Saras Group
Quarterly report for the period ending 31 march 2006

Saras SpA

"This is a translated version
of the Quarterly Report
for the period ending
31 March 2006 of Saras Group
especially intended
for an international audience.
Those who wish to receive
the original report in Italian should
address their request
in writing to the Company".

Directors, Officers and Auditors

Board of Directors

Chairman
Gian Marco Moratti

Chief Executive Officer
Massimo Moratti

Executive Vice Chairman
Paolo Alfani

Vice Chairman
Angelo Moratti

Independent Directors
Gilberto Callera
Mario Greco

Directors
Angelomario Moratti
Gabriele Previati

Board of Statutory Auditors

Chairman
Claudio M. Fidanza

Permanent Auditors
Giovanni L. Camera
Michele Di Martino

Stand-in Auditors
Luigi Borrè
Massimiliano Nova

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.

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*, 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 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 though the IGCC plant (Integrated Gasification Combined Cycle) of 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 (OG) (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 oils originating from refining processes (assimilated and renewable sources). The power produced by the IGCC plant is sold to the national grid operator 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.

Saras consolidates a positive result

The global oil market experienced oil price volatility, mainly due to serious geopolitical tension in the Middle East. As a result, margins underwent a temporary contraction across the Mediterranean, above all during the final part of 2005 and the first two months of 2006.
Nevertheless, we feel that prospects for the refining sector are still positive, since fundamental factors - mainly the imbalance between refining capacity and the demand for finished products - have not changed.
Despite the underlying economic cycle, the Saras Group achieved positive results: net profit for the period amounted to **€ 56.1 million**, which compares with the **€ 28.4 million** recorded for the first quarter of 2005.

Highlights[1]

- Group revenues totalled **€ 1,430 million (+ 33.6 %)**
- Operating profit before depreciation of the Group amounted to **€ 75.0 million** (compared with **€ 109.8 million**), while the comparable operating profit before depreciation amounted to **€ 80.5 million** (compared with **€ 89.1 million**)
- A sound performance was recorded by the Refining Division: operating profit before depreciation amounted to **€ 68.0 million** (compared with **€ 101.4 million**), while the comparable operating profit before depreciation amounted to **€ 77.7 million** (compared with **€ 83.6 million**)
- A reduction in margins was recorded by the Marketing Division, which was partly offset by the increase in sales
- The joint venture Sarlux (Power Generation) recorded a Operating profit before depreciation of **€ 63.1 million (+6.8%)**
- The Operating profit before depreciation recorded by the joint venture Sardeolica was in line with expectations: **€ 7.7 million**
- Saras Energia S.A., operating in the Marketing Division, acquired 37 service stations situated principally in the South of Spain for around € 32 million
- An application for listing on Borsa Italiana S.p.A. was filed with Borsa Italiana and CONSOB on 20 January.

Other noteworthy events taking place after the end of the quarter

- On 20 April, CONSOB issued its approval for the publication of the Information Memorandum
- An important planned maintenance programme, involving a number of facilities and expected to last around 50 days, got underway on 1 April
- An arbitration award was issued in favour of Saras in respect of its legal dispute with Enron Dutch Holdings B.V. regarding the exercise of a call option to acquire 45% of Sarlux S.r.l.

[1] All comparisons are in relation to the first quarter of 2005

Key consolidated economic and financial figures

Key consolidated economic and financial figures for the period are provided below, where they are compared with those recorded for the same period of the previous year.
Please note that Sarlux Srl (power generation) and Sardeolica Srl (wind power) are both consolidated by the equity method.

€ millions	**Q1 2006**	**Q1 2005**
Revenues from ordinary operations	1.430,3	1.070,2
Operating profit before depreciation	75,0	109,8
Comparable operating profit before depreciation (1)	80,5	89,1
Operating profit	57,9	90,5
Group net profit	56,1	28,4
Group equity	414,4	404,8
Total assets	1.732,6	1.770,8
Investments in fixed assets	23,2	10,3
Net financial position	276,7	192,4
Operating profit before depreciation (2) (Equity + net financial position)	43,4%	73,6%
Net financial position/Equity	66,8%	47,5%
Net financial position/Operating profit before depreciation (2)	92,2%	43,8%
Net profit (2) /Equity	54,2%	28,0%
R.O.C.E. (3)	34,3%	10,5%

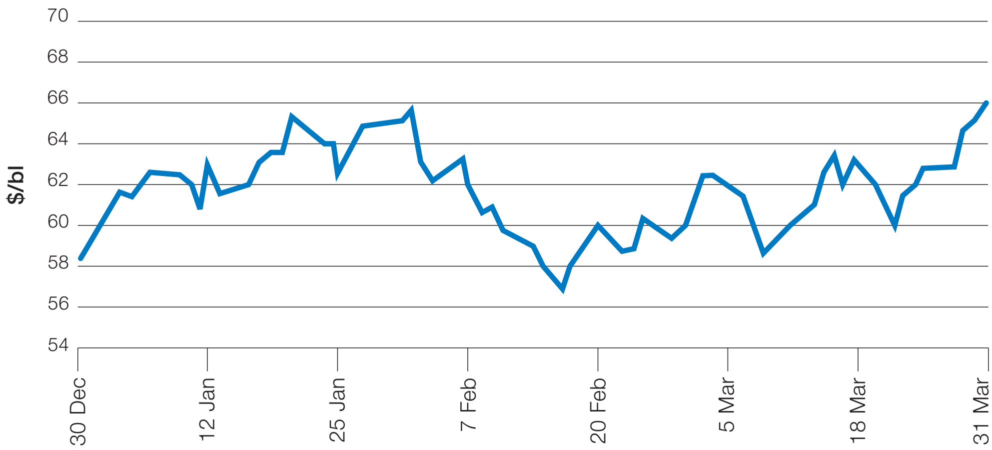
(1) Operating profit before depreciation with oil inventories measured at LIFO
(2) The values for the Operating profit before depreciation and Net Profit are annualised for ratio calculation purposes
(3) Net profit with inventories measured at LIFO/ Average invested capital (4)
(4) Equity with oil inventories measured at LIFO plus net financial position

Revenues increased by 34%, due to the rise in oil prices and the change in the mix of products sold (+24% in the case of diesel).
The Operating profit before depreciation was lower than in the same quarter of 2005, due to a decline in refining margins, which was in part offset by a sound performance from industrial operations. This decrease was far smaller if a comparison is made with the comparable gross operating margin, obtained by measuring inventories at LIFO.
The significant improvement registered by net profit, which increased from € 28.4 million in the first quarter of 2005 to € 56.1 million in the first quarter of 2006, was mainly due to the hedging of refining margins. In the first quarter of 2005, such operations had had a negative financial impact of € 49 million (due to the sharp rise in margins during said quarter), which was included in the item "Other financial income/(charges), net", while in the first quarter of 2006 they brought in a positive effect of € 5.2 million.
Furthermore, a greater contribution to net profit came from the *joint ventures* operating in the area of power generation and wind power (€ 18.8 million, compared with € 13.8 million in the same quarter of 2005).
Finally, the first quarter of 2005 incorporated the effect of the cost of hedging transactions referred to in the previous section not being deductible for local business tax purposes.

The oil market

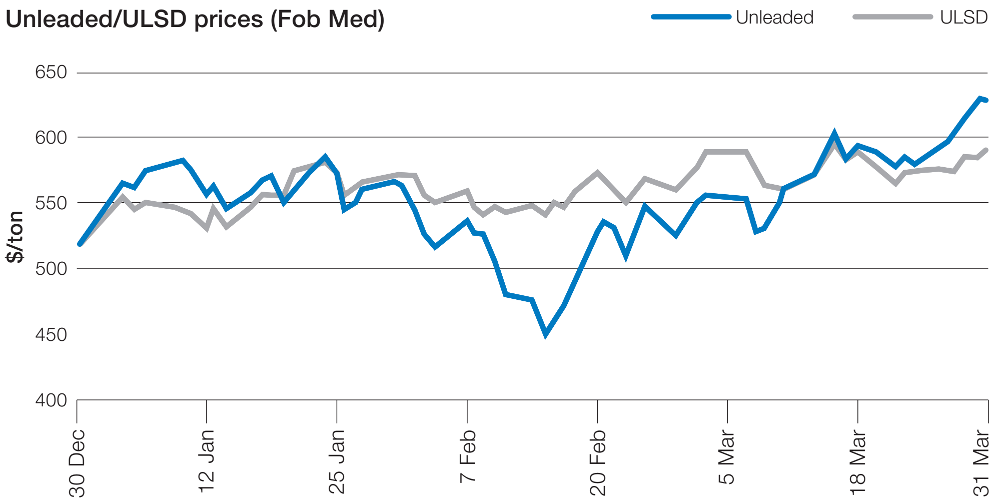
The chart below highlights the price trend followed by the reference crude (Dated Brent) during the first quarter.

Dated Brent (BFO)



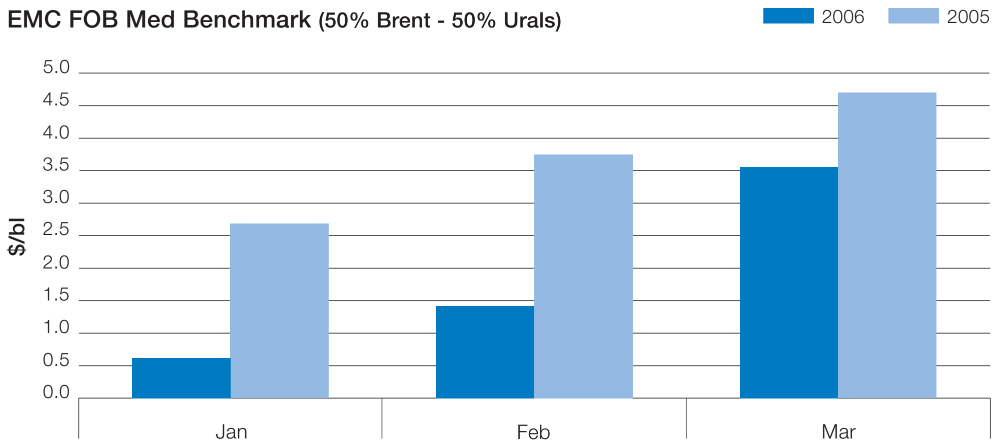
Growth during the period amounted to around US$ 8/barrel (+14%). Beside sustained demand, the events which contributed significantly to buoy price were mainly due to the tension that emerged between Russia and Ukraine at the beginning of the year in respect of natural gas supplies, to the uncertainty surrounding oil installations in Nigeria and the political tension between Iran and the international community, triggered by Iran's decision to resume its nuclear programme.
As may be seen from the chart below, products moved more or less in line with crude oil, although lagging behind somewhat.

Unleaded/ULSD prices (Fob Med)



Over the course of the first quarter, the price of ultra low-sulphur diesel increased by US$ 67/ton (+13%), while the price of unleaded gasoline increased by US$ 105/ton (+20%).
This trend is rather unusual for diesel: indeed, the weakness witnessed during the first part of the year is mainly attributable to the particularly mild winter experienced in the United States and sizeable stockpiling operations in Europe in the previous months.
In March, gasoline instead succumbed to a notable amount of tension, which was fuelled by new specifications for reformulated gasoline (RFG) in the USA. The removal of MTBE and the obligation to use a minimum quota of bio-fuels (mainly ethanol) led to fears that a falloff in global volumes would be witnessed in the short term, with immediate effects on the market.
The chart below presents the benchmark margin, according to EMC (Energy Market Consultants)

EMC FOB Med Benchmark (50% Brent - 50% Urals)



The contingent factors referred to above, which saw a sharp rise in the price of crude oil in the opening months of the year, which was not matched by a similar increase in oil product prices, squeezed refining margins, specifically in January and February. A U-turn was witnessed as early as March, though, with margins moving back up to approach the high levels seen the previous year. The refining sector's fundamentals remain solid, while the demand for oil products is high and refining capacity has come under pressure.

Segment reviews

Key information regarding the various areas in which the Saras Group is active follows below. Please note that revenues are shown before intercompany eliminations. Furthermore, in order to provide a complete set of information, breakdowns are provided for the joint ventures Sarlux (Power Generation) and Sardeolica (wind power), although those companies are consolidated by the equity method in the accounts presented herein.

REFINING

The table below presents financial highlights for the Refining segment.

€ millions	**Q1 2006**	**Q1 2005**
Revenues from ordinary operations	1.406,2	1.012,6
Operating profit before depreciation	68,3	101,4
Comparable Operating profit before depreciation (*)	77,7	83,6
Operating profit	53,2	83,5
Capex	22,7	10,1

(*) Operating profit before depreciation with oil inventories measured at LIFO

The sound performance recorded by industrial operations partially offset the negative scenario: period-end margins decreased by only 21% on the first quarter of 2005 (US$ **5.7**/bbl in Q1 2006, against US$ **7.2** in Q1 2005). This compares with “EMC benchmark”, which declined from US$ **3.7**/bbl in Q1 2005 to US$ **1.9**/bbl in Q1 2006 **(-50%)**.
Revenues from the sale of products and crude oils increased by € 395 million, despite the actual amount of quantities sold remaining substantially unchanged (3,224 thousand tons during the period compared with 3,289 thousand tons in the same period of the previous year), due to both the increase in oil prices and the change seen in the mix of products sold.
The table below presents period-end margins and processed amounts.

		Q1 2006	**Q1 2005**
Benchmark refining margin (*)	$/bbl	1,9	3,7
Period-end refining margin	$/bbl	5,7	7,2
Total refinery runs	Kt	3.709,3	3.463,6
of which: processing for own account	*Kt*	*2.004,5*	*1.736,2*
processing on behalf of third parties	*Kt*	*1.704,8*	*1.727,4*

(*) Calculated on the basis of valuations provided by EMC: 50% Ural margin + 50% Brent Fob Med margin

The key factors characterising the solid overall performance recorded by Refining may be summarised as follows:

- High plant availability

  245,000 more tons were processed at the refinery than in the same period of the previous year. The increase in global processing relates to our own crude oil. This positive result was achieved despite a disservice on the national electricity network in January, which caused a stop at the gasification plant. This had consequent repercussions on refinery facilities, which returned to full capacity in a few days.

- Incremental conversion capacity

  As a result of improvements, the hydrogen production increased, as did consequently the capacity to convert crude into light products.
  In fact, as may be seen from the table below, product sales (excluding crude and SRFO) were higher than those seen in the same period of the previous year. This increase is mainly attributable to low sulphur diesel (stocks remained more or less unchanged).

		Q1 2006	Q1 2005
Gasoline	Kt	757	773
Diesel	Kt	1.127	908
Other diesel oils	Kt	475	495
Fuel oil	Kt	193	207
Tar	Kt	298	301
Other products	Kt	291	320
Crude and SRFO sales	Kt	83	287
Total sales	**Kt**	**3.224**	**3.289**

To complete this analysis, find herebelow the types of crude processed during the firs quarter of 2006:

		Q1 2006	Q1 2005
Light Extra Sweet	Kt	1.500	1.348
Light Sweet	Kt	175	278
Medium Sweet	Kt	0	0
Light Sour	Kt	0	0
Medium Sour	Kt	1.070	824
Heavy Sour	Kt	964	1.014
Total volumes processed	**Kt**	**3.709**	**3.464**

A comparative analysis of the two quarters highlights how most product was processed by using Sour crude (+196 thousand tons), while Sweet crude increased at a far slower rate (+49 thousand tons). This was witnessed amid constant efforts to maximise heavy crude oil with a high sulphur content that offers more attractive margins due to the lower costs involved.

Investments during the period

During the first quarter of 2006, a partnership commenced with Foster Wheeler Italiana, in accordance with the Engineering, Procurement and Construction contract stipulated in this regard, meaning that the detailed planning of important upgrade-oriented investments, as outlined in the three-year plan, got underway.
Investments currently being placed regard the following:

- the second phase of the Prime G+ project, which by 2008 will enable the full production of gasoline with a sulphur content of 10 ppm, ahead of the deadline set in the European Directive for 2009;
- the plant used to treat tail gases emitted by sulphur plants, which will enable the amount of sulphur recovered to be increased, thereby reducing the level of residual sulphur released into the atmosphere, in line with the best available techniques (BAT) indicated in the IPPC European Directive (Integrated Pollution Prevention and Control).

Furthermore, preparatory measures have been taken in connection with the turnaround planned for the second quarter of 2006 (topping2, vacuum2 and CCR plants). This turnaround also involve important facility upgrades and replacements, aimed at improving significantly their mechanical reliability and performance. Specifically, the work carried out on the CCR plant, whose maintenance interval has been extended to six years, is particularly important for the increase in hydrogen production.

MARKETING

The table below presents financial figures for the Marketing segment, concentrated above all in the wholesale market, where the Saras Group operates through Arcola Petrolifera S.p.A. in Italy and through Saras Energia S.A. in Spain.

€ millions	**Q1 2006**	**Q1 2005**
Revenues from ordinary operations	430,9	281,5
Operating profit before depreciation	7,3	10,4
Comparable operating profit before depreciation (*)	3,4	7,5
Operating Profit	7,0	9,8
Capex	0	0,1

(*) Gross operating margin with oil inventories measured at LIFO.

During the period under review, commercial margins were lower than those seen in the same period of the previous year, this was mainly due to the high volatility experienced by oil product prices. The increase in amounts sold - in Spain in particular - partly offset the unfavourable scenario.

Sales in Italy

		Q1 2006	Q1 2005
Gasoline	Kt	16	22
Diesel	Kt	133	129
Other diesel oils	Kt	67	63
Other products	Kt	47	44
Total sales	**Kt**	**263**	**257**

Arcola Petrolifera saw sales in the first quarter of 2006 increase collectively by 2.5%, with diesel sales in particular increasing by 4.2%.

Sales in Spain

		Q1 2006	Q1 2005
Gasoline	Kt	102	86
Diesel	Kt	283	275
Other diesel oils	Kt	153	144
Other products	Kt	2	2
Total sales	**Kt**	**540**	**508**

Saras Energia S.A. sold 540,000 tons of products, representing a 6.3% global increase on the same period of 2005.
Saras Energia entered into an agreement for the acquisition of 37 service stations from the Caprabo Group for a total consideration of 32.2 million €.
The service stations involved are located in four independent communities (21 in Cataluña, 8 in Valencia, 4 in Castilla e Leon, and 4 in Castilla La Mancha). The average amount of product sold - equal to four million litres - is notably higher than the Spanish average of 2.5 million litres. (Source: Asociacion Espanola Operadores Productos Petroliferos - “A.O.P.” - Spanish Association for Oil Product Companies - year 2005.) These service stations complement our current distribution logistics in Spain.
The agreement entered into on 24 March is subject to approval being obtained from Spain’s commission for fair competition and the environmental due diligence. The necessary procedures are expected to be wrapped up by May.

OTHER BUSINESS

The table below presents financial figures for the segment relating to activities managed by the companies Sartec and Akhela S.r.l..

€ *millions*	Q1 2006	Q1 2005
Revenues from ordinary operations	8,0	5,7
Operating profit before depreciation	-0,6	-2,0
Operating Profit	-2,3	-2,8
Capex	0,5	0,1

Worthy of mention here is the notable increase in profitability over the same period of 2005.

Information regarding joint ventures

In order for the information provided herein to be as complete as possible, figures for POWER GENERATION and WIND POWER are also illustrated, although Sarlux Srl and Sardeolica Srl are consolidated by the equity method.

POWER GENERATION

The table below presents financial figures.

€ *millions*	Q1 2006	Q1 2005
Revenues from ordinary operations	146,4	121,7
Operating profit before depreciation	63,1	59,1
Operating Profit	50,4	44,4
Capex	2,4	3,5

The next table presents key production figures.

		Q1 2006	Q1 2005
Electricity produced	MWh	1.154.892	1.191.198
Hydrogen sold to Saras	KNm3	86.813	60.195
TAR consumed	Kt	298	301

During the first three months of the year, the utilization factor has been as close as 97%, which was substantially in line with the production levels forecast for power, hydrogen and steam. However, the GRTN's use of an exemption period (around 80 hours equivalent) due to a breakdown of the equipment of the company Terna, meant that power production as at 31 March was slightly lower (around 3%) than the level recorded for the same period of 2005.
On the other hand, the favourable trend followed by oil market prices (constantly rising) had a positive effect on the selling price of power produced by Sarlux, which more than offset the decline in power production.
By virtue of the improvements made during 2005 to the company's hydrogen production facility, the amount of gas sold to the refinery increased by more than 40% over the same period of 2005.
Please note that, with regard to Emission Trading legislation, the company set aside a provision of 3.7 million euros for the period.

WIND POWER

The table below presents key financial figures.

€ millions	Q1 2006	Q1 2005
Revenues from ordinary operations	9,0	N.A.
Operating profit before depreciation	7,7	0,1
Operating Profit	5,8	0,1
Capex	3,2	9,4

The table below presents key production figures.

		Q1 2006	Q1 2005
Electricity sold	MWh	52.902	-
Green Certificates sold	€/MWh	108,92	-

The Ulassai wind power farm started to generate power with its first generator in August 2005 and was fully up and running, from a production point of view, by November.
The amount of power generated was in line with the forecasts produced from anemometric surveys and simulations carried out when budgets were being formulated.
On 18 January, Sardeolica obtained an early issue of Green Certificates from the GRTN in respect of estimated output for the period 18 January-31 December 2006. In 2007, certificates will be issued for equalisation purposes, based on actual output. 18 January 2006 marked the start of the acknowledgment period for Green Certificates, a form of incentive offered for energy produced from renewable sources, as foreseen by Legislative Decree 79/1999 (the so-called "Bersani Decree").
During the quarter under review, installation work continued, with six new wind turbine generators installed in respect of the second construction phase of the wind power farm (expected to commence production activities during the second quarter), bringing the total number of wind turbine generators installed thus far to 42.

Net financial position

The Group's net financial position is presented in the table below.

	Q1 2006	31-12-2005
Short-term bank borrowings	(221,6)	(102,2)
Medium/long-term bank borrowings	(121,3)	(132,0)
Loans to unconsolidated subsidiaries, affiliates and joint ventures (included as part of "Other assets")	13,6	19,4
Effect of measuring interest rate swaps at fair value (included as part of "Other assets")	0,7	0,3
Other marketable or available-for-sale financial assets	13,3	13,0
Cash and cash equivalents	38,6	24,7
Total net financial indebtedness	**(276,7)**	**(176,8)**

The change recorded in comparison with the situation as at 31 December 2005 was mainly due to the payment of dividends (€ 170 million) net of the cashflow generated by the Group's current activities.

Personnel

The table below provides staff numbers at the end of the period, broken down by business segment and compared with the same period of the previous year

	Q1 2006	Q1 2005
Refining staff	1.158	1.151
Marketing staff	78	81
Power Generation staff	22	25
Wind Power staff	25	1
Other Business staff	347	335
Total Group employees	**1.630**	**1.593**

The increase in the headcount was largely due to wind power activities getting underway.

CONSOLIDATED BALANCE SHEETS

AS AT 31 MARCH 2006 AND 2005 (€ thousands)

	31st MARCH 2006	31st MARCH 2005
ASSETS		
Current assets	**1.159.997**	**1.084.525**
Cash and cash equivalents	38.611	24.709
Other financial assets	13.285	13.039
Trade receivables	477.746	442.788
Inventory	548.089	541.408
Current tax assets	31.840	24.227
Other assets	50.426	38.354
Non-current assets	**572.591**	**546.283**
Property, plant and equipment	449.610	443.055
Intangible assets	4.648	4.335
Equity interests consolidated by the equity method	115.877	97.175
Other Equity interests	1.400	1.400
Other financial assets	1.056	318
Total assets	**1.732.588**	**1.630.808**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**970.681**	**749.375**
Short-term financial liabilities	221.636	102.164
Trade and other payables	568.817	513.182
Current tax liabilities	125.147	75.749
Other liabilities	55.081	58.280
Non-current liabilities	**347.560**	**352.665**
Long-term financial liabilities	121.257	132.004
Provisions for risks	19.391	17.569
Provisions for employee benefits	50.648	49.685
Deferred tax liabilities	96.515	96.374
Other liabilities	59.749	57.033
Total liabilities	**1.318.241**	**1.102.040**
SHAREHOLDERS' EQUITY		
Share capital	51.183	51.183
Legal reserve	10.237	10.237
Other reserves	341.703	268.915
Reserve for own shares	(44.842)	(94.209)
Profit/(loss) for the period	56.066	292.642
Total shareholders' equity	**414.347**	**528.768**
of which: Minority interests		
Minority interests in capital and reserves	0	0
Profit/(loss) for the period attributable to minority interes	0	0
Total minority interests	*0*	*0*
Total liabilities and shareholders' equity	**1.732.588**	**1.630.808**

CONSOLIDATED INCOME STATEMENT
AS AT 31 MARCH 2006 AND 2005 (€ thousands)

	31st MARCH 2006	31st MARCH 2005
Revenues from ordinary operations	1.430.314	1.070.153
Other income	10.019	9.834
Total revenues	**1.440.333**	**1.079.987**
Purchases of raw materials, spare partes and consumables	(1.257.779)	(869.025)
Cost of services and sundry costs	(78.031)	(73.103)
Personnel costs	(29.563)	(28.023)
Depreciation, amortization and write-downs	(17.008)	(19.310)
Total costs	**(1.382.381)**	**(989.461)**
Operating results	**57.952**	**90.526**
Net income (charges) from equity interests	18.732	13.774
Other financial income/(charges), net	2.760	(59.375)
Profit before taxes	**79.444**	**44.925**
Income tax for the period	(23.378)	(16.536)
Net profit/(loss) for the period	**56.066**	**28.389**
of which		
Minority interests	*0*	*7*
Net profit/(loss) for the period of the Group	*56.066*	*28.382*
Earnings per share - base (€ cent)	6,29	3,19
Earnings per share - diluted (€ cent)	6,29	3,19

Specific explanatory notes to consolidated quarterly report

Note 1 Introduction

The consolidated quarterly interim report as at 31 March 2006 has been prepared according to the rules contained in IAS 34 - Interim Financial Report. More specifically, we have opted for the condensed form of presentation.
In preparing the consolidated quarterly interim report as at 31 March 2006, the same accounting standards have been applied, without any changes, as those adopted for preparation of the Saras Group's consolidated year-end financial statements as at 31 December 2005.
Preparation of financial statements requires directors to apply accounting standards and methods that, in some circumstances, are founded on difficult and subjective assessments and estimates based on historical experience and on assumptions that, in each period, are considered reasonable and realistic in relation to relevant circumstances. Application of such estimates and assumptions affects the amounts shown in financial statements, i.e. the balance sheet, income statement, and cash flow statement, as well as information provided. The actual final amounts of items in financial statements for which the aforesaid estimates and assumptions have been used might differ from those in financial statements reporting the actual effects of materialisation of the event estimated, due to the uncertainty characterising assumptions and conditions on which estimates are based.
The net result achieved in the quarter ending on March 31st 2006 is not indicative of the net result that the Group will achieve in the financial year that will end on December 31st 2006. The consolidated balance sheet as at 31 December 2005 has been taken from the Saras Group's fully audited consolidated year-end financial statements as at 31 December 2005.
The quarterly interim report as at 31 March 2006 should be read in conjunction with the Saras Group's consolidated year-end financial statements as at 31 December 2005.
Unless otherwise indicated, amounts included in the following notes are expressed in thousands of euro.

Note 2 Segment reporting

Key financial data (sales revenue and Operating result) are summarised by business segment in the following table:

in thousands of euro	Refining	Marketing	Other business	Total
		31 March 2005		
Revenues from ordinary operations	1.012.611	281.497	7.253	1.301.361
Less: intersegment revenues	(227.846)	(125)	(3.237)	(231.208)
Revenues from third parties	**784.765**	**281.372**	**4.016**	**1.070.153**
Other revenues	9.527	835	49	10.411
Less: intersegment revenues	(549)	(21)	(7)	(577)
Other revenues	**8.978**	**814**	**42**	**9.834**
Operating result (a)	**83.482**	**9.842**	**(2.798)**	**90.526**
		31 March 2006		
Revenues from ordinary operations	1.406.207	430.940	8.020	1.845.167
Less: intersegment revenues	(356.251)	(54.427)	(4.175)	(414.853)
Revenues from third parties	**1.049.956**	**376.513**	**3.845**	**1.430.314**
Other revenues	11.151	535	166	11.852
Less: intersegment revenues	(1.604)	(120)	(109)	(1.833)
Other revenues	**9.547**	**415**	**57**	**10.019**
Operating result (a)	**53.176**	**7.017**	**(2.241)**	**57.952**

(a) the Operating result has been calculated without considering intersegment eliminations.

We point out that intersegment sales revenues were achieved applying market conditions.

Note 3 Trade receivables

The breakdown of trade receivables was as follows:

	31/03/2006	31/12/2005	Change
Receivables:			
From trade debtors	425.247	395.687	29.560
From unconsolidated subsidiaries	50.175	44.881	5.294
Contracted work in progress	2.324	2.220	104
Total	**477.746**	**442.788**	**34.958**

Note 4 Inventory

The detail of inventory was as shown below:

	31/03/2006	31/12/2005	Change
Inventory:			
Raw materials, consumables and spare parts	92.829	161.121	(68.292)
Work in progress and semifinished goods	48.347	54.003	(5.656)
Finished products and goods	406.271	325.912	80.359
Advance payments on stocks	642	372	270
Total	**548.089**	**541.408**	**6.681**

Note 5 Property, plant, and equipment

Property, plant, and equipment featured the following changes:

Historical cost	31 Dec 2005	Increases	(Transfers)	Revaluations (Write-downs)	Other changes	31 Mar 2006
Land and buildings	114.287	56			(7.105)	107.238
Plant and machinery	1.067.898	548			15.949	1.084.395
Industrial & commercial equipmt.	12.307	0	(30)		2.538	14.815
Other assets	376.610	392			2.168	379.170
Assets under construction and advances	36.368	22.268	(31)		(12.453)	46.152
Total	**1.607.470**	**23.264**	**(61)**	**0**	**1.097**	**1.631.770**

Cumulative depreciation	31 Dec 2005	Depreciat.n for period	(Transfers)	Revaluations (Write-downs)	Other changes	31 Mar 2006
Land and buildings	30.546	759			(2.013)	29.292
Plant and machinery	865.142	10.245			2.682	878.069
Industrial & commercial equipmt.	9.730	380	(30)		(777)	9.303
Other assets	258.997	4.648			1.851	265.496
Total	**1.164.415**	**16.032**	**(30)**	**0**	**1.743**	**1.182.160**

Net value	31 Dec 2005	Increases	(Transfers)	(Depreciation)	Other changes	31 Mar 2006
Land and buildings	83.741	56	0	(759)	(5.092)	77.946
Plant and machinery	202.756	548	0	(10.245)	13.267	206.326
Industrial & commercial equipmt.	2.577	0	0	(380)	3.315	5.512
Other assets	117.613	392	0	(4.648)	317	113.674
Assets under construction and advances	36.368	22.268	(31)		(12.453)	46.152
Total	**443.055**	**23.264**	**(31)**	**(16.032)**	**(646)**	**449.610**

The change in “Land & buildings” is due to tighter classification of amounts between this item and “Plant & machinery”.

Note 6 Short-and medium-/long-term financial liabilities

The breakdown of short-term financial liabilities was as follows:

	31/03/2006	31/12/2005	Change
Bank loans	57.952	57.925	27
Bank overdrafts	160.668	40.416	120.252
Other loans	1.275	1.271	4
Financial liabilities to unconsolidated group companies	1.741	2.552	(811)
Total	**221.636**	**102.164**	**119.472**

whilst the following table shows the detail and conditions of loans:

Amounts in millions of euro	Debt start date	Original debt amount	Basic interest rate	Residual debt as at 31/12/05	Residual debt as at 31/03/06	Maturity 1 year	Maturity Over 1 year up to 5 years	Maturity Over 5 years	Guaran-tees
Saras S.p.A.									
Banca Pololare di Verona	16-Dec-04	20,0	Euribor 3M	20,0	20,0	20,0	-	-	
B.ca Intesa in Pool	21-Dec-01	87,8	Euribor 3M	52,7	43,9	17,6	26,3	-	153,0
S.Paolo in Pool	29-Dec-99	77,5	Euribor 6M	20,7	20,7	15,5	5,2		
San Paolo Imi	20-Dec-04	30,0	Euribor 6M	30,0	30,0	-	30,0	-	60,0
Unicredit	20-Dec-04	50,0	Euribor 6M	50,0	50,0	-	50,0	-	100,0
Loan under Italian Law 46	9-Dec-92	10,9	2,47%	1,3	1,3	1,3	-	-	
Total Saras S.pA.				**174,6**	**165,8**	**54,3**	**111,5**	**-**	**313,0**
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1,7	2,35%	0,9	0,9	0,2	0,7	-	
San Paolo Imi	30-Jun-97	1,2	2,95%	0,2	0,2	0,1	0,1	-	
Akhela S.r.l.									
Banco di Sardegna	24-Apr-02	3,1	Euribor 6M	2,3	2,1	0,6	1,5		
BNL	2-Oct-02	8,3	Euribor 6M	5,5	4,1	2,7	1,4		
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10,0	Euribor 6M	7,8	7,2	1,1	4,4	1,7	
Total bank liabilities for loans				**191,4**	**180,4**	**59,0**	**119,6**	**1,7**	

The weighted average spread for floating-rate medium-/long-term loans as at March 31st 2006 was 0.61%.

Loans received by Saras SpA and paid out by Banca Popolare di Verona S.c.a r.l. and San Paolo IMI SpA (respectively of initial amounts of € 20 million and € 30 million) are subject to the following two *covenants* (referring to the Parent Company's data): (i) Net debt/equity ratio of less than 2.3 and (ii) EBITDA/Net financial expenses of more than 3.

Note 7 Trade payables and other liabilities

The detail of this item was as shown below:

	31/03/2006	31/12/2005	Change
Customers advance payments - current portion	1.401	1.223	178
Trade creditors - current portion	549.225	498.494	50.731
Trade payables: unconsolidated group companies	18.030	13.350	4.680
Trade payables: associated companies	161	115	46
Total	**568.817**	**513.182**	**55.635**

Note 8 Current tax liabilities

The breakdown of current tax liabilities was as follows:

	31/03/2006	31/12/2005	Change
IRES - corporation tax payable	47.075	25.932	21.143
IRAP - trade income tax payable	11.556	7.986	3.570
VAT payable	15.690	13.828	1.862
Other tax liabilities	50.826	28.003	22.823
Total	**125.147**	**75.749**	**49.398**

Amounts payable to the Inland Revenue for Italian corporate income tax (IRES) and local business tax (IRAP) and provisioned as at 31 December 2005 will be paid by the end of June. The increase in the liability is due to provisioning of taxes on taxable income as at 31 March 2006.
The item “Other tax liabilities” includes amounts payable for processing taxes, the increase of which was due to absence of the requirement of advance payment, which was instead required in December.

Note 9 Equity

Consolidated equity as at 31 March 2006 totalled € 414,347 thousand (€ 528,768 thousand as at 31 December 2005).
Changes in consolidated equity are detailed in the attachment.
On February 28th 2006 the Ordinary Shareholders’ Meeting of Saras SpA approved, among other things, distribution to Shareholders of a total dividend of € 170,181 thousand.

Note 10 Earnings per share (EPS)

For calculation of Base EPS, the Saras Group's net profit has been used as the numerator. Base EPS for the period January 1st-March 31st 2006 was 6.29 eurocents. Diluted EPS was the same as Base EPS.

Note 11 Revenues

	31/03/2006	31/03/2005	Change
Revenues from ordinary operations	1.430.314	1.070.153	360.161
Other revenues	10.019	9.834	185
Total	**1.440.333**	**1.079.987**	**360.346**

The increase of consolidated sales was due to the increase in oil products' prices in the presence of substantial parity of quantities sold.

Note 12 Purchases of raw materials, consumables, and spare parts

	31/03/2006	31/03/2005	Change
Raw materials, consumables and spare parts;	1.257.779	869.025	388.754
Total	**1.257.779**	**869.025**	**388.754**

As already highlighted for revenues, the increase mainly stemmed from the increase in crude oil prices.

Note 13 Net other financial income (expenses)

	31/03/2006	31/03/2005	Change
Other financial income			
from non-current financial assets	9		9
from current financial assets	369		369
Other financial income			
- from unconsolidated subsidiaries	114	165	(51)
- from associated companies			0
- interest on bank and post office current accounts	66	86	(20)
- fair value of financial derivatives in place at balance sheet date			
- Positive differentials on financial derivatives	5.616		5.616
- Other income	542	744	(202)
Interest and other financial expenses			
- to unconsolidated subsidiaries	(499)	(14)	(485)
- to associated companies			0
- to parent companies			0
- fair value of financial derivatives in place at balance sheet date	(87)	(42.453)	42.366
- Differentials on financial derivatives	(455)	(6.549)	6.094
- Other expenses (interest on loans, interest on arrears, etc.)	(4.325)	(9.144)	4.819
Foreign exchange gains and losses on non-trade transactions	1.410	(2.210)	3.620
Total	**2.760**	**(59.375)**	**62.135**

In the first quarter of 2005 refining margin hedges had a negative impact due to the major increase of margins. Conversely, in the first quarter of 2006 they had a positive effect.

Events after 31 March 2006

Below we highlight the most significant events occurring after 31 March 2006:

- Borsa Italiana SpA, with its ordinance no. 4600 of 18 April 2006 admitted Saras ordinary shares to listing on the Milan electronic equity market (Mercato Telematico Azionario). The date for the start of trading will be established by Borsa Italiana SpA, pursuant to Article 2.4.3, paragraph 6, of the Milan Bourse Regulation (Regolamento di Borsa), after verification of adequate circulation of Saras ordinary shares following the global offer. Saras ordinary shares will be effectively listed on the Milan electronic equity market when Borsa Italiana SpA establishes the trading start date.
- CONSOB (the Italian securities & exchange commission) issued its go-ahead for publication of the prospectus for the public offer of sale and subscription in its note dated 20 April 2006, protocol no. 6034936. The prospectus was published on 22 April 2006.
- The global offering of Saras ordinary shares serving for listing on the Milan electronic equity market will end on 12 May 2006 (11May 2006 as regards the tranche for employees).
- As regards the controversy between Saras and Enron Dutch Holdings concerning ownership of 45% of Sarlux, on 24 April 2006 notification was received of the ruling issued on 18 April 2006 by the International Court of Arbitration of the International Chamber of Commerce, which ruled that:

  a) Saras had the title to exercise the call option indicated in Article 4.1, third paragraph, of the Shareholders' Agreement
  b) based on exercise of the call option, Saras acquired ownership of Enron Dutch Holdings' 45% interest in Sarlux Srl as from 15 January 2002
  c) the amount that Saras must pay as the price for exercise of the call option is € 116.8 million.

  As a consequence of the outcome described above, the dividends relating to the equity interest forming the subject of the arbitration ruling, provisioned among amounts payable to shareholders for a total of € 66.3 million pertain to Saras SpA. The Sarlux Shareholders' Agreements indicate that the arbitration ruling is definitive and binding. This provision is strengthened by the International Chamber of Commerce's arbitration ruling, under which the parties are deemed to have waived their right to any form of recourse. To enable the arbitration ruling to have efficacy in Italy, the procedures governed by the New York Convention of 10 June 1958 and by the Italian Code of Civil Procedure will be undertaken. The ruling's efficacy can be denied solely for procedural reasons envisaged by law, in compliance with the New York Convention. Despite this, Saras cannot completely exclude attempts to challenge the award or its enforcement in Italy.