005 | 2005 |
|--------------------|----|---------|---------|----------|----------|-------|
| LPG | kt | 89 | 82 | 251 | 272 | 334 |
| yield | | 2.4% | 2.2% | 2.4% | 2.6% | 2.3% |
| Naphtha + Gasoline | Kt | 969 | 983 | 2,838 | 2,860 | 3,873 |
| yield | | 25.7% | 26.7% | 27.3% | 26.8% | 26.9% |
| Middle Distillates | Kt | 1,915 | 1,811 | 5,339 | 5,204 | 7,095 |
| yield | | 50.9% | 49.2% | 51.4% | 48.8% | 49.2% |
| Fuel Oil & other | Kt | 273 | 288 | 450 | 820 | 1,154 |
| yield | | 7.3% | 7.8% | 4.3% | 7.7% | 8.0% |
| TAR | Kt | 300 | 294 | 889 | 872 | 1,111 |
| yield | | 8.0% | 8.0% | 8.6% | 8.2% | 7.7% |

It is also worth to be noted that average API in Q3 2006 has been 32.9 to be compared to 32.8 both in Q3 2005 and in the full 2005: this is a further confirmation that incremental ULSD production is substantially attributable to increased conversion capacity.

Crude oil slate

| | | Q3 2006 | Q3 2005 | 1-9/2006 | 1-9/2005 | 2005 |
|------------------------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Light extra sweet | Kt | 1,752 | 1,316 | 4,621 | 4,020 | 5,375 |
| Light sweet | Kt | 78 | 330 | 350 | 934 | 1,176 |
| Medium sweet | Kt | 3 | 0 | 122 | 0 | 225 |
| Light sour | Kt | 0 | 0 | 0 | 0 | 0 |
| Medium sour | Kt | 817 | 1,152 | 2,436 | 2,799 | 3,660 |
| Heavy Sour | Kt | 1,114 | 886 | 2,862 | 2,905 | 3,987 |
| Total Runs | Kt | 3,764 | 3,684 | 10,391 | 10,658 | 14,423 |
| Average crude gravity | °API | 32.9 | 32.8 | 33.2 | 32.9 | 32.8 |

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 SpA in Italy and Saras Energia S.A. in Spain.

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|--------------------------|------------|------------|------------|------------|-------------|-------------|
| EBITDA | 0.8 | 26.7 | 12.4 | 7.3 | 20.5 | 53.1 |
| Comparable EBITDA | 9.3 | 5.7 | 6.7 | 3.4 | 19.4 | 20.1 |
| EBIT | 0.2 | 27.2 | 12.1 | 7.0 | 19.3 | 51.1 |
| Comparable EBIT | 8.7 | 6.2 | 6.4 | 3.1 | 18.2 | 18.1 |

| Operational figures | Q3/06 | Q3/05 | Q2/06 | Q1/06 | 1-9/06 | 1-9/05 |
|------------------------|-------|-------|-------|-------|--------|--------|
| Total sales ('000 ton) | 775 | 690 | 771 | 803 | 2,349 | 2,170 |
| of which: | | | | | | |
| Italy | 238 | 241 | 236 | 263 | 737 | 736 |
| Spain | 537 | 449 | 535 | 540 | 1,612 | 1,434 |

Strong performance of the Marketing segment with comparable EBIT increased by 40% versus same period last year and by 36% versus last quarter.

The good results must be substantially attributable to the Spanish market where has been registered a consistent increase of sales versus same period last year (+20%) and also margins significantly higher.

In particular the strategy has been to focus on segments with higher profitability such as commercial centres and independent service stations. The 37 retail stations pur-

chased from Caprabo, that started to operate under Saras Energia as of 8th of July, contributed to EBITDA by 1.2 M€.

Result from the Italian market in line with the same quarter last year with sales and margins substantially unchanged.

Below is a summary of sales by type of product:

Sales in Italy

| | | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|--------------------|-----------|------------|------------|------------|------------|------------|------------|
| Gasoline | Kt | 31 | 29 | 11 | 16 | 58 | 77 |
| Diesel | Kt | 143 | 148 | 172 | 134 | 449 | 427 |
| Other gasoil | Kt | 33 | 27 | 20 | 67 | 120 | 115 |
| Other products | Kt | 31 | 36 | 33 | 47 | 111 | 116 |
| Total sales | Kt | 238 | 241 | 236 | 264 | 737 | 736 |

Sales in Spain

| | | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|--------------------|-----------|------------|------------|------------|------------|-------------|-------------|
| Gasoline | Kt | 120 | 87 | 104,4 | 102 | 326 | 263 |
| Diesel | Kt | 317 | 279 | 313,0 | 283 | 913 | 847 |
| Other gasoil | Kt | 98 | 82 | 116,9 | 153 | 368 | 318 |
| Other products | Kt | 2 | 2 | 1,0 | 2 | 5 | 6 |
| Total sales | Kt | 537 | 449 | 535 | 540 | 1612 | 1434 |

POWER GENERATION

Sarlux has been fully consolidated with the line-by-line method as of 28th June 2006. In order to facilitate quarter on quarter comparisons and to better explain impact of acquisition a proforma reporting has been made available by Saras on 25th October 2006 with the main assumption of full consolidation of Sarlux as of 1st January 2005.

The following table shows the Sarlux main financial data:

| €/Mil. | | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|---------------|--|-------------|-------------|-------------|-------------|--------------|--------------|
| EBITDA | | 52.6 | 51.9 | 52.3 | 63.1 | 168.0 | 160.6 |
| EBIT | | 30.5 | 28.9 | 30.3 | 41.0 | 101.8 | 91.0 |

| Operational figures | | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|-------------------------------|---------|--------------|--------------|--------------|--------------|--------------|--------------|
| Electricity production | MWh/000 | 1,177 | 1,147 | 1,136 | 1,155 | 3,468 | 3,425 |
| Power tariff | c€/kWh | 13.83 | 12.46 | 13.71 | 13.31 | 13.62 | 11.70 |
| IGCC margin | \$/bl | 3.6 | 3.4 | 4.5 | 4.0 | 4.0 | 3.7 |

Supplementary information - Italian GAAP figures

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|------------|---------|---------|---------|---------|----------|----------|
| EBITDA | 88.7 | 77.5 | 86.8 | 79.5 | 255.0 | 216.3 |
| EBIT | 75.2 | 62.1 | 73.3 | 66.3 | 214.8 | 170.4 |
| Net Income | 45.2 | 36.2 | 44.0 | 39.3 | 128.5 | 98.8 |

Excellent operational performance: electricity production +2.6% vs same quarter last year and +3.6% vs previous quarter. Power tariff also increased by +11% vs same quarter last year and +0.9% vs previous quarter.

The effect on the IFRS EBITDA is limited (+0.3 M€ vs last quarter) due to the linearization process of revenues and costs required by IFRS accounting principles. However quarter on quarter increased profitability is better shown by Italian GAAP figures where EBITDA has increased by 2.2% vs last quarter and by 14% vs same period last year.

OTHER

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

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|--------|---------|---------|---------|---------|----------|----------|
| EBITDA | 0.1 | (3.6) | (1.3) | (0.6) | (1.8) | (5.0) |
| EBIT | (0.5) | (2.2) | (0.5) | (2.3) | (3.3) | (7.0) |

Akhela (IT services) and Sartec (research and engineering services in the oil sector) restructuring efforts are beginning to show concrete results: first 9 months of 2006 register a loss substantially lower than same period last year.

WIND

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

Results below are 100% figures.

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|---------------------|---------|---------|---------|---------|----------|----------|
| EBITDA | 5.4 | - | 4.7 | 7.7 | 17.8 | - |
| EBIT | 3.3 | - | 2.8 | 5.8 | 11.9 | - |
| Net income | 0.8 | - | 1.6 | 3.4 | 5.8 | - |
| Adjusted Net Income | 1.4 | - | 1.6 | 3.4 | 6.4 | - |

| Operational figures | | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|------------------------|--------|---------|---------|---------|---------|----------|----------|
| Electricity production | MWh | 33,058 | – | 31,624 | 52,902 | 117,582 | – |
| Power tariff * | c€/kWh | 19.0 | – | 17.6 | 18.3 | 18.5 | – |

* includes green certificates.

Positive results of the Wind segment with an increased EBITDA vs previous quarter due to increased sales of electricity (+4.3%) and increased tariff (+18%). The upgrade to 84 Mw of the Ulassai wind farm has been completed.

Adjusted net income in line with previous quarter.

Net financial position

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

| | 30/09/2006 | 30/06/2006 |
|--|--------------|--------------|
| Medium/long term bank loans | (393) | (395) |
| Total long term net financial position | (393) | (395) |
| Short term bank loans | (126) | (115) |
| Bank overdrafts | (74) | (106) |
| Other loans | (1) | (1) |
| Loans from unconsolidated subsidiaries | (2) | (1) |
| Loans made to unconsolidated subsidiaries | 16 | 15 |
| Other marketable financial assets | 13 | 13 |
| Cash and cash equivalents | 380 | 286 |
| Total short term net financial position | 206 | 91 |
| Total net financial position | (187) | (304) |

Net Financial Position at the end of the quarter decreased to –187 M€ (+117 M€ vs previous quarter) in the light of the strong **operating cash flow** of the period (164 M€) to which contributed a consistent reduction in working capital (71 M€) caused by a reduction of the oil prices.

Personnel

Personnel employed at the end of the period, split by business segment and compared with the same period last year, was:

| | Q3 2006 | Q3 2005 | Q2 2006 |
|------------------------------|--------------|--------------|--------------|
| Refining personnel | 1,156 | 1,157 | 1,161 |
| Marketing personnel | 229 | 56 | 85 |
| Power Generation personnel | 22 | 24 | 22 |
| Wind personnel | 25 | 1 | 25 |
| Other personnel | 349 | 334 | 349 |
| Total Group personnel | 1,781 | 1,572 | 1,642 |

Increase in the Marketing segment due to acquisition of the 37 service stations from Caprabo.

Investments

- **Two major projects** are under execution:
 - the second phase of the Prime G+ project, which will make it possible to align the entire production of gasoline in 2008 with the specification of 10-ppm of sulphur;
 - the tail gas treatment plant, which will make it possible to increase the recovery of sulphur while reducing atmospheric emissions, in line with the best available techniques (BAT) indicated in the European IPPC directive (Integrated Pollution Prevention and Control).

The main activities during Q3 have been related to the purchases of main equipments and the predisposition of the construction sites.

- **Committed 5 to 10 M€ in the period 2007-2008 for preliminary seismic tests of gas fields in Sardinia:**
 - Saras has free licenses to perform seismic tests in Sardinia. If results of the tests are positive we will evaluate further developments in partnership with specialist.
- Continue the activities on **Wind** projects and on the **biodiesel plant** in Cartagena Spain.
- The other **projects included in medium term strategy** are summarised below:

| Plan | Target | Delivered | Notes | Impact on refining margins |
|--------------------------------|---------------------------------------|---|--|------------------------------|
| Increasing conversion capacity | 350,000 t/y of ULSD by 2008 | 200,000 t/y in Q3 2006 (ahead of schedule) | 150,000 t/y by Q3 2007 (ahead of schedule) | 1.0-1.3 \$/bl |
| | | 200,000 t/y of Heating oil converted into ULSD in Q3 2006 | Additional achievement | |
| | | 50,000 t/y of Unleaded gasoline | Additional achievement | |
| Efficiency recovery | 0.5% reduction Cons&Losses by 2009 | | Preliminary eng. phase | 0.25-0.30 \$/bl |
| Heavy up crude slate | -2 deg API by 2009 | | Preliminary eng. phase | 0.60-0.80 \$/bl |
| | | | TOTAL | 1.85-2.40 \$/bl |
| Increase refinery runs | 15.1 Mton in 2008 (from 14.4 in 2005) | | | 40-60 M\$ per year on EBITDA |

The above plan will involve a **CAPEX of 600 M€** in the period 2006-2009 (roughly half for maintain capacity) of which 88 M€ (excluding Sarlux) have already been spent in 2006 with an estimate of 110-120 by end of year.

Stock performance

Below are some data concerning prices and daily volumes relating to the Saras share between 03 July 2006 and 29 September 2006.

| Share price | € |
|------------------------------|-------|
| Minimum price (26/09/2006) * | 3.968 |
| Maximum price (11/07/2006) * | 5.155 |
| Average price | 4.556 |
| Closing price at 29/09/2006 | 4.037 |

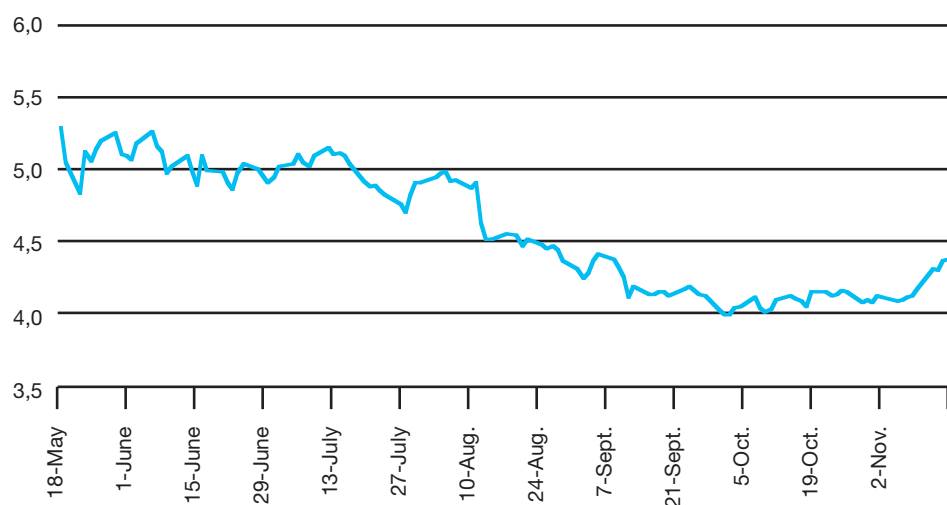
* Intended as minimum and maximum price during the day's trading, therefore not coincident with the official reference prices on the same date.

| Daily trading volumes | €M |
|-----------------------------|------|
| Maximum volume (10/08/2006) | 48.2 |
| Minimum volume (12/07/2006) | 4.1 |
| Average volume | 15.0 |

Market capitalization at 29 September amounts to about 3,800 M€.

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

Saras share performance from 18/05/2006 to 09/11/2006



Outlook

- Since the beginning of the fourth quarter refinery margins have started to recover after the downward trend registered during the latter part of the Summer. We believe that this confirms our view that the recent dip of refining margins will not continue in the long term.
 - In terms of plant availability Q4 will be characterized by the ordinary shutdown of 2 out of 3 power plant trains. There will be no impact on IFRS EBITDA since maintenance cycles are already included in the linearization process.
 - Cleaning of the visbreaker unit has been completed during the month of October. Impact on Q4 EBITDA will be less than 5 M€.
 - Proforma adjusted net income for 2006 should exceed 2005.
-

Proforma consolidated Balance-Sheet

| €/Mil. | 12/2004 | 31/03/2005 | 30/06/2005 | 30/09/2005 | 12/2005 | 31/03/2006 | 30/06/2006 | 30/09/2006 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Current assets | 1,050 | 1,427 | 1,425 | 1,657 | 1,409 | 1,618 | 1,643 | 1,654 |
| <i>of which:</i> | | | | | | | | |
| – cash | 166 | 357 | 242 | 282 | 227 | 261 | 300 | 393 |
| – other current assets | 884 | 1,069 | 1,183 | 1,372 | 1,182 | 1,356 | 1,344 | 1,261 |
| Non current assets | 1,775 | 1,752 | 1,732 | 1,702 | 1,684 | 1,676 | 1,689 | 1,707 |
| Totale assets | 2,825 | 3,179 | 3,157 | 3,356 | 3,093 | 3,294 | 3,332 | 3,361 |
| Non int. bearing liabilities | 1,179 | 1,336 | 1,479 | 1,426 | 1,376 | 1,574 | 1,502 | 1,520 |
| Int. bearing liabilities | 927 | 1,079 | 973 | 1,081 | 820 | 930 | 618 | 596 |
| <i>of which:</i> | | | | | | | | |
| – Sarlux Project Finance | 566 | 566 | 507 | 507 | 465 | 465 | 421 | 421 |
| Equity | 719 | 765 | 705 | 849 | 897 | 790 | 1,211 | 1,245 |
| Total liabilities | 2,825 | 3,179 | 3,157 | 3,356 | 3,093 | 3,294 | 3,332 | 3,361 |
| Loans to unconsolidated subsidiaries | 35.3 | 28.6 | 68.8 | 75.2 | 19.4 | 13.6 | 14.6 | 15.8 |
| Net financial position * | (726) | (693) | (662) | (724) | (573) | (655) | (304) | (187) |
| Net financial position/ EBITDA ** | | 1.17 | 1.12 | 1.09 | 0.88 | 1.14 | 0.57 | 0.33 |

* Net financial position = Interest bearing liabilities – cash – loans to unconsolidated subsidiaries (wind).

** Calculated using comparable EBITDA figures.

Proforma consolidated income statement

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 | 2005 |
|---|--------------|--------------|-------------|--------------|--------------|--------------|--------------|
| EBITDA | 84.7 | 298.1 | 201.2 | 138.1 | 423.8 | 681.6 | 783.7 |
| Comparable EBITDA ¹ | 160.5 | 201.2 | 124.5 | 143.6 | 428.6 | 496.4 | 653.6 |
| Depreciation | (40.5) | (41.8) | (39.3) | (39.2) | (119.0) | (126.3) | (170.9) |
| EBIT | 44.0 | 256.3 | 161.9 | 98.9 | 304.8 | 555.3 | 612.8 |
| Comparable EBIT ² | 120.0 | 159.4 | 85.2 | 104.4 | 309.6 | 370.1 | 482.7 |
| Net financial income (expenses) | 11.7 | (23.6) | (26.6) | (0.8) | (15.7) | (120.9) | (93.9) |
| Adj to the value of fin.assets ⁴ | 0.5 | (0.2) | 1.1 | 2.4 | 4.0 | (0.2) | (0.4) |
| Non recurring items ⁵ | 0.0 | 0.0 | (12.9) | 0.0 | (12.9) | 0.0 | 0.0 |
| Profit before taxes | 56.4 | 232.5 | 123.5 | 100.5 | 280.1 | 434.2 | 518.5 |
| taxes | (22.6) | (87.4) | (47.7) | (37.7) | (107.9) | (175.8) | (212.1) |
| Net income | 33.8 | 145.1 | 75.8 | 62.8 | 172.1 | 258.4 | 306.4 |
| Adjusted Net income ³ | 69.2 | 60.8 | 40.3 | 66.3 | 175.8 | 156.5 | 230.5 |

¹ **Comparable EBITDA:** calculated evaluating inventories at LIFO.

² **Comparable EBIT:** comparable EBITDA – depreciation&amortization.

³ **Adjusted Net income:** reported Net income:
+/- (inventories at FIFO-inventories at LIFO) net of taxes;
+/- non recurring items net of taxes;
+/- Δ in derivatives fair value net of taxes.

⁴ **Adj to the value of financial assets:** Joint Ventures consolidated by the Equity method (Wind).

⁵ **Non recurring items:** includes certain IPO costs in Q2 2006.

Detail of consolidated Net income adjustments

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 |
|---|-------------|---------------|-------------|-------------|--------------|----------------|
| Reported net income | 33.8 | 145.1 | 75.8 | 62.8 | 172.4 | 258.4 |
| (Inventories at FIFO – Inventories at LIFO) Net of Taxes | 47.7 | (60.8) | (48.1) | (3.5) | (3.0) | (116.2) |
| Non recurring items net of taxes | 0.0 | 0.0 | 8.1 | 0.0 | 8.1 | 0.0 |
| Δ in derivatives value net of taxes | (12.3) | (23.5) | 4.5 | 0.1 | (7.7) | 14.3 |
| Total adjustment to reported net income | 35.4 | (84.3) | 35.5 | 3.5 | 3.4 | (101.9) |
| Adjusted net income | 69.2 | 60.8 | 40.3 | 66.3 | 175.8 | 156.5 |

| €/Mil. | Q3 2006 | Q3 2005 | Q2 2006 | Q1 2006 | 1-9/2006 | 1-9/2005 | 2005 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Initial net financial position | (304) | (662) | (655) | (573) | (573) | (726) | (703) |
| Cashflow from operations (A) | 164 | (48) | 54 | 116 | 336 | 205 | 379 |
| <i>of which p/l+dep&amort. + change in provisions</i> | 93 | 276 | 159 | 148 | 400 | 565 | 699 |
| <i>Working capital</i> | 71 | (324) | (104) | (32) | (66) | (360) | (320) |
| Cashflow from investments (B) | (47) | (14) | (46) | (27) | (120) | (63) | (86) |
| <i>Investments in tangible and intangible assets</i> | (19) | (14) | (46) | (27) | (92) | (63) | (86) |
| <i>Acquisition of service stations in Spain</i> | (28) | 0 | 0 | 0 | (28) | 0 | 0 |
| Cashflow from financing (C) | 0 | 0 | 342 | (170) | 172 | (140) | (140) |
| <i>Capital increase</i> | 0 | 0 | 342 | 0 | 342 | 0 | 0 |
| <i>Dividends</i> | 0 | 0 | 0 | (170) | (170) | (140) | (140) |
| Total cashflow for the period (A + B + C) | 117 | (62) | 351 | (81) | 387 | 2 | 152 |
| Final net financial position | (187) | (724) | (304) | (655) | (187) | (724) | (573) |

Saras Group Statements

Consolidated balance-sheet

| € thousand | 30/09/2006 | 31/12/2005 | 30/06/2006 |
|---|------------------|------------------|------------------|
| ASSETS | | | |
| Current Assets | 1,651,842 | 1,084,525 | 1,640,915 |
| Cash and cash equivalents | 380,153 | 24,709 | 286,431 |
| Other financial assets held for trading or available for sale | 13,136 | 13,039 | 13,144 |
| Trade receivables | 515,496 | 442,788 | 560,674 |
| Inventory | 633,495 | 541,408 | 684,297 |
| Current tax assets | 51,990 | 24,227 | 23,678 |
| Other assets | 57,572 | 38,354 | 72,691 |
| Non-current assets | 1,707,165 | 546,283 | 1,688,948 |
| Property, plant and equipment | 1,106,107 | 443,055 | 1,104,803 |
| Intangible assets | 586,129 | 4,335 | 569,593 |
| Equity interests consolidated by the equity method | 7,270 | 97,175 | 6,725 |
| Other equity interests | 1,424 | 1,400 | 1,440 |
| Other financial assets | 6,235 | 318 | 6,387 |
| Total assets | 3,359,007 | 1,630,808 | 3,329,863 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | 964,002 | 749,375 | 974,951 |
| Short-term financial liabilities | 195,546 | 102,164 | 228,458 |
| Trade and other payables | 600,189 | 513,182 | 621,348 |
| Current tax liabilities | 111,902 | 75,749 | 67,782 |
| Other liabilities | 56,365 | 58,280 | 57,363 |
| Non-current liabilities | 1,145,307 | 352,665 | 1,139,020 |
| Long-term financial liabilities | 393,470 | 132,004 | 395,401 |
| Provisions for risks | 30,423 | 17,569 | 27,307 |
| Provisions for employee benefits | 44,862 | 49,685 | 43,841 |
| Deferred tax liabilities | 179,235 | 96,374 | 209,632 |
| Other liabilities | 497,317 | 57,033 | 462,839 |
| Total liabilities | 2,109,309 | 1,102,040 | 2,113,971 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 54,630 | 51,183 | 54,630 |
| Legal reserve | 10,237 | 10,237 | 10,237 |
| Other reserves | 657,144 | 268,915 | 657,144 |
| Profit/(loss) carried forward | 167,946 | (94,209) | 167,946 |
| Profit/(loss) for the period | 359,741 | 292,642 | 325,935 |
| Total shareholders' equity | 1,249,698 | 528,768 | 1,215,892 |
| Total liabilities and shareholders' equity | 3,359,007 | 1,630,808 | 3,329,863 |

| € thousand | 01/01/2006- 30/09/2006 | 01/01/2005- 30/09/2005 | 01/07/2006- 30/09/2006 | 01/07/2005- 30/09/2005 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Revenues from ordinary operations | 4,792,945 | 3,569,991 | 1,993,168 | 1,386,375 |
| Other income | 26,658 | 28,377 | 6,049 | 11,025 |
| Total revenues | 4,819,603 | 3,598,368 | 1,999,217 | 1,397,400 |
| Purchases of raw materials, spare parts and consumables | (4,163,937) | (2,772,533) | (1,781,419) | (1,044,864) |
| Cost of services and sundry costs | (266,749) | (218,954) | (106,621) | (75,913) |
| Personnel costs | (80,415) | (85,866) | (26,551) | (30,419) |
| Depreciation, amortization and write-downs | (74,970) | (57,873) | (40,458) | (20,019) |
| Total costs | (4,586,071) | (3,135,226) | (1,955,049) | (1,171,215) |
| Operating results | 233,532 | 463,142 | 44,168 | 226,185 |
| Net income (charges) from equity interests | 32,797 | 35,977 | 518 | 10,645 |
| Other financial income/(charges), net | (7,889) | (107,723) | 11,694 | (18,922) |
| Non recurring income /(charges) | 186,245 | | 0 | |
| Profit before taxes | 444,685 | 391,396 | 56,380 | 217,908 |
| Income tax for the period | (84,944) | (145,693) | (22,574) | (77,994) |
| Net profit/(loss) for the period | 359,741 | 245,703 | 33,806 | 139,914 |
| Earnings per share - base (€ cent) | 37.83 | 27.58 | 3.55 | 15.70 |
| Earnings per share - diluted (€ cent) | 37.83 | 27.58 | 3.55 | 15.70 |

Statement of changes in Consolidated Shareholders' Equity

| € thousand | Share capital | Legal reserve | Other reserves | Profit/(Loss) carried forward | Profit/(Loss) for the period | Shareholders' equity |
|---|---------------|---------------|----------------|-------------------------------|------------------------------|----------------------|
| Balance as at 1/01/2005 | 51,183 | 10,237 | 208,365 | (92,495) | 198,938 | 376,228 |
| Appropriation of previous period profit | | | 90,675 | (2,019) | (88,656) | 0 |
| Dividends | | | (29,810) | | (110,256) | (140,066) |
| Utilisation of grants | | | (157) | 157 | | 0 |
| Other | | | | | (26) | (26) |
| First half 2005 result | | | | | 105,790 | 105,790 |
| Balance as at 30/06/2005 | 51,183 | 10,237 | 269,073 | (94,357) | 105,790 | 341,926 |
| Third quarter 2005 result | | | | | 139,914 | 139,914 |
| Balance as at 30/09/2005 | 51,183 | 10,237 | 269,073 | (94,357) | 245,704 | 481,840 |
| Utilisation of other reserves | | | (158) | 158 | | 0 |
| Fourth quarter 2005 result | | | | | 46,938 | 46,938 |
| Other | | | | (10) | | (10) |
| Balance as at 31/12/2005 | 51,183 | 10,237 | 268,915 | (94,209) | 292,642 | 528,768 |
| Capital increase (net of IPO costs) | 3,447 | | 338,983 | | | 342,430 |
| Appropriation of previous period profit | | | (109,209) | 262,155 | (152,946) | 0 |
| Dividends | | | (30,485) | | (139,696) | (170,181) |
| Fair value of 55% Sarlux stake | | | 188,940 | | | 188,940 |
| First half 2006 result | | | | | 325,935 | 325,935 |
| Balance as at 30/06/2006 | 54,630 | 10,237 | 657,144 | 167,946 | 325,935 | 1,215,892 |
| Third quarter 2006 result | | | | | 33,806 | 33,806 |
| Balance as at 30/09/2006 | 54,630 | 10,237 | 657,144 | 167,946 | 359,741 | 1,249,698 |

| € thousand | 01/01/2006- 30/09/2006 | 01/01/2005- 30/09/2005 |
|--|---------------------------|---------------------------|
| A - Cash and cash equivalents at beginning of period (short-term net financial indebtedness) | 24,709 | 13,464 |
| B - Cash generated from/(used in) operating activities | | |
| Profit/(loss) for the period of the Group | 359,741 | 245,703 |
| Non recurring income due to the Sarlux acquisition | (199,168) | 0 |
| Amortization, depreciation and write-down of fixed assets | 74,970 | 57,873 |
| Net (income)/charges from equity interests | (32,797) | (35,977) |
| Net change in provisions for risks and charges | 2,856 | 315 |
| Net change in employee benefits | (5,155) | 3,033 |
| Change in tax liabilities and tax assets | (15,379) | 73,543 |
| Profit/(loss) from operating activities before changes in working capital | 185,068 | 344,489 |
| (Increase)/decrease in trade receivables | 67,097 | (118,133) |
| (Increase)/decrease in inventory | (63,459) | (299,297) |
| Increase/(decrease) in trade and other payables | 32,828 | 104,637 |
| Change in other current assets | (43,237) | (56,292) |
| Change in other current liabilities | 31,033 | 12,686 |
| Change in other non-current liabilities | 44,038 | (20,192) |
| Total (B) | 253,368 | (32,103) |
| C - Cash flow from investment activities | | |
| (Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization | (89,022) | (39,463) |
| Change in equity interests valued by the equity method | (24) | 250 |
| Dividends from unconsolidated subsidiaries | 0 | 30,718 |
| 45% Sarlux acquisition | (127,047) | 0 |
| 100% Caprabo (Saras Energia Red S.A. acquisition) | (28,041) | |
| Total (C) | (244,134) | (8,495) |
| D - Cash generated from/(used in) financing activities | | |
| Increase/(decrease) in medium/long term borrowings | (63,551) | (44,129) |
| (Increase)/decrease in other financial assets | (6,014) | (917) |
| Increase/(decrease) in short term borrowings | (7,960) | 260,519 |
| Capital increase | 342,430 | 0 |
| Dividend distribution to shareholders | (170,181) | (140,093) |
| Total (D) | 94,724 | 75,380 |
| E - Cash flow for the period (B + C + D) | 103,958 | 34,783 |
| Other changes in shareholders' equity due to the adoption of IAS 32 and IAS 39 since January 1 st , 2005 | 0 | 10,267 |
| Other changes in shareholders' equity due to the adoption of IAS 32 and IAS 39 since January 1 st , 2005 in unconsolidated subsidiaries | 0 | 6,423 |
| F - Cash from new consolidated subsidiaries | 251,486 | 0 |
| Sarlux Srl | 249,940 | 0 |
| Caprabo (Saras Energia Red S.A.) | 1,546 | 0 |
| G - Cash and cash equivalents at the end of period (short-term net financial indebtedness) | 380,153 | 64,937 |

Notes to the Consolidated Quarterly Report as at 30 September 2006

1. Foreword

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

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

The financial data shown refer to the period from 1 January to 30 September and to the third quarter for the financial years 2006 and 2005 respectively. The asset data shown refer to 30 September 2006, 30 June 2006 and to 31 December 2005.

This consolidated quarterly report is presented in euros because euro is the currency of the economy in which the Group operates, and is composed of a Balance Sheet, Income Statement, Cashflow Statement, Statement of Changes in Shareholders' Equity and these Notes. Unless stated otherwise, all amounts shown in the above statement and in the notes to the consolidated quarterly report, bearing in mind their size and significance, are expressed in thousands of euro, as permitted by art. 1 of Consob resolution no. 11661 dated 20 October 1998.

The quarterly report as at 30 September 2006 must be read jointly with the Saras Group consolidated financial as at 31 December 2005 and with the consolidated half-yearly report as at 30 June 2006.

The quarterly report as at 30 September 2006 is not subject to audit.

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

The consolidated quarterly report as at 30 September 2006 has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure outlined in Article 6 of Regulation EC no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The contents of the quarterly report, following the provisions in Consob resolution no. 14990 dated 14 April 2005, are defined according to indications in attachment 3D of Consob Issuers Regulations (Consob Regulation no. 11971 dated 14 May 1999 and further modifications); therefore, the provisions in the international accounting principle regarding interim reports (IAS 34 “Interim Financial Reporting”) were not adopted. The presentation of accounting prospectus corresponds to those presented in the half-year report and the annual report.

The consolidation perimeter comprises the following companies:

| Fully consolidated | Percentage owned |
|---|-------------------------|
| – Sarlux Srl | 100% |
| – Arcola Petrolifera SpA | 100% |
| – Sartec Saras Ricerche e Tecnologie SpA | 100% |
| – Consorzio Ricerche Associate | 100% |
| – Ensar Srl and subsidiaries: | 100% |
| – Eolica Italiana Srl | 100% |
| – Akhela Srl | 100% |
| – Sarint S.A. and subsidiaries: | 100% |
| – Saras Energia S.A. and subsidiaries: | 100% |
| – Saras Energia Red S.A. | 100% |
| – Reasar S.A. | 100% |
| Joint Ventures measured at equity | |
| – Parchi Eolici Ulassai Srl and subsidiaries: | 70% |
| – Sardeolica Srl | 100% |
| Insignificant subsidiaries excluded from the consolidation area and measured at equity | |
| – Xanto Srl in liquidation and subsidiaries: | 100% |
| – Xanto Basilicata Srl in liquidation | 100% |
| Associated companies measured at equity | |
| – Dynergy Srl | 37.5% |
| – Hangzhou Dadi Encon Environmental Equipment Co. | 37.5% |
| – Nova Eolica Srl | 20% |
| Other interests: measured at fair value as per IAS 39 | |
| – Consorzio Cesma | 5% |
| – Consorzio Cifra in liquidation | 16.67% |
| – Consorzio La Spezia Energia | 5% |
| – Consorzio Qualità e Tratt. Acque | 9.07% |
| – Consorzio Techno Mobility | 17.4% |
| – Hydrocontrol Soc. Consortile a r.l. | 17% |
| – Sarda Factoring | 4.75% |

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

Moreover, a change from 31 December 2005 is that on 28 June 2006, the Court of Cagliari released from seizure 45% of Sarlux. Therefore, as of 28 June 2006 Saras acquired control of Sarlux and increased its shareholding in Sarlux's corporate capital from 55% to 100%. As from that date, Sarlux is therefore booked in the Saras Group financial statements according to the full consolidation (line-by-line) method.

3. Acquisitions and business combinations

3.1 General

As already reported in the notes to the financial statements as at 31 December 2005, in the course of 2002 Saras SpA exercised its option to purchase the remaining 45% of Sarlux Srl ("Sarlux"), a joint venture in which the Group already owned 55% and that in prior years had been consolidated under the equity method. Exercise by Saras of the option right was challenged by the other joint venturer, Enron Dutch Holding B.V. ("Enron Dutch").

The parties resorted to arbitration in accordance with the regulations of the International Chamber of Commerce. Pending an outcome of the arbitration, in 2002 Saras sought and obtained from the Court of Cagliari an order for the judicial attachment of the interest held by the other joint venturer, with the rights associated with it being consequently exercised by a trustee appointed by same Court.

On 18 April 2006 the board of arbitrators, based in Geneva, found for Saras. On 5 June 2006, as a result of the decree by which the Appeals Court in Rome enforced the arbitrators' award in Italy, Saras filed the award and decree with the Companies' Register of Cagliari; on 6 June 2006 it obtained recording of the transfer of the equity interest in the shareholders' register of Sarlux and paid to Enron Dutch the price for its equity stake, decided by the board of arbitrators as about 117 M€.

On 28 June 2006, the Court of Cagliari ordered the freeing of the 45% equity stake in Sarlux. Therefore, effective 28 June 2006, Saras has acquired control of Sarlux and increased its stake from 55% to 100%. Consequently, as from that date Sarlux has been consolidated in Saras on a line-by-line basis.

3.2 Date of acquisition and components of the cost of acquisition

We provide below details of the cost of the aforementioned acquisition, the actual date when control was acquired (in accordance with paragraph 25 of IFRS 3 this is the date when the acquirer obtains the actual control of the business or entity acquired) and the percentage of voting rights acquired.

The cost of acquisition of 45% of Sarlux totalled 131 M€ approximately, and includes the price paid as decided by the board of arbitrators, equal to about 117 M€, accessory charges of about 10 M€ and the fair value of the option exercised, determined at the date of exercise of the option, equal to about 4 M€. No shares of other equity instruments were issued as part of the cost of the acquisition.

The date of acquisition was coincident with the freeing of the 45% equity stake in Sarlux and was therefore set as 28 June 2006, because only from that date did Saras acquire control of Sarlux as per paragraphs 13 and 14 of IAS 27.

The voting rights acquired correspond to 45% of the equity of Sarlux.

3.3 Values allocated to assets and liabilities upon acquisition

We summarise below the values allocated upon acquisition to the main categories of assets and liabilities acquired, together with the corresponding book values determined in compliance with IFRS immediately prior to the date of acquisition (amounts in thousands of euros):

| Description | Allocated value | Previous value |
|--|------------------------|-----------------------|
| Intangible assets - Other | 18,297 | 18,297 |
| Intangible assets - Electricity supply contracts | 547,456 | 0 |
| Land and buildings | 10,392 | 10,392 |
| Plant, machinery and other tangible assets | 618,116 | 618,116 |
| Current assets | 424,864 | 424,864 |
| Long-term financial assets | 75,845 | 75,845 |
| Current liabilities | (238,857) | (238,857) |
| Long-term financial liabilities | (319,329) | (319,329) |
| Net deferred tax liabilities | (98,137) | 105,790 |
| Other non-current liabilities | (461,067) | (461,067) |

3.4 Provisional determination of the fair value of the assets and liabilities acquired

It should be noted that the fair value of the assets and liabilities acquired is still provisional. As a matter of fact, checks are being carried out on the accuracy of the fair value of certain assets acquired, which could lead to adjustments to the accounting impact of the recognition of the above acquisition. We expect to reach an accurate determination of the fair value of the assets acquired by the time the consolidated financial statements will be prepared for the year ending 31 December 2006.

3.5 Information concerning the decision to sell part of the assets acquired

At present, management of Saras Group has no intention to sell any of the assets/liabilities acquired through the operation illustrated above.

3.6 Differences emerging upon acquisition between the fair values of the assets and liabilities acquired and the price paid

The above acquisition did not generate any goodwill to be entered as an asset in the Group's consolidated balance sheet.

The item "Non-recurring gains and losses" in the consolidated income statement for the six months to 30 June 2006 includes income totalling some 199 M€ originating from the recognition of the effects of the arbitrator's award and the subsequent acquisition of the remaining 45% equity interest in Sarlux that caused the entity to be consolidated.

3.7 Result for the period of the acquired equity interest in Sarlux

Because control was acquired on 28 June 2006, the consolidated income statement does not include the income statement of Sarlux Srl for the six months under consideration.

3.8 Information concerning the Group's revenues and result of operations in relation to the acquisition

If the acquisition had been effective for accounting purposes as of 1 January 2006, the Group's revenues would have been higher by some 285 M€ and the consolidated profit for the period would have been higher by some 24 M€.

4. Segment review

The main financial items for each segment (revenues and operating results) are reported in the following table:

| € thousand | Refining | Marketing | Power Generation ^c | Other | Total |
|--|------------------|------------------|-------------------------------|----------------|------------------|
| 30 September 2005 | | | | | |
| Net revenues from ordinary operations | 3,362,999 | 1,008,678 | | 16,814 | 4,388,491 |
| to deduct: intra-segment revenues | (809,992) | (353) | | (8,155) | (818,500) |
| Third party revenues | 2,553,007 | 1,008,325 | | 8,659 | 3,569,991 |
| Other revenues | 30,750 | 2,218 | | 335 | 33,303 |
| to deduct: intra-segment revenues | (4,636) | (168) | | (122) | (4,926) |
| Other revenues from third parties | 26,114 | 2,050 | | 213 | 28,377 |
| Operating profits ^a | 418,514 | 51,515 | | (6,887) | 463,142 |
| Net income on equity interests valued at equity | | | 36,212 | (235) | 35,977 |
| 30 September 2006 | | | | | |
| Net revenues from ordinary operations | 4,251,361 | 1,642,619 | 136,281 | 29,792 | 6,060,053 |
| to deduct: intra-segment revenues | (1,122,572) | (121,359) | (9,480) | (13,697) | (1,267,108) |
| Third party revenues | 3,128,789 | 1,521,260 | 126,801 | 16,095 | 4,792,945 |
| Other revenues | 35,094 | 1,674 | 3,869 | 741 | 41,378 |
| to deduct: intra-segment revenues | (10,362) | (7) | (3,869) | (482) | (14,720) |
| Other revenues from third parties | 24,732 | 1,667 | | 259 | 26,658 |
| Operating profits ^a | 187,095 | 19,402 | 30,511 | (3,476) | 233,532 |
| Net income on equity interests valued at equity: | | | | | |
| – Parchi Eolici Ulassai | | | 4,012 | | 4,012 |
| – Sarlux from 1/1 to 28/06/06 | | | 28,785 | | 28,785 |
| | | | 32,797 | | 32,797 |
| Total assets directly attributable ^b | 1,345,608 | 400,383 | 1,566,866 | 46,150 | 3,359,007 |
| <i>of which:</i> | | | | | |
| – interests valued at equity | 6,374 | | | 896 | 7,270 |
| Total assets directly attributable ^b | 860,561 | 173,215 | 1,041,926 | 33,607 | 2,109,309 |
| Investments in tangible assets | 82,297 | 791 | 1,321 | 1,036 | 85,445 |
| Investments in intangible assets | 660 | 106 | 1,473 | 730 | 2,969 |

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

^b Total asset and liabilities are calculated after intra-segment eliminations.

^c Sarlux Srl has been consolidated with the line-by-line method as of 28 June 2006.

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

5. Trade receivables

Detailed information as follows:

| | 30/09/2006 | 31/12/2005 | Variance | Of which Sarlux 30/09/2006 |
|----------------------------------|----------------|----------------|---------------|----------------------------------|
| Receivables: | | | | |
| From trade debtors | 511,277 | 395,687 | 115,590 | 149,164 |
| From unconsolidated subsidiaries | 381 | 44,881 | (44,500) | 0 |
| Work in progress | 3,838 | 2,220 | 1,618 | 0 |
| Total | 515,496 | 442,788 | 72,708 | 149,164 |

6. Inventories

Detailed information as follows:

| | 30/09/2006 | 31/12/2005 | Variance | Of which Sarlux 30/09/2006 |
|---|----------------|----------------|---------------|----------------------------------|
| Inventory: | | | | |
| Raw materials, spare parts and consumables | 190,206 | 161,121 | 29,085 | 27,610 |
| Work in progress and semi-finished products | 46,565 | 54,003 | (7,438) | 2,336 |
| Finished products and goods held for sale | 396,527 | 325,912 | 70,615 | 0 |
| Advances paid for stocks | 197 | 372 | (175) | 0 |
| Total | 633,495 | 541,408 | 92,087 | 29,946 |

The increase in this item is due to higher prices (mainly of finished products) and the higher inventory quantities (mainly crude oil), in inventory compared to 31 December 2005.

7. Property, plant and equipment

Detailed information as follows:

| Historical cost | 31/12/2005 | Increases | (Disposals) | Revaluations (Write-downs) | Others | 30/09/2006 | Of which Sarlux 30/09/2006 | Of which Saras Red 30/09/2006 |
|---------------------------------------|------------------|---------------|--------------|-------------------------------|----------------|------------------|----------------------------------|-------------------------------------|
| Land and buildings | 114,287 | 136 | | | 16,691 | 131,114 | 14,958 | 8,831 |
| Plants and equipments | 1,067,898 | 33,008 | (69) | | 843,346 | 1,944,183 | 814,640 | 8,889 |
| Industrial and commercial equipments | 12,307 | 3 | (518) | | 3,174 | 14,966 | 489 | |
| Other assets | 376,610 | 3,091 | (276) | | 19,052 | 398,477 | 13,913 | 1,063 |
| Asset under construction and advances | 36,368 | 49,207 | (30) | | (15,438) | 70,107 | 4,212 | 369 |
| Total | 1,607,470 | 85,445 | (893) | 0 | 866,825 | 2,558,847 | 848,212 | 19,152 |

| Accumulated depreciation | 31/12/2005 | Increases | (Disposals) | Revaluations (Write-downs) | Others | 30/09/2006 | Of which Sarlux 30/09/2006 | Of which Saras Red 30/09/2006 |
|--------------------------------------|------------------|---------------|--------------|-------------------------------|----------------|------------------|----------------------------------|-------------------------------------|
| Land and buildings | 30,546 | 3,149 | | | 1,738 | 35,433 | 3,680 | 944 |
| Plants and equipments | 865,142 | 44,169 | (69) | | 209,876 | 1,119,118 | 212,189 | 4,406 |
| Industrial and commercial equipments | 9,730 | 1,167 | (518) | | (560) | 9,819 | 229 | |
| Other assets | 258,997 | 14,493 | (275) | | 15,155 | 288,370 | 13,220 | 768 |
| Total | 1,164,415 | 62,978 | (862) | 0 | 226,209 | 1,452,740 | 229,318 | 6,118 |

| Net book value | 31/12/2005 | Increases | (Disposals) | (Depreciation) | Others | 30/09/2006 | Of which Sarlux 30/09/2006 | Of which Saras Red 30/09/2006 |
|---------------------------------------|----------------|---------------|-------------|-----------------|----------------|------------------|----------------------------------|-------------------------------------|
| Land and buildings | 83,741 | 136 | 0 | (3,149) | 14,953 | 95,681 | 11,278 | 7,887 |
| Plants and equipments | 202,756 | 33,008 | 0 | (44,169) | 633,470 | 825,065 | 602,451 | 4,483 |
| Industrial and commercial equipments | 2,577 | 3 | 0 | (1,167) | 3,734 | 5,147 | 260 | 0 |
| Other assets | 117,613 | 3,091 | (1) | (14,493) | 3,897 | 110,107 | 693 | 295 |
| Asset under construction and advances | 36,368 | 49,207 | (30) | | (15,438) | 70,107 | 4,212 | 369 |
| Total | 443,055 | 85,445 | (31) | (62,978) | 640,616 | 1,106,107 | 618,894 | 13,034 |

The change of value in the item "Land and buildings" is due to a different split between this item and the item "Plants and equipments".

The increase is mainly due to the major maintenance performed in the refinery during this quarter.

The item "Other assets" refers mainly to the Sarlux Srl and Saras Energia Red S.A. asset acquisition related to the full consolidation.

8. Intangible assets

| Intangible assets | 31/12/2005 | Increases | Decreases | Others | Amortisation | 30/09/2006 | Of which Sarlux 30/09/2006 | Of which Saras Red 30/09/2006 |
|--|--------------|--------------|--------------|----------------|-----------------|----------------|----------------------------|-------------------------------|
| Industrial and other patent rights | 1 | 756 | | 1,207 | (644) | 1,320 | 328 | 30 |
| Concessions, licenses, trademarks and similar rights | 572 | 0 | | (332) | (124) | 116 | 580 | 291 |
| Goodwill | 2,515 | 0 | | 25,902 | 0 | 28,417 | | 25,902 |
| Intangible assets in progress and advances | 708 | 658 | | (814) | 0 | 552 | 372 | |
| Other intangible assets | 539 | 1,555 | (959) | 566,765 | (12,176) | 555,724 | 554,798 | 272 |
| Total | 4,335 | 2,969 | (959) | 592,728 | (12,944) | 586,129 | 556,078 | 26,495 |

The item "Goodwill" increased due to the acquisition of Saras Energia Red S.A. by the subsidiary Saras Energia S.A.

The item "Other intangible assets" refers to the 45% Sarlux Srl acquisition and includes the fair value of the sale contract between Sarlux Srl and the national grid operator Gestore del Sistema Elettrico (G.R.T.N.).

The item "Other changes" refers mainly to the acquisition of figures for the subsidiaries Sarlux Srl and Saras Energia Red S.A.

9. Short and medium-long term financial liabilities

Detailed information as follows:

| | 30/09/2006 | 31/12/2005 | Variance | Of which Sarlux 30/09/2006 |
|---|----------------|----------------|----------------|----------------------------|
| Loans from banks | 119,478 | 57,925 | 61,553 | 101,342 |
| Bank overdraft | 72,989 | 40,416 | 32,573 | |
| Derivatives instruments | | | 0 | |
| Other loans | 1,271 | 1,271 | 0 | |
| Loans from unconsolidated Group companies | 1,808 | 2,552 | (744) | |
| Total short term financial liabilities | 195,546 | 102,164 | 93,382 | 101,342 |
| Loans from banks | 393,470 | 132,004 | 261,466 | 319,330 |
| Total long term financial liabilities | 393,470 | 132,004 | 261,466 | 319,330 |

Details of the terms and conditions of loans are provided in the table below:

| €/Mil. | Date of the borrowing | Amount originally borrowed | Base Rate | Outstanding as at 31/12/2005 | Outstanding as at 30/09/2006 | Maturity | | | Security |
|------------------------------|--------------------------|----------------------------|--------------|------------------------------|------------------------------|--------------|-------------|-------------------|----------|
| | | | | | | 1 year | 1 - 5 years | More than 5 years | |
| Saras SpA | | | | | | | | | |
| | Banca Popolare di Verona | 16/12/2004 | 20.0 | Euribor 3M | 20.0 | | | | |
| | Banca Intesa in Pool | 21/12/2001 | 87.8 | Euribor 3M | 52.7 | | | | |
| | S. Paolo in Pool | 29/12/1999 | 77.5 | Euribor 6M | 20.7 | | | | |
| | San Paolo Imi | 20/12/2004 | 30.0 | Euribor 6M | 30.0 | 30.0 | | | |
| | Unicredit | 20/12/2004 | 50.0 | Euribor 6M | 50.0 | 50.0 | | | |
| | Finanziamento Legge 46 | 09/12/1992 | 10.9 | 2.47% | 1.3 | 1.3 | | | |
| Totale Saras SpA | | | | | 174.6 | 81.3 | 14.6 | 66.7 | - |
| Sartec SpA | | | | | | | | | |
| | San Paolo Imi | 30/06/2001 | 1.7 | 2.35% | 0.9 | 0.9 | 0.2 | 0.7 | - |
| | San Paolo Imi | 30/06/1997 | 1.2 | 2.95% | 0.2 | 0.2 | 0.2 | - | - |
| Akhela Srl | | | | | | | | | |
| | Banco di Sardegna | 24/04/2002 | 3.1 | Euribor 6M | 2.3 | 1.8 | 0.6 | 1.2 | |
| | BNL | 02/10/2002 | 8.3 | Euribor 6M | 5.5 | 2.8 | 2.8 | | |
| Saras Energia S,A, | | | | | | | | | |
| | Banca Esp, De Credito | 11/11/2002 | 10.0 | Euribor 6M | 7.8 | 6.7 | 1.1 | 4.5 | 1.1 |
| Sarlux Srl | | | | | | | | | |
| | Banca Intesa | 29/11/1996 | 572.0 | Libor 3M | 277.0 | 250.7 | 60.4 | 190.3 | 251 |
| | BEI | 29/11/1996 | 180.0 | 7.35% | 94.0 | 85.4 | 20.6 | 64.8 | 85 |
| | BEI | 29/11/1996 | 208.0 | Euribor 3M | 94.0 | 84.4 | 20.3 | 64.1 | 84 |
| Total bank borrowings | | | 191.4 | 514.2 | 120.8 | 392.3 | 1.1 | | |

Loans received from San Paolo Imi SpA (originally 30 M€) is subject to the following two covenants (with reference to the parent company): (i) Debt/Equity ratio of less than 2.3; and (ii) EBITDA/net interest expense ratio greater than 3.

Loans received from Sarlux Srl must be reimbursed upon request of the Facilities Agent in the following case: (i) the "Loan Life Cover Ratio" (Net Present Value of the Available Cash Flow Post Tax divided by the total debt) is less than 1.5; (ii) the "Annual Debt Service Cover Ratio" (Available Cash Flow Post Tax – for the following 12 months – divided by the total debt) is less than 1; (iii) the "Forecast Annual Debt Service Cover Ratio" is less than 1.

10. Trade and other payables

Detailed information as follows:

| | 30/09/2006 | 31/12/2005 | Variance | Of which Sarlux 30/09/2006 |
|--|----------------|----------------|---------------|----------------------------|
| Prepayments from clients | 1,359 | 1,223 | 136 | |
| Payables to suppliers | 598,699 | 498,494 | 100,205 | 33,536 |
| Trade payables to unconsolidated Group companies | 3 | 13,350 | (13,347) | |
| Trade payables to associated companies | 128 | 115 | 13 | |
| Total | 600,189 | 513,182 | 87,007 | 33,536 |

11. Current tax liabilities

Detailed information as follows:

| | 30/09/2006 | 31/12/2005 | Variance | Of which Sarlux 30/09/2006 |
|--|----------------|---------------|---------------|----------------------------|
| IRES corporate tax | 49,483 | 25,932 | 23,551 | |
| IRAP (regional tax on productive activities) | 6,778 | 7,986 | (1,208) | 5,146 |
| VAT | 14,219 | 13,828 | 391 | |
| Other | 41,422 | 28,003 | 13,419 | 42 |
| Total | 111,902 | 75,749 | 36,153 | 5,188 |

The increase in IRES (i.e. corporate) income tax debt on 31 December 2005 figures is due to tax provisions made for the period, net of payments for both the 2005 tax balance as well as partial payment for taxes due for 2006 (both of which took place during the month of June).

The item "Other" includes debt for excise duties; the increase in this item is caused by the prepayment request only in the month of December.

12. Provisions for risks

Detailed information as follows:

| | 30/09/2006 | 31/12/2005 | Variance | Of which Sarlux 30/09/2006 |
|--|---------------|---------------|---------------|----------------------------|
| Provisions for employee benefit | 292 | | 292 | |
| Provisions for dismantling of plant | 16,826 | 13,526 | 3,300 | 3,300 |
| Provisions for products guarantee risk | | 354 | (354) | |
| Other provisions | 13,305 | 3,689 | 9,616 | 7,040 |
| Total | 30,423 | 17,569 | 12,854 | 10,340 |

The increase is mainly due to the acquisition of the 45% stake of Sarlux Srl; in particular, in the item “Other provisions”, a provision of € 6,330 thousand has been made in order to comply to the Emission Trading regulations.

13. Deferred taxes

This item has increased by € 82,861 thousand on the 31 December 2005 figure, mainly for the adoption of figures of the subsidiary Sarlux Srl

This figure was obtained from the netting of deferred and pre-paid taxes that are legally eligible.

Deferred tax liabilities mainly refer to accelerated depreciation made solely for tax purposes and as an effect of the evaluation at fair value as at 30 June 2006 of the existing contract with the National Grid Operator.

Deferred taxes principally arise due to the accounting methods followed for existing leasing contracts, referred to in the following note regarding “Other non-current liabilities”.

14. Other non-current liabilities

| | 30/09/2006 | 31/12/2005 | Variance | Of which Sarlux 30/09/2006 |
|--|----------------|---------------|----------------|----------------------------------|
| Advances from customers | | 1,484 | (1,484) | |
| Amounts payable to welfare and social security agencies | 197 | 148 | 49 | |
| Other payables | 3,789 | 4,355 | (566) | |
| Trade payables to unconsolidated subsidiaries | | 51,046 | (51,046) | |
| Other accrued liabilities | 1,545 | | 1,545 | 741 |
| Deferred income | 491,786 | | 491,786 | 486,413 |
| Total | 497,317 | 57,033 | 440,284 | 487,154 |

Compared to 31 December 2005, the change herewith mainly refers to the increase in the item “Deferred liabilities” following the Sarlux consolidation. The item herewith regards the application of IFRIC 4 for the accounting of the electricity sale contract between Sarlux and GRTN (the national grid operator). Revenues deriving from the sale of electricity are affected by the linearisation of the electrical energy supply contract – based on IAS 17 regarding Leasing and IFRIC 4 entitled “Determining whether an arrangement contains a lease” – which was qualified as a contract for the use of the plant by the customer and therefore assimilated to a leasing contract. These revenues were therefore linearised based both on the duration of the contract, i.e. 20 years, and on the forecasted price of crude oil, which is a component that determines electrical energy tariffs as well as production costs.

15. Shareholders' equity

The Group shareholders' equity as at 30 September 2006 is equal to € 1,249,698 thousand (to be compared to € 528,768 thousand as at 31 December 2005).

The table previously reported gives more detailed information. The main changes during the period are as follows:

- A share capital increase of € 3,447 thousand in connection with the IPO that included the issuance of 60 million ordinary shares;
- An increase in the share premium reserve for € 338,983 thousand, net of IPO costs, following the above-mentioned capital increase according to the subscription price per share, set at € 6;
- An increase in shareholders' equity of € 188,940 thousand in connection with the acquisition of the controlling interest in Sarlux Srl through the acquisition of 45% of the shareholders' equity of this company. At 31 December 2005, Sarlux Srl was subject to joint control, being a joint venture. This increase in shareholders' equity is due to the higher value of the assets and liabilities (of the 55% interest) of Sarlux Srl at the moment of acquisition as compared to the book value contained in the Saras Group consolidated financial statements closed on 31 December 2005;
- A decrease of € 170,181 thousand for dividend distribution to shareholders, as resolved by Saras SpA shareholders' meeting on 28 February 2006;
- An increase of € 359,741 thousand due to the profits for the period.

16. Earnings per share

In the calculation of the "base earning per share" the net profit of the Group has been used.

The base earnings per share for the period from 1 January to 30 September is equal to € 37.83.

Since no diluting factors exist, diluted earnings per share are the same as base earnings per share.

17. Revenues

| | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|-----------------------------------|------------------|------------------|------------------|---|
| Revenues from ordinary operations | 4,791,327 | 3,567,350 | 1,223,977 | 126,801 |
| Change in job orders in progress | 1,618 | 2,641 | (1,023) | |
| Total | 4,792,945 | 3,569,991 | 1,222,954 | 126,801 |

The increase of the revenues from ordinary operations is mainly due to the increase of the product prices in the period.

18. Other income

| | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|-----------------------------|---------------|---------------|----------------|--|
| Sales of compulsory storage | 7,826 | 8,187 | (361) | |
| Tanker ship chartering | 24 | 717 | (693) | |
| Sale of sundry materials | 1,585 | 1,752 | (167) | |
| Insurance reimbursement | 820 | 651 | 169 | |
| Other | 16,403 | 17,070 | (667) | |
| Total | 26,658 | 28,377 | (1,719) | 0 |

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

19. Purchases of raw materials, spare parts and consumables

| | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|---|------------------|------------------|------------------|--|
| Purchases of raw materials, spare parts and consumables | 4,163,937 | 2,772,553 | 1,391,384 | 725 |
| Total | 4,163,937 | 2,772,553 | 1,391,384 | 725 |

The change is mainly due to the increase of the crude oil prices.

20. Cost of services and sundry costs

| | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|---|----------------|----------------|---------------|--|
| Cost of services | 253,104 | 205,526 | 47,578 | 33,931 |
| Cost of utilisation of third parties assets | 6,348 | 5,694 | 654 | 783 |
| Provisions for risks | | 81 | (81) | |
| Other provisions | | 429 | (429) | |
| Other operating charges | 7,297 | 7,224 | 73 | 1,001 |
| Total | 266,749 | 218,954 | 47,795 | 35,715 |

Cost of services includes chartering of tankships, other transportation costs, electricity, steam, hydrogen and other utilities; the change is mainly due to incremental costs for electricity, steam and catalysts.

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

21. Personnel costs

| | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|------------------------------------|---------------|---------------|----------------|---|
| Salaries and wages | 53,987 | 55,391 | (1,404) | 282 |
| Social contributions | 16,913 | 17,118 | (205) | 107 |
| Staff leaving indemnity | 2,910 | 7,080 | (4,170) | 19 |
| Pensions and similar obligations | 208 | 467 | (259) | 2 |
| Other | 2,116 | 1,673 | 443 | 20 |
| Salaries to company administrators | 4,281 | 4,137 | 144 | |
| | 80,415 | 85,866 | (5,451) | 430 |

The change in the items “staff leaving indemnity” and “pensions and similar obligations” is due to an increase of the actualisation rate used (4.75% vs 4%) between 31 December 2005 and 30 September 2006, pursuant to IAS 19 (notes 78 and 79).

22. Depreciation, amortisation and write-downs

| | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|-----------------------------------|---------------|---------------|---------------|---|
| Amortisation of intangible assets | 12,944 | 3,738 | 9,206 | 9,970 |
| Depreciation of tangible assets | 62,978 | 54,095 | 8,883 | 12,127 |
| Other write-down of assets | (600) | 0 | (600) | |
| Write-downs of receivables | (352) | 40 | (392) | |
| | 74,970 | 57,873 | 17,097 | 22,097 |

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

During the period, provisions for bad debts made in previous statements were reversed, because they were not necessary anymore.

23. Net income/(charges) from equity interests

| Unconsolidated subsidiaries valued by the equity method | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|--|---------------|---------------|----------------|--|
| Parchi Eolici Ulassai Srl | 4,027 | (235) | 4,262 | |
| Sarlux Srl | 28,785 | 36,212 | (7,427) | |
| Xanto Srl in liquidation | (15) | | | |
| Total | 32,797 | 35,977 | (3,165) | 0 |

Sarlux Srl is still evaluated by the equity method in the first half of the year since acquisition took place as at 28 June 2006.

24. Financial income/(charges)

| | 30/09/2006 | 30/09/2005 | Variance | Of which Sarlux from 01/07/2006 to 30/09/2006 |
|---|----------------|------------------|---------------|--|
| Other financial income: | | | | |
| From fin. assets recorded under current assets | 457 | 406 | 51 | |
| Income other than above: | | | | |
| – from non-consolidated subsidiaries | 685 | 957 | (272) | |
| – bank account and postal deposits interests | 2,194 | 681 | 1,513 | 1,631 |
| – fair value of existing financial derivative instruments at closing date | 12,734 | | | |
| – positive differences on financial derivative instruments | 17,699 | 4,614 | 13,085 | 100 |
| – altri proventi | 838 | 68 | 770 | |
| Interests and other financial charges: | | | | |
| – to non-consolidated subsidiaries | (3) | (11) | 8 | |
| – to associated companies | (7) | 0 | (7) | |
| – fair value of existing financial derivative instruments at closing date | 0 | (21,232) | 21,232 | |
| – negative differences on financial derivative instruments | (21,938) | (50,183) | 28,245 | |
| – other (interest on mortgages, interest in arrears, etc.) | (17,556) | (6,349) | (11,207) | (4,485) |
| Profits and losses on exchange differences for non-commercial transactions | (2,992) | (36,674) | 33,682 | 25 |
| Total | (7,889) | (107,723) | 87,100 | (2,729) |

In 2005 derivative contracts made to reduce the company's exposure to price fluctuations in refining margins, had a negative impact due to the significant increase in these margins; in 2006 however, this effect turned positive.

25. Non-recurring income/(charges)

| | 30/09/2006 | 30/09/2005 | Variance |
|------------------------|----------------|------------|----------------|
| IPO costs | (12,922) | | (12,922) |
| Sarlux Srl acquisition | 199,167 | | 199,167 |
| Total | 186,245 | 0 | 186,245 |

The IPO costs refer to fees paid to Company management and external consultants for services rendered during the IPO process.

The income for acquisition of 45% of Sarlux Srl refers to the difference that arose between the cost of the acquisition and the fair value of the assets and liabilities acquired, as well as the fair value of the option exercised, as already mentioned in note 3 above.

Detail of the Group companies

| Company name | Legal address | Currency | Share capital | Consolidation Ratio (%) | | % on share capital | Shareholder | % voting rights | Type of control |
|--|--------------------|----------|---------------|-------------------------|------------------|--------------------|---------------------------------|-----------------|-----------------------------|
| | | | | as at 30/09/2006 | as at 31/12/2005 | | | | |
| Arcola Petrolifera SpA | Sarroch (CA) | Euro | 7,755,000 | 100% | 100% | 100% | Saras SpA | 100% | Full control |
| Sartec Saras Ricerche e Tecnologie SpA | Assemini (CA) | Euro | 3,600,000 | 100% | 100% | 100% | Saras SpA | 100% | Full control |
| Consorzio Ricerche Associate | Capoterra (CA) | Euro | 3,105,971 | 100% | 100% | 100% | Saras SpA | 100% | Full control |
| Ensar Srl e società controllate: | Milano | Euro | 100,000 | 100% | 100% | 100% | Saras SpA | 100% | Full control |
| – Eolica Italiana Srl | Cagliari | Euro | 100,000 | 100% | 100% | 100% | Ensar Srl | 100% | Full control |
| Akhela Srl | Uta (CA) | Euro | 3,000,000 | 100% | 100% | 100% | Saras SpA | 100% | Full control |
| Sarint S,A, e società controllate: | Lussemburgo | Euro | 50,705,314 | 100% | 100% | 100% | Saras SpA | 100% | Full control |
| – Saras Energia S,A, | Madrid (Spagna) | Euro | 44,559,840 | 100% | 100% | 100% | Sarint S,A, | 100% | Full control |
| – Reasar S.A. | Lussemburgo | Euro | 1,225,001 | 100% | 100% | 100% | Sarint S,A, | 100% | Full control |
| Sarlux Srl | Sarroch (CA) | Euro | 27,730,467 | 100% | 55% | 100% | Saras SpA | 100% | Full control |
| Parchi Eolici Ulassai Srl e società controllata: | Cagliari | Euro | 500,000 | 70% | 70% | 70% | Saras SpA | 70% | Joint venture |
| – Sardeolica Srl | Cagliari | Euro | 56,636 | 100% | 100% | 100% | Parchi Eolici Ulassai Srl | 70% | Joint venture |
| Xanto Srl in liquidazione e Società controllate: | Milano | Euro | 100,000 | 100% | 100% | 100% | Akhela Srl | 100% | Full control |
| – Xanto Basilicata Srl in liquidazione | Milano | Euro | 10,000 | 100% | 100% | 100% | Xanto Srl | 100% | Full control |
| Dynergy Srl | Genova | Euro | 179,000 | 37.5% | 37.5% | 37.5% | Saras Ricerche e Tecnologie SpA | 37.5% | Associated |
| Hangzhou Dadi Encon Environmental Equipment Co. | Hangzhou | RMB | 14,050,200 | 37.5% | 37.5% | 37.5% | Saras Ricerche e Tecnologie SpA | 37.5% | Associated |
| Nova Eolica Srl | Cagliari | Euro | 10,000 | 20% | 20% | 20% | Ensar Srl | 20% | Associated |
| Consorzio Cesma | Castellamonte (TO) | Euro | 51,000 | 5% | 5% | 5% | Saras Ricerche e Tecnologie SpA | 5% | Other carried at fair value |
| Consorzio Cifra in liquidazione | Cagliari | Euro | 92,000 | 16.7% | 16.7% | 16.67% | Akhela Srl | 16.67% | Other carried at fair value |
| Consorzio La Spezia Energia | La Spezia | Euro | 50,000 | 5% | 5% | 5% | Arcola Petrolifera SpA | 5% | Other carried at fair value |
| Consorzio Qualità e Tratt. Acque | Napoli | Euro | 10,000 | 9.07% | 9.07% | 9.07% | Saras Ricerche e Tecnologie SpA | 9.07% | Other carried at fair value |
| Consorzio Techno Mobility | Cagliari | Euro | 57,500 | 17.4% | 17.4% | 17.4% | Saras Ricerche e Tecnologie SpA | 17.4% | Other carried at fair value |
| Hydrocontrol Soc. Consortile a r.l. | Capoterra (CA) | Euro | 1,033,000 | 17% | 17% | 17% | Saras SpA | 17% | Other carried at fair value |
| Sarda Factoring | Cagliari | Euro | 8,320,000 | 4.75% | 4.75% | 4.75% | Saras SpA | 4.75% | Other carried at fair value |

Significant events after 30 September 2006

Please refer to the Highlights section for a detailed description.

Further information

At 30 September 2006, the Group's net financial position consisted in an exposure of 187 M€ versus the 177 M€ as at 31 December 2005.

The main changes compared to 31 December 2005 are attributable to the benefits arising from the capital increase and share capital premium (net of IPO costs) at the listing on the Italian stock market, for 342 M€, and cash flows from ordinary operations, net of some extraordinary items such as the payment of the 45% interest in Sarlux, for 117 M€, the assumption of Sarlux's debt following full consolidation of this interest for 170 M€, as well as dividend payments for 170 M€.
