



Saipem

Interim Consolidated Report
as of June 30, 2008



MISSION STATEMENT

Pursuing the satisfaction of our clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.

Our skilled and experienced multi-local teams create sustainable growth for our company and the communities in which we operate

OUR CORE VALUES

Commitment to safety, integrity, openness, flexibility, integration, innovation, quality, competitiveness, teamwork, humility, internationalisation

Forward-looking statements contained in this document are based on a number of assumptions and expectations that could ultimately prove inaccurate, as they are subject to risks and variables outside the Company's control. These include: currency fluctuations, interest rate fluctuations, the level of capital expenditure in the oil and gas industry, as well as other industries, political instability in areas where the Group operates, and actions by competitors. Moreover, contract execution is also subject to variables outside the Company's control, such as weather conditions. Actual results could therefore differ materially from the forward-looking statements.

Countries in which Saipem operates

EUROPE

Austria, Belgium, Croatia, Cyprus, Denmark, France, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Principality of Monaco, Romania, Spain, Switzerland, Turkey, United Kingdom

AMERICAS

Argentina, Brazil, Canada, Dominican Republic, Ecuador, Mexico, Peru, Trinidad and Tobago, United States, Venezuela

CSI

Azerbaijan, Kazakhstan, Russia, Ukraine

AFRICA

Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Libya, Morocco, Nigeria, Tunisia

MIDDLE EAST

Iran, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

FAR EAST AND OCEANIA

Australia, China, India, Indonesia, Malaysia, Pakistan, Singapore, Thailand

BOARD OF DIRECTORS AND AUDITORS OF SAIPEM SpA

BOARD OF DIRECTORS

Chairman and CEO

Pietro Franco Tali

Managing Director

Hugh James O'Donnell

Directors

Luca Anderlini

Anna Maria Artoni

Jacques Yves Léost

Marco Mangiagalli

Pierantonio Nebuloni

Salvatore Sardo

Ian Wybrew-Bond

BOARD OF STATUTORY AUDITORS

Chairman

Fabio Venegoni

Statutory Auditors

Fabrizio Gardi

Adriano Propersi

Alternate Statutory Auditors

Alberto De Nigro

Giulio Gamba

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

Saipem is a subsidiary of Eni SpA



Saipem

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Interim results

In the first half of 2008, the Saipem Group achieved better results than in the same period of 2007.

In particular

Revenues amounted to €4,619 million (€4,523* million in the first half of 2007).

Operating profit totalled €489 million (€394* million in the first half of 2007).

Adjusted net profit amounted to €321 million (€240* million in the first half of 2007).

Net profit totalled €501 million.

Adjusted cash flow (adjusted net profit plus depreciation and amortisation) amounted to €484 million (€374* million in the first half of 2007).

The Offshore sector accounted for 38% of revenues and 48% of overall operating profits, the Onshore sector contributed 53% of revenues and 27% of overall operating profits and the Drilling sector generated 9% of revenues and 25% of overall operating profits.

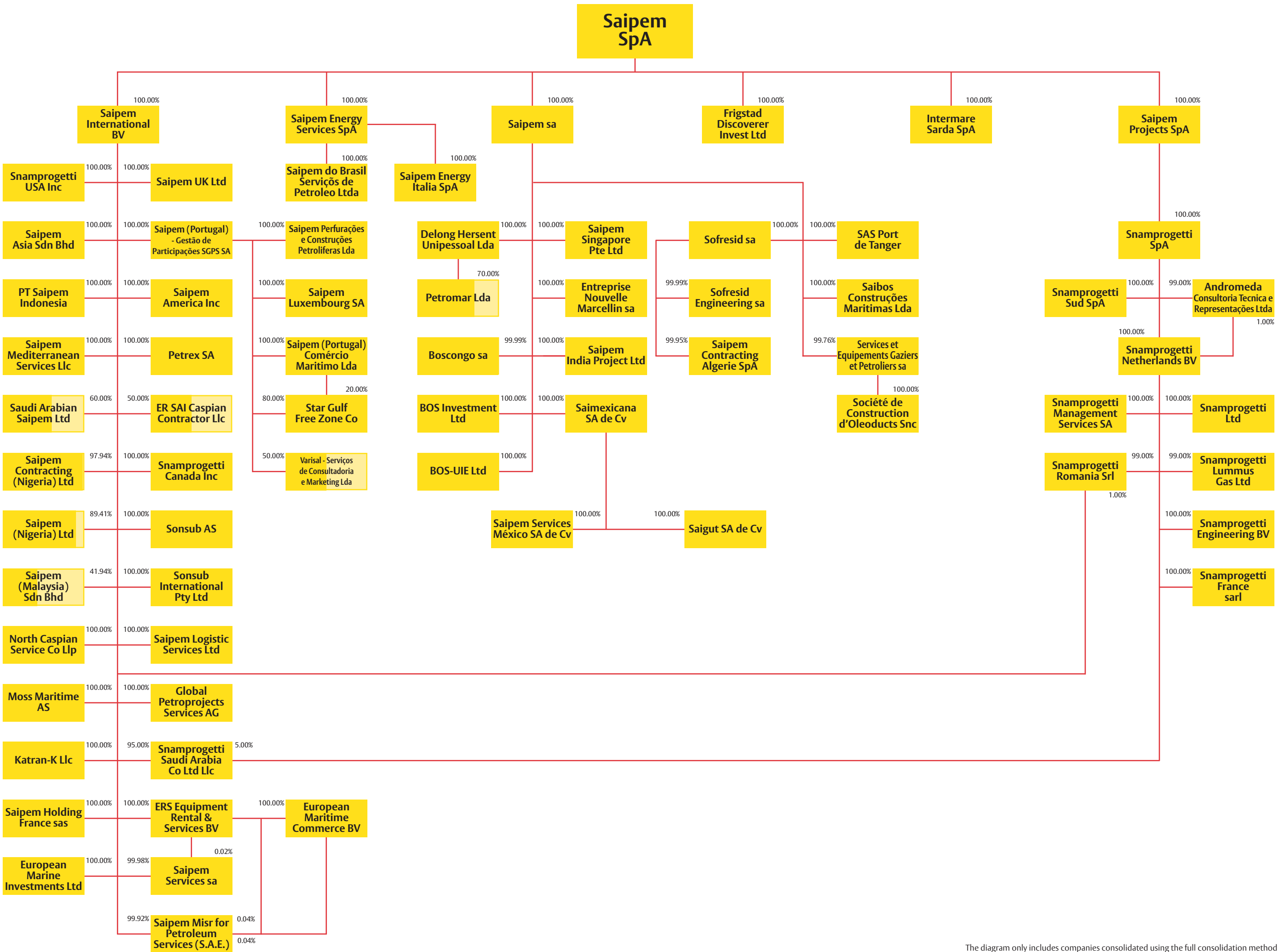
Following the distribution of dividends and the capital expended during the first half of the year, which were only partly offset by cash flow for the period, the proceeds from the disposal of Gaztransport & Technigaz sas ('GTT') and the sale of the FPSO vessel Mystras, net borrowings at June 30, 2008 stood at €1,923 million (€1,694 million at December 31, 2007).

The following events of particular importance took place during the period:

- the Group was awarded new contracts totalling €5,471 million;
- investments continued in relation to the new semi-submersible drilling rigs Scarabeo 8 and Scarabeo 9, the new ultra-deep water drillship Saipem 12000, and a new pipelay vessel;
- the sale of the 30% holding in GTT was finalised for a price of €310 million. Negotiations continued for the disposal of the 20% holding in Fertinitro;
- the turnkey contract for the construction of the Saipem FDS 2 deepwater field development ship was assigned to Samsung Heavy Industries Co. The overall investment will amount to approximately €380 million. The new ship will be constructed at the Koje shipyard in South Korea, over a period of approximately 36 months;
- on May 16, 2008, Agip Energy & Natural Resources (Nigeria) Ltd, exercised its option to purchase outright the floating production storage and offloading vessel FPSO Mystras – in which Saipem held a 50% stake – for a price of USD 132 million.

Results in the first half of 2008 provided further confirmation that Saipem's industrial model – based on a technologically advanced fleet, unique engineering and project management expertise and long-standing local presence – affords the Group a competitive edge both for the supply of specialised services and the execution of turnkey projects in frontier areas.

(*) Figures restated to reflect the effects of disposals of Camom sa, Haldor Topsøe AS and GTT and the classification of Fertinitro under 'Net assets held for sale'.



Saipem Group structure (principal companies)



Operating and Financial Review

Saipem SpA share performance

During the first half of 2008, the value of Saipem ordinary shares on the Italian Stock Exchange increased by 8% to €29.57 at June 30, 2008 (versus €27.3 at year end 2007).

On May 22, 2008, a dividend of €0.44 per ordinary share was distributed to shareholders, an increase in excess of 50% compared to the previous year (€0.29 per share).

Throughout the first half of the year, the sector in which Saipem operates was boosted by expectations of strong demand following the recent important discoveries of large oil fields, particularly in the Brazilian offshore, and continued to benefit from increasing spending by oil companies prompted by the need to satisfy growing demand for oil and the desire to maintain a healthy reserve replacement ratio. To ensure it is in a position to take advantage of the favourable market situation for oil and gas industry services, Saipem continued to strengthen its competitive edge through the implementation of a significant programme of investments.

After hitting the period-low of €21.84 in mid January, following the turmoil in global markets caused mainly by the credit crisis that affected the first part of the period, the share price rose almost constantly in the rest of the

six-month period, topping €30 at the end of May and then settling at around €29 at the end of the period.

During the first six months of 2008, the Saipem share outperformed the S&P/MIB index, which lost more than 23% over the period.

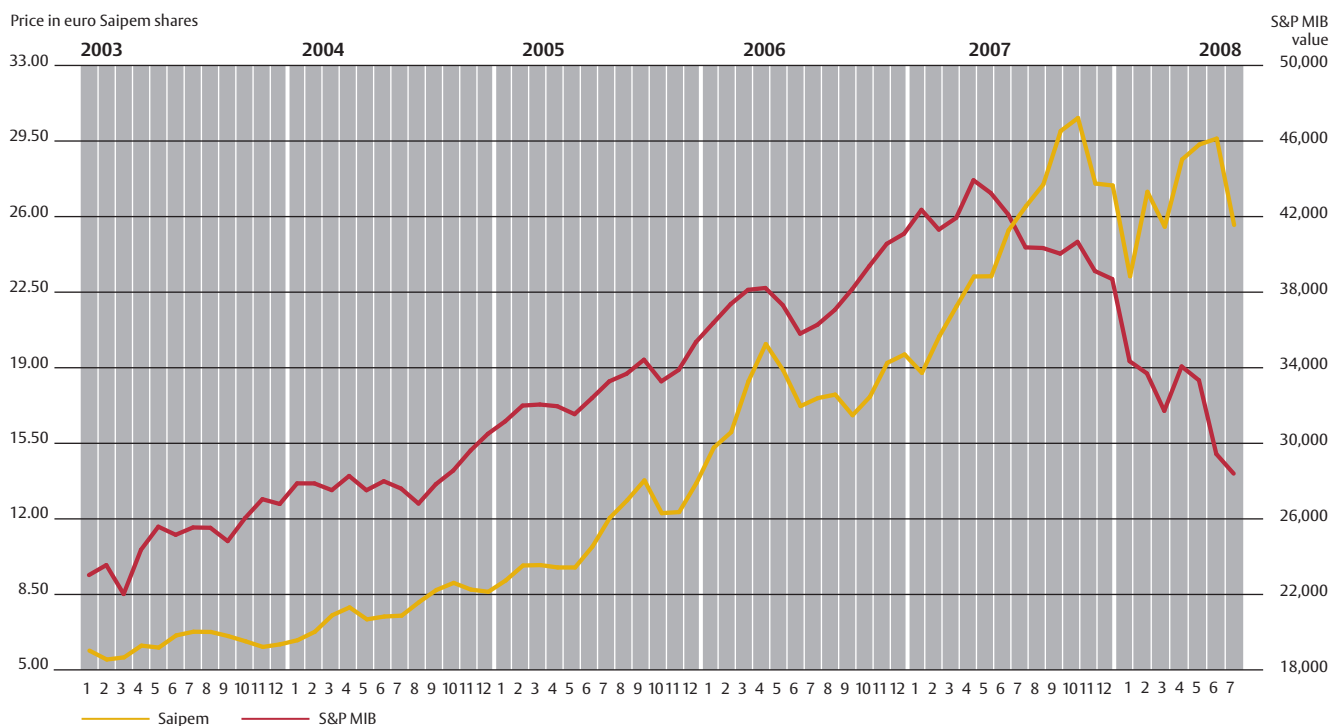
The company's market capitalisation at the end of the period was in excess of €13 billion, representing an increase of approximately €2 billion against the same period of 2007.

In terms of share liquidity, shares traded in the first half of the year totalled approximately 518 million, slightly down on the first half of 2007 (approximately 522 million). However, the value of shares traded was in excess of €13 billion, representing an increase of over 18% against the first half of 2007 (€11 billion). The average number of shares traded daily for the period was in excess of 4 million.

The price of the savings shares, which are convertible at par with ordinary shares, and are of a limited number (149,431 at June 30, 2008), rose by 3.4% from €28.5 at year end 2007 to €29.48 at June 30, 2008. The dividend distributed on savings shares was €0.47 per share (€0.32 in the previous year, representing an increase of 47%).

Share prices on the Milan Stock Exchange					First half 2008
(€)	2004	2005	2006	2007	
Ordinary shares:					
- maximum	9.42	14.34	21.14	31.56	30.44
- minimum	6.16	8.69	13.79	18.32	21.84
- average	7.93	11.40	17.85	24.72	27.06
- period end	8.86	13.79	19.71	27.30	29.57
Savings shares:					
- maximum	9.45	15.52	21.50	41.50	30.05
- minimum	6.60	8.74	14.42	19.10	23.00
- average	8.14	11.95	18.24	26.97	27.45
- period end	8.74	15.00	19.62	28.50	29.48

Saipem and S&P MIB - Average monthly prices January 2003-July 2008



Glossary

FINANCIAL TERMS

Contribution from operations: operating profit before general and administrative expenses.

IFRS International Financial Reporting Standards: issued by IASB (International Accounting Standards Board) and adopted by the European Commission. They comprise: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) adopted by IASB. The denomination International Financial Reporting Standards (IFRS) has been adopted by IASB and applies to standards issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.

Leverage: the degree to which the company is utilising borrowed money. It is the ratio between net borrowings and shareholders' equity including minority interest.

ROACE Return On Average Capital Employed: calculated as net profit before minority interest plus after-tax net financial expenses deriving from net borrowings, over average net capital employed.

OPERATIONAL TERMS

Buckle detection: system that utilises electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.

Bundles: bundles of cables.

Commissioning: series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.

Concrete coating: subsea pipelines are coated with reinforced concrete so as to ballast and protect them from damage and corrosion.

Conventional waters: depth of up to 500 metres.

Deck: area of a vessel or platform where work equipment is located: process plant and equipment, accommodation modules and drilling units.

Decommissioning: undertaken in order to end operations of a gas pipeline, associated plant and equipment. It may occur at the end of the life of the plant, following an accident, for technical or financial reasons, and/or on environmental or safety grounds.

Deep waters: depths of over 500 metres.

Drillship: vessel equipped with self-propulsion system, capable of carrying out drilling operations in deep waters.

Dynamically Positioned Heavy Lift Vessel: vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, current, etc.

EPC (Engineering, Procurement, Construction): a type of contract typical of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' indicates that the system is delivered to the client ready for operations, i.e. already commissioned.

EPIC (Engineering, Procurement, Installation, Construction): a type of contract typical of the Offshore construction sector, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities to the start-up of operations.

Facilities: auxiliary services, structures and installations required to support the main systems.

Flare: tall metal structure used to burn off gas produced by the oil/gas separation in oil fields, when it is not possible to utilise it onsite or ship it elsewhere.

Floatover: type of module installation onto offshore platforms that does not require lifting operations. A specialised vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed; it then proceeds to de-ballast and lower the module into place. Once this has been completed the vessel backs off and the module is secured to the support structure.

FPSO vessel: Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the subsea wellheads to the on-board processing, storage and offloading systems.

- Hydrocracking** (plant): installation for process separation of large oil molecules.
- Hydrotesting:** operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
- Hydrotreating:** refining process aimed at improving the characteristics of oil fractions.
- Jacket:** platform underside structure fixed to the seabed using piles.
- Jack-up:** mobile self-lifting unit comprising a hull and retractable legs, used for offshore drilling operations.
- J-laying:** method of pipelaying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter 'J'. This configuration is suited to deep-water pipe laying.
- LNG:** Liquefied Natural Gas is obtained by cooling natural gas to minus 160 °C. At normal pressure gas is liquefied to facilitate its transportation from the place of extraction to that of processing and/or utilisation. One tonne of LNG equates to 1,500 cubic metres of gas.
- Midstream:** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
- Moon pool:** opening in the hull of a drillship to allow for the passage of operational equipment.
- Mooring buoy:** offshore mooring system.
- Offshore/Onshore:** the term offshore indicates a portion of open sea and, by induction, the activities carried out in such area, while onshore refers to land operations.
- Pig:** piece of equipment used to internally clean, descale and survey a pipeline.
- Piggy backed pipeline:** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- Pile:** long and heavy steel pylon driven into the seabed; a system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- Pipe-in-pipe:** subsea pipeline system comprising two coaxial pipes, used to transport hot fluids (oil & gas). The inner pipe transports the fluid whereas the outer pipe carries the insulating material necessary to reduce heat loss to the sea. The outer pipe also protects the pipeline from water pressure.
- Piping and Instrumentation Diagram (P&ID):** diagram showing all plant equipment, piping and instrumentation with associated shutdown and safety valves.
- Pre-commissioning:** comprises pipeline cleaning out and drying.
- Pre-drilling template:** support structure for a drilling platform.
- Pulling:** minor operations on oil wells due to maintenance or marginal replacements.
- Rig:** drilling installation comprising the derrick, the drill deck, which supports the derrick, and ancillary installations that enable the descent, ascent and rotation of the drill unit as well as mud extraction.
- Riser:** manifold connecting the subsea wellhead to the surface.
- ROV (Remotely Operated Vehicle):** unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- S-laying:** method of pipelaying that utilises the elastic properties afforded by steel, making the pipe configuration resemble the letter 'S', with one end on the seabed and the other under tension onboard the ship. This configuration is suited to medium to shallow-water pipelaying.
- Slug catcher:** equipment for the purification of gas.
- Sour water:** water containing dissolved pollutants.
- Spar:** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
- Spare capacity:** ratio between production and production capacity, i.e. the quantity of oil in excess of demand.
- Spool:** connection between a subsea pipeline and the platform riser, or between the terminations of two pipelines.
- Stripping:** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- Surf facilities:** pipelines and equipment connecting the well or subsea system to a floating unit.
- Template:** rigid and modular subsea structure where the oilfield well-heads are located.
- Tender-assisted drilling unit:** offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructure.

Tendons: pulling cables used on tension leg platforms used to ensure platform stability during operations.

Tension Leg Platform (TLP): fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.

Tie-in: connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.

Topside: portion of platform above the jacket.

Trenching: burying of offshore or onshore pipelines.

Trunkline: oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.

Umbilical: flexible connecting sheath, containing flexible pipes and cables.

Upstream/Downstream: the term upstream relates to exploration and production operations. The term downstream relates to all those operations that follow exploration and production operations in the oil sector.

Vacuum: second stage of oil distillation.

Wellhead: fixed structure separating the well from the outside environment.

Workover: major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

Operating review

NEW CONTRACTS AND BACKLOG

New contracts awarded to the Saipem Group during the first half of 2008 amounted to €5,471 million (€4,781 million in the first half of 2007).

Of these, 63% were in the Offshore sector, 19% in the Onshore sector, 14% in the Onshore Drilling sector and 4% in the Offshore Drilling sector.

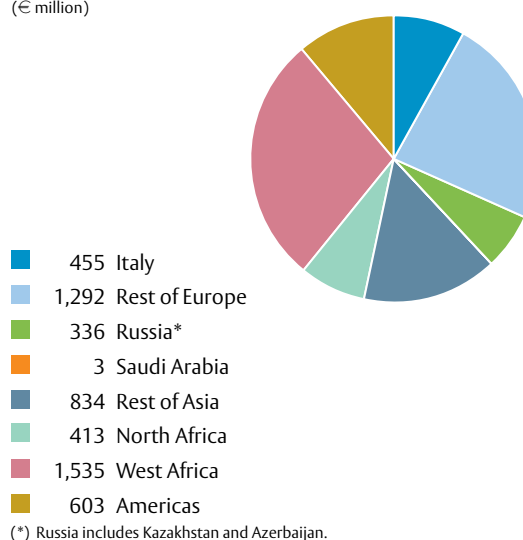
New contracts to be carried out abroad accounted for 92%, almost all of which were for third party clients. Finally, orders awarded to the Parent Company Saipem SpA amounted to 33% of the overall total.

The backlog of the Saipem Group at June 30, 2008 stands at a record level of €16,191 million.

The breakdown of activities by sector is as follows: 36% in the Offshore sector, 35% in the Onshore sector, 21%

New contracts by geographical area

(€ million)



Saipem Group - Contracts awarded to the Saipem Group in the first half of 2008

Year 2007 ⁽¹⁾			First half 2007 ⁽¹⁾		First half 2008	
Amount	%		Amount	%	Amount	%
1,957	17	Saipem SpA	808	17	1,808	33
9,888	83	Group companies	3,973	83	3,663	67
11,845	100	Total	4,781	100	5,471	100
3,496	30	Offshore	1,881	39	3,419	63
6,070	51	Onshore	2,607	55	1,055	19
1,644	14	Offshore Drilling	144	3	213	4
635	5	Onshore Drilling	149	3	784	14
11,845	100	Total	4,781	100	5,471	100
574	5	Italy	164	3	455	8
11,271	95	Abroad	4,617	97	5,016	92
11,845	100	Total	4,781	100	5,471	100
1,923	16	Eni Group	555	12	62	1
9,922	84	Third parties	4,226	88	5,409	99
11,845	100	Total	4,781	100	5,471	100

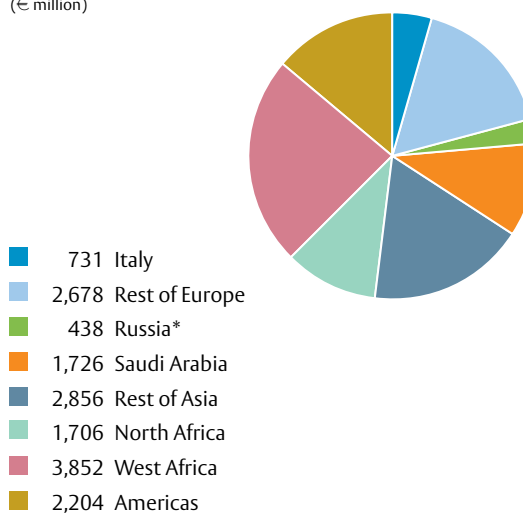
(1) Data were restated to include the effects of the disposal of Camom sa and Haldor Topsøe AS.

in Offshore Drilling sector and 8% in the Onshore Drilling sector.

95% of orders are on behalf of overseas clients, while orders from Eni Group companies represent 17% of the total backlog. Finally, the Parent Company Saipem SpA accounts for 32% of the total order backlog.

Backlog by geographical area

(€ million)



(*) Russia includes Kazakhstan and Azerbaijan.

Saipem Group - Order backlog at June 30, 2008

Dec. 31, 2007		(€ million)	June 30, 2007		June 30, 2008	
Amount	%		Amount	%	Amount	%
3,931	26	Saipem SpA	3,259	25	5,139	32
11,459	74	Group companies	10,043	75	11,052	68
15,390	100	Total	13,302	100	16,191	100
4,215	27	Offshore	4,340	33	5,842	36
7,003	45	Onshore	6,394	48	5,616	35
3,471	23	Offshore Drilling	2,188	16	3,446	21
701	5	Onshore Drilling	380	3	1,287	8
15,390	100	Total	13,302	100	16,191	100
799	5	Italy	897	7	731	5
14,591	95	Abroad	12,405	93	15,460	95
15,390	100	Total	13,302	100	16,191	100
3,399	22	Eni Group	2,693	20	2,724	17
11,991	78	Third parties	10,609	80	13,467	83
15,390	100	Total	13,302	100	16,191	100

CAPITAL EXPENDITURES

Capital expenditures in the first half of 2008 amounted to €979 million (€513 million in the first half of 2007) and mainly related to:

- €385 million in the Offshore sector, relating to the construction of a new pipelay vessel, the conversion of a tanker into an FPSO unit due to operate for Sonangol P&P in Angola, the purchase of a tanker to be converted into an FPSO vessel for future contracts currently being negotiated, the construction of a new fabrication yard in Indonesia, capex to strengthen the operating bases/yards in West Africa, Kazakhstan and Saudi Arabia, in addition to maintenance and upgrading of the existing asset base;

- €449 million in the Offshore Drilling sector, relating to the construction of two semi-submersible rigs, a new ultra-deep water drillship and a jack-up, in addition to maintenance and upgrading of the existing asset base;
- €112 million in the Onshore Drilling sector for the upgrading of existing assets and the construction of 7 rigs, for which long-term contracts have already been secured;
- €33 million in the Onshore sector for maintenance and upgrading of the existing asset base.

The following table provides a breakdown of capital expenditure for the first half of 2008:

Capital expenditures			
Year 2007 ⁽¹⁾	(€ million)	First half 2007 ⁽¹⁾	2008
149	Saipem SpA	46	26
1,487	Group companies	467	953
1,636	Total	513	979
575	Offshore	229	385
101	Onshore	47	33
693	Offshore Drilling	165	449
267	Onshore Drilling	72	112
1,636	Total	513	979
-	Acquisition of company interests	-	-
1,344	Technical	396	850
292	FPSO	117	129
1,636	Total	513	979

(1) Data were restated to include the effects of the disposal of Camom sa and Haldor Topsøe AS.

Details of capital expenditure for the individual business units are provided in the following paragraphs.

OFFSHORE

General overview

The Saipem Group possesses a strong, technologically advanced and highly-versatile fleet and world class engineering and project management expertise.

These unique capabilities, together with a long-standing presence in strategic frontier markets represent an industrial model that is particularly well suited to EPIC (Engineering, Procurement, Installation, Construction) projects.

The Group can boast a fleet of semi-submersible vessels equipped with state-of-the-art technologies, the most noteworthy of which is the Saipem 7000 thanks to its dynamic positioning system, 14,000-tonne lifting capacity and capability to lay subsea pipelines in ultra-deep waters using the 'J-lay' system, which can handle a suspended load of up to 1,450 tonnes during pipelay operations. Other vessels include the Castoro Sei, capable of laying large diameter subsea pipelines, the Field Development Ship (FDS), a special purpose vessel used in the development of deep-water fields, equipped with a dynamic positioning system, a 600-tonne lifting capacity crane and a vertical pipelaying system able to work in water depths of up to 2,000 metres and the Saipem 3000, capable of laying flexible pipelines and installing umbilicals and mooring systems in deep waters and installing subsea structures of up to 2,200 tonnes.

Saipem also boasts a strong position in the subsea market, thanks to its use of highly sophisticated technologies such as subsea ROVs (Remotely Operated Vehicles) and specially-equipped robots capable of carrying out complex deep-water pipeline repair operations.

Furthermore, Saipem's strengthening of its design expertise in the floating production sector and its ability to manage turnkey projects have enabled the

Group to successfully market itself as an operator in the Leased FPSO sector, with a fleet comprising the FPSO Cidade de Vitoria. The floating production storage and offloading vessel FPSO Mystras, in which Saipem held a 50% stake, was sold to the Client, Agip Energy & Natural Resources (Nigeria) Ltd, on May 16, 2008.

Market conditions

The Offshore sector is currently experiencing a phase of significant growth, both in the deepwater segment as well as in the more traditional segments. Meanwhile, the rapid rise in oil prices in the first half of the year had a positive effect on oil company expectations, improving project profitability, particularly in areas with tight margins. This provided a further stimulus to spending in the Offshore sector, which continued to grow at a fast rate in line with the trend recorded in recent years.

The deepwater subsea development segment continued to experience rapid growth. Subsea, Umbilical, Riser and Flowline (SURF) operations increased, particularly in West Africa, which constitutes the largest market, and in the Gulf of Mexico. In addition, the market for deepwater development operations is expanding in new areas, such as India. The favourable market conditions in the Offshore sector also had a positive effect on shallow water subsea developments, in the North Sea in particular. High oil prices also stimulated investments in traditional segments (i.e. fixed platforms), which are more sensitive to short-term trends. The upturn in these segments was apparent during 2007, but has now become more pronounced. The geographical area most affected by the trend is the Asia-Pacific area, although investment growth is occurring on a general, global level.

The FPSO sector continued its rapid expansion, both in terms of units installed and new contracts. During the first half of 2008, new units – including large-scale units – were installed particularly in West Africa and Brazil. Based on the backlog for new FPSOs, installation activities in these two deepwater areas are expected to remain at a high level in the months to come.

The worldwide backlog for new FPSOs continued to remain high after hitting record levels in 2007. FPSO operator expectations are also very positive, as borne out by the fact that approximately 30% of the FPSO units currently in construction are being built on a speculative basis and that most of these belong to new start ups looking to speculate on demand remaining strong in the near future.

The backlog for new FPSO units has been accompanied by an increase in the number of shipyards either building new units or converting existing vessels, particularly in the Asia-Pacific area.

Conversely, the large diameter pipeline is currently experiencing a downturn. This, however, is expected to be absorbed in coming years based on projects that have already been given the green light. The downturn, which was already present in 2007, is due to the sharp drop in operations in the North Sea following the completion of the Ormen Lange project, as well as to a temporary worldwide absence of large diameter pipeline projects.

The offshore LNG market has started to show the first real signs of growth, in both the regasification and liquefaction sectors. The first Floating Storage Regasification Unit (FSRU) moored to a jetty was completed for the Brazilian market, while a further two units of the same type due to operate in Brazil and Dubai will be completed in the coming months. In addition, Saipem was awarded the contract for the

construction of the world's first FSRU to be stationed offshore. The vessel will operate in Italy off the coast of Livorno.

The Company was also awarded its first contracts for the construction of offshore gas liquefaction units in Nigeria and Papua New Guinea.

New contracts

The most important contracts awarded to the Saipem Group during the first half of 2008 were:

- for Nord Stream AG (international joint venture formed by Gazprom, BASF/Wintershall, E.ON Ruhrgas and NV Nederlandse Gasunie), the Nord Stream contract involving the laying of a gas pipeline composed of two parallel pipes that will link Vyborg in Russia with Greifswald in Germany across the Baltic sea;
- for Elf Petroleum Nigeria (Total), the Usan EPIC (Engineering, Procurement, Installation, Construction) project for the subsea development of the Usan deepwater field, located approximately 160 km south of Port Harcourt in Nigeria. The contract encompasses the engineering, procurement, construction, installation, pre-commissioning and assistance to commissioning and start-up for subsea umbilicals, flowlines and risers connecting the 42 subsea wells to the FPSO, as well as the construction of the oil loading terminal, consisting of an offloading buoy and two offloading lines, and part of the FPSO anchoring system;
- for OLT Offshore LNG Toscana, the conversion of the gas carrier vessel Golar Frost, provided by the Client, into a floating LNG regasification terminal off the coast of Livorno, Italy. The contract comprises the conversion of the gas carrier vessel Golar Frost,

- provided by the Client, into a floating LNG regasification terminal in addition to all offshore works for the project installation and commissioning;
- for Burullus Gas Co, the Sequoia EPIC contract in Egypt, comprising the engineering, procurement, installation, and commissioning of the subsea development system for the Sequoia field and of a new gas export pipeline;
 - for Total E&P Angola, the Block 17 EPIC contract, in Angola, consisting of exporting gas from Block 17 gas for injection into two oil depleted reservoirs located offshore Angola. The contract includes engineering, procurement, fabrication, transportation and installation of a new gas injection platform;
 - for Total Exploration & Production Congo, the expansion of the Djeno terminal in the Moho Bilondo field, in Congo;
 - for Nexen, the transport and installation of a new platform in the Buzzard field (UK);
 - for Rashid Petroleum Co, the transport and installation of subsea pipelines for the Rosetta Phase III project, in Egypt;
 - for Cairn Energy, the installation of four pipelines for the Ravva Block Pipeline project, in India;
 - for Statoil Hydro Petroleum AS, the transport and installation of a module for the Troll C platform, in Norway.

Capital expenditures

The most significant investments in this sector include:

- capital expenditures on the new pipelay vessel due to start operations in 2010;
- the beginning of investments for the construction of the new Saipem FDS 2 deepwater field development ship;
- the continuation of construction works on the new yard in Soyo, Angola, due to be used for the fabrication of structures and modules for ongoing projects;
- strengthening of the operating bases/yards in West Africa, Kazakhstan and Saudi Arabia;
- the continuation of construction works on a new fabrication yard in Indonesia;
- the conversion of the tanker Magdelaine into an FPSO unit, due to operate in Angola on behalf of Sonangol P&P;
- the purchase of a tanker to be converted into an FPSO vessel for future contracts currently being negotiated;
- upgrading and maintenance works on the fleet's main vessels.

Work performed

Activities in the first half of 2008 consisted in the laying of approximately 184 km of pipelines and the installation of 22,412 tonnes of plant and equipment. Main projects were as follows.

In the northern Adriatic, preparatory activities were carried out for the installation of facilities and pipeline systems under the **framework agreement** signed during the year with InAgip doo. Following the conclusion of the preparatory activities and vessel mobilisation, the pipelaying activities for the **Adriatic LNG** project for Terminale GNL Adriatico were completed. This involved the laying of a gas pipeline at Porto Levante to connect a regasification plant under construction to the national grid and the laying of fibre optic cables linking the plant to onshore facilities.

In the Mediterranean Sea, Saipem also carried out the following works:

- the EPIC-type **West Delta Deep Concession Phase IV** project, for Burullus Gas Co, in Egypt, was completed. The project comprised the design, engineering, procurement, construction, installation and commissioning of subsea systems for the development of eight new wells on the production fields Scarab/Saffron and Simiam. This contract, for the development of a gas field in deep waters, is the first of its kind to be awarded to Saipem. All of the subsea production facilities and pipelines were installed using the Saipem FDS deepwater field development ship;
- following the completion of the detailed engineering, shore approach construction and pipelaying activities on the Spanish side began on the EPIC project **Medgaz**, for Medgaz, which encompasses the installation of a subsea pipeline system for the transportation of natural gas from Algeria to Spain across the Mediterranean Sea;
- works were completed on the **Denise Pliocene** project for Petrobel, in Egypt, which comprised engineering, project management, transport and installation of a pipeline connecting the el Gamil gas processing plant with an existing platform located on the Denise Pliocene gas field. Operations were carried out utilising the pipelay vessel Crawler and the derrick lay barge S355;
- following the completion of the engineering and procurement activities, installation operations began on the **Hasdrubal** project for BG Tunisia Ltd, in Tunisia, comprising procurement, installation and commissioning of a subsea pipeline connecting the

- Hasdrubal field, approximately 350 kilometres south-east of Tunis, to an onshore terminal;
- following the completion of the engineering and procurement phases, the construction of the platform at the Arbatax site is now underway on the **Maamoura** project for Eni Tunisia BV, as part of an EPIC contract which encompasses project management, engineering, procurement, construction and installation of a platform and the laying of two pipelines;
 - following the completion of the tunnel excavation works for the pipeline landfall on the **Balearic** project for Enagas SA, in Spain, detailed and construction engineering activities are currently underway. The project comprises project management, engineering, transport and installation of two gas pipelines, connecting mainland Spain to Ibiza and Ibiza to Mallorca, respectively;
 - project execution activities are already underway in Egypt on the **Rosetta Phase III** project awarded during the year by Rashid Petroleum Co. The project encompasses the transport and installation of subsea pipelines to carry gas from three subsea gas wells;
 - engineering and procurement activities commenced on the **Sequoia** project, in Egypt, for Burullus Gas Co, which encompasses engineering, procurement, installation and commissioning of the subsea development system for the Sequoia field and of a new gas export pipeline.

In Saudi Arabia, following the award of a **Long-Term Agreement** by Saudi Aramco for the engineering, procurement, construction, transport and installation of structures, platforms and pipelines offshore Saudi Arabia, works continued on the construction of a new fabrication yard at Dammam, where platforms will be constructed with a view to their installation in 2009.

In the Far East Saipem carried out the following projects:

- the **Thai Oil** EPIC project for Thai Oil Public Co Ltd for the construction of oil offloading facilities for the Sri Racha refinery in the Gulf of Siam was completed. The contract comprised engineering, procurement, construction, installation and commissioning of a buoy mooring system, a subsea pipeline and associated shore facilities;
- for Offshore Oil Engineering Co Ltd, additional works requested by the Client involving the installation of four new pipelines, two in the Wenchang field and two in the Weizhou field, were completed on the **Wenchang Oil Field Development** project, in China,

- which initially comprised the installation of two pipelines utilising the semi-submersible pipelay vessel Semac 1;
- the **Ravva Block Pipeline** project, in India, for Cairn Energy, was completed. The project, which was awarded during 2008, comprised the installation of four pipelines;
- following the installation of the two platforms in 2006 utilising the derrick pipelay ship Castoro Otto and the completion in 2007 of the offshore works, the first half of 2008 saw the completion of pre-commissioning activities on the two EPIC contracts as part of the **Tanggung LNG Project**, in Indonesia, for BP Berau Ltd. The project comprised engineering, procurement, construction and installation of two platforms and two subsea pipelines;
- installation and commissioning activities are underway on the EPIC-type **Taishung/Tungshiao/Tatan** pipeline project for Chinese Petroleum Corp, off the Taiwanese coast, comprising engineering, part of the procurement scope, laying, testing and pre-commissioning for a pipeline supplied by the Client;
- following the completion of pipelaying operations utilising the semi-submersible pipelay vessel Semac 1, pre-commissioning activities are currently underway on the EPIC-type **PTT-TTM New Gasline** project for PTT Public Co Ltd, in Thailand, which comprises engineering, transport, installation, pre-commissioning and commissioning of a pipeline supplied by the Client;
- preliminary works continued on the **Ledong** project for COOEC, comprising transport and installation of a jacket in the Ledong field in China;
- installation and procurement activities are currently being carried out on the **North Belut** project for ConocoPhillips, in Indonesia, comprising engineering, procurement, transport and installation of topsides for a process platform.

In Australia, Saipem carried out the following projects:

- preparatory activities continued on the EPIC-type **Blacktip** project for Eni Australia Ltd, comprising engineering, procurement, construction, installation and commissioning of a production platform and associated subsea pipeline system for transporting oil & gas to an onshore terminal;
- preparatory activities continued on the **Montara** project for Coogee Resources, comprising project management, engineering and installation of a pipeline.

In West Africa, Saipem carried out the following works:

- installation and deep-water pipelaying operations by the pipelay vessel Saipem FDS continued as part of the EPIC-type **AKPO** project, in Nigeria, for Total Upstream Nigeria Ltd, which comprises engineering, procurement, construction, installation and commissioning of subsea pipelines, umbilicals and risers, the construction of an oil offloading system, the installation of an FPSO mooring system and the laying of a gas pipeline between the FPSO and the Amenam AMP2 platform;
- following the completion of engineering, procurement, construction and pipelaying activities, the platform was installed on the EPIC-type **Awa Paloukou** project, for Eni Congo SA, in Congo, comprising engineering, procurement, construction, transport, installation, hook-up and pre-commissioning of a platform, and the laying of an interconnecting pipeline linking the platform to the Djeno terminal. Pipelaying operations were carried out by the derrick lay barge Castoro II;
- project management and engineering activities are underway on the **Block 17** EPIC contract, in Angola, for Total E&P Angola, which involves exporting gas from Block 17 for injection into two oil depleted reservoirs located offshore Angola. The contract includes engineering, procurement, fabrication, transportation and installation of a new gas injection platform;
- fabrication and offshore works are progressing, utilising the work barge Saibos 230, as part of the EPIC-type **FARM** project for Cabinda Gulf Oil Co Ltd, in Angola, comprising the construction of 10 flare stacks and modifications to the gas combustion and discharge systems for 14 platforms in Block 0, which are located off the coast of Cabinda province;
- following the completion of pipelaying operations utilising the derrick lay barge Castoro II, the first half of 2008 saw the installation of risers and spools utilising the derrick crane vessel Saipem 3000 as part of the EPIC-type **Mafumeira** project for Cabinda Gulf Oil Co Ltd, in Angola, which comprises engineering, procurement, transport and installation of two subsea pipelines in the Mafumeira field, located in Block 0 off the Angolan coast;
- project management and installation engineering activities are progressing on the **Malongo Oil Export** project for Cabinda Gulf Oil Co Ltd, in Angola, comprising project management, engineering, transport and installation of a pipeline;
- engineering, procurement, construction and installation activities are progressing on the EPIC-type **Olowi** project for CNR International (Olowi), for the

development of the Olowi field in Gabon. The project encompasses engineering, procurement, construction and installation of three wellhead towers, three platforms and associated umbilicals.

Saipem carried out the following works in the North Sea utilising the vessels Castoro Sei and/or Bar Protector and other support vessels:

- the **Halfdan Northeast Phase 3** project for Maersk Olie og Gas AS, in Denmark, comprising construction engineering, procurement, construction, testing and commissioning of two jackets, one deck and an interconnecting gangway;
- the **Ettrick** project for Nexen Petroleum UK Ltd, comprising engineering, construction and installation of a mooring system and FPSO risers, flexible pipes and umbilicals.

Also in the North Sea, installation operations utilising the Saipem 7000 continued on the following projects:

- the **Frigg and MCP-01 Decommissioning** project for AKOP (Aker Kvaerner Offshore Partners), comprising the removal and transport of a jacket and seven platforms from the Frigg and MCP-01 gas fields;
- the **Tyrihans** project for Statoil Hydro Petroleum AS, comprising the transport and installation of a module for the Kristin platform, in Norway;
- the **Morvin** project for Statoil Hydro Petroleum AS, comprising the transport and installation of two subsea structures in Norway;
- the **Valhall** project for Statoil Hydro Petroleum AS, comprising transport and installation of five interconnecting bridges and two wellhead towers for the Valhall field in Norway;
- the **Troll A** project for Statoil Hydro Petroleum AS, comprising the transport and installation of two compressors for the Troll A platform, in Norway;
- the **Heimdal** project for Statoil Hydro Petroleum AS, comprising the transport and installation of a module for the main platform of the Heimdal field in Norway.

On the **Azeri-Chirag-Gunashli** field development project for AIOC (Azerbaijan International Operating Co), following the completion of construction, transport and installation activities on the remaining structures, the first half of the year saw repair works carried out and the operation of one of the Client's vessels. The project comprises three separate contracts and involved the construction of six jackets, three templates and associated piles, and the transport and installation of five drilling templates, six drilling platforms and two production platforms.

In Kazakhstan, for Agip KCO, as part of the programme for the development of the Kashagan field in the Caspian Sea:

- the installation of onshore facilities and offshore pipelaying operations continued as part of the **Kashagan Trunkline and Production Flowlines** project. The project comprises engineering, procurement of materials, coating, laying and commissioning of pipelines, fibre optic cables and umbilicals. Pipes were supplied by the Client;
- the activities planned for 2008 based on the schedule supplied by the Client continued as part of the **Kashagan Piles and Flares** project. In addition, a further four barges containing plant modules, piperacks and piles have been installed. The contract comprises construction, assembly, transport and installation of piles and flares and sixteen barges to accommodate plant modules; the scope of works also includes the procurement, fabrication and installation of associated mooring and protection structures;
- vessel modification and refurbishment and engineering activities continued as part of the preliminary contract for the **Kashagan Hook Up and Commissioning** project for Agip KCO. The contract, awarded in consortium with Aker, comprises all early work activities for the hook-up and

pre-commissioning for the experimental programme of the Kashagan field development project.

Engineering and installation operations are ongoing as part of the **Mexilhao** contract in Brazil, for Companhia Mexilhao do Brasil. The contract encompasses transport and installation of a jacket, mooring piles and topsides for the PMXL-1 platform, for the Mexilhao field development in the Santos basin, approximately 140 km off the coast of the State of San Paolo.

The **floating production storage and offloading vessel FPSO Mystras** operated until May 16, 2008 on behalf of Agip Energy & Natural Resources (Nigeria) Ltd, which has exercised its option to purchase the vessel, for the production on the Okono/Okpoho fields in Nigeria, at water depths ranging from 60 to 130 metres. The **FPSO Cidade de Vitoria** operated during the first half of the year on behalf of Petrobras, as part of an eleven-year contract, on the second phase of the Golfinho field development, situated off the coast of Brazil at a water depth of 1,400 metres.

Maintenance operations also progressed during the period for Eni Exploration & Production on their oil and gas production plants in Italy.

Offshore fleet at June 30, 2008

Saipem 7000	Semi-submersible, self-propelled pipelay and D.P. derrick vessel capable of lifting structures of up to 14,000 tonnes and 'J-laying' pipelines at depths of up to 3,000 metres.
Saibos FDS	Multi-purpose mono-hull dynamically positioned crane and pipelay (J-lay) vessel utilised for the development of deepwater fields at depths of up to 2,100 metres, capable of launching 22' diameter pipe in 'J-lay' configuration and lifting structures of up to 600 tonnes.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipe at depths of up to 1,000 metres.
Castoro Otto	Mono-hull derrick pipelay ship capable of laying pipes of up to 60' diameter and lifting structures of up to 2,200 tonnes.
Saipem 3000	Mono-hull, self-propelled D.P. derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and lifting structures of up to 2,200 tonnes.
Bar Protector	Dynamically positioned dive support vessel used for deep-water diving operations and works on platforms.
Semac 1 (Bar 420)	Semi-submersible pipelay vessel capable of laying large diameter pipes in deep waters.
Castoro II	Derrick lay barge capable of laying pipe of up to 60' diameter and lifting structures of up to 1,000 tonnes.
Castoro 10	Trench barge capable of burying pipes of up to 60' diameter and laying pipes in shallow waters.
Castoro 12	Shallow-water pipelay barge, capable of laying pipe up to 40' diameter in waters of up to 1.4 metres.
S355	Derrick lay barge capable of laying pipe up to 42' diameter and lifting structures of up to 600 tonnes.
Crawler	Derrick lay barge capable of laying pipe up to 60' diameter and lifting structures of up to 540 tonnes.
Saipem Trenching Barge	Post-trenching and back-filling barge for up to 40' diameter pipes in ultra-shallow waters (1.4 metres).
Saibos 230	Derrick pipelay barge capable of laying pipe up to 30' diameter, equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1 ⁽¹⁾	Technical pontoon equipped with two crawler cranes, capable of carrying out installations whilst grounded on the seabed. The lifting capacities of the two crawler cranes are 300 and 1,800 tonnes, respectively.
Ersai 2 ⁽²⁾	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Castoro 9	Launch/cargo barge.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Heavy-duty cargo barge.
Castoro 15	Deck cargo barge.
S42	Launch/cargo barge, utilised for S7000.
S44	Launch cargo barge, for structures of up to 30,000 tonnes.
S45	Launch cargo barge, for structures of up to 20,000 tonnes.
Bos 600	Launch cargo barge, for structures of up to 30,000 tonnes.
Saibos 103	Lightweight cargo barge.
FPSO - Cidade de Vitoria	FPSO unit with a production capacity of up to 100,000 barrels a day.

(1) Owned by the Saipem-managed joint venture ERSAL Caspian Contractor LLC.

(2) Owned by the Saipem-managed joint venture Varisal - Serviços de Consultadoria e Marketing Lda.

ONSHORE

General overview

The Group's Onshore expertise is centred around the execution of large projects with a high degree of complexity in terms of engineering, technology and operations, with a strong bias towards challenging projects in difficult environments and remote areas. Saipem enjoys a position of primacy at the high-end of the market for the provision of engineering, procurement, project management and construction services to the oil & gas industry. Particularly relevant is the emphasis placed on local content during the execution of projects, especially in areas such as the Middle East and West Africa.

In the Onshore sector, Saipem consolidated its leading position in both the upstream (particularly in the Middle East and Africa) and downstream markets. The regions in which the Group has a long-term presence, and operates consistently are the Arabian Peninsula, Nigeria and West Africa, North Africa, Europe, North America, Russia, Kazakhstan and the Indian sub-continent.

Market conditions

Rising oil and gas prices continue to stimulate major new investments in the construction of onshore energy infrastructure (i.e. oil and gas upstream, transport and downstream).

The significant rise in energy demand has resulted in an ever-increasing call for engineering and construction services, and consequently for materials and equipment. The main consequence of this has been a significant increase in costs, which has led to negative effects including excessive cost increases on ongoing projects and postponements and cancellations of some planned projects.

Investments in the upstream sector (oil and natural gas production) are expected to increase by a further 20% in 2008, on the back of the 30% growth recorded in 2007. Prospects are excellent in the areas in which Saipem traditionally operates, such as the Middle East and Africa, where spending by the main National Oil Companies (which own approximately 80% of the world's oil reserves) are expected to increase by over 30%. Oil and gas production in the future will involve increasingly greater challenges in terms of technology and production methods, such as those faced in the development of non-conventional reserves (e.g. the tar sands in Canada) or fields in difficult areas (Russia, the Arctic, the Caspian Sea).

The larger distances between the oil and gas fields and end-user markets (both traditional markets such as the OECD countries and rapidly developing nations such as China and India) will lead to increased spending in the infrastructure and transport sectors. Significant development opportunities on the LNG market are expected in future years in Africa, Australia and Russia, while in the Middle East, after the significant growth seen in previous years, the sector is experiencing a period of stagnation. The rapid, steady rise in oil and gas demand is expected to continue to stimulate growth in the long distance pipeline sector, where the most important markets will be North and South America, and Eurasia up to south and east Asia. The significant increase in demand for refinery products, especially in Asia, combined with the increasingly stringent regulations regarding oil derivatives in developed nations and the decline in crude quality will lead to a rise in refinery investments. While oil-producing countries (Saudi Arabia, UAE, Qatar, Algeria and Nigeria) are focusing more on the construction of refineries for exportation, oil

consuming countries (particularly those experiencing the fastest growth - i.e. China, India, Vietnam, Thailand and Brazil) are developing new plants in order to reduce costly imports of finished products. The USA and Europe meanwhile will tend towards the modernisation of existing refineries to enable them to treat heavier crudes and/or produce fuels that meet more stringent specifications.

The new world-scale petrochemical, chemical and gas processing (methanol, fertilisers, etc.) plants will be constructed mostly in areas where cheap feedstock is available (the Middle East, North and West Africa, Latin America, Russia and the Caspian Sea area) and/or there is strong growth in domestic demand (China, South-East Asia), at the expense of developed areas (North America and Western Europe). In particular, the marked increase in the demand for, and price of, food products is stimulating investments in fertiliser production plants in countries where the availability of fertiliser for domestic use is of strategic importance. The development of large scale oil & gas and petrochemical complexes will also lead to growth in the market for associated offshore facilities in Latin America (a source of major opportunities for Saipem), North Africa and the Middle East.

New contracts

The most important contracts awarded to the Saipem Group during the first half of 2008 were:

- for Kuwait Oil Co (KOC), an EPC contract in Kuwait covering the engineering, procurement, construction and commissioning of a new gas booster station consisting of two trains for gas compression and dehydration. The gas will be subsequently conveyed to the existing Mina Al Ahmadi refinery;
- for Bechtel Overseas Corp, the contract for the construction of the containment systems as part of the overall project for the construction of a liquefied natural gas plant and related facilities, close to the town of Soyo, in the Republic of Angola. The contract involves the construction of five containment tanks.

Capital expenditures

Capital expenditures in the Onshore sector focused mainly on the acquisition and upgrading of plant and equipment necessary for the execution of projects in Nigeria, Russia and Saudi Arabia.

In addition, preparations commenced on the machinery and equipment required for the execution of projects awarded to the Group during the period.

Work performed

Onshore activities during the year comprised of the laying of 275 km of pipe of various diameters and the installation of 73,833 tonnes of equipment.

The most significant works are detailed below by geographical area.

In Saudi Arabia, for Saudi Aramco:

- activities were completed on the **EWG-1** project for the oil to gas conversion of the East-West pipeline which will service the industrial area of Yanbu. The project comprises operations to purge the pipeline of oil, and the construction, installation and commissioning of new sections of pipeline and associated infrastructure;
- activities are progressing on two EPC-type projects, **Khurais and Ghawar**, both comprising engineering, procurement, construction and commissioning of a pipeline to transport sea-water for injection into the oil fields of the same name;
- activities are nearing completion on the **Khursaniyah** project, comprising engineering, procurement and construction of a gas-oil separation plant. The contract includes the construction of two gas-oil separation trains and a series of production facilities;
- activities are progressing on the **Qurayyah Seawater Treatment Plant**, comprising the expansion of the plant and injection of seawater into the oil fields to support oil production operations;
- activities are progressing on the **Khurais Utilities and WIPS** project, which forms part of the programme for the development of the Khurais complex and comprises engineering, procurement, construction, installation and commissioning of pumping stations which inject water from the Qurayyah seawater treatment plant into the Khurais field as well as all necessary utilities;
- activities are progressing on the **Khurais Crude Facilities** project for the construction of a gas-oil separation plant (GOSP) as part of the development of the Khurais oil field in Saudi Arabia, situated approximately 180 km north-east of Riyadh. The

contract comprises engineering, procurement and construction of four gas-oil separation trains as well as production facilities;

- activities are progressing on the EPC-type **UBTG 4** project, which comprises the construction of two gas pipelines connecting the gas plant located at Shedgum at Juaymah to the plant in Berri at Jubail, as well as all associated infrastructure;
- construction is nearing completion on the **Hawiyah** project, comprising the construction of a gas treatment plant to feed an LNG recovery unit.

In Qatar:

- activities are progressing on the EPC-type **Qafco 5** project for Qatar Fertiliser Co SAQ, in Qatar, which comprises engineering, procurement, construction and commissioning of two new plants for the production of Ammonia and Urea and associated production facilities at the Qafco industrial complex, in the city of Mesaieed. The contract was awarded in consortium with Hyundai Engineering & Construction Co Ltd;
- works are ongoing on the **LLPDE Plant** project for Qatofin, which involves the construction of a polyethylene plant;
- engineering and procurement activities are progressing on the EPC-type **Pearl Gas To Liquids (GTL)** project for Qatar Shell Ltd for the construction of a waste water treatment plant in the industrial city of Ras Laffan. The contract was awarded in consortium with the company Al Jaber and the 50-50 joint venture comprising Saipem and OTV.

In the United Arab Emirates:

- operations are nearing completion on the EPC-type **Ruwais** project for Gasco, which encompasses the construction of a fractionation train and the expansion of associated facilities, including the construction of a new loading dock and new refrigerated tanks.

In Pakistan, construction is underway on the **Engro** project for Engro Chemical Pakistan Ltd (ECPL), which includes technology licensing, engineering, procurement and construction supervision for an Ammonia and Urea plant, including the related utility systems. The plant will be located in Daharki, approximately 450 kilometres north-east of Karachi.

In Algeria for Sonatrach:

- construction is underway on the EPC-type **UBTS** (Unité de Traitement du Brut et de sa Stabilisation) project, which includes the engineering, procurement and construction of a crude oil treatment and stabilisation plant, comprising three trains, one maintenance unit, four stocking units and a 45-km pipeline transporting oil, water and gas;
- construction is underway on the EPC-type **LZ2 Hassi R'mel-Arzew** project for the installation of a new LPG pipeline connecting the Hassi R'mel gas field, in central Algeria, to the oil exporting area of Arzew, located on western Algeria's Mediterranean coast. The contract was awarded in partnership with Lead Contracting.

In Morocco:

- activities are ongoing on the **Tanger Port** project for ASTM (Agence Spéciale Tanger Méditerranée), involving excavation and redevelopment works in the port of Tangiers;
- works are progressing on the EPC-type project for the expansion of the **Samir** refinery, which comprises the construction of a vacuum unit, a hydro-cracking and a hydro-treating unit, in addition to sulphur recovery, amine regeneration, sour water stripper units and the development of existing refinery utilities. The contract is being carried out in consortium with the Turkish company Tekfen.

In Nigeria:

- the engineering phase has been completed on the EPC-type **OB/OB Revamping** project for NAOC, which comprises engineering, procurement, break-up, disassembly, construction and commissioning of new and existing facilities at the Obiafu/Obrikom gas treatment plant. The contract was awarded in consortium with Desicon Engineering Ltd;
- works are progressing on the EPC-type **Escravos** project for ChevronTexaco. The plant will comprise two parallel trains. The contract is being carried out in a 50-50 joint venture with the American company KBR;
- construction works are progressing on the EPC-type **Gbaran** project for Shell Petroleum Development Co of Nigeria, which encompasses engineering, procurement and laying of pipelines, flowlines and composite fibre optic and high voltage electrical cables. The contract was awarded in consortium with Desicon Engineering Ltd;
- construction works are progressing on the EPC-type **Gbaran Logistic Base** project for Shell Petroleum

Development Co of Nigeria, which comprises engineering, procurement, construction and commissioning of a logistics base for the Gbaran field. The contract was awarded in consortium with Desicon Engineering Ltd;

- construction is underway on the EPC-type **Nembe Creek-Cawthorne Channel** project for Shell Petroleum Development Co, which encompasses the construction, installation and commissioning of a pipeline connecting San Bartholomew to Cawthorne Channel, and the decommissioning of an existing pipeline and ancillary facilities;
- the **Okoloma** project for Shell Petroleum Development Co of Nigeria was completed. The scope of works comprised the construction and installation of flowlines in the area of the Okoloma gas plant.

In Angola, construction is underway on the EPC-type **Malongo Base** project for Cabinda Gulf Oil Co Ltd, which comprise engineering, procurement, construction and pre-commissioning of a pipeline and associated facilities.

Works are in the completion phase on the **Trans Tunisian Pipeline** project, in Tunisia, for Scogat, which comprises engineering, procurement, construction and commissioning of two new gas compression stations and the expansion of existing gas compression facilities.

In Italy, activities are underway on various engineering, post order and works supervision contracts at/on compression stations, pipelines, power plants and terminals for **Snam Rete Gas**.

In France, construction of the terminal is progressing as part of the **Fos Cavaou** project for Gaz de France, which comprises engineering, procurement and construction of all facilities for a regasification terminal, including three storage tanks and marine works.

In Belgium, activities were completed on the **Zeebrugge** project, which encompasses engineering, procurement and construction of facilities for the extension of a regasification terminal, including a storage tank and regasification structures.

In Russia, installation activities for the **Sakhalin II** project on behalf of Sakhalin Energy Ltd are ongoing. The project comprises offshore and onshore pipelay operations and the installation of compression and pumping stations and a terminal.

In Australia, works were completed on the EPC-type **Alinta Gas** project for the DBP Group, involving phase 5-A of the DBNGP pipeline expansion project connecting Dampier to Bunbury, crossing the State of Western Australia from the north to the south-west.

In Canada, works are progressing on the EPC-type **Canaport**, project comprising design, engineering, construction and commissioning of a regasification terminal, inclusive of auxiliary facilities for gas offloading, pumping, vapourisation and transmission, in addition to two storage tanks. In addition, the option for the construction of the third LNG tank and the interconnecting piping was exercised. The contract is being carried out in consortium with the Canadian company SNC-Lavalin.

Also in Canada, works are nearing completion on the EPC-type **Horizon Oil Sands** project for Canadian Natural Resources, which comprises the construction of three hydro-treatment lines. The plant is part of a complex that produces synthetic oil from bitumen obtained from Canadian tar sands. The contract is being carried out in consortium with the Canadian company SNC-Lavalin.

In the US, operations are progress on the **Freeport** project for Freeport LNG Development LP. The project comprises engineering and procurement of tanks for an LNG regasification terminal on the Quintana island in Texas. The contract was awarded in joint venture with Zachry and Technip.

In Mexico, installation works were completed on the **Costa Azul** project for BVT LNG, which comprised the construction of facilities for the mooring and dry-docking of tankers.

Operations are currently ongoing in Trinidad & Tobago on the **Point Lisas** project for National Energy Corp of Trinidad and Tobago (NEC), which comprises the construction of marine loading and offloading facilities for a steelworks under construction in the port of Point Lisas.

In Peru, the construction of marine facilities is ongoing as part of the **Melchiorita Lng** project for Peru Lng, which comprises the construction of a regasification terminal at Pampa Melchiorita, 200 km south of Lima. The contract was acquired in joint venture with Constructora Norberto Odebrecht and in consortium with Jan de Nul NV.

Plant maintenance activities continued during the first half of the year in Europe and in West Africa for TotalFinaElf. Activities for the Caspian Pipeline Consortium also continued in Russia and Kazakhstan.

OFFSHORE DRILLING

General overview

The Group operated in the Offshore Drilling sector in West and North Africa, the Gulf of Suez, the Persian Gulf, Norway, Peru and India.

Amongst the Group's fleet, the following vessels are worthy of special mention due to their characteristics: Saipem 10000, capable of working at depths of up to 3,000 metres using its dynamic positioning system; Scarabeo 7, a semi-submersible vessel capable of operating at depths of up to 1,500 metres and Scarabeo 5, a fourth generation semi-submersible vessel, capable of working at depths of over 1,800 metres and drilling to a depth of 9,000 metres.

In addition to Saipem SpA, other Group companies operating in this sector are: Saipem (Nigeria) Ltd, with headquarters in Lagos, presiding over the strategic area of West Africa; Petrex SA, operating in South America; Saipem Misr for Petroleum Services (S.A.E.) operating in Egypt, Saudi Arabian Saipem Ltd operating in the Persian Gulf and Saipem (Portugal) Comércio Marítimo Lda, which manages all drillships, apart from Scarabeo 5, managed directly by Saipem SpA and Perro Negro 4, owned by the Egyptian company Saipem Misr for Petroleum Services (S.A.E.).

Also active in this sector is Saipem America Inc, supporting operations by providing its remotely operated vehicles (ROVs).

Market conditions

The Offshore Drilling market continued to experience a phase of particularly strong growth.

The floaters segment (semi-submersibles and drillships) recorded utilisation rates of close to 100%, while day-rates remained at record levels. The only partial exception was in South East Asia (where Saipem does

not have a presence), where a slight dip in activities was recorded compared to 2007.

The jack-up market also experienced high utilisation rates and day rates. Particularly good figures were recorded in the Gulf of Mexico area, where the crisis in the segment, due to local factors, seems to have come to a halt, and in the Middle East, which continued to experience record day and utilisation rates. The jack-up market, moreover, continued to be affected by a climate of expectation surrounding the start of operations, expected by the end of 2009, of more than fifty new units (around 13% of the current existing fleet), leading to the award of short-term contracts at rates lower than the record rates recorded in 2006, but in line with the figures from 2007.

The construction of new units continued to occur at record levels in the floaters segment, although this did not have any adverse effect on day rates.

New contracts

The most important contracts awarded to the Group during the first half of 2008 include:

- for Saudi Aramco, the three-year charter of the jack-up Perro Negro 7 (currently in construction) in Saudi Arabia;
- for Total Exploration & Production Angola, the one-year charter, the exercise of the second option, of the drillship Saipem 10000, to carry out drilling operations in Angola.

Capital expenditures

The most significant items of capital expenditures in the Offshore Drilling sector were:

- expenditure on the construction of the new semi-submersible platform **Scarabeo 8**, which will operate in Norway on behalf of Eni Norge;
- expenditure on the construction of the new semi-submersible platform **Scarabeo 9**, which will operate in the Gulf of Mexico on behalf of Eni;
- expenditure on the new ultra-deep water drillship **Saipem 12000**, which will operate on behalf of Total Exploration & Production for the development of Block 17 in Angola;
- investments on the construction of the new Tender Assisted Rig **TAD-1**, which will operate in Congo on behalf of Eni Congo SA;
- ongoing construction of a jack-up at the Labroy Offshore Shipyard in Batam (Indonesia);
- class reinstatement works on the **Perro Negro 3** jack-up;
- investments made on the fleet to ensure compliance with international regulations and to customise vessels to client requirements.

Work performed

Activities comprised the drilling of 21 wells, totalling approximately 63,846 metres drilled.

The deep-water drillship **Saipem 10000** continued operations on behalf of Total Exploration & Production Angola under a two-year contract which was extended for 12 months in 2007 and then renewed for a further twelve months through the exercise of the second and third contract options.

The semi-submersible platform **Scarabeo 3** performed drilling operations off the Nigerian coast on behalf of Addax Petroleum, as part of a contract that has been extended until June 2009.

The semi-submersible platform **Scarabeo 4** operated in Libya on behalf of IEOC as part of a contract that is valid until January 2011.

The semi-submersible platform **Scarabeo 5** continued HP/HT (high pressure/high temperature) operations in Norwegian waters on behalf of Statoil, as part of a contract that expires in December 2010.

The semi-submersible platform **Scarabeo 6** continued drilling operations in Egypt as part of a two-year contract on behalf of Burullus Gas Co.

The semi-submersible platform **Scarabeo 7** continued operations on the Erha field in Nigeria, as part of a three-year contract on behalf of ExxonMobil Nigeria.

The jack-up **Perro Negro 2** continued drilling activities in the Persian Gulf on behalf of Saudi Aramco as part of a contract that expires in June 2009.

The jack-up **Perro Negro 3** carried out drilling and workover operations off the coast of India on behalf of GSPC (Gujarat State Petroleum Co) during the first few months of the year and subsequently underwent repair and class reinstatement works.

The jack-up **Perro Negro 4**, continued operations in Egypt as part of a three-year contract on behalf of Petrobel.

The jack-up **Perro Negro 5** continued operations as part of a three-year contract in Saudi Arabia on behalf of Saudi Aramco.

The **Packaged 5820** installation continued operations in Libyan waters on behalf of Compagnie des Pétroles Total sa, as part of a contract that expires in July 2009.

In Congo, the new tender assisted rig TAD 1 commenced drilling operations on behalf of Eni Congo SA as part of a five year contract.

In Congo, workover and maintenance works continued on the fixed platforms owned by Eni Congo SA as part of a three-year contract.

In Peru, two rigs, leased on behalf of Petrotech, performed 49 workover and pulling operations, whilst a tender assisted rig, leased on behalf of BPZ Energy, drilled one well.

Utilisation of vessels

Vessel utilisation in the first half of 2008 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	182
Semi-submersible platform Scarabeo 4	182
Semi-submersible platform Scarabeo 5	182
Semi-submersible platform Scarabeo 6	182
Semi-submersible platform Scarabeo 7	182
Drillship Saipem 10000	182
Jack-up Perro Negro 2	182
Jack-up Perro Negro 3	35 ^(a)
Jack-up Perro Negro 4	182
Jack-up Perro Negro 5	166 ^(a)

(a) For the remaining days (to 182), the vessel underwent class reinstatement works.

ONSHORE DRILLING

General overview

In the Onshore Drilling sector, the Group operates in Italy, Algeria, Egypt, Saudi Arabia, Kazakhstan, Ecuador, Peru, Venezuela, Brazil and Trinidad & Tobago. In addition to the Parent Company, Petrex SA, Saudi Arabian Saipem Ltd, Saipem UK Ltd, Sadco (an Indian company jointly owned and managed with the Indian company Aban Drilling Co) and SaiPar (jointly owned and managed with Parker Drilling Co operating in Kazakhstan) also operate in the sector.

Market conditions

The Onshore Drilling market continued to benefit from the positive trend in the oil & gas sector.

In terms of spending, all of the principal international markets recorded increases against the record levels seen in 2007, including the US, although growth in this latter market was lower.

The principal geographical areas in which Saipem operates – North Africa, the Middle East and South America – continued to record steady levels of activity, with Saudi Arabia, Egypt and Libya in particular standing out in the Middle East and North Africa. In South America, meanwhile, in spite of certain local characteristics (mainly political factors), levels of activity remained high in all of the principal countries in which the Group operates.

These particularly positive market conditions have seen all of the main contractors commence programmes for the construction of new rigs and/or the re-activation of existing ones, as in the Offshore Drilling sector.

New contracts

The most important contracts awarded to the Saipem Group during the period were:

- for PDVSA, the five-year charter of nine rigs in Venezuela, seven of which are new-built;
- for Regal Petroleum Corp (Ukraine) Ltd, the five-year charter of two rigs in the Ukraine;
- for BPZ Energy, the three-year charter of two rigs in Peru, one of which is new-built;
- for PDVSA, the charter of nine rigs in Venezuela, four for nine months and five for six months;
- for Total Italia SpA, the two-year charter of a new rig in Italy;
- for Baripetrol Venezuela, the three-year charter of a new rig in Venezuela;
- for Eni Exploration & Production, the fifteen-month charter of a rig in Italy;
- for Petrobras, the two-year charter of a new rig and the three-year charter of two existing rigs in Peru;
- for Saudi Aramco, the one-year charter of a two rigs in Saudi Arabia;
- for Petroproduccion Bloque 15, the one-year charter of a rig in Ecuador;
- for Petrotech, the two-year charter of a rig in Peru;
- for Pluspetrol, the thirteen-month charter of a rig in Peru;
- for Interoil Peru sa, the twelve-month charter of a rig in Peru;
- for Goldoil Peru sac, the four-month charter of a rig in Peru.

Capital expenditures

Capital expenditures in the Onshore Drilling sector included:

- ongoing investment for a new rig due to operate in Saudi Arabia as part of a three-year contract for Saudi Aramco;
- ongoing investment for a new rig due to operate in Italy as part of a two-year contract for Eni Exploration & Production;
- the purchase of a new rig due to operate in Italy as part of a two-year contract on behalf of Eni Exploration & Production;
- ongoing investment for the construction of two new rigs due to operate in Venezuela as part of a five-year contract on behalf of PDVSA;
- the purchase of a new rig due to operate in Venezuela for Baripetrol;
- ongoing investment for the construction of a new rig due to operate in Peru as part of a two-year contract for Talisman;
- upgrading and improvement works to rigs and installations, necessary to ensure continuous operational efficiency.

Work performed

Activities comprised the drilling of 107 wells, totalling approximately 306,940 metres drilled.

In **Italy**, onshore drilling operations were performed on behalf of Eni Exploration & Production, utilising two extended-reach drilling and workover rigs.

Specifically:

- one extended-reach drilling rig continued workover operations on an existing well in the province of Novara;
- following the completion of well drilling operations in the provinces of Matera and Potenza, a medium/extended-reach drilling rig is currently being transferred to Reggio Emilia.

Ten rigs have been operating in **Saudi Arabia**, eight of which as part of a three-year contract with the option of an additional year, for Saudi Aramco. The ninth rig continued drilling operations as part of a three-year contract for Enirepsa, while a new rig began operations on a one-year contract for the same Client.

Six medium/extended-reach rigs and one workover rig are currently operating in **Algeria**. Specifically:

- one rig is operating on behalf of Repsol as part of a contract for the drilling of four wells, which has been renewed for an additional year;

- one drilling rig is operating on behalf of First Calgary Petroleum as part of a contract due to expire in March 2009;
- two rigs continued operations for Groupement Sonatrach Agip as part of a two-year contract;
- one rig is operating for Groupement Sonatrach Agip as part of a contract for the drilling of three wells plus the option of a further four wells;
- one rig continued drilling operations for Repsol as part of a one-year contract;
- one rig continued drilling operations as part of a one-year contract for British Gas.

In **Egypt** an innovative installation continued drilling operations for Agiba.

In **South America**:

- an extended-reach drilling rig drilled two wells for Pluspetrol in the Teniente Lopez area (Peru);
- a drilling rig drilled four exploration wells for Pluspetrol in Block 8 of the Amazon Forest (Peru);
- a rig drilled eighteen exploration wells for Petrobras in the Talara area (Peru);
- a rig drilled two wells for PDVSA in the Anaco area (Venezuela);
- two rigs drilled twelve exploration wells for PDVSA in the Bare area (Venezuela);
- two rigs drilled ten exploration wells for PDVSA in the Maturin and Morichal areas (Venezuela);
- a new rig drilled one well for PDVSA in the Maturin area (Venezuela);
- a new extended-reach drilling rig completed operations on the first well for PDVSA in the Maturin area (Venezuela);
- a new-concept hydraulic installation drilled seven exploration wells for PDVSA in the Dación area (Venezuela);
- a rig drilled four wells for PDVSA in the eastern Venezuela (Oriente);
- a rapid-rig drilled the first well and began the second for Petroquirique in the western Venezuela (Occidente);
- an extended-reach drilling rig was erected for operations for PDVSA in the Maturin area (Venezuela);
- six new rigs drilled a total of eight wells in the western Venezuela (Occidente);
- a new rig was mobilised to perform drilling operations for PDVSA in the Valle de la Pascua area (Venezuela);
- a rig began drilling the first well for Petroecuador, in Block 15 (Ecuador);

- a drilling rig started operations on the first well for Trinidad Exploration & Development Co, in Trinidad & Tobago;
- a rig drilled two wells for Petrobras in Mossorò (Brazil);
- a rig was mobilised to carry out drilling operations for Petrobras in Catù (Brazil).

With regard to onshore workover and pulling operations:

- a total of thirty workover and pulling operations were carried out in the Trompetero area (Peru) for Pluspetrol;
- a total of twenty-seven workover and pulling operations were carried out in the Teniente Lopez area (Peru) for Pluspetrol;
- four hundred and twenty-seven workover and pulling operations were carried out in the Talara area (Peru) for Petrobras and Interoil;
- in Venezuela, thirty workover and pulling operations were carried out in Venezuela for PDVSA.

In **Kazakhstan**, drilling/workover operations continued on behalf of Karachaganak Petroleum Operating (KPO) in the province of Uralsk. Three rigs were utilised during the period: one chartered from the local company Kazburgas and two owned by the US company Parker.

One medium/extended-reach rig continued drilling operations in the Uralsk province for Zhaikmunai LLP as part of a contract due to end in August 2010. Another medium/extended-reach rig began operations on a one-year contract for the same Client. In Aktobe province, an extended-reach rig performed drilling operations as part of a twelve-month contract for OilTechnoGroup.

Drilling operations progressed during the period on the 'D' Island project on behalf of Agip KCO in the northern areas of the **Caspian Sea**, comprising drilling operations lasting approximately five years in Block D of the Kashagan field, to be carried out utilising two rigs owned by the Client.

Utilisation of rigs

The average utilisation of rigs in the first half of 2008 stood at 98.9% (96.8% in 2007). Rigs were located as follows: 21 in Venezuela, 13 in Peru, 10 in Saudi Arabia, 7 in Algeria, 3 in Kazakhstan, 2 in Italy, 2 in Brazil, 1 in Trinidad & Tobago, 1 in Ecuador and 1 in Egypt. In addition 5 third-party rigs were deployed in Peru, 3 rigs by the joint venture company SaiPar and 2 third-party rigs in Kazakhstan.

Financial and economic results

As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore sectors, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules.

Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

RESULTS OF OPERATIONS

Saipem Group - Income statement

Year		(€ million)	First half		% Ch.
			2007 ⁽¹⁾	2008	
2007 ⁽¹⁾					
9,318	Net sales from operations		4,523	4,619	2.1
13	Other income and revenues		5	7	
(6,898)	Purchases, services and other		(3,393)	(3,301)	
(1,305)	Payroll and related costs		(607)	(673)	
1,128	Gross operating profit		528	652	23.5
(276)	Depreciation, amortisation and impairment		(134)	(163)	
852	Operating profit		394	489	24.1
(104)	Finance (expense) income		(56)	(49)	
13	Net income from investments		5	10	
761	Adjusted profit before income taxes		343	450	31.2
(223)	Income taxes		(102)	(126)	
538	Adjusted net profit before minority interest		241	324	34.4
(3)	Net profit attributable to minority interest		(1)	(3)	
535	Adjusted net profit		240	321	33.8
302	Gains on disposals		-	185	
(7)	Taxation		-	(5)	
830	Net profit		240	501	

(1) Figures restated to reflect the effects of disposals of Camom sa, Haldor Topsøe AS, GTT and the classification of Fertinitro under 'Net assets held for sale'.

Net sales from operations for the first half of 2008 amounted to €4,619 million, an increase of €96 million versus the first half of 2007, mainly due to greater volumes generated in the Offshore and Drilling sectors.

Gross operating profit amounted to €652 million, representing an increase of 23.5% versus the first half of 2007.

Depreciation, amortisation and impairment of tangible and intangible assets amounted to €163 million.

Operating profit for the first half of 2008 stood at €489 million, up €95 million versus the first half of 2007. The figure is analysed in detail in the subsequent sections describing the performance of the various business units.

Net finance expenses decreased by €7 million on the first half of 2008 due to the type of investments that were made during the period, which permit the capitalisation of associated financial expenses.

Net income from investments amounted to €10 million, an increase of €5 million compared with the first half of 2007, due to the gain on the disposal of a minority interest and the conclusion of a project implemented by a special purpose entity consolidated using the equity method.

Adjusted profit before income taxes amounted to €450 million, representing an increase of 31.2% versus the first half of 2007.

Income taxes amounted to €126 million, an increase of €24 million compared to the same period of the previous year, due to an increase in taxable income, which was partly offset by the reduction in the tax rate from 29.7% in the first half of 2007 to 28% in the first half of 2008.

Adjusted net profit stood at €321 million, which represented an increase of 33.8% against the same period of 2007.

During the period, the sale of the 30% holding in Gaztransport & Technigaz sas was finalised, which generated a net gain of €180 million. As a result, **net profit** for the first half of 2008 amounted to €501 million.

Operating profit and costs by function

Year		(€ million)	First half		% Ch.
			2007 ⁽¹⁾	2008	
2007 ⁽¹⁾					
9,318	Operating revenues		4,523	4,619	2.1
(8,118)	Production costs		(3,961)	(3,951)	
(48)	Idle costs		(22)	(24)	
(102)	Cost of sales		(52)	(56)	
(13)	Research and development costs		(5)	(5)	
(9)	Other operating income (expenses), net		(2)	(2)	
1,028	Contribution from operations		481	581	20.8
(176)	General and administrative expenses		(87)	(92)	
852	Operating profit		394	489	24.1

(1) Data restated to include the effects of the disposal of Camom sa and Haldor Topsøe AS.

The Saipem Group recorded operating revenues, which were the same as 'net sales from operations', of €4,619 million in the first half of 2008, representing an increase

of €96 million compared to the first half of 2007, as mentioned above.

Production costs (which include direct costs of sales and depreciation of vessels and equipment) for the first half of 2008 amounted to €3,951 million (€3,961 million in the first half of 2007), which was in line with the figure for the same period of 2007.

Idle costs increased by €2 million.

Cost of sales of €56 million increased by €4 million compared with the first half of 2007, mainly due to the positive trend on all reference markets.

Research and development costs included in operating costs do not show any changes.

Contribution from operations recorded a significant increase of 20.8% to €581 million, with the contribution margin percentage up two points versus the first half of 2007 to 12.6%.

General and administrative expenses amounted to €92 million, an increase of €5 million over the first half of 2007.

Analysis by business sector:

Offshore

Year		(€ million)	First half	
			2007	2008
2007			1,723	1,741
3,463	Revenues			
(2,891)	Cost of sales		(1,453)	(1,426)
(149)	Depreciation, amortisation and impairment		(73)	(81)
423	Operating profit		197	234

Revenues for the first half of 2008 amounted to €1,741 million, which is in line with the figure for the same period of 2007.

The cost of sales, amounting to €1,426 million, did not change significantly versus the same period of 2007.

Depreciation, amortisation and impairment rose by €8 million compared to the first half of 2007, due to the

full-scale operations on projects that required project-specific equipment.

Operating profit for the first half of 2008 amounted to €234 million, equal to 13.4% of revenues, versus €197 million, equal to 11.4% of revenues, in the first half of 2007. This increase in margin is attributable to improved contractual conditions and strong operational performance.

Onshore

Year		(€ million)	First half	
			2007 ⁽¹⁾	2008
2007 ⁽¹⁾			2,452	2,442
5,125	Revenues			
(4,847)	Cost of sales		(2,323)	(2,288)
(41)	Depreciation, amortisation and impairment		(19)	(23)
237	Operating profit		110	131

(1) Data restated to include the effects of the disposal of Camom sa and Haldor Topsøe AS.

Revenues for the first half of 2008 amounted to €2,442 million, in line with the figure for the first half of 2007.

The cost of sales, amounting to €2,288 million, were also in line with the figure for the first half of the previous year. Depreciation, amortisation and impairment, on the other hand, increased by €4 million.

Operating profit for the first half of 2008 amounted to €131 million, versus €110 million in the first half of 2007, with the margin on revenues rising from 4.5% to 5.4%. This increase in margin is attributed to strong operational performance and improved contractual conditions.

Offshore Drilling

Year		(€ million)	First half	
			2007	2008
2007				
420	Revenues		203	238
(220)	Cost of sales		(108)	(115)
(60)	Depreciation, amortisation and impairment		(30)	(32)
140	Operating profit		65	91

Revenues for the first half of 2008 amounted to €238 million, up 17.2% on the same period of 2007, attributable mainly to increased activity by the semi-submersible platforms Scarabeo 4 and Scarabeo 6, as well as to higher contractual rates.

The cost of sales increased slightly compared to the same period of 2007, in line with the increase in volumes recorded during the period.

Depreciation, amortisation and impairment rose by €2 million versus the first half of 2007, due to the full-scale operation of vessels that underwent preparatory works in 2007.

Operating profit for the first half of 2008 amounted to €91 million, versus €65 million in the first half of 2007, with the margin on revenues rising from 32% to 38%. This increase, both absolute and in terms of profitability, is due to higher margins on rates and increased utilisation of rigs.

Onshore Drilling

Year		(€ million)	First half	
			2007	2008
2007				
310	Revenues		145	198
(232)	Cost of sales		(111)	(138)
(26)	Depreciation, amortisation and impairment		(12)	(27)
52	Operating profit		22	33

Revenues for the first half of 2008 amounted to €198 million, representing a 36.6% increase compared to the same period of 2007, due mainly to the start of operations of new rigs in South America.

The rise in volumes resulted in the cost of sales increasing by 24.3% versus the first half of the previous year.

Operating profit for the first half of 2008 amounted to €33 million, versus €22 million in the first half of 2007, with the margin on revenues rising from 15.2% to 16.7%. This growth, both in absolute terms and in terms of profitability, is due to higher margins on rates.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

Saipem Group - Summarised group balance sheet⁽¹⁾

The summarised group balance sheet aggregates asset and liability amounts from the statutory balance sheet according to function, under three basic areas: operating, investing and financing.

Management believes that the summarised group balance sheet provides useful information in assisting investors to assess Saipem's capital structure and to analyse its sources of funds and investments in fixed assets and working capital.

June 30, 2007	(€ million)	Dec. 31, 2007	June 30, 2008
2,650	Net tangible assets	3,562	4,291
805	Net intangible assets	750	750
3,455		4,312	5,041
1,874	- Offshore	2,114	2,357
514	- Onshore	484	480
913	- Offshore Drilling	1,395	1,802
154	- Onshore Drilling	319	402
141	Investments	47	35
3,596	Fixed assets	4,359	5,076
(242)	Net working capital	(402)	(456)
128	Net assets held for sale including related net borrowings	203	80
(153)	Provision for employee benefits	(167)	(172)
3,329	Capital employed, net	3,993	4,528
1,740	Shareholders' equity	2,295	2,599
5	Minority interest	4	6
1,584	Net borrowings	1,694	1,923
3,329	Total liabilities and shareholders' equity	3,993	4,528
0.91	Leverage (net borrowings/shareholders' equity including minority interest)	0.74	0.74
441,410,900	Shares issued and outstanding	441,410,900	441,410,900

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement' on page 62.

Management uses the summarised group balance sheet to calculate key ratios such as Return On Average Capital Employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage), which is used to evaluate whether Saipem's financing structure is sound and well-balanced.

Fixed assets at June 30, 2008 stood at €5,076 million, an increase of €717 million compared to December 31, 2007. This increase is due to capital expenditures of €979 million, depreciation, amortisation and impairment of €163 million, disposals of €44 million and the translation effect on financial statements in foreign currencies and other variations of €55 million.

Net working capital at June 30, 2008 decreased by €54 million from minus €402 million at December 31, 2007 to minus €456 million at June 30, 2008.

The **provision for employee benefits** amounted to €172 million, which represents an increase of €5 million versus December 31, 2007.

As a result of the above, **net capital employed** increased by €535 million, reaching €4,528 million at June 30, 2008, compared to €3,993 million at December 31, 2007.

Shareholders' equity, including minority interest, increased by €306 million, to €2,605 million at June 30, 2008, versus €2,299 million at December 31, 2007. This increase reflected net profit for the period of €504 million and the fair value of exchange and interest rate

hedges of €35 million, partly offset by the payment of dividends (€192 million), the variation in treasury shares for the company's incentive schemes reclassified as a reduction in shareholders' equity of €14 million, as well as a decrease as a result of translation effects and other variations (€28 million).

The increase in net capital employed, only partially offset by the increase in shareholders' equity, led to an increase in **net borrowings**, which, at June 30, 2008, stood at €1,923 million, compared to €1,694 million at December 31, 2007, representing an increase of €229 million.

Analysis of net borrowings

June 30, 2007	(€ million)	Dec. 31, 2007	June 30, 2008
(12)	Financing receivables due after one year	-	-
479	Payables to banks due after one year	475	475
343	Payables to other financial institutions due after one year	416	452
810	Net medium/long-term debt	891	927
(1,496)	Accounts c/o bank, post and Group finance companies	(2,164)	(2,061)
(14)	Cash and cash equivalents	(6)	(20)
(30)	Financing receivables for non-operating purposes due within 90 days	-	-
-	Financial assets held for trading or for sale	-	-
(58)	Financing receivables due within one year	(65)	(126)
76	Payables to banks due within one year	264	103
2,296	Payables to other financial institutions due within one year	2,774	3,100
774	Net short-term debt	803	996
1,584	Net debt	1,694	1,923

The fair value of derivative assets/liabilities is detailed in Note 7 'Other current assets' and Note 19 'Other current liabilities'. Net debt includes the fair value of interest rate swap assets (liabilities).

A breakdown by currency of gross debt, amounting to €4,130 million, is provided in Note 15 'Short-term

debt' and Note 20 'Long-term debt and current maturities of long-term debt'.

Saipem Group- Reclassified cash flow statement and change in net borrowings⁽¹⁾

Saipem's reclassified group cash flow statement derives from the statutory cash flow statement. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flow statement) and in net borrowings (deriving from the reclassified cash flow statement) that occurred from the beginning of the period to the end of the period. The measure enabling such a link is represented by the free cash flow, which is the cash in excess of capital expenditure needs. Starting from free cash flow it is possible to determine either: (i) changes

in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of treasury shares, capital issuance) and the effect of changes in consolidation and of exchange rate differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Year		(€ million)	First half	
			2007	2008
2007				
875	Net profit		268	501
3	Minority interest		1	3
	<i>Adjustments to reconcile cash generated from operating profit before changes in working capital:</i>			
256	Depreciation/amortisation and other non-monetary items		107	163
(302)	(Net gains) losses on sales of assets		(2)	(202)
230	Dividends, interests, extraordinary income/expenses and income taxes		131	184
1,062	Cash generated from operating profit before changes in working capital		505	649
292	Changes in working capital related to operations		115	7
(289)	Dividends, interests, extraordinary income/expenses and income taxes received (paid) during the period		(137)	(11)
1,065	Net cash provided by operating activities		483	645
(1,644)	Capital expenditure		(521)	(979)
(8)	Acquisition of investments and businesses		-	-
401	Disposals		4	323
8	Other cash flow related to capital expenditures, investments and disposals		-	-
(178)	Free cash flow		(34)	(11)
6	Borrowings (repayment) of debt related to financing activities		(19)	(61)
1,076	Changes in short and long-term debt		406	201
(13)	Treasury shares		(6)	(14)
(126)	Dividends paid and changes in minority interest and reserves		(126)	(193)
83	Effect of changes in consolidation and exchange differences		(3)	(11)
848	CHANGE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		218	(89)
(178)	Free cash flow		(34)	(11)
12	Changes in consolidation		-	-
(13)	Treasury shares		(6)	(14)
(126)	Dividends paid and changes in minority interest and reserves		(126)	(192)
28	Exchange differences on net borrowings and other changes		(1)	(12)
(277)	CHANGE IN NET BORROWINGS		(167)	(229)

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement' on page 62.

In the first half of 2008, **net cash provided by operating activities** (€645 million), coupled with cash from disposals, only partially funded capital

expenditures, thus generating a negative free cash flow of €11 million.

Dividends paid and changes in minority interest and reserves generated a negative cash flow of €192 million, due to the payment of dividends. The purchase of treasury shares for incentive schemes for managers generated a negative cash flow of €14 million. The effect of exchange differences on net borrowings and other changes produced a net negative cash flow of €12 million.

As a result, net borrowings at June 30, 2008 increased by €229 million.

The **cash generated from operating profit before changes in working capital** of €649 million related to:

- net profit of €504 million, including minority interest of €3 million;
- depreciation, amortisation and impairment of tangible and intangible assets of €163 million;
- recoveries from current financial receivables of €10 million and losses (gains) which had a negative effect of €192 million;
- net finance expense of €51 million, income taxes of €131 million, a positive effect was generated by the change in the provision for employee benefits of €5

million and the negative change in provisions of €3 million.

The increase in working capital of €7 million related to operations is due to financial flows generated by projects underway.

Dividends, interest and income taxes received (paid) during the period of €11 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.

Capital expenditure in the first half of 2008 amounted to €979 million. Details of investments by sector are as follows: Offshore (€385 million), Offshore Drilling (€449 million), Onshore Drilling (€112 million) and Onshore (€33 million). Additional information concerning capital expenditure in the first half of 2008 can be found in the 'Operating Review' section.

Cash flow generated by disposals amounted to €323 million.

Research and development

During the first half of 2008, innovation technology activities were implemented as planned. Responsibilities for the development of new technologies and implementation of new initiatives were divided among the three Saipem hubs: Saipem SpA, Saipem sa and Snamprogetti SpA, who were responsible for asset technology, offshore technology and onshore technology, respectively.

Asset technology

The first half of 2008 saw asset technology continue to make an important contribution to the Group's activities, with the implementation of initiatives aimed at ensuring the feasibility of frontier projects, improving competitiveness and the reliability of operations, and reducing the environmental impact of construction activities.

Meanwhile work progressed rapidly on the detailed design of the main technical systems and subsystems for the launch and production facilities of the new pipelay vessel.

Work also began on the enhancement of the J-lay tower of the Saipem 7000 with the objective of equipping the vessel for carrying out complex projects involving the installation of international pipeline connections in deep waters.

Other (lower priority) R&D activities carried out during the period regarded high-capacity/quality welding, and the development of innovative Field Joint Coating systems and techniques for performing critical operations such as laying/installing long pipelines using towing.

In addition, successful tests were carried out on an instrument known as EAR (Extended Acoustic Radar), which uses acoustic wave propagation technology to detect objects that may have fallen inside pipelines during the laying phase.

In drilling, operational support studies and specialist support to projects relating to the new semi-submersible drilling rigs Scarabeo 8 and Scarabeo 9 continued, while a study for the optimisation of a riser string for ultra deep waters (over 3,000 metres) is underway. At present configuration and operating strategies are being studied.

Eight patent applications were lodged during the first half of 2008.

Offshore technology

The aim of offshore technology is to develop improved solutions (in terms of architecture, concepts and technologies) for oil and gas field development in deep and ultra deep waters.

R&D activities carried out in the period in the subsea process and SURF (Subsea, Umbilical, Riser e Flowline) areas – which were closely followed and supported by Clients – focused on the following:

- development of solutions for liquid/liquid separation processes in deep waters. Two tests were planned during the period and will be conducted in the second half of 2008;
- development of a gas/liquid separation system. On the basis of activities commenced in 2007, preliminary studies and calculations were carried out for an innovative gas/liquid separation system for ultra deep water applications. The studies will lead to the preparation of a qualification/test programme for which preliminary tests will be conducted at end 2008/beginning of 2009;
- the development of new architectures to provide competitive long tie-back and heavy oil fields solutions. 2008 activities will focus on specific Client requests, with a preliminary screening stage to select the best architectures and a technology gap analysis;

- integration of solutions for energy electrical production within subsea process activities, particularly long distance electric power transmission and subsea electric power distribution;
- important test/qualification programs for SURF developments: development of new flowlines and risers, and thermal insulation and anti-corrosion technologies for subsea pipelines in deep waters.

The period saw the following activity in the FPSO segment:

- renewed Client interest in dry tree solutions (Well-head Barge) for specific applications (in West Africa);
- maturation of the market for offshore regasification solutions, with Saipem being awarded its first FSRU (Floating Storage Regasification Unit) project;
- implementation of preliminary offshore LNG projects, in particular relating to floating liquefaction units. Activities relating to floating liquefaction are underway for a number of Clients, with feasibility or pre-FEED studies being carried out for small and medium scale LNG FPSO. Major contracts were assigned regarding specific liquefaction processes, based especially on nitrogen cycles;
- new activities were commenced in connection with ocean energy recovery, with analyses of thermodynamic cycles carried out in collaboration with Clients and universities.

Work was carried out during the period on the following projects in the renewable energy source sector:

- installation of a prototype tidal energy conversion plant off the coast of Brittany in France. The prototype is due to be removed in autumn 2008;
- involvement in a cost optimisation programme for a wave energy conversion system;

- various studies for offshore aeolic plants (market analysis, solutions for foundations) and solutions for floating aeolic plants (preparations for a publicly funded research programme);
- CO₂ management research projects, with the specific objective of CO₂ storage in deep saline aquifers. These projects are partially financed by public bodies and are carried out in conjunction with industrial and academic partners;
- activities related to large-scale offshore energy storage systems in cooperation with universities.

Onshore technology

Snamprogetti, which carries out most of the onshore technology activities in the Saipem Group, continued to pursue its objectives of: improving its proprietary technologies that are already on the market, optimising partner/supplier technologies in support of its own EPC activities, and developing new proprietary technologies.

The main results achieved in this area during the first half of 2008 were as follows:

- work at the Sannazzaro refinery on the development of a technology for the dehydrogenation of light hydrocarbons was intensified with a view to rapid application. The technology was derived from the styrene monomer production technology developed recently in collaboration with Dow Chemical. Experiments on a pilot plant at Eni R&M's Bolgiano laboratories produced excellent results in terms of conversion and selectivity for the dehydrogenation of C₄ paraffins. Tests are due to continue in the second half of the year using hydrocarbon mixtures of the kind available at the Sannazzaro refinery;
- in connection with the technology for the production of high-octane components, the new ETBE plant at

Copesul (Brazil) was successfully launched, using a new proprietary liquid dispenser inside the reactor to ensure production output remains unvaried. The plant was converted from the production of MTBE, which can no longer be exported. The technology will be next applied in the revamping of the Ravenna plant;

- following the development with the US company ATI Wah Chang of the Omegabond advanced tubing technology for Snamprogetti's proprietary urea synthesis technology, GPIC (Bahrain) and Fauji (Pakistan) issued purchase orders for the technology's first two industrial applications.

Finally, the support for Eni's research and development activities continued:

- development of the preliminary engineering for the application of EST technology in the plant proposed in Eni's Sannazzaro refinery and feasibility studies on the application of EST technology in Eni target sectors/markets;
- as part of the Eni research project for the reduction of greenhouse gases, Snamprogetti will carry out environmental monitoring on the pilot geological sequestration of CO₂ Eni is planning at its Cortemaggiore site;
- following the creation of the Eni/Enel working group for the joint CO₂ capture and sequestration project, Snamprogetti will provide support by conducting feasibility studies on the first integrated plant built in Italy.

Quality Assurance, Health, Safety, the Environment and Sustainability

Quality

The first half of 2008 saw all Saipem Group companies continue to fulfil their commitment to ensuring the implementation of the principles of the Group Quality Policy in the management of projects of all types and complexities and in the coordination of organisational processes.

Significant progress was made, with the direct involvement of top management, in defining improvement targets for Group companies and in identifying indicators for monitoring the performance of organisational processes and projects, including the use of the continuous measurement of Client satisfaction levels.

To ensure compliance with market requirements and international standard ISO 9001:2000, advanced project quality management and quality control tools were implemented, while, rigorous recruitment, selection and induction procedures and activities aimed at ensuring the appointment of qualified human resources capable of bringing proven added value to the Group were applied.

The following initiatives continued or were commenced during the first half of 2008:

- continued integration of the Saipem and Snamprogetti Quality Management procedures and systems;
- mapping and redefinition of all Snamprogetti performance indicators for projects and permanent processes;
- issue of sector specific Quality bulletins to raise the awareness of Saipem personnel with regard to new improvement initiatives launched in 2008;

- development of integrated methods for carrying out design reviews which also deal with interfaces with construction and installation processes;
- significant increase in support for vessel investment projects in terms of management approach and careful, accurate control and monitoring of suppliers and yards;
- extension of management review of quality management system to staff processes, through the involvement of asset function management;
- creation of a QHSE intranet portal for sharing Best Practices and Lessons Learned at Group level;
- definition of structured procedures for gathering, capitalising on and sharing experiences acquired within Onshore Process Engineering departments using the Lessons Learned work process and software. Consolidation of methods used for gathering and managing Offshore Engineering Lessons Learned, particularly in relation to projects in remote areas and hostile environments;
- implementation on main offshore vessels of quality management and control systems for maintenance and upgrading activities;
- implementation of new training and awareness programmes aimed at Saipem personnel, such as the 'Focus on Quality', an e-training initiative designed to familiarise personnel from the Asset, Drilling and Offshore Construction areas with the ISO 9001 standard and the Saipem Quality Management System;
- continued support with the implementation of internal initiatives aimed at improving operating processes used in the management of EPIC projects;
- training on key quality issues for main offices and project personnel;
- consolidation of brainstorming methodologies as part of system/project training;

- start of integrated audit activities on projects, with special focus on the level of application of the Golden Rules defined by Top Management;
- increased auditing of/follow-up on main suppliers of materials and services, through direct involvement of Project Managers and relevant technical functions;
- monitoring of measuring instruments and related management/calibration procedures for construction yards and construction and drilling vessels, with special focus on savings achieved through optimisation of calibration procedures;
- continuous improvement and circulation at Group level of tools and methodologies for monitoring and measuring Quality Management System processes and analysing related trends;
- support from all disciplines with the definition and implementation of quality control and management activities for new fabrication yards;
- update of integrated construction system (SICON) to include all new customised quality control standards for Aramco and Pipelines;
- development by quality coordination personnel of periodic assessment/self-assessment forms for onshore projects;
- six-monthly knowledge sharing meetings for Drilling BU quality personnel.

The following Client Satisfaction monitoring initiatives were pursued during the period:

- beginning of data collection for the evaluation of satisfaction levels of internal Clients in the Asset area. Planning for the development of similar methods to be used in Procurement;
- meetings held with a number of offshore engineering/onshore project Clients to analyse performance and services provided;
- interviews with the Client's project teams for onshore projects carried out by the hubs of San Donato Milanese and Fano (Italy).

Health

In Health, the first half of 2008 saw the continuation of the integration of Snamprogetti into the Saipem Health Management System. All personnel leaving for foreign locations, whether on an assignment or under contract, receive training and information, and must pass a medical examination to obtain a Medical Fitness Certificate. The Occupational Health Team schedules preventive/periodic check ups as part of the health surveillance programme.

Following a marked increase in the number of medical examinations, the process for the accreditation of medical facilities with the SIMEL department is currently being revised, with a view to better meeting individual requirements. With this in mind, detailed plans for a collaboration with the Occupational Medicine section of Milan's San Raffaele-Resnati hospital have already been drawn up.

The programme of rationalisation currently underway in Italy will also have an impact on the figure of the Company Doctor (Medico Competente). Appointments are in fact currently being 'regionalised' in order to achieve compliance with the requirements of the new consolidated act on health and safety in the workplace (81/2008).

The health surveillance programme for computer monitor risk at the 3rd and 4th Palazzo Uffici, San Donato Milanese, is progressing. Personnel are required to take an eye-test, undergo a medical examination and have an interview with the Company Doctor.

Job-specific health guidelines have been created for personnel working on Italian sites in order to ensure that their health is constantly monitored. A specific protocol for personnel that travel frequently to Italian work sites on assignments has also been created.

In accordance with the new consolidated act on health and safety in the workplace, a register of carcinogens has been introduced at the Fano offices, in collaboration with Snamprogetti Prevention and Protection Services, for those activities that require it. The new Saipem central health archive has been set up at the 3rd Palazzo Uffici.

Meanwhile, the health portal is now fully operational for both medical personnel and public users. Useful guides to managing health issues in accordance with Saipem Standards have been published on the portal in order to assist health personnel in their daily duties. Access to the portal has been made user-friendly, to ensure that workers can easily obtain all of the

information they need on Saipem's approach to Health issues.

Saipem health functions are in the process of implementing a proactive prevention programme for all workers exposed to modifiable and non-modifiable risk factors for cardiovascular disease. The programme has been designed to involve all Group employees. The telecardiology service offers specialised assistance and the interpretation of electrocardiograms. Using telemedicine technology, branch medical departments are able to request specialised cardiological assistance, meaning that more accurate follow-ups can be offered for cases requiring constant medical monitoring.

A study of the benefits of anti-malaria chemoprophylaxis in Saipem Offshore units was presented during the period to the International Conference on Health, Safety and Environment in Oil and Gas organised by the Society of Petroleum Engineers (SPE) in Nice.

The anti-smoking campaign was intensified during the period, with the implementation of a massive information programme, including conferences, video presentations and the distribution of leaflets. Saipem, in collaboration with the University of Camerino, organised the postgraduate course, Master In Oil and Gas, Telemedicine and Telepharmacy (MIOGATE). The course is the first Masters programme in the world aimed at health professionals working in the Oil and Gas Industry.

Safety

'Leadership in Safety'

Leadership in Safety is an innovative and highly interactive training program with the far-reaching aim of creating a strong safety culture within Saipem.

The first half of the year saw a large number of Leadership in Safety Workshops held.

The Leadership in Safety programme has been rolled out within the Group internationally, thanks to the efforts of the LiS facilitators in organising the workshops. 100 workshops were organised and more than 1,500 people participated – statistics which confirm that excellent progress is being made.

To help with the process of transforming our leaders into fully fledged safety leaders, additional support tools have been created for their professional self development. One of these tools is the 'Safety Leadership Profiler', a web-based questionnaire that allows leaders to understand the focus they personally give to different safety leadership practices, enabling them to take a clear direction in self development process.

Other features of the program include the Five Stars - Safety Intervention Tool, which has been developed to provide Saipem's leaders with an effective structure for delivering positive reinforcing feedback for safe behaviours and for taking action when unsafe acts are observed.

Another key learning tool created exclusively for the workshops is a leadership in safety film called 'The Safer, the Better'. This film provides interactivity throughout the workshop, showing scenes at strategic points to prompt group discussion, exercises and simulations.

New Italian safety legislation

2008 presented Saipem with the task of addressing significant changes in Italian safety legislation Legislative Decree 81/2008, the consolidated act on health and safety in the workplace, which was 'previewed' in enabling statute 123/2007, and which came into force on May 15, 2008, confirmed the new requirements introduced under the statute and also brought with it some additional changes.

Saipem began immediately to act to achieve compliance with the new requirements, implementing checks to identify the most critical areas in home offices and on external activities. The compliance process has already involved (and will continue to involve) a large number of Group departments and offices (e.g. Procurement, in relation to contract management and the definition of safety costs).

GAP Analysis

In parallel, the Saipem Prevention and Protection Service (SPP) launched an internal analysis of the current state of compliance with safety laws and regulations for the entire company. Any gaps identified will be used as the basis of a programme for rapid corrective action. Critical areas will be given priority. The first Gap Analysis (which will also prove useful in terms of assessing the effectiveness of the process, and improving the methods of enquiry used) is currently being conducted for the Asset department. If the first analysis is completed satisfactorily, an analysis of the whole Group will be conducted.

Safety training for Datori di Lavoro ('Employers')

Another important area of activity during the period concerned efforts to increase knowledge and awareness of the new safety legislation and the responsibilities of the principal safety positions, which under the legislation are the Employers, Senior Managers and Supervisors.

A series of training programmes were launched, with the objective of increasing involvement, awareness and responsibility in relation to safety issues.

Industrial Hygiene Campaign - Occupational and environmental monitoring (noise, vibrations)

Starting in September 2007, Saipem began to carry out monitoring of the work environments in its fleet and production sites/plants. The new campaign integrated the work carried out during the previous campaign, which focused on asbestos, noise and vibrations, and included analyses of.

- indoor microclimates, including air quality analyses and detection of airborne pollutants in accommodation;
- chemical risk;
- manual load handling;
- electromagnetic fields.

To ensure maximum protection and guarantee the completeness and effectiveness of the Industrial Hygiene Campaign and compliance with national and international regulations regarding health and safety at work, all Saipem personnel were given training on the following issues:

- noise exposure;
- vibration exposure;
- manual load handling.

The completeness and effectiveness of the training provided was evaluated using Course Assessment Forms completed by the participants, which measured levels of participation and knowledge acquired.

Other significant initiatives conducted during the first half of 2008 included:

- consolidation of HSE in design skills;
- HSE checks on the design of new offshore vessels included in Saipem investment plans;
- OHSAS 18001 certification of Saipem Contracting Nigeria Ltd's Health and Safety System;
- HSE Audits on projects and sites operating.

These activities, together with other supporting objectives defined in the 2008 safety plan have the aim of meeting the ambitious target set for 2008 of zero fatal incidents and a 15% reduction in accidents.

The Environment

In the first half of 2008, Saipem continued to work towards reducing and minimising environmental impacts through the development, implementation and continuous improvement of its management system and auditing and training activities.

The main activities carried out during the period were as follows:

- monitoring of atmospheric emissions, mainly on offshore vessels, to verify the emission factors used in environmental reporting and checking compliance with the requirements of MARPOL 73/78 Annex VI;
- implementation of Eni Corporate greenhouse gas accounting software (opsGHG);
- ISO 14001 certification of Saipem Contracting Nigeria Ltd's Environment System;
- increase in ISO 14001 certified operating companies;
- monitoring of environmental performance through consolidation of environmental KPI monitoring system;
- revision of models used to calculate atmospheric emissions from results of monitoring;
- environmental impact study relating to the use of an FPSO for the development of the Aquila field.

Sustainability

The start of 2008 saw the publication of the first Saipem Sustainability Report, certified by PricewaterhouseCoopers. The completed report was result of the hard work and commitment of all those involved in its production, all the Saipem operating companies and all Saipem projects worldwide. Saipem intends to involve Stakeholders in the preparation of the 2008 Sustainability Report, by canvassing their opinions of the completed report. GfK Eurisko, domestic and world leader in the field of market research, has been engaged to gather the necessary data, the results of which will be applied in the production of the following report, with a view to achieving continuous improvement.

Saipem's commitment to Sustainability was demonstrated in 2008 in its continued efforts on a number of local level initiatives. The month of May saw the organisation of an awards ceremony in Lima for a project that was launched in 2007 in collaboration with Petrex and with the participation of two local NGOs that work with disadvantaged children.

The period also saw the implementation of two related initiatives designed to foster sustainable communication within the Saipem Group and encourage participation and the exchange of information and experiences: the creation of a newsletter entitled 'Saipem Group Sustainability Talent News', containing articles from Saipem offices and projects around the world, and the introduction of a special section of the QHSE portal dedicated to 'Newsletters from Saipem world'. Finally, a number of new Sustainability case studies regarding specific geographical areas are due to be published within the year.

Human resources

The Organisation department focused its efforts during the first half of the year on the optimisation of the Group organisational structure.

In particular, the department reviewed the organisational structure of the Offshore Business Unit and:

- confirmed the business model under which the Offshore Area Manager is assigned full commercial and executive responsibility for the initiatives and projects implemented in his/her area of competence, with a central overall coordination structure supported by separate functions responsible for providing methodological and specialist coordination and support to the individual areas making up the Offshore business;
- carried out the reorganisation of the areas of the Group dedicated to the acquisition and implementation of 'Floaters and Facilities' and 'Leased FPSO' business, through the creation of the 'Floaters, Facilities and Leased FPSO' business line and the rationalisation/modification of the Saipem SpA, Saipem Energy Services and Saipem sa functions involved in this business.

In addition, the organisational structures of a number of foreign companies, in particular those in the Asia-Pacific area, as well as the subsidiaries Saipem UK Ltd, Saipem Contracting (Nigeria) Ltd and Petromar Lda were reviewed.

Finally, the period saw the launch of two important activities, due to continue in the second half of the year, which will have long-term effects on Saipem's organisational structure:

- the New Saipem Operating Model Development Programme, whose objective is the definition, in a short period of time, of a new Group operating model designed to consolidate and improve operating results;

- the project for the merger by incorporation of Snamprogetti which, once the integration of the two companies has been completed, will lead to a complete redefinition of the organisational structures of Saipem SpA.

As part of the IBIS Programme, harmonisation initiatives have been commenced for a number of processes and activities common to several business areas, such as project documentation management, control cost, and construction management, with the aim of identifying best practices at Group level, and defining common models and support applications.

With regard to the integration of Saipem and Snamprogetti professional roles, work continued during the period on the fine-tuning of the Professional Roles System, with the identification of specific requirements, particularly in Engineering, Process, QHSE, Procurement, Project Management and Construction.

A large proportion of the organisational development activities carried out during the period were concerned with the development of EPC capabilities at the India Hub, specifically:

- revision of the organisational structure of SIP in accordance with the EPC development model;
- beginning of integration of Procurement and commercial activities;
- revision of selection strategy and processes and launch of Employer Branding and internal and external communication activities;
- mapping of existing and/or lacking critical skills and beginning of training and development activities for development of the skills required for autonomous management of EPC projects;
- revision of retention strategies and systems and introduction of performance appraisal systems for critical resources.

Selection, training, development and compensation in the first half of 2008 were affected by the dynamic labour market in the Oil & Gas industry services sector. The strategies adopted in this regard prioritised the search and creation (using innovative methods) of the professional skills necessary for the current phase of development of the business, and the retention of holders of critical know-how.

The recruitment and selection of young graduates from Italian universities continued during the period through the partnership with Eni Corporate University aimed at establishing long-term relationships with Italian and overseas universities. Investments also continued to be made in specialised Masters courses, particularly in Italian universities, with the objective of developing specific skills useful for Saipem's business that are not currently available on the market. In this connection, the following students have been recruited: 6 students from the Second Level (specialised) Masters in Subsea Electro-acoustics, in association with the University of Pisa and the Italian Navy; 8 students from the First Level Masters on Safety Management in the Oil & Gas Industry at Aquila University; 3 students from the Second Level Masters in Oil & Gas Law and Economics at Cattolica University; 2 students that participated in the MEDEA Masters course in 2007-2008.

Special focus on 'early recruitment' of high school graduates for participation in special training and development programmes tailored to prepare them for technical positions within Saipem:

- creation of a Saipem School in Rome (in collaboration with the Consortium ELIS) for 30 young graduates of technical institutes from central and southern Italy, who participated in classes of a general nature, such as team work, communication and English, as well as technical lessons taught by

- Saipem managers from the company functions in which the students will carry out their internships;
- launch of a project (with the support of the Milan municipal authorities and the Central Directorate for Labour and Employment Policies and the Labour Market Observatory) involving the participation of 15 technical institutes from the Milan municipal area with the objective of presenting Saipem as a potential employer and establishing innovative training-work relationships with the institutes in question;
- start of a collaboration organised through the Snamprogetti Fano offices with technical institutes from Pesaro and Ancona which takes advantage of the schools' didactic autonomy to give the syllabuses for classes III, IV and V an Oil & Gas industry focus, with a view to accelerating and simplifying students' post-diploma recruitment within the company.

The recruitment portal eFesto, which is currently in the process of being implemented for overseas offices and companies, starting with Romania, UK and India, has become fully operational.

The planning of training activities is also influenced by the adopted selection strategy, which it aims to complement and support. The training activities carried out during the first half of 2008 included the following:

- completion of the planning of a 2-year training course for Onshore Site Assistants aimed at young high school graduates, starting in September;
- presentation of the business plan for the creation of a training centre in India for the recruitment and training of resources for cost control, planning, QA/QC, HSE, contract management and administration roles;
- in the drilling sector, completion of a course for Subsea Drilling Engineers and the start of a new

course for assistant drilling superintendents at the Cortemaggiore training facilities;

- definition, for the Offshore sector, as an integral part of the Group's recruitment and development plans, of training plans for critical roles such as Field Engineer, Marine Operations Superintendent and Hook-Up & Commissioning Engineer, involving technical/ professional and managerial training and a detailed 'on-the-job-training' programme with its own dedicated appraisal and monitoring system.

The Project Management course, which leads to participants receiving international Project Manager certification, was successfully implemented in overseas offices.

The collaboration with Eni Corporate University continued to ensure strong ties with academic institutions, with the period seeing the start of the second edition of the Masters in General Management for recently appointed senior managers.

In view of the growing difficulty of identifying resources on the external labour market possessing the necessary know-how and capabilities, human resources development activities were above all focused on resource retention and the sharing of technical/ specialist know-how.

Saipem focuses special attention on the identification and monitoring of critical resources with the aim of attracting, retaining and developing such resources.

This activity is also crucial, however, for ensuring the sharing/dissemination of company culture and know-how and for this reason, the Group has concentrated specific efforts in this area both in Italy and abroad, including defining dedicated detailed development and training paths for the specific critical professional areas of offshore construction, onshore construction, and process engineering.

In addition, in order to capitalise on the technical/specialist capabilities and skills existing within the company, promote the dissemination of such skills and increase the visibility of highly-skilled resources, a programme was implemented involving the identification of resources possessing strategic know-how ('Knowledge Owners') and their 'certification'. Certified Knowledge Owners are requested, in the course of their duties, to carry out activities aimed at developing and disseminating their skills, such as the tutoring of young resources from their departments, the formulation of proposals for knowledge/skills development and teaching duties. In view of the strategic value assigned to knowledge development and dissemination, specific management systems and policies have also been introduced for Knowledge Owners.

Compensation in the first half of 2008 saw increased investment in both Italian and foreign personnel

Year		First half	
		Ave. wk. force 2007	Ave. wk. force 2008
2007	(resource units)		
9,209	Offshore	9,259	9,817
16,560	Onshore	16,269	15,029
1,327	Offshore Drilling	1,271	1,551
3,263	Onshore Drilling	3,221	3,695
3,014	Staff positions	2,953	3,160
33,373	Total	32,973	33,252
6,530	Italian personnel	6,431	6,894
26,843	Other nationalities	26,542	26,358
33,373	Total	32,973	33,252
5,493	Italian personnel under open-ended contract	5,367	5,841
1,037	Italian personnel under fixed-term contract	1,064	1,053
6,530	Total	6,431	6,894

Dec. 31, 2007		June 30, 2007	June 30, 2008
(resource units)			
6,608	Number of engineers ⁽¹⁾	6,354	6,806

(1) Following the disposals of the French company Camom sa and the holding in Haldor Topsøe AS, the corresponding number of engineering resources was deducted from June 30, 2007.

compared to previous years in order to maintain a good level of retention. The application of the retention bonus and the deferred bonus increased and the number of incentives available grew. Incentivisation schemes were implemented in a number of geographical areas (Nigeria, Caspian Sea area and the Middle East) and in particular in the drilling sector. An international global grading project was launched, involving the classification of all international resources. The aim of the project was to provide a standard and effective method of benchmarking for all foreign companies which will aid the interpretation of local compensation analyses and the definition of local compensation structures. Finally, support continued on Saipem's local content initiatives, which included the selection and training in Kazakhstan of 38 local engineering graduates, who will be employed in the Groups' business activities in the Caspian Sea area.

In the first half of 2008, Saipem completed negotiations with national energy and maritime trade unions with regard to the following issues:

- Production Bonus for the two-year period 2006-2007, in relation to amounts payable on the basis of profitability and productivity indicators;
- compensation, allowances and benefits for Master Mariners, Chief Engineers and maritime personnel working on 'special-purpose vessels' for the four-year period 2007-2010, with salary increases over the period of 3.5% per annum.

The period also saw the introduction of standard regulations governing pay and shifts for Italian expatriate Saipem and Snamprogetti personnel and the planning of standardisation for a number of administrative processes (working hours, appraisals as per the terms of CCNL/national contract of employment, etc.).

Information technology

The first half of 2008 saw the inclusion in the IT systems of additional companies and projects. Roll-outs progressed for SAP R/3 modules, as per the IBIS plan, at the Trinidad & Tobago office, and at the companies Snamprogetti Sud SpA, Saipem UK Ltd, Saipem America Inc and Global Petroprojects Services AG.

The consolidation of the IBIS standard model was completed, enhanced by adding significant functions gained from the implementation of Snamprogetti's SAP R/3 module. The principal areas of activity were procurement and project control.

The Snamprogetti SpA roll-out plan was revised to take into account the announced merger.

The design phase was completed on the IBIS-based Workload Management System (WMS) – an integrated system for project resource workload planning and control – and implementation is currently taking place. Partial roll-out occurred at Snamprogetti Sud SpA, and full roll-out is expected to take place in October 2008.

The new release of SAP BW for the Data Warehouse application was implemented in the production environment, while the definition of requirements was completed and development started on the new consolidated reporting model.

With regard to business area applications, the use of Intergraph's SmartPlant Material for the management of project materials was consolidated.

Meanwhile, a new IBIS project was launched for the development of a new document management system for managing project documentation and assets that satisfies the requirements of all Saipem companies.

ICT infrastructure activities during the period consisted of updating and upgrading work to improve the performance, availability, accessibility and security of company applications and to support the provision of services that use new web-based technology.

Specific activities carried out during the first half of the year included:

- complete replacement of the data storage infrastructure for Corporate applications and email;
- study of the disaster recovery plan for SAP R/3;
- enhancement of connections to fleet and main sites – in particular the engineering hubs in Fano, Chennai and Sharjah – and the activation of new satellite links to rigs in Algeria.

New cost-saving services introduced during the period include IP telephony – i.e. the transmission of telephone calls over a data network – and 'Business Voice' – an international telephony service that uses the Orange data network in cooperation with Eni. In the first half of the year, IP telephony was implemented at the Fano and Rome offices, while 'Business Voice' was implemented in all the Saipem offices involved in the project.

With regard to ICT governance, the monitoring required to ensure compliance with the Sarbanes Oxley Act and Law 262 has become an integral part of ICT processes. A control system based on the international ISO framework 27001 is currently being implemented with a view to improving the ICT Governance Model.

Risk management

The main risks that Saipem is facing and actively monitoring and managing are the following:

- (i) the market risk deriving from exposure to fluctuations in interest rates and exchange rates between the euro and the other currencies used by the company, and in residual measurement, the risk deriving from the exposure to commodity price volatility;
- (ii) the credit risk deriving from the possible default of a counterparty;
- (iii) the liquidity risk deriving from the risk that suitable sources of funding for the Group's operations may not be available;
- (iv) the operational risk deriving from the occurrence of accidents, malfunctioning, failures with injury to persons and damage to the environment affecting operating and financial results;
- (v) country risk.

During the 2007, Saipem adopted the new Eni policies on managing and controlling financial risks.

Market risk

Market risk is the possibility that changes in currency exchange rates or interest rates will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. Saipem actively manages market risk in accordance with a set of policies and guidelines that provide a centralised model of conducting finance, treasury and risk management operations based on the Group Treasury Structures.

Exchange rate risk

Exchange rate risk derives from the fact that Saipem's operations are conducted in currencies other than the euro and revenues (costs) from a significant portion of operational contracts are denominated in or linked to

non-euro currencies. Revenues and costs denominated in foreign currencies may be significantly affected by exchange rate fluctuations due to conversion differences on specific transactions arising from the time lag existing between the execution of a given transaction and the definition of relevant contractual terms (economic risk) and conversion of foreign currency-denominated commercial and financial payables and receivables (transactional risk). Exchange rate fluctuations affect the Group's reported results and shareholders' equity, as financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro (translation risk).

Saipem's foreign exchange risk management policy is to minimise economic and transactional exposures arising from foreign currency movements. Saipem does not undertake any hedging activity for risks deriving from translation of foreign currency denominated profits or assets and liabilities of subsidiaries which prepare financial statements in a currency other than the euro, except for single transactions to be evaluated on a case-by-case basis.

In compliance with International Financial Reporting Standards (IFRS), Saipem hedges net exposure to economic and transactional risk through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated by the Eni Corporate Finance Unit of Eni SpA at fair value on the basis of market prices provided by specialised sources. Planning, coordination and management of this activity at Group level is responsibility of the Saipem Treasury Department, which closely monitors the correlation between derivatives and their underlying flows as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS).

Interest rate risk

The risk exposure arising from interest rate fluctuations within the Saipem Group is associated mainly with long-term financing with variable rates. To reduce this risk, Interest Rate Swaps (IRS) are entered into, as they also ensure a balanced relation between debt at fixed and variable interest rates. Such derivatives are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market prices provided by specialised sources. Planning and management for this activity at Saipem Group level is the responsibility of the Treasury Department.

Credit risk

Credit risk is the potential exposure of the Saipem Group to losses that would be recognised if counterparties failed to perform or failed to pay amounts due. The credit risk arising from the Group's normal commercial operations is controlled by the business units and the administration department on the basis of standard procedures and periodic reporting. As for financial investments and the utilisation of financial instruments, including derivatives, companies adopt the guidelines issued by the Treasury Department of Saipem SpA. At present, Saipem has no significant exposure to credit risk or non-performance/non-payments by counterparties.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group may not be available, or the Group is unable to sell its assets on the market place as to be unable to meet short-term finance requirements and settle obligations causing material financial losses in the case the Group is required to incur additional expenses to meet its obligations or under the worst of conditions a default. Saipem manages liquidity risk by targeting an optimal ratio between equity and total debt consistent with management plans and business objectives including prescribed limits in terms of maximum indebtedness rate and of minimum debt ratio between medium/long-term debt and total debt as well as between fixed rate debt and total medium/long-term debt. This enables Saipem to maintain an appropriate level of liquidity and financial capacity as to minimise borrowing expenses and to achieve an optimal profile of composition and duration of indebtedness. At present, the Group believes it has access to sufficient funding and has also both committed and uncommitted borrowing facilities to

meet currently foreseeable borrowing requirements. Effective management of the liquidity risk has the objective of ensuring both availability of adequate funding to meet short-term requirements and due obligations, and a sufficient level of flexibility in order to fund Saipem's development plans, maintaining an adequate finance structure in terms of debt composition and maturity.

Operational risk

Saipem's business activities conducted in and outside of Italy are subject to a broad range of legislation and regulations, including specific rules concerning activities currently in force in countries in which it operates. In particular, these laws and regulations require the acquisition of a license before operations may commence and the compliance with the health, safety and environment rules. These environmental laws impose restrictions on the types, quantities and concentration of various substances that can be released into the environment and on discharges to surface and subsurface water, and require companies to adopt correct waste management practices. In particular Saipem is required to follow strict operating practices and standards to protect biodiversity when conducting exploration, drilling and production activities in certain ecologically sensitive locations (protected areas). Failure to comply with these requirements is punishable by criminal and civil sanctions. Environmental, health and safety laws and regulations have a substantial impact on Saipem's operations and the expenses and liabilities that Saipem may incur in ensuring they are complied with are expected to remain material to the Group's results of operations or financial position. For this purpose, Saipem adopted guidelines for the evaluation and management of health, safety and environmental (HSE) risks, with the objective of protecting Saipem's employees, the populations involved in its activity, contractors and clients, and the environment and being in compliance with local and international rules and regulations. The ongoing process of identifying, evaluating and mitigating risks is fundamental to HSE management in all phases of the business activity and is performed through the adoption of management procedures and systems tailored to the peculiarities of each business and industrial site and designed to achieve continual improvement of plants and process. Additionally, coding activities and proceduralisation on operating phases reduce the human component in plant risk

management. Operating emergencies that may have an adverse impact on the assets, people and the environment are managed by the business units for each site. These units manage the HSE risk through a systematic way that involves having emergency response plans in place with a number of corrective actions to be taken that minimise damage in the event of an incident. The integrated management system for health, safety and environmental matters is supported by the adoption of a Saipem/Eni Model of HSE operations in all the Divisions and companies of the Saipem Group. This is a procedure based on an annual cycle of planning, implementation, control, review of results and definition of new objectives. The model is directed towards the prevention of risks, the systematic monitoring and control of HSE performance, in a continuous improvement cycle, also subject to audits by internal and independent experts. Saipem's facilities are certified to international environmental standards, such as ISO 14001, OHSAS 18001 and even EMAS. Saipem provides a program of specific training and development for HSE staff in order to:

- promote the execution of behaviours consistent with guidelines;
- drive people's learning growth process by developing professionalism, management and corporate culture;
- support management knowledge and control of HSE risks.

focused on projects, improvement and contingency management;

- provide advice, support and guidelines to the Business Units and projects in identifying and evaluating risks and opportunities in addition to all activities related to the implementation of mitigation and improvement measures, for risk management and optimisation of opportunities;
- define, develop and update tools and methods so as to collate and organise information on lessons learned and make them available to projects;
- ensure adequate training and the necessary support to risk engineers;
- ensure the constant update of guidelines, procedures and Corporate standards, promoting their adherence within Saipem and subsidiary companies.

Country risk

Substantial portions of Saipem's operations are performed in countries outside the EU and North America, certain of which may be politically or economically less stable. Saipem constantly monitors the political, social and economic risk of countries in which it operates or intends to invest. Country risk is mitigated in accordance with guidelines on risk management that Saipem defined in the procedure 'Project Risk Assessment and Management'.

Risk and opportunity and knowledge management

In 2006, the Risk and opportunity and knowledge management department was formally created to:

- promote the use of risk and opportunity knowledge management in tenders and projects driven by the various Business Units;
- ensure the spread of a risk and opportunity and knowledge management culture within Saipem

Additional information

BUY-BACK OF TREASURY SHARES

The Shareholders' Meeting of April 28, 2008 authorised the Board of Directors to purchase up to 1,700,000 treasury shares on the open market, for a maximum outlay not exceeding €58 million, in order to implement the 2008 Stock Option Scheme.

From January 1 to June 30, 2008, the number of treasury shares purchased amounted to 695,300. Following the end of the period, 1,550,000 treasury shares were purchased. On July 25, 2008 the Company held 6,989,819 treasury shares.

Period	Shares (No.)	Average cost (€)	Total cost (€ thousand)	Share capital (%)
Treasury shares bought back				
2003 (from May 2)	2,125,000	6.058	12,873	0.48
2004	1,395,000	7.044	9,826	0.32
2005	3,284,589	10.700	35,146	0.74
2006	1,919,355	18.950	36,371	0.43
2007	848,700	25.950	22,024	0.19
2008	2,245,300	25.836	58,010	0.51
Treasury shares bought back as of July 25, 2008	11,817,944	14.745	174,250	2.67
Less:				
- treasury shares allocated as stock grants		1,365,600		
- treasury shares allocated as stock options	3,462,525			
Treasury shares held as of July 25, 2008	6,989,819	18.887	132,017	1.58

On July 25, 2008, the share capital amounted to €441,410,900. On the same day, the number of shares in circulation was 434,421,081.

INCENTIVE SCHEMES

From 2006, stock grants were replaced by a deferred monetary incentive. The latter, allocated in 2007, may be paid out after a three-year vesting period depending on the achievement of EBITDA annual targets (actual results versus targets) set for the years 2007-2010.

Stock options

In accordance with the AGM resolution of April 28, 2008 and at the proposal of the Compensation Committee, the Board of Directors approved the implementation of the 2008 Stock Option Plan. This, in line with previous Saipem incentive plans, is an incentive tool aimed at improving the loyalty of executive managers directly responsible for Group results and/or holding strategic positions. Specifically, the plan provides for the allocation of a total of 1,339,000 stock options, equal to 0.3% of Saipem's share capital, to 93 Group executive managers, including the Deputy Chairman and CEO, the Managing

Director, and the General Manager of Saipem SpA, who have been assigned 131,000, 63,000 and 30,500 options respectively; and the Chairman of Saipem sa, assigned 63,000 options. The stock purchase price, as determined by the criteria set by the Shareholders' Meeting of April 28, 2008, is €25.87. This is calculated as the higher of the official average share price recorded on the Italian Stock Exchange for the month preceding the date of stock option allocation and the average cost of treasury shares held by the company on the day preceding the date of stock option allocation. Assignees bear the full purchase price, as the plan does not provide for any reductions or concessions. A percentage of allocated options will be exercised as determined by the Board of Directors based on the achievement of the TSR performance of the Saipem share versus its six main international competitors by market capitalisation over the three-year vesting period; individual stock allocations range from 1.5 to 4 times gross annual remuneration, depending on managerial category, while options can be exercised three years after allocation – four years for managers resident in France – for a maximum subsequent period of three years. Options are personal and cannot be disposed of or transferred, although, once purchased, stock can be disposed of without restriction.

Audit Committee

The Audit Committee, in compliance with the Board resolution of November 9, 2000, fulfils a preparatory, consultative and propositive role regarding the general management of the Company. In compliance with the amendments made to the Code in July 2002, the Committee approved the 'Audit Committee Regulations' on February 25, 2003. In accordance with the Regulations, the Chairman of the Board of Statutory Auditors, or an Auditor appointed by the Chairman

takes part in the Committee's activities; meetings can be attended by Saipem's Chairman. The Internal Audit Manager (being the senior manager in charge of the Internal Control System) assists the Audit Committee and carries out duties assigned as part of his/her role. The Internal Audit department, reporting to the Chairman, is responsible for the following: (i) assessing the conformity of accounting and non-accounting criteria and principles, the efficiency of administrative procedures and control systems; (ii) ensuring the implementation and updating of the risk assessment, mapping and classification systems for auditing purposes.

The Audit Committee's responsibilities are: (i) assisting the Board of Directors in the following areas: (a) setting guidelines for the internal control system; (b) periodically checking that it is adequate and operates effectively; (c) ensuring that major risks facing the Company are suitably identified and properly managed; (ii) evaluating, together with the CFO and the External Auditors, the adequacy of accounting principles adopted and their consistency throughout the consolidated financial statements; (iii) assessing together with the External Auditors: (a) accounting principles considered 'critical' for the correct financial and economic representation of Saipem's position; (b) alternative accounting standards provided for by the accounting principles and reviewed with management, the consequences of the application of said alternative standards and related information, as well as the methods preferred by the external auditors; (c) the contents of every relevant written exchange between the external auditors and the Company's management; (d) issues relating to statutory and consolidated financial statements of major Group companies; (iv) evaluating the work programme prepared by the Internal Audit Manager and receiving

from the latter reports, at least quarterly, on work performed; (v) evaluating issues raised in Internal Audit reports, communications from the Board of Auditors or individual Auditors, reports and the management letter issued by the External Auditors, the annual report issued by the Guarantor of the Internal Code of Practice, inquiries and studies by third parties; (vi) assessing offers received from external auditing firms for the award of the auditing contract, the work programmes submitted and works carried out by said auditing firms, including in terms of their independence; (vii) verifying the independence of the External Auditors; (viii) evaluating requests made by departmental managers to utilise the auditing firm appointed to audit the financial statements for non-audit services and formulating proposals in this regard to the Board of Directors.

The Audit Committee convened four times between January 1, 2008 and June 30, 2008. It took note of the Risk Assessment methodology implemented for the definition of the 2008 Integrated Audit Plan, which it approved; examined the audit programmes issued by the Internal Auditing Department and studied and approved their findings; met with the Chief Financial Officer, the Chairman of the Board of Statutory Auditors and the partners of the External Auditing firm to examine the main issues pertaining to the 2007 financial statements; monitored Company activities related to the implementation of accounting processes necessary to implement the new International Financial Reporting Standards (IFRS); monitored the development of the operating model of the Internal Auditing Department; took note of Company activities relating to Law Decree 231/2001, particularly those activities relating to compliance, training and the analysis of sensitive processes; studied in-depth the model for the risk analysis and risk management of the Saipem Group; analysed, on a three-monthly basis, information regarding reports (including anonymous reports) received by Saipem. The Audit Committee reports to the Board of Directors every six months, providing a detailed account of work carried out and the adequacy of the internal control system.

Compensation Committee

The Compensation Committee fulfils a propositive role for the Board of Directors vis-à-vis management incentive systems, the annual remuneration of the Chairman and CEO/Managing Director and the criteria for setting the remuneration of the Group's top management.

During the first half of 2008, the Compensation Committee convened once and carried out the following: reviewed the objectives of the 2008 Group performance and incentive schemes and the results of the 2007 schemes, in view of the allocation of annual and deferred monetary incentives to Group senior managers; proposed the remuneration of the Chairman and the CEO/Managing Director; proposed the 2007 management incentive scheme allocations (stock options, annual and deferred monetary incentives).

SUBSEQUENT EVENTS

New contracts

In July 2008, Saipem was awarded additional orders in the Onshore sector amounting to €4.4 billion. The most important contracts won during this period are:

- for Sonatrach, the EPC-type contract for the new Arzew LNG Train, encompassing the engineering, procurement and construction of a gas liquefaction plant, in Arzew, Algeria. This is the first time that Saipem has been named as the main contractor of a large gas liquefaction (LNG) plant, asserting its reputation as an integrated player, capable of managing large and complex turnkey projects in the high tech market of the LNG sector. The project will be carried out in joint venture with Chiyoda;
- for Saudi Aramco, the EPC contract for package No. 1 of the Manifa Central Processing Facilities (CPF) project, which is part of the Manifa Field Development Program to increase the production capacity of the Kingdom of Saudi Arabia. The contract encompasses the engineering, procurement and construction of three gas/oil separation trains, gas dehydration, crude inlet manifolds and the flare gas system.

Saipem has also been awarded additional works related to projects already ongoing in Nigeria for which the Client requested additional activities not originally included in the initial scope of work.

OUTLOOK

Market conditions in all of the sectors in which the Saipem Group operates are expected to remain favourable for the rest of 2008.

Global spending by the Oil Industry is also expected to remain high in the medium-term, enabling an increase in oil and gas production to meet expected growth in demand.

In light of this positive market scenario, Saipem has set itself the objective of combining rapid growth in order to strengthen its market position with financial results that compare favourably with those of its peers.

Following additional initiatives in the Onshore Drilling sector, the purchase of a tanker for conversion into an FPSO vessel and the enhancement of the firing line of the Saipem 7000 to allow the vessel to lay pipelines in depths of up to 3,000 metres, investments in 2008 are expected to amount to approximately €1.9 billion.

With regard to financial performance, the devaluation of the US dollar – the currency in which approximately 70% of revenues are denominated – has had a negative impact on results due to the translation into euro of revenues and profits originally denominated in US dollars. Both in terms of contracts in the backlog that have already been hedged and those to be awarded, Saipem's average euro/US dollar exchange rate is now

expected, following further devaluation of the US dollar, to 1.46. In 2007 this stood at 1.34 while the estimate at the beginning of the year was 1.41 for 2008. This will negatively impact 2008 revenues by approximately €600 million (versus €400 million estimated at the beginning of the year) and operating profit by approximately €60 million (versus €40 million estimated at the beginning of the year). This notwithstanding, in view of the strong backlog, management expects revenues in the second half of the year – particularly in the Onshore sector – to be higher than in the first half, leading to overall annual revenues in the region of €10 billion, versus €9.3 billion in 2007. In addition, the positive development of the contracts under execution supports and confirms management's expectations of an improvement of at least 20% in operating income and net profit with respect to the 2007 adjusted figures.

Reconciliation of reclassified balance sheet, income statement and cash flow statement

Reclassified balance sheet

Items from reclassified balance sheet (where not stated otherwise, item comply with statutory scheme)	(€ million)		June 30, 2008	
	Partial amounts from statutory scheme	Amounts from reclassified scheme	Partial amounts from statutory scheme	Amounts from reclassified scheme
A) Net tangible assets		3,562		4,291
<i>Note 8 - Property, plant and equipment</i>	3,562		4,291	
B) Net intangible assets		750		750
<i>Note 9 - Intangible assets</i>	750		750	
C) Investments		47		35
<i>Note 10 - Investments accounted for using the equity method</i>	35		28	
<i>Note 11 - Other investments</i>	13		7	
<i>Recl. from E) - Provision for investments losses</i>	(1)		-	
D) Working capital		(219)		(269)
<i>Note 3 - Trade and other receivables</i>	3,333		3,117	
<i>Recl. to I) - Financing receivables held for non-operating purposes</i>	(58)		(113)	
<i>Note 4 - Inventories</i>	998		1,423	
<i>Note 5 - Current tax assets</i>	43		29	
<i>Note 6 - Other current tax assets</i>	228		252	
<i>Note 7 - Other assets</i>	272		278	
<i>Note 12 - Other financial assets</i>	8		14	
<i>Recl. to I) - Financing receivables held for non-operating purposes</i>	(7)		(13)	
<i>Note 13 - Deferred tax assets</i>	61		59	
<i>Note 14 - Other non-current assets</i>	10		11	
<i>Note 16 - Trade and other payables</i>	(4,681)		(4,813)	
<i>Note 17 - Income tax payables</i>	(163)		(231)	
<i>Note 18 - Other tax payables</i>	(73)		(62)	
<i>Note 19 - Other current liabilities</i>	(136)		(154)	
<i>Note 23 - Deferred tax liabilities</i>	(52)		(66)	
<i>Note 24 - Other non-current liabilities</i>	(2)		-	
E) Provisions		(183)		(187)
<i>Note 21 - Provisions</i>	(184)		(187)	
<i>Recl. to C) - Provisions for investments losses</i>	1		-	
Net assets held for sale		203		80
F) Provision for employee benefits		(167)		(172)
<i>Note 22 - Provision for employee benefits</i>	(167)		(172)	
CAPITAL EMPLOYED NET		3,993		4,258
G) Net equity		2,295		2,599
<i>Note 26 - Saipem shareholders' equity</i>	2,295		2,599	
H) Minority interest		4		6
<i>Note 25 - Minority interest</i>	4		6	
I) Net borrowings		1,694		1,923
<i>Note 1 - Cash and cash equivalents</i>	(2,170)		(2,081)	
<i>Note 2 - Other financial assets held for trading or for sale</i>	-		-	
<i>Note 15 - Short-term financial liabilities</i>	3,033		3,198	
<i>Note 20 - Long-term debt</i>	891		927	
<i>Note 20 - Current portion of long-term debt</i>	5		5	
<i>Recl. from D) - Financing receivables held for non-operating purpose (Note 3)</i>	(58)		(113)	
<i>Recl. from D) - Financing receivables held for non-operating purpose (Note 12)</i>	(7)		(13)	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,993		4,258

Reclassified income statement

The only items of the reclassified income statement which differ from the statutory scheme are those stated hereafter:

- revenues related to reimbursements for non-core business services, insurance claims and costs paid by the Client which feature under the statutory scheme as 'other income and revenues' have been recorded as reductions of the corresponding cost items in the reclassified income statement;
- the items 'financial income' and 'financial expenses', which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' in the reclassified income statement;
- items 'effect of accounting for using the equity method' and 'other income (expenses) from

investments' which are indicated separately under the statutory scheme, are stated under the item 'net income from investments' in the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

The reclassified cash flow statement differs from the statutory cash flow statement in the following item:

- the items 'short-term financial receivables' and 'collection and transfer of short-term receivables' stated separately under 'cash flow from investments' in the statutory scheme, are stated under the item 'borrowings (repayment) of debt related to financing activities' in the reclassified cash flow statement.

All other items are unchanged.



Condensed Consolidated Interim Financial Statements

■ Consolidated balance sheet

(€ million)

June 30, 2007		Note (*)	Dec. 31, 2007	of which with related parties	June 30, 2008	of which with related parties
	ASSETS					
	Current assets					
1,540	Cash and cash equivalents	(1)	2,170	1,409	2,081	1,612
-	Other financial assets held for trading or available for sale	(2)	-	-	-	-
3,251	Trade and other receivables	(3)	3,333	822	3,117	647
1,159	Inventories	(4)	998	4	1,423	3
262	Current tax assets	(5)	43	-	29	-
-	Other current tax assets	(6)	228	-	252	-
141	Other current assets	(7)	272	90	278	113
6,353	Total current assets		7,044		7,180	
	Non-current assets					
2,650	Property, plant and equipment	(8)	3,562	-	4,291	-
805	Intangible assets	(9)	750	-	750	-
137	Investments accounted for using the equity method	(10)	35	-	28	-
6	Other investments	(11)	13	-	7	-
13	Other financial assets	(12)	8	8	14	13
37	Deferred tax assets	(13)	61	-	59	-
32	Other non-current assets	(14)	10	3	11	-
3,680	Total non-current assets		4,439		5,160	
356	Assets classified as held for sale	(44)	203	-	80	-
10,389	TOTAL ASSETS		11,686		12,420	
	LIABILITIES AND SHAREHOLDERS' EQUITY					
	Current liabilities					
2,335	Short-term debt	(15)	3,033	2,660	3,198	2,858
37	Current portion of long-term debt	(20)	5	-	5	3
4,607	Trade and other payables	(16)	4,681	248	4,813	273
184	Income tax payables	(17)	163	-	231	-
-	Other current tax payables	(18)	73	-	62	-
68	Other current liabilities	(19)	136	96	154	111
7,231	Total current liabilities		8,091		8,463	
	Non-current liabilities					
822	Long-term debt	(20)	891	400	927	436
157	Provisions	(21)	184	-	187	-
153	Provision for employee benefits	(22)	167	-	172	-
53	Deferred tax liabilities	(23)	52	-	66	-
-	Other non-current liabilities	(24)	2	-	-	-
1,185	Total non-current liabilities		1,296		1,352	
228	Liabilities directly associated with assets classified as held for sale		-	-	-	-
8,644	TOTAL LIABILITIES		9,387		9,815	
	SHAREHOLDERS' EQUITY					
5	Minority interest	(25)	4	-	6	-
1,740	Saipem shareholders' equity:	(26)	2,295	-	2,599	-
441	- share capital	(27)	441	-	441	-
55	- share premium reserve	(28)	55	-	55	-
188	- other reserves	(29)	128	-	168	-
862	- retained earnings		873	-	1,525	-
268	- net profit for the period		875	-	501	-
(74)	Treasury shares	(30)	(77)	-	(91)	-
1,745	Total shareholders' equity		2,299		2,605	
10,389	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,686		12,420	

(*) The notes constitute an integral part of the condensed consolidated interim financial statements.

■ Consolidated income statement

(€ million)

Year 2007		Note (C)	First half 2007	of which with related parties	First half 2008	of which with related parties
	REVENUES					
9,530	Net sales from operations	(32)	4,735	475	4,619	494
66	Other income and revenues	(33)	5	3	14	4
9,596	Total revenues		4,740		4,633	
	OPERATING EXPENSES					
(7,078)	Purchases, services and other	(34)	(3,523)	(36)	(3,308)	(35)
(1,370)	Payroll and related costs	(35)	(669)		(673)	
(281)	Depreciation, amortisation and impairment	(36)	(139)		(163)	
(8,729)	Total operating expenses		(4,331)		(4,144)	
867	OPERATING PROFIT		409		489	
	Finance income (expense)					
834	Finance income		406	47	586	132
(939)	Finance expense		(463)	(95)	(635)	(169)
(105)	Total finance income (expense)	(37)	(57)		(49)	
	Income (expense) from investments					
56	Share of profit (loss) of investments accounted for using the equity method		25		7	
305	Other gain (loss) from investments		3		188	
361	Total income from investments	(38)	28		195	
1,123	PROFIT BEFORE INCOME TAXES		380		635	
(245)	Income taxes	(39)	(111)		(131)	
878	NET PROFIT		269		504	
	Attributable to:					
875	- Saipem		268		501	
3	- minority interest	(40)	1		3	
	Earnings per share attributable to Saipem (€ per share)					
2.00	Basic	(41)	0.62		1.16	
1.98	Diluted	(41)	0.61		1.14	

(*) The notes constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in shareholders' equity

Saipem shareholders' equity

(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve	Cumulative currency translation differences	Retained earnings	Net profit for the period	Treasury shares	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2006	441	55	7	65	16	67	(13)	632	384	(73)	1,581	4	1,585
Net profit for the first half of 2007	-	-	-	-	-	-	-	-	268	-	268	1	269
Gains (losses) recognised directly in equity													
Change in the fair value of cash flow hedging derivatives net of tax	-	-	-	-	-	20	-	-	-	-	20	-	20
Foreign currency translation differences	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Total	-	-	-	-	-	20	(5)	-	-	-	15	-	15
Transactions with shareholders													
Dividend distribution	-	-	-	-	-	-	-	-	(126)	-	(126)	-	(126)
Retained earnings and transfer to legal reserve	-	-	-	7	-	-	-	251	(258)	-	-	-	-
Treasury shares repurchased	-	-	-	-	24	-	-	(24)	-	(1)	(1)	-	(1)
Other changes in shareholders' equity													
Cost related to stock options/grants	-	-	-	-	-	-	-	3	-	-	3	-	3
Total	-	-	-	7	24	-	-	230	(384)	(1)	(124)	-	(124)
Balance at June 30, 2007	441	55	7	72	40	87	(18)	862	268	(74)	1,740	5	1,745
Net profit for the second half of 2007	-	-	-	-	-	-	-	-	607	-	607	2	609
Gains (losses) recognised directly in equity													
Change in the fair value of cash flow hedging derivatives net of tax	-	-	-	-	-	21	-	-	-	-	21	-	21
Investments carried at fair value	-	-	-	-	-	-	-	6	-	-	6	-	6
Foreign currency translation differences	-	-	-	-	-	-	(60)	-	-	-	(60)	-	(60)
Total	-	-	-	-	-	21	(60)	6	-	-	(33)	-	(33)
Transactions with shareholders													
Treasury shares repurchased	-	-	-	-	(6)	-	-	6	-	(3)	(3)	-	(3)
Other changes in shareholders' equity													
Cost related to stock options/grants	-	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Currency translation differences deriving from the distribution of dividends and other changes	-	-	-	-	-	-	(15)	4	-	-	(11)	(3)	(14)
Total	-	-	-	-	(6)	-	(15)	5	-	(3)	(19)	(3)	(22)
Balance at December 31, 2007	441	55	7	72	34	108	(93)	873	875	(77)	2,295	4	2,299

■ Consolidated statement of changes in shareholders' equity *cont'd*

	Saipem shareholders' equity												
	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve	Cumulative currency translation differences	Retained earnings	Net profit for the period	Treasury shares	Total	Minority interest	Total shareholders' equity
(€ million)													
Balance at December 31, 2007	441	55	7	72	34	108	(93)	873	875	(77)	2,295	4	2,299
Net profit for the first half of 2008	-	-	-	-	-	-	-	-	501	-	501	3	504
Gains (losses) recognised directly in equity													
Change in the fair value of cash flow hedging derivatives net of tax	-	-	-	-	-	35	-	-	-	-	35	-	35
Investments carried at fair value	-	-	-	-	-	-	-	(6)	-	-	(6)	-	(6)
Foreign currency translation differences	-	-	-	-	-	-	(32)	-	-	-	(32)	(1)	(33)
Total	-	-	-	-	-	35	(32)	(6)	-	-	(3)	(1)	(4)
Transactions with shareholders													
Dividend distribution	-	-	-	-	-	-	-	-	(192)	-	(192)	-	(192)
Retained earnings and transfer to legal reserve	-	-	-	15	-	-	-	668	(683)	-	-	-	-
Treasury shares repurchased	-	-	-	-	24	-	-	(24)	-	(14)	(14)	-	(14)
Other changes in shareholders' equity													
Cost related to stock options/grants	-	-	-	-	-	-	-	4	-	-	4	-	4
Currency translation differences deriving from the distribution of dividends and other changes	-	-	-	-	-	-	(2)	10	-	-	8	-	8
Total	-	-	-	15	24	-	(2)	658	(875)	(14)	(194)	-	(194)
Balance at June 30, 2008 (Note 26) (*)	441	55	7	87	58	143	(127)	1,525	501	(91)	2,599	6	2,605

(*) The notes constitute an integral part of the condensed consolidated interim financial statements.

■ Consolidated cash flow statement

(€ million)	First half 2007	First half 2008
Net profit for the period	268	501
Minority interest	1	3
Depreciation and amortisation	139	163
Impairments (write-ups)	(15)	-
Net change in provisions	(12)	(3)
Net change in the provision for employee benefits	(5)	5
Losses (recoveries) on financing receivables	(1)	(10)
Losses (gains) and impairment losses/reversals receivables from disinvesting activities	(1)	-
Losses (gains) on the sale of consolidated investments	-	4
Losses (gains) on investments accounted for using the equity method	-	(8)
Gain on disposal of assets, net	-	(188)
Dividend income	(4)	(1)
Interest income	(19)	(59)
Interest expense	32	86
Unrealised exchange (gains) losses	11	25
Current and deferred income taxes	111	131
<i>Cash generated from operating profit before changes in working capital</i>	505	649
(Increase) decrease:		
- inventories	(106)	(425)
- trade and other receivables	54	246
- other assets	30	(17)
- trade and other payables	172	132
- other liabilities	(35)	75
<i>Cash from operations</i>	620	660
Dividends received	43	24
Interest received	26	59
Interest paid	(31)	(86)
Income taxes paid	(195)	(8)
Income tax refunds and credits	21	-
Realised exchange gains or losses on dividends	(1)	(4)
Net cash provided by operating activities	483	645
- of which with related parties	292	626
Investing activities:		
- intangible assets	(2)	(4)
- tangible assets	(519)	(974)
- short-term financing receivables	(6)	-
- long-term financing receivables	(43)	-
- investments	-	(1)
<i>Cash flow from investing activities</i>	(570)	(979)
Disposals:		
- tangible assets	4	46
- collection and transfer of short-term financing receivables and other short-term financial assets	30	-
- investments	-	282
- other changes relating to disposals	-	(5)
<i>Cash flow from disposals</i>	34	323
Net cash used in investing activities	(536)	(656)
- of which with related parties	-	-

■ Consolidated cash flow statement *cont'd*

(€ million)	First half 2007	First half 2008
Net repurchase of treasury shares	(6)	(14)
Proceeds from short-term finance debt	378	(61)
Proceeds from long-term finance debt	18	36
Repayments of short-term finance debt	(60)	-
Repayments of long-term finance debt	(32)	-
Increase (decrease) in short-term finance debt	102	165
Dividends paid	(126)	(192)
Return of capital to minority interest	-	(1)
Net cash used in financing activities	274	(67)
<i>- of which with related parties</i>	<i>(434)</i>	<i>232</i>
Currency translation differences relating to cash and cash equivalents	4	(5)
Effect of changes in the consolidation area and other changes	(7)	(6)
Net cash flow for the period	218	(89)
Cash and cash equivalents - beginning of the period	1,322	2,170
Cash and cash equivalents - end of the period	1,540	2,081

■ Basis of presentation

The Condensed Consolidated Interim Financial Statements of Saipem have been prepared in accordance with IAS 34 'Interim Financial Reporting'. This report includes a complete set of financial statements and selected explanatory notes. The Condensed Consolidated Interim Financial Statements have been prepared in accordance with the same principles of consolidation and evaluation criteria described in the Annual Report 2007.

Income taxes were calculated based on the estimated taxable profit. Tax payables and receivables were measured at the amount expected to be paid to/recovered from tax authorities, applying tax laws that have been enacted or substantively enacted at the end of the period and using tax rates estimated on an annual basis.

Consolidated companies, non-consolidated subsidiaries, associates and relevant shareholdings as set forth in Article 126 of Consob Resolution 11971 of May 14, 1999 and subsequent addenda, are indicated in the section 'Consolidation area'. This section also shows the changes in the consolidation area during the period.

The Condensed Consolidated Interim Financial Statements at June 30, 2008, were approved by Saipem's Board of Directors on July 29, 2008 and a limited review has been carried out by the independent auditor PricewaterhouseCoopers SpA (PwC). A limited review is substantially less in scope than an audit performed in accordance with generally accepted auditing standards.

Data relating to the first half of 2007 has been restated for comparative purposes.

■ Foreign currency translation

Financial statements of consolidated companies denominated in currencies other than the euro are converted into euro applying: (i) period-end exchange rates to assets and liabilities; (ii) historical exchange rates to equity accounts; and (iii) average rates for the period to the income statement (source: Bank of Italy).

Exchange rate differences deriving from the application of different exchange rates for assets and liabilities, shareholders' equity and income statement are recognised in equity under the item 'Cumulative currency translation differences' for the portion relating to the Group's interests and under the item 'Minority interest' for the portion related to minority shareholders. Upon the disposal of the investments or repayment of the capital employed, the reserve is taken to the income statement.

The financial statements translated into euros are those denominated in the functional currency, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.

The exchange rates applied for the translation of financial statements in foreign currencies are as follows:

Currency	Exchange rate at Dec. 31, 2007	Exchange rate at June 30, 2008	2008 average exchange rate
US Dollar	1.4721	1.5764	1.53042
British Pound Sterling	0.73335	0.79225	0.775206
Algerian Dinar	98.2547	98.4846	99.7212
Angolan Kwanza	110.43	118.219	114.809
Argentine Peso	4.63693	4.76603	4.80057
Australian Dollar	1.6757	1.6371	1.6546
Azerbaijan Manat	1.24451	1.28621	1.27514
Brazilian Real	2.61078	2.5112	2.59459
Canadian Dollar	1.4449	1.5942	1.54013
Central African CFA Franc	655.957	870.173	842.523
Croatian Kuna	7.3308	7.2365	7.27016
Danish Krone	7.4583	7.4579	7.4579
Dominican Peso	49.6969	53.9759	51.9504
Egyptian Pound	8.13006	8.41127	8.31824
Indian Rupee	58.021	67.7974	62.39
Indonesian Rupee	13,826.7	14,550.2	14,165.9
Kazakhstan Tenge	177.307	190.36	184.47
Malaysian Ringgit	4.8682	5.1509	4.92585
Mexican Peso	16.0547	16.2298	16.2399
Nigerian Naira	174.37	185.728	179.93
Norwegian Kroner	7.958	8.009	7.94907
Peruvian New Sol	4.40894	4.67041	4.35986
Qatar Riyal	5.35894	5.73847	5.56961
Romanian New Leu	3.6077	3.6415	3.67011
Russian Rouble	35.986	36.9477	36.615
Saudi Arabian Riyal	5.52096	5.91122	5.73919
Singaporean Dollar	2.1163	2.1446	2.12281
Swiss Franc	1.6547	1.6056	1.60648
UAE Dirham	5.40656	5.79028	5.6224
Venezuela Bolivar	3,161.04	3,385	3,286.27

■ Use of accounting estimates

For a description of the accounting estimates used see the Annual Report 2007.

■ Consolidation area at June 30, 2008

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle ^(*)
CONSOLIDATING COMPANY							
Saipem SpA	San Donato Milanese	EUR	441,410,900	Eni Corporate SpA Saipem SpA Third parties	42.91 1.34 55.75		
CONTROLLED COMPANIES							
ITALY							
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00		Co.
Ecos Group Srl	Rome	EUR	10,400	Snamprogetti SpA	100.00		E.M.
Intermare Sarda SpA	Tortoli	EUR	6,708,000	Saipem SpA	100.00	100.00	F.C.
Saipem Energy Italia SpA	Venezia	EUR	120,000	Saipem Energy Services SpA	100.00	100.00	F.C.
Saipem Energy Services SpA	San Donato Milanese	EUR	9,020,216	Saipem SpA	100.00	100.00	F.C.
Saipem Projects SpA	San Donato Milanese	EUR	216,500,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti SpA	San Donato Milanese	EUR	103,200,000	Saipem Projects SpA	100.00	100.00	F.C.
Snamprogetti Sud SpA	Vibo Valentia	EUR	5,000,040	Snamprogetti SpA	100.00	100.00	F.C.
ABROAD							
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	322,350,000	Snamprogetti SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Bannorsud - Comercio, Serviços de Consultoria e Investimentos Ltda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	99.99 0.01		E.M.
Boscongo sa	Pointe Noire (Congo)	XAF	200,000,000	Saipem sa Third parties	99.99 0.01	100.00	F.C.
BOS Investment Ltd	London (United Kingdom)	GBP	5,000,000	Saipem sa	100.00	100.00	F.C.
BOS-UIE Ltd	London (United Kingdom)	GBP	3,300,000	BOS Investment Ltd	100.00	100.00	F.C.
Delong Hersent - Estudos, Construções Marítimas e Participações, Unipessoal Lda	Funchal (Portugal)	EUR	5,000	Saipem sa	100.00	100.00	F.C.
Entreprise Nouvelle Marcellin sa	Marseille (France)	EUR	1,018,700	Saipem sa	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
European Maritime Commerce BV	Amsterdam (Netherlands)	EUR	18,000	ERS - Equipment Rental & Services BV	100.00	100.00	F.C.
European Marine Contractors Ltd	London (United Kingdom)	GBP	1,000,000	European Marine Investments Ltd Saipem UK Ltd	50.00 50.00	100.00	F.C.
European Marine Investments Ltd	London (United Kingdom)	USD	20,000,000	Saipem International BV	100.00	100.00	F.C.
Frigstad Discoverer Invest Ltd	British Virgin Islands (United Kingdom)	USD	215,000	Saipem SpA	100.00	100.00	F.C.
Frigstad Discoverer Invest (S) Pte Ltd	Singapore (Singapore)	USD	2	Frigstad Discoverer Invest Ltd	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Guangdong Contractor Snc	Montigny le Bretonneux (France)	EUR	1,000	Entreprise Nouvelle Marcellin sa Third parties	60.00 40.00	60.00	P.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle ^(*)
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	100,000	Services et Equipements Gaziers et Petroliers sa Third parties	55.00 45.00	55.00	E.M.
Hazira Marine Engineering & Construction Management Private Ltd	Mumbai (India)	INR	100,000	Saipem sa Sofresid sa	99.99 0.01	100.00	E.M.
Katran-K Llc	Krasnodar (Russian Federation)	RUB	1,603,800	Saipem International BV	100.00	100.00	F.C.
Moss Arctic Offshore AS	Lysaker (Norway)	NOK	100,000	Moss Maritime AS	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime Inc	Houston (USA)	USD	145,000	Moss Maritime AS	100.00	100.00	F.C.
Moss Offshore AS	Lysaker (Norway)	NOK	20,000,000	Moss Maritime AS	100.00	100.00	F.C.
Nigerian Services & Supply Co Ltd	Lagos (Nigeria)	NGN	40,000,000	Saipem sa	100.00		E.M.
North Caspian Service Co Llp	Almaty (Kazakhstan)	KZT	1,910,000,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Iquitos (Peru)	PEN	100,719,045	Saipem International BV	100.00	100.00	F.C.
Petromar Lda	Luanda (Angola)	USD	357,143	Delong Hersent - Estudos, Construções Marítimas e Participações, Unipessoal Lda Third parties	70.00 30.00	70.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	30,290,000	Saipem International BV	100.00	100.00	F.C.
Sagio - Companhia Angolana de Gestão de Instalações Offshore Lda	Luanda (Angola)	AOA	1,600,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	60.00 40.00		E.M.
Saibos Akogep Snc	Montigny le Bretonneux (France)	EUR	39,000	Saipem sa Third parties	70.00 30.00	70.00	P.C.
Saibos Construções Marítimas Lda	Funchal (Portugal)	EUR	27,551,052	Saipem sa	100.00	100.00	F.C.
Saigut SA de Cv	Ensenada (Mexico)	MXN	90,050,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saimexicana SA de Cv	Mexico City (Mexico)	MXN	50,000	Saipem sa	100.00	100.00	F.C.
Saipem (Beijing) Technical Services Co Ltd	Beijing (China)	USD	250,000	Saipem International BV	100.00	100.00	E.M.
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	1,033,500	Saipem International BV Third parties	41.94 58.06	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo Lda	Funchal (Portugal)	EUR	299,278,738	Saipem (Portugal) - Gestão de Participações SGPS SA	100.00	100.00	F.C.
Saipem (Portugal) - Gestão de Participações SGPS SA	Funchal (Portugal)	EUR	49,900,000	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	50,000,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina Samic y F. (**)(***)	Buenos Aires (Argentina)	ARS	444,500	Saipem International BV Third parties	99.58 0.42		E.M.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

(**) In liquidation.

(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd (***)	Sydney (Australia)	AUD	10,661,000	Saipem International BV	100.00		E.M.
Saipem Contracting (Nigeria) Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem Contracting Algeria SpA	Hassi Messaoud (Algeria)	DZD	1,556,435,000	Sofresid sa	100.00	100.00	F.C.
Saipem do Brasil Serviços de Petróleo Ltda	Rio de Janeiro (Brazil)	BRL	14,719,299	Saipem Energy Services SpA	100.00	100.00	F.C.
Saipem Engineering Nigeria Ltd (***)	Lagos (Nigeria)	NGN	72,000,000	Saipem International BV Third parties	98.96 1.04		E.M.
Saipem Holding France sas	Montigny le Bretonneux (France)	EUR	40,000	Saipem International BV	100.00	100.00	F.C.
Saipem India Project Ltd	Chennai (India)	INR	47,000,000	Saipem sa	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Logistics Services Ltd	Lagos (Nigeria)	NGN	55,000,000	Saipem International BV	100.00	100.00	F.C.
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem (Portugal) - Gestão de Participações SGPS SA	100.00	100.00	F.C.
Saipem Mediterranean Services Llc	Rijeka (Croatia)	HRK	1,500,000	Saipem International BV	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV European Maritime Commerce BV	99.92 0.04 0.04	100.00	F.C.
Saipem Perfurações e Construções Petrolíferas Lda	Funchal (Portugal)	EUR	224,459	Saipem (Portugal) - Gestão de Participações SGPS SA	100.00	100.00	F.C.
Saipem sa	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Mexico City (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Services SA	Bruxelles (Belgium)	EUR	61,500	Saipem International BV ERS - Equipment Rental & Services BV	99.98 0.02	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	25,000	Saipem sa	100.00	100.00	F.C.
Saipem UK Ltd	New Malden (United Kingdom)	GBP	6,470,000	Saipem International BV	100.00	100.00	F.C.
Saipem Ukraine Llc	Kiev (Ukraine)	EUR	106,061	Saipem International BV Saipem Luxembourg SA	99.00 1.00	100.00	E.M.
Saipem Venezuela SA	Caracas (Venezuela)	VEB	20,000,000	Saipem sa Third parties	99.95 0.05		Co.
Saipem snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem sa Third parties	60.00 40.00		E.M.
SAIR Construções Mecanicas de Estruturas Maritimas Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	86.00 14.00		E.M.
SAS Port de Tanger	Montigny le Bretonneux (France)	EUR	37,000	Saipem sa	100.00	100.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV Third parties	60.00 40.00	100.00	F.C.
Services et Equipements Gaziers et Petroliers sa	Donges (France)	EUR	38,125	Saipem sa Third parties	99.76 0.24	100.00	F.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Shipping and Maritime Services Ltd (***)	Lagos (Nigeria)	NGN	13,000,000	ERS - Equipment Rental & Services BV	100.00		E.M.
Sigurd Rück AG	Zurich (Switzerland)	CHF	100,000	Saipem International BV	100.00	100.00	E.M.
Snamprogetti Africa (Nigeria) Ltd (***)	Lagos (Nigeria)	NGN	5,000,000	Snamprogetti Netherlands BV Snamprogetti Management Services SA	99.00 1.00		E.M.
Snamprogetti Canada Inc	Montreal (Canada)	CAD	100,100	Saipem International BV	100.00	100.00	F.C.
Snamprogetti Engineering BV	Amsterdam (Netherlands)	EUR	18,151	Snamprogetti Netherlands BV	100.00		F.C.
Snamprogetti France sarl	Paris (France)	EUR	22.867	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Ltd	Basingstoke (United Kingdom)	GBP	15,000,000	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV Third parties	99.00 1.00	99.00	F.C.
Snamprogetti Management Services SA	Geneva (Switzerland)	CHF	10,000,000	Snamprogetti Netherlands BV Third parties	99.99 0.01	99.99	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	92,117,340	Snamprogetti SpA	100.00	100.00	F.C.
Snamprogetti Romania Srl	Bucharest (Romania)	RON	5,034,100	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Snamprogetti USA Inc	Dover (USA)	USD	2,000	Saipem International BV	100.00	100.00	F.C.
SNC Saipem - Bouygues TP	Monaco (Principality of Monaco)	EUR	10,000	Saipem sa Third parties	70.00 30.00	70.00	P.C.
Société de Construction d'Oleoducs Snc	Donges (France)	EUR	39,000	Services et Equipements Gaziers et Petroliers sa Entreprise Nouvelle Marcellin sa	99.90 0.10	100.00	F.C.
Sofresid Engineering sa	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid sa Third parties	99.99 0.01	100.00	F.C.
Sofresid sa	Montigny le Bretonneux (France)	EUR	8,253,840	Saipem sa	100.00	100.00	F.C.
Sonsub AS	Randaberg (Norway)	NOK	1,882,000	Saipem International BV	100.00	100.00	F.C.
Sonsub International Pty Ltd	Sydney (Australia)	AUD	13,157,570	Saipem International BV	100.00	100.00	F.C.
Sonsub Ltd (**)	Aberdeen (United Kingdom)	GBP	5,901,028	Saipem International BV	100.00	100.00	F.C.
Star Gulf Free Zone Co	Dubai (United Arab Emirates)	AED	500,000	Saipem (Portugal) - Gestão de Participações SGPS SA Saipem (Portugal) Comércio Marítimo Lda	80.00 20.00	100.00	F.C.
STTS Snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem sa Third parties	60.00 40.00	60.00	P.C.
Sud Est Cie	Aix en Provence (France)	EUR	95,440	Sofresid sa Third parties	99.62 0.38		Co.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

(**) In liquidation.

(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle ^(*)
TBE Ltd	Damietta (Egypt)	EGP	50,000	Saipem sa Third parties	70.00 30.00		E.M.
Varisal - Serviços de Consultadoria e Marketing Lda	Funchal (Portugal)	EUR	500,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	F.C.

ASSOCIATES

ITALY							
ASG Scarl	San Donato Milanese	EUR	50,864	Snamprogetti SpA Third parties	55.41 44.59	55.41	P.C.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Snamprogetti SpA Saipem SpA Third parties	50.10 0.26 49.64	50.36	P.C.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Snamprogetti SpA Saipem SpA Third parties	40.00 12.00 48.00		E.M.
Consorzio Bonifica Aree e Siti Inquinati (**)	Milan	EUR	20,658	Snamprogetti SpA Third parties	50.00 50.00		E.M.
Consorzio Snamprogetti Abb Lg Chemicals (**)	San Donato Milanese	EUR	50,000	Snamprogetti SpA Third parties	50.00 50.00	50.00	E.M.
Consorzio U.S.G. (**)	Parma	EUR	25,823	Saipem SpA Third parties	40.00 60.00		Co.
ITA - Consorzio Italiano per il Telerilevamento dell'Ambiente e dell'Agricoltura	Rome	EUR	12,395	Snamprogetti SpA Third parties	49.00 51.00		E.M.
Modena Scarl	San Donato Milanese	EUR	400,000	Snamprogetti SpA Third parties	59.33 40.67	59.33	P.C.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Snamprogetti SpA Third parties	53.57 46.43	53.57	P.C.
Rosfin Srl	Ravenna	EUR	9,649,200	Saipem sa Third parties	33.33 66.77		Co.
SP - TKP Fertilizer Srl	San Donato Milanese	EUR	50,000	Snamprogetti SpA Third parties	50.00 50.00	50.00	E.M.
TSKJ Italia Srl (**)	San Donato Milanese	EUR	50,000	Snamprogetti SpA Third parties	25.00 75.00		E.M.
ABROAD							
02 Pearl snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Africa Oil Services sa (**)	Guyancourt (France)	EUR	37,500	Services et Equipements Gaziers et Petroliers sa Third parties	44.88 55.12		E.M.
Barber Moss Ship Management AS	Lysaker (Norway)	NOK	1,000,000	Moss Maritime AS Third parties	50.00 50.00		E.M.
Bonny Project Management Co Ltd	Greenford (United Kingdom)	GBP	1,000	LNG - Serviços e Gestão de Projectos Lda	100.00		E.M.
BOS Shelf Ltd Society	Baku City (Azerbaijan)	AZM	2,000	Star Gulf Free Zone Co Third parties	50.00 50.00	50.00	P.C.
Charville - Consultores e Serviços, Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
CMS&A WII	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	P.C.
Dalia Floater Angola Snc	Courbevoie (France)	EUR	0.1	Entreprise Nouvelle Marcellin sa Third parties	27.50 72.50	27.50	P.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

(**) In liquidation.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Doris Development Canada Ltd	St. John's (Canada)	CAD	10,000	Doris Engineering sa	100.00		Co.
Doris Engenharia Lda	Rio de Janeiro (Brazil)	BRL	2,203,170	Doris Engineering sa Third parties	50.00 50.00		E.M.
Doris Engineering sa	Paris (France)	EUR	3,571,440	Sofresid sa Third parties	40.00 60.00		E.M.
Doris USA Inc	Houston (USA)	USD	1,500,000	Doris Engineering sa	100.00		E.M.
Fertilizantes Nitrogenados de Oriente CEC (†)	Caracas (Venezuela)	VEB	9,667,827,216	Snamprogetti Netherlands BV Third parties	20.00 80.00		E.M.
Fertilizantes Nitrogenados de Oriente SA (†)	Caracas (Venezuela)	VEB	286,549	Snamprogetti Netherlands BV Third parties	20.00 80.00		E.M.
Fertilizantes Nitrogenados de Venezuela CEC (†)	Josè - Edo. Anzategui (Venezuela)	VEB	312,214,634,511	Fertilizantes Nitrogenados de Oriente CEC	100.00		Co.
Fertilizantes Nitrogenados de Venezuela Srl (†)	Josè - Edo. Anzategui (Venezuela)	VEB	287,000	Fertilizantes Nitrogenados de Oriente CEC	100.00		Co.
FPSO Firenze Produção de Petróleo, Lda	Funchal (Portugal)	EUR	50,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
FPSO Mystras (Nigeria) Ltd	Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras - Produção de Petróleo Lda	100.00	50.00	P.C.
FPSO Mystras - Produção de Petróleo, Lda	Funchal (Portugal)	EUR	50,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
Kazakhoil Bouygues Offshore Sarl	Almaty (Kazakhstan)	KZT	1,000,000	Saipem sa Third parties	50.00 50.00		Co.
Kwanda Suporto Logistico Lda	Luanda (Angola)	AOA	25,510,204	Delong Hersent - Estudos, Construções Maritimas e Participações, Unipessoal Lda Third parties	40.00 60.00		E.M.
Lipardiz - Construção de Estruturas Maritimas, Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	C.P
LNG - Serviços e Gestão de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00		E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
Moss Krylov Maritime	St. Petersburg (Russian Federation)	RUB	98,000	Moss Maritime AS Third parties	50.00 50.00		E.M.
Moss Mosvold II Management Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00		E.M.
Nigetecsa Free Zone Enterprise	Olokola (Nigeria)	USD	40,000	Saipem International BV Third parties	50.00 50.00		E.M.
Offshore Design Engineering Ltd	London (United Kingdom)	GBP	100,000	Saipem sa Doris Engineering sa	50.00 50.00	50.00	P.C.
PT Singgar - Doris	Jakarta (Indonesia)	IDR	2,298,750,000	Doris Engineering sa Third parties	50.00 50.00		E.M.
RPCO Enterprises Ltd	Nicosia (Cyprus)	EUR	17,100	Snamprogetti Netherlands BV Third parties	50.00 50.00	50.00	P.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(†) Investments reclassified in the item 'Assets classified as held for sale'.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle ^(*)
Saipar Drilling Co BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Saipem Aban Drilling Co Private Ltd	Chennai (India)	INR	50,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Saipem Kharafi National MMO Fz Co	Dubai (United Arab Emirates)	AED	600,000	Saipem International BV Third parties	50.00 50.00		E.M.
Saipem Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	10,000,000	Saipem International BV Third parties	40.00 60.00		E.M.
Saipem Triune Engineering Private Ltd	New Delhi (India)	INR	200,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
SC TCPI Romania - Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Bucharest (Romania)	RON	172,500	Tecnoprojecto Internacional Projectos e Realizações Industriais SA	100.00		E.M.
SEA Tank Co sa	Paris (France)	EUR	46,800	Doris Engineering sa Third parties	99.62 0.38		Co.
Servicios de Construcciones Caucedo sa	Santo Domingo (Dominican Republic)	DOP	100,000	Saipem sa Third parties	49.70 50.30		E.M.
Société pour la Realisation du Port de Tanger Mediterranée	Anjra (Morocco)	EUR	33,000	SAS Port de Tanger Third parties	33.33 66.67	33.33	P.C.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Snamprogetti France sarl Third parties	50.00 50.00	50.00	P.C.
SSS-Capital Llc	Moscow (Russian Federation)	RUB	100,000	Starstroi Security Llc Third parties	99.00 1.00		E.M.
Starstroi Llc	Krasnodar (Russian Federation)	RUB	7,699,490	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Starstroi - Maintenance Llc	Krasnodar (Russian Federation)	RUB	1,000,000	Starstroi Llc	100.00		E.M.
Starstroi - Sakhalin - Bezopasnost sarl	Yuzhno (Russian Federation)	RUB	300,000	Starstroi Security Llc	100.00		E.M.
Starstroi Security Llc	Krasnodar (Russian Federation)	RUB	300,000	Starstroi Llc	100.00		E.M.
Stat Assets Management sas	Nimes (France)	EUR	50,000	Stat Holding International Ltd	100.00		E.M.
Stat Holding International Ltd	North Harrow (United Kingdom)	GBP	10,000	Doris Engineering sa Third parties	70.00 30.00		E.M.
Stat Marine Llc	Huston (USA)	USD	10,000	Stat Holding International Ltd Third parties	94.00 6.00		E.M.
Stat Marine Ltd	North Harrow (United Kingdom)	GBP	1,000	Stat Holding International Ltd Third parties	94.00 6.00		E.M.
Stat Marine sas	Nimes (France)	EUR	40,582	Stat Holding International Ltd Third parties	94.00 6.00		E.M.
Stat Services sa	La Seyne sur Mer (France)	EUR	38,112	Stat Holding International Ltd Third parties	99.84 0.16		E.M.
Sud-Soyo Urban Development Lda	Soyo (Angola)	AOA	20,000,000	Delong Hersent - Estudos, Construções Maritimas e Participações, Unipessoal Lda Third parties	49.00 51.00		E.M.
T.C.P.I. Angola Tecnoprojecto Internacional sa	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00		E.M.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Tchad Cameroon Maintenance BV	Schiedam (Netherlands)	EUR	18,000	Saipem sa Third parties	40.00 60.00		E.M.
Technip-Zachry-Saipem LNG Lp	Houston (USA)	USD	5,000	TZS Llc (NV) TZS Llc (TX)	99.00 1.00	20.00	P.C.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Linda a Velha Oeiras (Portugal)	EUR	700,000	Saipem sa Third parties	42,50 57,50		E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Serviços de Engenharia Lda	100.00		E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00		E.M.
TSKJ - Serviços de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00		E.M.
TSLNG snc	Courbevoie (France)	EUR	20,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
TSS Dalia snc	Courbevoie (France)	EUR	0	Saipem sa Third parties	27.50 72.50	27.50	P.C.
TS USAN snc	Courbevoie (France)	EUR	20,000	Saipem sa Third parties	50.00 50.00		E.M.
TZS Llc (NV)	Reno (USA)	USD	10,000	Saipem America Inc Third parties	20.00 80.00	20.00	P.C.
TZS Llc (TX)	San Antonio (USA)	USD	5,000	Saipem America Inc Third parties	20.00 80.00	20.00	P.C.

The Saipem Group comprises 176 companies: 75 are consolidated using the full consolidation method, 32 with the proportionate consolidation method, 59 with the equity method and 10 are valued with the cost method.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

■ Changes in the consolidation area

Changes in the consolidation area with respect to the consolidated financial statements at December 31, 2007, are detailed below in date order:

New incorporations, disposals, liquidations and changes to the consolidation method:

- on January 1, 2008, **Snamprogetti Engineering BV**, previously consolidated using the equity method, was consolidated using the full consolidation method since it has reached relevant size;
- on January 1, 2008, Doris Engineering sa increased its stake in **Stat Holding International Ltd**. As a result, the company was consolidated using the equity method;
- on January 1, 2008, following the increase in Doris Engineering's stake in Stat Holding International Ltd, the subsidiaries **Stat Marine Ltd**, **Stat Marine Llc**, **Stat Marine sas**, **Stat Services sa**, and **Stat Assets Management sas** were consolidated using the equity method;
- on January 1, 2008, **Saipem Energy International SpA**, previously consolidated using the full consolidation method, was merged by incorporation into Energy Maintenance Services SpA (now Saipem Energy Services SpA);
- on January 1, 2008, **Engineering & Management Services SpA**, previously consolidated using the full consolidation method, was merged by incorporation into Energy Maintenance Services SpA (now Saipem Energy Services SpA);
- on January 1, 2008, **Saipem FPSO SpA**, previously consolidated using the full consolidation method, was merged by incorporation into Energy Maintenance Services SpA (now Saipem Energy Services SpA);
- on January 1, 2008, the Indonesian company **PT Singgar - Doris** was incorporated. The company is consolidated using the equity method;
- on January 9, 2008, the consortium **Rosbos Scrl**, in liquidation, previously consolidated using the equity method, was delisted from the Register of Companies;
- on January 15, 2008, **Consorzio Ras - Realizzazione Attraversamenti Sotterranei**, in liquidation, previously consolidated using the equity method, was delisted from the Register of Companies;
- on January 17, 2008, **Consorzio Snamprogetti Abb Lg Chemicals**, previously consolidated using the proportional method, was put into liquidation and consolidated using the equity method since it has reached immaterial size;
- on February 13, 2008, **Consorzio Controlli Integrati in Agricoltura**, previously consolidated using the equity method, was delisted from the Register of Companies;
- on March 6, 2008, **Gaztransport et Technigaz sas**, previously consolidated using the equity method, was sold to third parties;
- on March 11, 2008 the Russian company **Starstroj - Maintenance Llc** was incorporated and is consolidated using the equity method;
- on April 14, 2008, **SP-TKP Fertilizer Srl**, previously consolidated using the proportional method, was put into liquidation and consolidated using the equity method since it has reached immaterial size;
- on April 14, 2008, the Italian company, **Saipem Energy Italia SpA**, was incorporated and was consolidated using the full consolidation method;
- on April 16, 2008, **TSKJ - US Llc**, previously consolidated using the equity method, was put into liquidation and delisted from the Register of Companies;
- on April 25, 2008, the Swiss company, **Sigurd Rück AG**, was incorporated and is consolidated using the equity method;
- on May 7, 2008, the French company, **Saipon snc**, was incorporated, and is consolidated using the equity method;
- on May 13, 2008, **Hazira Marine Engineering & Construction Management Private Ltd**, previously consolidated using the full consolidation method, was consolidated using the equity method since it has reached immaterial size;
- on May 13, 2008, **Hazira Cryogenic Engineering & Construction Management Private Ltd**, previously consolidated using the full consolidation method, was consolidated using the equity method since it has reached immaterial size;
- on May 13, 2008, **Servicios de Construcciones Caucedo sa**, previously consolidated using the proportional method, was consolidated using the equity method since it has reached immaterial size;
- on May 29, 2008, the Ukrainian company, **Saipem Ukraine Llc**, was incorporated and is consolidated using the equity method;
- on June 16, 2008, the Chinese company, **Saipem (Beijing) Technical Services Co**, was incorporated and is consolidated using the equity method.

Change of company names or transfer of holdings between group companies not affecting the consolidation area:

- on January 2, 2008, Saipem India Project Services Ltd changed its name to **Saipem India Projects Ltd**;

- on January 11, 2008, Energy Maintenance Services SpA changed its name to **Saipem Energy Services SpA**;
- on February 13, 2008, Snamprogetti Saudi Arabia Ltd changed its name to **Snamprogetti Saudi Arabia Co Ltd Llc**.

Changes in functional currencies

ERS Equipment Rental & Services BV and **FPSO Mystras - Produção de Petròleo, Lda** changed their functional currencies from the US dollar to the euro as of January 1, 2008.

■ Notes to the condensed consolidated interim financial statements

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to €2,081 million (€2,170 million at December 31, 2007), representing a decrease of €89 million versus the previous year, and mainly related to Snamprogetti SpA and Saipem sa.

Cash and cash equivalents at period-end, 71% of which were denominated in euro, 21% in US dollars and 8% in other currencies, received an average interest rate of 3.45%. €1,612 million thereof (€1,409 million at December 31, 2007) were on deposit at Eni Group financial companies. Cash and cash equivalents included cash on hand of €20 million (€6 million at December 31, 2007). At June 30, 2008, there were no financial receivables or securities maturing within 90 days, as at December 31, 2007.

The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2008 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	
Italy	1,322
Rest of Europe	471
Asia-Pacific	151
Africa	111
Americas	26
Total	2,081

2 Other financial assets held for trading or available for sale

At June 30, 2008, there were no other financial assets held for trading or available for sale.

3 Trade and other receivables

Trade and other receivables of €3,117 million (€3,333 million at December 31, 2007) consisted of the following:

(€ million)	Dec. 31, 2007	June 30, 2008
Trade receivables	2,897	2,544
Financing receivables held for operating purpose	18	34
Financing receivables held for non-operating purpose	58	113
Other receivables:		
- for disposals purpose	-	-
- other	360	426
Total	3,333	3,117

Receivables are stated net of the allowance for impairment losses of €69 million:

(€ million)	Value at Dec. 31, 2007	Additions	Write-downs	Translation differences	Other changes	Value at June 30, 2008
Trade receivables	66	2	(2)	-	-	66
Other receivables	3	-	-	-	-	3
Total	69	2	(2)	-	-	69

Trade receivables amounted to €2,544 million, representing a decrease of €353 million. €200 million (€212 million at December 31, 2007) were due from parent companies (Eni SpA and its divisions).

Trade receivables from related parties are shown in Note 43 'Transactions with related parties'.

Trade receivables included advances paid as guarantees of contract work in progress of €206 million (€156 million at December 31, 2007), of which €17 million due within one year and €189 million due after one year.

Financing receivables held for non-operating purposes of €113 million related to the receivable held by Saipem SpA and Snamprogetti SpA for the loan of working capital to the CEPAV Due Consortium of €49 million, to funds held by the subsidiaries Snamprogetti Sud SpA and Saipem sa in time deposit accounts with, respectively, Eni Corporate/Eni SpA (€26 million) and Eni Coordination Center SA (€25 million), and to funds held by Saipem sa in time deposit accounts with third parties (€11 million). Receivables from jointly controlled companies, with regard to the non-consolidated portion, were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
02 Pearl snc	6	5
Charville - Consultores e Serviços, Lda	8	8
CMS&A Wll	1	-
FPSO Mystras - Produção de Petróleo, Lda	-	1
Lipardiz - Construção de Estruturas Maritimas, Lda	11	4
RPCO Enterprises Ltd	1	1
Saipar Drilling Co BV	1	1
Société pour la Realisation du Port de Tanger Mediterranée	1	2
Starstroi Llc	7	6
TSLNG snc	-	1
TSS Dalia snc	-	1
Total	36	30

Other receivables of €426 million consisted of the following:

(€ million)	Dec. 31, 2007	June 30, 2008
Receivables from:		
- insurance companies	7	6
- employees	15	21
- national insurance/social security contributions	-	2
- non-financial public administrations	4	4
- bank accounts due within/after one year	30	14
Prepayments for services	75	189
Receivables from joint ventures	27	28
Guarantee deposits	19	10
Retention money	-	28
Other	183	124
Total	360	426

Other receivables due from related parties are shown in Note 43 'Transactions with related parties'.

The fair value of trade and other receivables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

4 Inventories

Inventories of €1,423 million (€998 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007			June 30, 2008		
	Work in progress	Other	Total	Work in progress	Other	Total
Raw and auxiliary materials and consumables	-	246	246	-	275	275
Work in progress	573	-	573	991	-	991
Advances	179	-	179	157	-	157
Total	752	246	998	1,148	275	1,423

Inventories are stated net of the valuation allowance of €2 million.

(€ million)	Value at Dec. 31, 2007	Additions	Deductions	Other changes	Value at June 30, 2008
Inventories valuation allowance	2	1	(1)	-	2
	2	1	(1)	-	2

Contract work in progress, amounting to €991 million (€573 million at December 31, 2007) includes sums associated with requests for payments not yet formally accepted by clients, but which are deemed probable and reasonably estimated.

Advances of €157 million refers to sums paid to third party suppliers to purchase materials relating to contract work in progress on long-term jobs and concerns Snamprogetti and its subsidiaries.

Work in progress with related parties is shown in Note 43 'Transactions with related parties'.

5 Current tax assets

Current tax assets of €29 million (€43 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
- Italian tax authorities	2	3
- Foreign tax authorities	41	26
Total	43	29

The decrease in current tax assets of €14 million was mainly related to changes in the amounts due to foreign group companies (principally Saipem sa) from foreign tax authorities.

6 Other current tax assets

Other current tax assets of €252 million (€228 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
- Italian tax authorities:	127	162
. VAT credits	120	150
. other	7	12
- Foreign tax authorities:	101	90
. VAT credits	68	56
. other	33	34
Total	228	252

The increase in other current tax assets of €24 million was mainly related to changes in the amounts of VAT credits due from Italian and foreign tax authorities to the associates Snamprogetti SpA (increase of €28 million), Saipem Energy Services SpA (increase of €3 million) and PT Saipem Indonesia (decrease of €11 million).

7 Other current assets

Other current assets of €278 million (€272 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Fair value of non-hedging derivatives	14	21
Fair value of hedging derivatives	74	93
Other	184	164
Total	272	278

At June 30, 2008, the fair value of derivative instruments was equal to a positive amount of €114 million (€88 million at December 31, 2007).

The fair value of interest rate swaps, amounting to €13 million, is shown under Note 12 'Other financial assets', while the fair value of long-term currency swaps, amounting to €5 million, is shown under Note 14 'Other non-current assets'.

The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on period-end market data (exchange and interest rates).

The fair value of forward contracts (forward outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2008, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the period-end exchange rate and the respective forward interest rate curves.

The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at June 30, 2008, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.

The fair value of derivative contracts by type is provided in the following table:

(€ million)	Fair value	Assets Dec. 31, 2007		Fair value	Assets June 30, 2008		
		purchase	sale		purchase	sale	
1) Derivative contracts qualified for hedge accounting:							
- interest rate derivatives							
. interest rate swaps	6	400		13	400		
- forward currency contracts (Spot component)							
. purchase	5			7			
. sale	85			89			
Total	90			96			
- forward currency contracts (Forward component)							
. purchase	-			-			
. sale	(13)			2			
Total	(13)	186	2,034	2	439	3,426	
Total derivative contracts qualified for hedge accounting	83			111			
2) Derivative contracts not qualified for hedge accounting:							
- interest rate derivatives							
. interest rate swaps	1	100		-	-		
- forward currency contracts (Spot component)							
. purchase	1			3			
. sale	11			11			
Total	12			14			
- forward currency contracts (Forward component)							
. purchase	-			-			
. sale	(1)			1			
Total	(1)	107	523	1	264	608	
- commodities							
. futures	1	5		3	14		
. other derivative contracts	2		-	3		105	
Total	3			6			
Total derivative contracts not qualified for hedge accounting	15			21			
Total	98			132			

Derivatives designated as cash flow hedges relate to forward purchase and sale transactions (forward outright and currency swaps).

The cash flows and the income statement impact of hedged highly probably forecast transactions at June 30, 2008 are expected to occur up until 2010.

During the first half of 2008, there were no cases of hedged items being no longer considered highly probable.

The fair value of derivatives designed as hedges at June 30, 2008 was equal to a positive amount of €98 million (€77 million at December 31, 2007). The effective portion (spot component) of fair value movements in these derivatives, amounting to €96 million (€90 million at December 31, 2007), was deferred in a hedging reserve in equity, while the forward component (the ineffective portion of fair value movements), amounting to €2 million (€13 million at December 31, 2007), was recognised in the income statement as finance income.

The fair value of derivatives designed as hedges at June 30, 2008 was equal to a negative amount of €91 million (€79 million at December 31, 2007). The effective portion (spot component) of fair value movements in these derivatives, amounting to €97 million (€91 million at December 31, 2007), was deferred in a hedging reserve in equity, while the forward component (the ineffective portion of fair value movements), amounting to €6 million (€12 million at December 31, 2007), was recognised in the income statement as finance income.

During the first half of 2008, operating revenues and expenses were adjusted by a net positive amount of €15 million to reflect the effects of hedging. Another approximately €4 million was recorded as a reduction of the cost of construction of tangible assets.

Other assets at June 30, 2008 amounted to €164 million, representing a decrease of €20 million on the previous year and consisted mainly of prepayments.

Other current assets due from related parties are shown in Note 43 'Transactions with related parties'.

Non-current assets

8 Property, plant and equipment

Property, plant and equipment amounting to €4,291 million (€3,562 million at December 31, 2007) was as follows:

(€ million)	Carrying amount at Dec. 31, 2007	Accumulated depreciation and impairment at Dec. 31, 2007	Net carrying amount at Dec. 31, 2007	Acquisitions	Depreciation	Impairments	Impairment reversals	Disposals	Currency translation differences	Other changes	Net carrying amount at June 30, 2008	Carrying amount at June 30, 2008	Accumulated depreciation and impairment at June 30, 2008
Property, plant and equipment	5,954	2,392	3,562	974	(160)	-	-	(44)	(63)	22	4,291	6,754	2,463
Total	5,954	2,392	3,562	974	(160)	-	-	(44)	(63)	22	4,291	6,754	2,463

Acquisitions for the period of €974 million (€1,635 million at December 31, 2007) related to the following sectors: Offshore Drilling (€447 million), Offshore (€380 million), Onshore Drilling (€112 million), Onshore (€28 million) and offices (€7 million).

The main items of capital expenditure made during the period included:

- the continuation, in the Offshore Drilling sector, of the construction of two semi-submersible rigs (€187 million), an ultra deepwater drillship (€48 million) and two jack-ups (€167 million);
- the continuation of the construction of a new pipelay vessel (€78 million);
- the continuation of the conversion of a tanker into an FPSO unit for the execution of a project in Angola for Sonangol P&P (€76 million);
- in the Onshore Drilling sector, the construction of 7 rigs and the upgrading of existing assets for which long-term contracts have already been secured (€112 million);
- the purchase of a tanker to be converted into an FPSO vessel for future contracts currently being negotiated (€20 million);
- strengthening the operating bases/yards in Kazakhstan, West Africa and the Far East (€23 million);
- the beginning of investments for the construction of the new Saipem FDS 2 deepwater field development ship (€11 million);
- the construction of a new fabrication yard in Indonesia (€5 million).

Disposals mainly related to the sale to Agip Energy and Natural Resources (Nigeria) Ltd of the FPSO Mystras (€41 million).

The changes included in 'Other changes' mainly relate to the increase in cost for the acquisition of Frigstad Discoverer Invest Ltd (€10 million).

Finance expenses capitalised during the period amounted to €19 million (€23 million at December 31, 2007).

Exchange rate differences arising on the translation of financial statements prepared in currencies other than the euro of €63 million mainly related to companies whose financial statements were denominated in US dollars.

During the period, no government grants were recorded as a decrease of the carrying value of property, plant and equipment.

At June 30, 2008, all property, plant and equipment was free from pledges, mortgages and/or other obligations.

The total commitment on current items of capital expenditure at June 30, 2008 amounted to €1,306 million (€1,317 million at December 31, 2007).

During the period, the purchase option was exercised for the semi-submersible platform Scarabeo 5, which up until December 31, 2007 was held under a finance lease.

9 Intangible assets

Intangible assets of €750 million (€750 million at December 31, 2007) were as follows:

(€ million)	Carrying amount at Dec. 31, 2007	Accumulated amortisation and impairment at Dec. 31, 2007	Net carrying amount at Dec. 31, 2007	Acquisitions	Amortisations	Impairments	Impairment reversals	Disposals	Currency translation differences	Other changes	Net carrying amount at June 30, 2008	Carrying amount at June 30, 2008	Accumulated amortisation and impairment at June 30, 2008
Intangible assets with finite useful lives	165	146	19	4	(3)	-	-	-	(2)	1	19	156	137
Other intangible assets with indefinite useful lives:													
- goodwill	731	-	731	-	-	-	-	-	-	-	731	731	-
Total	896	146	750	4	(3)	-	-	-	(2)	1	750	887	137

Goodwill of €731 million referred to the difference between the purchase price, inclusive of related costs, and the shareholders' equity of Saipem sa (€689 million), Sofresid sa (€21 million), the Moss Maritime Group (€15 million), Snamprogetti SpA (€3 million), Saipem India Project Services Ltd (€2 million), and Saipem Energy Services SpA (€1 million).

For impairment purposes, goodwill has been allocated to the following cash-generating units:

(€ million)	June 30, 2008
Offshore	416
Onshore	315
Total	731

The recoverable amount of cash generating units was determined based on expected future cash flows estimated using Saipem's 2008-2011 Strategic Plan, and applying discount rates that reflect current market assessments of the time value of money and the risks specific to the asset and terminal growth rates in line with the inflation level implicit in the discount rates.

10 Investments accounted for using the equity method

Investments accounted for using the equity method of €28 million (€35 million at December 31, 2007) were as follows:

(€ million)	Value at Dec. 31, 2007	Acquisitions and subscriptions	Share of profit of investments accounted for using the equity method	Share of loss of investments accounted for using the equity method	Deduction for dividends	Change in consolidation area	Currency translation differences	Other changes	Value at June 30, 2008	Provision for impairment
Investments in controlled companies	6	-	-	-	-	(1)	-	-	5	-
Investments in associates	29	-	10	(3)	(14)	3	-	(2)	23	-
Total	35	-	10	(3)	(14)	2	-	(2)	28	-

Investments in subsidiaries and associates are shown in the consolidation area at June 30, 2008.

Share of profit of investments accounted for using the equity method of €10 million related to TSKJ - Serviços de Engenharia Lda (€6 million), Doris Engineering SA (€2 million) and Kwanda Suporto Logistico Lda (€2 million).

Share of losses of investments accounted for using the equity method of €3 million related to Tecnoprojecto Internacional Projectos e Realizações Industriais SA, Tchad Cameroon Maintenance BV and Starstroi Security Llc (€1 million each).

Deductions following the distribution of dividends of €14 million related to TSKJ - Serviços de Engenharia Lda (€8 million), LNG - Serviços e Gestão de Projectos Lda (€2 million), SP-TKP Fertilizer Srl (€2 million), Kwanda Suporto Logistico Lda (€1 million) and Doris Engineering BV (€1 million).

The change in the consolidation area related to SP-TKP Fertilizer Srl, previously consolidated using the proportional method (€3 million) and Snamprogetti Engineering BV, consolidated using the full consolidation method as of June 30, 2008 (€1 million).

The net carrying value of investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Net carrying value at Dec. 31, 2007	Net carrying value at June 30, 2008
Ecos Group Srl	100.00	4	4
Saipem Engineering Nigeria Ltd	98.96	1	1
Snamprogetti Engineering BV	100.00	1	-
Total subsidiaries		6	5
Doris Engineering sa	40.00	10	10
Kwanda Suporto Logistico Lda	40.00	6	6
TSKJ - Serviços de Engenharia Lda	25.00	4	2
LNG - Serviços e Gestão de Projectos Lda	25.00	3	1
Tchad Cameroon Maintenance BV	40.00	2	1
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	42.50	2	1
Saipem Taqa Al Rushaid Fabricators Co Ltd	40.00	1	1
SP-TKP Fertilizer Srl	50.00	-	1
Starstroi Security Llc	50.00	1	-
Total associates		29	23

11 Other investments

Other investments of €7 million (€13 million at December 31, 2007) were as follows:

(€ million)	Net value at Dec. 31, 2007	Acquisitions, subscriptions and disposals	Revaluations	Impairment	Deduction for dividends	Change in consolidation area	Currency translation differences	Other changes	Net value at June 30, 2008	Provision for impairment
Investments in subsidiaries	1	-	-	-	-	-	-	-	1	2
Investments in associates	4	-	-	-	-	-	-	-	4	-
Investments in other companies	8	(2)	-	-	-	-	-	(4)	2	-
Total	13	(2)	-	-	-	-	-	(4)	7	2

Investments in subsidiaries and associates are shown in the consolidation area at June 30, 2008.

'Acquisitions, subscriptions and disposals' of a negative €2 million related to the sale of the investment in Chambal Fertilizer and Chemicals Ltd.

'Other changes' of €4 million related mainly to the investments in Chambal Fertilizer and Chemicals Ltd (transfer of the fair value reserve of €1 million to the income statement upon sale of the investment) and in Nagarjuna Fertilizer and Chemicals Ltd (€3 million relating to a fair value adjustment of the investment).

The net carrying value of the investments in other companies related to the following companies:

(€ million)	Group interest (%)	Net carrying value at Dec. 31, 2007	Net carrying value at June 30, 2008
Sud Est Cie	99.70	1	1
Total subsidiaries		1	1
Rosfin Srl	33.33	4	4
Total associates		4	4
Nagarjuna Fertilizer and Chemicals Ltd	0.93	5	2
Chambal Fertilizer and Chemicals Ltd	0.48	3	-
Total investments in other companies		8	2

The total amount of assets and liabilities of subsidiaries accounted for using the equity and cost method was negligible and therefore the effects of exclusion from the consolidation area were considered immaterial.

12 Other financial assets

Other financial assets of €14 million (€8 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Non current financing receivables for operating purposes	1	1
Financing receivables held for non-operating purposes (IRS)	7	13
Total	8	14

Financing receivables held for non-operating purposes refer to the fair value of an interest rate swap entered into by Saipem SpA (€13 million).

There were no receivables due after five years at June 30, 2008.

Other financing receivables due from related parties are shown in Note 43 'Transactions with related parties'.

13 Deferred tax assets

Deferred tax assets amounted to €59 million (€61 million at December 31, 2007).

(€ million)	Value at Dec. 31, 2007	Increases (utilisations)	Currency translation differences and other changes	Value at June 30, 2008
Deferred tax assets	61	(8)	6	59
Total	61	(8)	6	59

14 Other non-current assets

Other non-current assets of €11 million (€10 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Fair value of hedging derivatives	3	5
Other receivables	7	6
Total	10	11

The fair value of hedging derivatives related to forward currency contracts maturing after June 2009 entered into by a foreign associate. The amount consisted of the spot component (€7 million) and the forward component (-€2 million). Further details can be found in Note 7 'Other current assets'.

Other receivables related mainly to amounts paid in compliance with local regulations to government bodies, to be refunded after a set period.

Current liabilities

15 Short-term debt

Short-term debt of €3,198 million (€3,033 million at December 31, 2007) was as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Banks	264	101
Other financial institutions	2,769	3,097
Total	3,033	3,198

The increase in short-term debt of €165 million was primarily due to increased financial requirements needed to implement the planned investment programme.

The current portion of long-term debt, amounting to €5 million (€5 million at December 31, 2007) is detailed in Note 20 'Long-term debt and current portion of long-term debt'.

The breakdown of short-term debt by issuing entity, currency and average interest rate was as follows:

Issuing institution	Currency	Dec. 31, 2007			June 30, 2008		
		Amount	Interest rate %		Amount	Interest rate %	
			from	to		from	to
Eni SpA	Euro	1,621	3.821	3.852	1,539	4.381	-
Eni SpA	US Dollar	-	-	-	-	-	-
Eni SpA	Swiss Franc	14	2.462	-	9	3.201	-
Eni Coordination Center SA	Euro	597	3.853	5.385	836	4.506	5.318
Eni Coordination Center SA	US Dollar	105	5.484	6.545	128	3.201	4.301
Eni Coordination Center SA	Norwegian Kroner	3	4.955	-	1	6.19	-
Eni Coordination Center SA	Swiss Franc	4	2.462	-	32	3.201	-
Eni Coordination Center SA	British Pound Sterling	227	6.251	-	259	5.884	-
Eni Coordination Center SA	Russian Rouble	5	6.540	-	6	4.201	-
Eni Coordination Center SA	Kazakhstan Tenge	81	5.540	-	-	-	-
Eni Coordination Center SA	Nigerian Naira	-	-	-	1	4.551	-
Eni Coordination Center SA	Saudi Arabian Ryal	-	-	-	43	3.661	-
Eni Dación BV	US Dollar	3	5.970	-	4	13.76	-
Third parties	Euro	55	3.761	4.722	91	4.458	5.318
Third parties	US Dollar	238	5.222	6.545	211	3.071	10.50
Third parties	Nigerian Naira	39	14.510	-	27	12.50	14.50
Third parties	Other	41	variable		11	variable	
Total		3,033			3,198		

At June 30, 2008, Saipem had unused lines of credit amounting to €1,068 million (€926 million at December 31, 2007). These agreements carry interest charges based on prevailing market conditions. Commission fees on unused lines of credit were not significant.

At June 30, 2008, there were no unfulfilment of terms and conditions or violation of agreements in relation to financing contracts.

16 Trade and other payables

Trade and other payables of €4,813 million (€4,681 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Trade payables	2,626	2,868
Prepayments	1,736	1,711
Other payables:		
- from investing activities	-	-
- other	319	234
Total	4,681	4,813

Trade payables amounted to €2,868 million, representing an increase of €242 million, due to increased Group activities. Prepayments of €1,711 million (€1,736 million at December 31, 2007) consisted mainly of adjustments to revenues from long-term contracts in accordance with the accruals concept, made on the basis of the amounts contractually matured (€1,446 million at June 30, 2008 – €1,385 million at December 31, 2007) and advances on contract work in progress received by Saipem SpA and foreign subsidiaries (€265 million at June 30, 2008 – €351 million at December 31, 2007). Trade payables and advances to parent companies (Eni Corporate and Divisions) amounted to €46 million (€50 million at December 31, 2007).

Trade payables to Eni Group companies are shown in Note 43 'Transactions with related parties'.

Payables to jointly controlled companies, with regard to the non-consolidated portion, consisted of the following:

(€ million)	Dec. 31, 2007	June 30, 2008
BOS Shelf Ltd Society	-	3
Starstroi LLC	2	1
Total	2	4

Other payables of €234 million were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Payables to:		
- current account holders	-	11
- employees	89	108
- national insurance/social security contributions	17	37
- factoring companies	39	15
- insurance companies	7	7
- creditors relating to advances	25	44
- consultants and professionals	2	1
- bills of exchange payable	2	1
Other	138	10
Total	319	234

Payables to factoring companies related to payables of Snamprogetti SpA to suppliers, which in turn sold the corresponding receivables to factoring companies.

Other payables to related parties are shown in Note 43 'Transactions with related parties'.

The fair value of trade and other payables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

17 Income tax payables

Income tax payables of €231 million (€163 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
- Italian tax authorities	97	155
- Foreign tax authorities	66	76
Total	163	231

The increase in income tax payables of €68 million was mainly related to amounts payable by Italian group companies (mainly Saipem SpA), and foreign group companies to local tax authorities.

18 Other current tax payables

Other current tax payables of €62 million (€73 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
- Italian tax authorities:	15	6
. VAT	2	2
. other	13	4
- Foreign tax authorities:	58	56
. VAT	20	23
. other	38	33
Total	73	62

The decrease in other current tax payables of €11 million was mainly related to other amounts payable to the Italian tax authorities by Saipem SpA (€3 million) and Snamprogetti SpA (€3 million).

19 Other current liabilities

Other current liabilities of €154 million (€136 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Fair value of non-hedging derivatives	16	18
Fair value of hedging derivatives	79	91
Other	41	45
Total	136	154

At June 30, 2008, the fair value of derivative instruments was equal to a negative amount of €109 million (€95 million at December 31, 2007).

The following table shows the fair value of derivatives at June 30, 2008:

(€ million)	Dec. 31, 2007	June 30, 2008
Fair value assets on derivatives	91	119
Fair value liabilities on derivatives	(95)	(109)
Total	(4)	10

The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on period-end market data (exchange and interest rates).

The fair value of forward contracts (forward outright and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2008, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the period-end exchange rate and the respective forward interest rate curves.

Fair value of derivative contracts by type is provided in the following table:

(€ million)	Liabilities Dec. 31, 2007			Liabilities June 30, 2008		
	Fair value	Commitments		Fair value	Commitments	
		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate derivatives						
. interest rate swaps	-			-		
- forward currency contracts (Spot component)						
. purchase	86			88		
. sale	5			9		
Total	91			97		
- forward currency contracts (Forward component)						
. purchase	(12)			(5)		
. sale	-			(1)		
Total	(12)	1,747	372	(6)	2,424	486
Total derivative contracts qualified for hedge accounting	79			91		
2) Derivative contracts not qualified for hedge accounting:						
- interest rate derivatives						
. interest rate swaps	-			-		
- forward currency contracts (Spot component)						
. purchase	10			4		
. sale	1			2		
Total	11			6		
- forward currency contracts (Forward component)						
. purchase	-			2		
Total	-	546	92	2	518	263
- commodities						
. futures	-			-		
. other derivative contracts	5			10		
Total	5			10		
Total derivative contracts not qualified for hedge accounting	16			18		
Total	95			109		

For a comprehensive analysis of the fair value of hedging derivatives, see Note 7 'Other current assets'.

Information on the hedged risks and the hedging policy is given in the Annual Report and in the 'Risk management' section of the 'Operating and Financial Review'.

Other current liabilities amounted to €45 million (€41 million at December 31, 2007).

Other payables to related parties are shown in Note 43 'Transactions with related parties'.

Non-current liabilities

²⁰ Long-term debt and current portion of long-term debt

Long-term debt, including the current portion of long-term debt, amounted to €932 million (€896 million at December 31, 2007) and was as follows:

(€ million)	Dec. 31, 2007			June 30, 2008		
	Current portion of long-term debt	Long-term debt	Total	Current portion of long-term debt	Long-term debt	Total
Banks	-	475	475	2	475	477
Other financial institutions	5	416	421	3	452	455
Total	5	891	896	5	927	932

Long-term debt is shown below by year of maturity:

(€ million)

Type	Maturity range	2009	2010	2011	2012	After
Banks	2008-2011	-	275	200	-	-
Other financial institutions	2008-2017	18	-	-	-	434
Total		18	275	200	-	434

Long-term debt amounted to €927 million, up €36 million versus December 31, 2007 (€891 million).

Saipem SpA and Saipem sa entered into certain borrowing facilities for €75 million and €18 million, respectively (€75 million and €34 million at December 31, 2007) with a number of financial institutions subordinated to the maintenance of certain performance indicators based on the consolidated financial statements of Saipem and separate financial statements of Saipem sa. Saipem SpA and Saipem sa were in compliance with the covenants contained in their respective financing arrangements.

The following table analyses long-term debt, inclusive of the current portion of long-term debt, by issuing institution, currency, maturity and average interest rate:

(€ million)

Issuing institution	Currency	Maturity	Dec. 31, 2007			June 30, 2008		
			Amount	Interest rate %		Amount	Interest rate %	
				from	to		from	to
Eni SpA	Euro		400	4.710	-	403	4.95	-
Eni Coordination Center SA	US Dollar		-	-	-	36	4.60	-
Third parties	Euro	2010-2011	480	4.527	4.542	477	5.26	5.63
Third parties	US Dollar	2009	16	5.541	-	16	4.91	-
Total			896			932		

There was no debt secured by mortgages and liens on fixed assets of consolidated companies or by pledges on securities. At June 30, 2008, there was an outstanding loan of €15 million, granted to a foreign associate, secured by a deposit.

At June 30, 2008, there were no unfulfilment of terms and conditions or violation of agreements in relation to financing contracts.

The fair value of long-term debt, including the current portion of long-term debt, amounted to €716 million (€686 million at December 31, 2007) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2007	2008
Euro	4.53-4.71	5.05-5.35
US Dollar	3.79	3.43-4.43

The difference between the fair value of long-term debt and its nominal value was mainly due to the debt of €400 million maturing in 2017.

The following table shows net borrowings as indicated in the section 'Financial and economic results' of the 'Operating and Financial Review'.

(€ million)	Dec. 31, 2007			June 30, 2008		
	Current	Non-current	Total	Current	Non-current	Total
A. Cash	2,170	-	2,170	2,081	-	2,081
B. Cash equivalents:						
- financing receivables for non-operating purposes due within 90 days	-	-	-	-	-	-
C. Available-for-sale and held-to-maturity securities	-	-	-	-	-	-
D. Liquidity (A+B+C)	2,170	-	2,170	2,081	-	2,081
E. Financing receivables	65	-	65	126	-	126
F. Short-term bank debt	264	-	264	101	-	101
G. Long-term bank debt	-	475	475	2	475	477
H. Short-term related party debt	2,660	-	2,660	2,858	-	2,858
I. Long-term related party debt	-	400	400	3	436	439
L. Other short-term debt	109	-	109	239	-	239
M. Other long-term debt	5	16	21	-	16	16
N. Total borrowings (-E+F+G+H+I+L+M)	2,973	891	3,864	3,077	927	4,004
O. Net borrowings (N-D)	803	891	1,694	996	927	1,923

Net borrowings include IRS liabilities; however it does not include the fair value of derivatives indicated in Notes 7 and 14 'Other current assets' and 'Other non-current assets' and in Note 19 'Other current liabilities'.

Current financing receivables for non-operating purposes of €126 million (€65 million at December 31, 2007) consisted mainly of amounts to be received by Saipem SpA and Snamprogetti SpA from the CEPAV Due Consortium and financing receivables relating to time deposits at financial institutions.

21 Provisions

Provisions of €187 million (€184 million at December 31, 2007) were as follows:

(€ million)	Value at Dec. 31, 2007	Increases	Utilisations	Other changes	Value at June 30, 2008
Provisions for taxes	49	7	(7)	-	49
Provisions for contractual penalties and disputes	25	2	(3)	9	33
Provisions for investments losses	1	-	-	(1)	-
Provisions for redundancy incentives	1	-	-	-	1
Other	108	11	(13)	(2)	104
Total	184	20	(23)	6	187

The **provisions for taxes** amounting to €49 million referred entirely to ongoing or potential disputes with foreign tax authorities, based on recent assessments, are still pending.

The **provisions for contractual penalties and disputes** amounted to €33 million and consisted entirely of accruals by a foreign subsidiary. This represents a best estimate of the amount that may be required to settle current disputes.

The **provisions for redundancy incentives** at June 30, 2008 amounted to €1 million.

Other provisions stood at €104 million and principally consisted of an estimate of expected losses on long-term contracts in the Offshore and Onshore sectors. With respect to the foregoing liabilities, Saipem does not reasonably expect any material additional losses beyond those amounts accrued above.

22 Provisions for employee benefits

Provisions for employee benefits of €172 million (€167 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Employee termination indemnities	69	69
Other	98	103
Total	167	172

23 Deferred tax liabilities

Deferred tax liabilities of €66 million (€52 million at December 31, 2007) are shown net of offsettable deferred tax assets.

(€ million)	Dec. 31, 2007	Additions	Deductions	Currency translation differences and other changes	June 30, 2008
Deferred tax liabilities	52	6	(1)	9	66
Total	52	6	(1)	9	66

'Currency translation differences and other changes' of positive €9 million mainly related to a decrease in offsetting of deferred tax assets against deferred tax liabilities by individual companies (€7 million), exchange rate losses (€5 million) and the recognition of the tax effect of fair value adjustments to hedging derivatives recorded in equity (€5 million).

Net deferred tax liabilities consisted of the following:

(€ million)	Dec. 31, 2007	June 30, 2008
Deferred tax liabilities	(213)	(221)
Offsettable deferred tax assets	161	155
	(52)	(66)
Non-offsettable deferred tax assets	61	59
Net deferred tax assets (liabilities)	9	(7)

Tax losses

Under Italian tax law, tax losses can be carried forward for up to five subsequent years, except for losses incurred in the first three years of activity of a company, which can be carried forward without time limit. Tax losses of foreign companies can be carried forward on average for more than five years, while a considerable part can be carried forward without limit. Tax recovery corresponds to a tax rate of 27.5% for Italian companies and to an average tax rate of 31% for foreign companies.

Tax losses, amounting to €327 million, related entirely to foreign companies and can be used in the following periods:

(€ million)	Italian subsidiaries	Foreign subsidiaries
2009	-	21
2010	-	-
2011	-	22
2012	-	-
2013	-	5
After 2013	-	-
Without limit	-	279
Total	-	327

Deferred tax assets recognised at June 30, 2008 in respect of tax losses carried forward amounted to €42 million.

²⁴ Other non-current liabilities

At June 30, 2008, there were no other non-current liabilities (€2 million at December 31, 2007).

(€ million)	Dec. 31, 2007	June 30, 2008
Trade and other payables	2	-
Total	2	-

Shareholders' equity

25 Minority interest

Minority interest at June 30, 2008 amounted to €6 million, up €2 million from December 31, 2007.
Minority interest in profit and shareholders' equity related to the following consolidated subsidiaries:

(€ million)	Dec. 31, 2007	June 30, 2008
ER SAI Caspian Contractor Llc	2	3
Varisal - Serviços de Consultadoria e Marketing Lda	-	2
Saipem (Nigeria) Ltd	1	1
Saipem Contracting (Nigeria) Ltd	1	-
Total	4	6

26 Saipem's shareholders' equity

Saipem's shareholders' equity at June 30, 2008, amounting to €2,599 million was as follows:

(€ million)	Dec. 31, 2007	June 30, 2008
Share capital	441	441
Share premium reserve	55	55
Legal reserve	72	87
Reserve for the buy-back of treasury shares	34	58
Cash flow hedge reserve	108	143
Cumulative currency translation differences	(93)	(127)
Other reserves	7	7
Retained earnings	873	1,525
Net profit of the period	875	501
Treasury shares	(77)	(91)
Total	2,295	2,599

Saipem's shareholders' equity, amounting to €2,599 million, increased by €304 million from December 31, 2007 as a result of the following:

(€ million)	
Shareholders' equity at December 31, 2007	2,295
- net profit for the first half of 2008	501
- gains (losses) recognised in cash flow hedge reserve	35
- dividends distributed to Saipem shareholders	(192)
- buy-back of treasury shares	(17)
- treasury shares transferred under incentive schemes for managers	3
- effect of fair value measurement of investments not held for trading	(6)
- exchange rate differences arising from the translation into euro of financial statements expressed in a currency other than the euro	(34)
- other changes	14
Total changes	304
Shareholders' equity at June 30, 2008	2,599

27 Share capital

At June 30, 2008, the share capital of Saipem SpA, fully paid-up, amounted to €441 million, corresponding to 441,410,900 shares with a nominal value of €1 each, of which 441,251,800 are ordinary shares and 159,100 are savings shares.

On April 28, 2008, Saipem's Shareholders' Meeting approved a dividend distribution of €0.44 per ordinary share and €0.47 per savings share, with the exclusion of treasury shares.

28 Share premium reserve

The share premium reserve at June 30, 2008, amounting to €55 million, was unchanged from December 31, 2007.

29 Other reserves

At June 30, 2008, other reserves amounted to €168 million (€128 million at December 31, 2007) and consisted of the following items.

Legal reserve

At June 30, 2008, the legal reserve stood at €87 million. This represents the portion of profits, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends. The reserve increased by €15 million versus December 31, 2007, following the allocation of 2007 net profit.

Cash flow hedge reserve

This reserve amounted to €143 million and related to the fair value valuation of Interest Rate Swaps and the spot component of foreign currency hedging contracts at June 30, 2008.

The tax effect amounted to €52 million (€47 million at December 31, 2007).

Cumulative currency translation differences

This reserve amounted to a negative €127 million and related to exchange rate differences arising from the translation into euro of financial statements expressed in a currency other than the euro.

Reserve for the buy-back of treasury shares

The reserve for the buy-back of treasury shares amounted to €58 million, an increase of €24 million versus December 31, 2007. The change in the reserve is due to the reclassification of €17 million from retained earnings to complete stock grant and stock option plans, and to the allocation of €58 million by drawing from retained earnings, as per the Shareholders' Meeting resolution of April 28, 2008, which authorised the Board of Directors, pursuant to Article 2357, paragraph 2, of the Italian Civil Code, to buy-back, over a period of 18 months from the date of the shareholders' approval, up to No. 1,700,000 treasury shares with a nominal value of €1 each at a price not lower than their nominal value but not higher than 5% with respect to the reference price on the day preceding each purchase, which shall take place on the Italian market in accordance with the procedures set forth by the Italian Stock Exchange, and for an overall amount not exceeding €58 million.

The decrease of €17 million following the purchase of 695,300 treasury shares during the year was reclassified under the caption 'Treasury shares'.

Other reserves

Other reserves, amounting to €7 million, referred to the allocation of part of 2007 net profit, pursuant to Article 2426, 8-bis of the Italian Civil Code. This caption also comprises the re-valuation reserve set up by Saipem SpA in previous years, amounting to €2 million.

Distributable reserves

Saipem's shareholders' equity at June 30, 2008 included distributable reserves of €2,471 million (€2,215 million at December 31, 2007), some of which are subject to taxation upon distribution. A deferred tax liability has been recorded in relation to the share of reserves the Group expects to distribute (€41 million at June 30, 2008).

30 Treasury shares

Saipem SpA holds 5,441,219 treasury shares (5,033,496 at December 31, 2007), amounting to €91 million (€77 million at December 31, 2007). These are ordinary shares of Saipem SpA with a nominal value of €1 each.

Treasury shares are for allocation to the 2002-2007 stock option plans and stock grant plans. Operations involving treasury shares during the year were as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares bought back				
2003 (from May 2)	2,125,000	6.058	13	0.48
2004	1,395,000	7.044	10	0.32
2005	3,284,589	10.700	35	0.74
2006	1,919,355	18.950	36	0.43
2007	848,700	25.950	22	0.19
2008	695,300	24.539	17	0.16
Total	10,267,944	12.982	133	2.32
Less treasury shares allocated:				
- as stock grants	1,364,200			
- as stock options	3,462,525			
Treasury shares held at June 30, 2008	5,441,219	16.739	91	1.23

At June 30, 2008, outstanding stock grants totaled No. 242,300 shares and outstanding stock options amounted to No. 5,178,369 shares.

Further information on stock option and stock grant plans are provided in Note 35 'Payroll and related costs'.

Reconciliation of net profit and shareholders' equity of the parent company Saipem SpA to consolidated net profit and shareholders' equity

(€ million)	Dec. 31, 2006		Dec. 31, 2007		June 30, 2008	
	Shareholders' equity	Net profit	Shareholders' equity	Net profit	Shareholders' equity	Net profit
As reported in Saipem SpA's financial statements	762	156	923	287	775	46
Difference between the equity value and results of consolidated companies and the equity value and result of consolidated companies as accounted for in Saipem SpA financial statements	394	242	757	585	1,201	448
Consolidation adjustments, net of effects of taxation:						
- difference between cost and underlying value of equity	676	3	883	(2)	805	(81)
- elimination of unrealized intercompany profits	(287)	(33)	(284)	26	(267)	11
- other adjustments	40	19	20	(18)	91	80
Total shareholders' equity	1,585	387	2,299	878	2,605	504
Minority interest	(4)	(3)	(4)	(3)	(6)	(3)
As reported in the consolidated financial statements	1,581	384	2,295	875	2,599	501

31 Guarantees, commitments and risks

Guarantees

Guarantees of €4,817 million (€4,298 million at December 31, 2007) were as follows:

(€ million)	Dec. 31, 2007			June 30, 2008		
	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associates	22	65	87	22	66	88
Consolidated companies	506	3,332	3,838	489	3,771	4,260
Own	22	350	372	21	446	467
Other	-	1	1	-	2	2
Total	550	3,748	4,298	532	4,285	4,817

Other guarantees issued for associated and consolidated companies of €3,837 million (€3,397 million at December 31, 2007) mainly relate to: (i) guarantees given to third parties relating to bid bonds and performance bonds of €3,743 million, including VAT recoverable from tax authorities of €5 million; (ii) letters of patronage issued to commissioning entities of €90 million.

Commitments

Saipem SpA, for the benefit of its customers, is committed to fulfilling the contractual obligations entered into by subsidiary or associates where they fail to fulfil the contractual obligations themselves, as well as to paying for any damages incurred as a result of any failure to meet those obligations.

These commitments guarantee contracts whose overall value amounted to €15,737 million (€10,719 million at December 31, 2007), including the backlog quota at June 30, 2008 relating to Group companies.

Risk management

The main risks that the Company is facing and actively monitoring and managing are described in the 'Risk management' section of the Operating and Financial Review.

Legal proceedings

Following the acquisition of Snamprogetti, Saipem is involved in civil and administrative proceedings and legal actions linked with the normal performance of its activities. Based on information at the company's disposal at the time of printing and in consideration of the provisions made for contingencies, Saipem deems that these proceedings and actions will not have significant negative effects on its consolidated balance sheet.

A brief summary of the most important ongoing proceedings is provided hereafter. Unless otherwise stated, no provision has been made in relation to these proceedings, because Saipem deems an adverse outcome to be unlikely.

CEPAV (Consorzio Eni per l'Alta Velocità) Due

The arbitration proceedings brought by the Consortium against 'Treno ad Alta Velocità' (High Speed Train, hereafter TAV) to recover damages for delays allegedly attributable to TAV, begun in 2000, is still ongoing. The proceedings recognised the consortium's right to damages with a partial award issued on January 4, 2007. Arbitration is ongoing to quantify those damages. TAV contested the award, pleading the previous termination of the relevant agreement. In fact, Decree Law No. 7 of January 31, 2007 – subsequently converted into law – revoked the concession awarded by Ferrovie dello Stato to TAV SpA, for the construction of the Milan-Verona line. The impact of this revocation would be extended to the agreement that CEPAV Due signed with TAV SpA on October 15, 1991, leading to its termination.

After the decree entered into force, the Consortium brought a second arbitration proceeding aimed at recovering damages for breaches of contract committed by TAV before the issue of the decree. Possible damages include the damages caused by the

revoking of the agreement. TAV has rejected all requests for damages and again pleaded the previous termination of the agreement. The judgment is pending.

It should be noted that by order dated October 9, 2007, the Council of State rejected the request filed by the Consortium and granted by the Lazio Tar (Regional Administrative Court) for the suspension of the revocation of the concession granted to TAV, of the termination of the CEPAV Due/TAV Agreement, and of a subsequent CIPE resolution with which it was decided to award to other parties the construction of the high-speed line which had been previously awarded to CEPAV Due. A proceeding filed by the Consortium with the aim of establishing whether the provisions of Decree Law No. 7 of January 31, 2007 violate the laws of the Treaty establishing the European Community is still pending before the European Court of Justice.

Finally, Article 12 of Decree Law No. 112 of June 25, 2008, whose conversion into law is pending, provided for the 'Annulment of the revocation of the TAV concessions ' and for the continuation without interruption of the framework agreement signed by CEPAV Due with TAV SpA on October 15, 1991 with RFI (Rete Ferroviaria Italiana) SpA.

CEPAV (Consorzio Eni per l'Alta Velocità) Uno - TAV SpA

As mentioned in previous financial statements, the CEPAV Uno Consortium (Eni Consortium for the High-Speed Railway Line), consisting of Snamprogetti SpA having a 50.1% stake; Saipem SpA a 0.26% stake; Consorzio Cooperative Costruzioni - CCC, a 21.34% stake; Grandi Lavori - Fincosit and Impresa Pizzarotti & C. a 14.15% stake each, signed an agreement with TAV SpA on October 15, 1991 and, subsequently, a supplemental agreement on August 3, 2000 and an addendum on June 27, 2003, for the construction of the Milan-Bologna high-speed railway line. These agreements were also signed by Eni SpA, acting as guarantor, to ensure the Consortium's timely and complete fulfilment of all the obligations included in the agreement, the subsequent supplemental agreement and addendum as well as any ensuing addenda/modifications. The Consortium has asked for an extension to the completion dates for the works and additional fees (indicated, on November 30, 2005, as in excess of €800 million).

CEPAV Uno and TAV have tried to find an amicable settlement; however this attempt failed on March 14, 2006. For this reason, on April 27, 2006, notification of arbitration was sent to TAV. The deadline for the arbitration committee to file the arbitration award has been set for June 30, 2009.

Consortium TSKJ - SEC enquiries

As mentioned in previous financial statements, in June 2004, the Securities and Exchange Commission (SEC) of the USA sent Eni a request for voluntary collaboration, which Eni, Saipem and Snamprogetti promptly accepted, in order to acquire documentation and other information concerning the TSKJ consortium, involved with the construction in Nigeria (Bonny Island) of natural gas liquefaction plants. Snamprogetti has a 25% indirect stake in the TSKJ consortium, while the remainder is held by the subsidiaries of Halliburton/KBR, Technip and JGC. The SEC investigation relates to alleged improper payments made to public officials by TSKJ. Inquiries into this matter are also being conducted by other authorities. Saipem and Snamprogetti have provided the SEC and other authorities with the documentation and information it possesses, and provided all the necessary assistance. Investigations are currently still underway.

EniPower - Enquiries by the Judiciary

As mentioned in previous financial statements, as part of the investigation started by the Milan judicial authorities (penal proceedings 2460/03 R.G.N.R. pending at the Procurer of the Republic of Milan) into contracts awarded by EniPower to various companies, Snamprogetti SpA (engineering services and procurement contractor), together with other parties, were served a warning to inform them that they were under investigation, pursuant to Article 25 of Legislative Decree 231/2001. Preliminary investigations ended in August 2007 with the recording of the relevant documents with successful results. Snamprogetti was not included among the parties still under investigation for whom committals for trial have been requested.

Snamprogetti therefore decided to appear as the aggrieved party against the physical and legal persons implicated in transactions that may have related to the Company. Preliminary hearing discussions are currently under way before the GUP (preliminary hearing judge).

Revenues

The following is a summary of the main components of revenues. Additional information about changes in revenues is provided in the 'Financial and economic results' section of the 'Operating and Financial Review'.

32 Net sales from operations

Net sales from operations were as follows:

(€ million)	First half 2007	First half 2008
Net sales from operations	4,225	4,165
Changes in contract work in progress	510	454
Total	4,735	4,619

Information required by IAS 11, paragraphs 39, 40 and 42 is provided by business sector in Note 42.

Revenues from Eni Group companies amounted to €492 million (€475 million at June 30, 2007).

It should be noted that because of the nature of Saipem's business, revenues are not affected by significant cyclical or seasonal trends.

33 Other income and revenues

Other income and revenues were as follows:

(€ million)	First half 2007	First half 2008
Contract penalties and other trade revenues	1	1
Gains on disposal of assets	2	3
Compensation for damages	2	5
Other	-	5
Total	5	14

Other income and revenues from Eni Group companies amounted to €4 million (€3 million at June 30, 2007).

Operating expenses

The following is a summary of the main components of operating expenses. For more information about changes in operating expenses, see the 'Financial and economic results' section of the 'Operating and Financial Review'.

34 Purchases, services and other

Purchases, services and other miscellaneous operating expenses included the following:

(€ million)	First half 2007	First half 2008
Production costs - raw, ancillary and consumable materials and goods	1,221	967
Production costs - services	2,140	2,170
Operating leases and other	262	193
Net provisions for contingencies	(11)	(3)
Other expenses	29	25
less:		
- capitalised costs directly associated with self-constructed assets	(102)	(11)
- variations in inventories	(16)	(33)
Total	3,523	3,308

Production costs for services included agency fees of €19 million (€12 million in the first half of 2007).

Net provisions for contingencies are detailed in Note 21 'Provisions'.

Purchases, services and other expenses towards Eni Group companies amounted to €35 million (€36 million at June 30, 2007).

35 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	First half 2007	First half 2008
Payroll	671	678
less:		
- capitalised costs directly associated with self-constructed assets	(2)	(5)
Total	669	673

Stock-based compensation

Stock-based compensation plans are designed to motivate and retain Saipem SpA's managers. No significant changes were made to these plans as they were described in the Consolidated Financial Statements at December 31, 2007. At June 30, 2008, Saipem SpA had not approved any new stock grant and stock option plans for Saipem managers.

STOCK GRANTS

At June 30, 2008, No. 242,300 grants with a nominal value of €1 each were outstanding and related to the 2005 stock grant plan (shares with a fair value of €11.756 per share).

The following table shows changes in the stock grant plans:

(€ thousand)	2007			2008		
	Number of shares	Average strike price ^(a)	Market price ^(b)	Number of shares	Average strike price ^(a)	Market price ^(b)
Stock grants as of January 1	1,042,700	-	20,583	246,100	-	6,751
New rights granted	-	-	-	-	-	-
(Rights exercised in the period)	(759,400)	-	20,133	(2,400)	-	65
(Rights cancelled in the period)	(37,200)	-	969	(1,400)	-	52
Stock grants outstanding as of June 30	246,100	-	6,751	242,300	-	7,228
of which exercisable at June 30	-	-	-	-	-	-

(a) Since these are stock grants, the strike price is zero.

(b) Market price relating to new rights granted, rights exercised in the period and rights cancelled in the period corresponds to the average market value (arithmetic average of official prices recorded on the Italian stock market in the month preceding the date of the stock grant assignment, the date on which the issue of the shares or, for rights cancelled, the date of the unilateral termination of employment), weighted by the number of shares. The market price of stock grants at the beginning and end of the period is the price recorded at June 30.

STOCK OPTIONS

The following table shows changes in the stock option plans:

(€ thousand)	2007			2008		
	Number of shares	Average strike price (€)	Market price ^(a)	Number of shares	Average strike price (€)	Market price ^(a)
Stock options as of January 1	5,404,088	11.642	106,677	5,482,696	16.319	150,390
New options granted	1,332,500	26.521	36,324	-	-	-
(Options exercised in the period)	(1,253,892)	7.001	31,573	(285,177)	7.008	8,507
(Options cancelled in the period) ^(b)	-	-	-	(19,150)	-	422
Stock options outstanding as of June 30	5,482,696	16.319	150,390	5,178,369	16.825	154,620
of which exercisable at June 30	827,946	6.518	22,711	548,369	6.353	16,358

(a) The market price relating to new options granted, options exercised in the period and options cancelled in the period corresponds to the average market value. The market price of shares underlying options outstanding at the beginning and end of the period is the price recorded at January 1 and June 30.

(b) Rights cancelled relate to the termination of employment.

At June 30, 2008, outstanding stock options totalled No. 5,178,369 for the purchase of 5,178,369 Saipem SpA shares with a nominal value of €1 each.

	Number of options	Strike price (€)	Average remaining life (years)	Fair value (€) for assignees resident in Italy	Fair value (€) for assignees resident in France
2002 plan	420,369	6.187	1	n.a.	n.a.
2003 plan	115,000	6.821	2	1.1928	1.1806
2004 plan	431,000	7.594	3	2.0935	2.0085
2005 plan	943,000	11.881	5	3.1029	2.9795
2006 plan	1,936,500	17.519	4	5.7208	6.1427
2007 plan	1,332,500	26.521	5	8.8966	9.5320
Total	5,178,369				

Average number of employees

The average number of employees, by category, for all the consolidated companies was as follows:

(number)	First half 2007	First half 2008
Senior managers	421	426
Junior managers	3,463	3,699
White collars	14,195	14,223
Blue collars	14,735	14,648
Seamen	159	256
Total	32,973	33,252

The average number of employees was calculated as the arithmetic mean of the number of employees at the beginning and end of the period. The average number of senior managers included managers employed and operating in foreign countries whose position is comparable to senior manager status.

36 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	First half 2007	First half 2008
Depreciation and amortisation	139	163
Impairment	-	-
less:		
- capitalised costs directly associated with self-constructed assets	-	-
Total	139	163

No impairment losses were recognised on tangible or intangible assets during the first half of 2008.

37 Finance income (expense)

Finance income (expense) consisted of the following:

(€ million)	First half 2007	First half 2008
Positive (negative) exchange differences	(15)	(7)
Positive exchange differences	266	382
Negative exchange differences	(281)	(389)
Gains (losses) on derivatives	(5)	(9)
Net realised gains (losses) on derivatives	(18)	(5)
Net realised gains (losses) on foreign currency hedges	13	(4)
Net finance expense to Group financial companies	(34)	(45)
Financial income from Group financial companies	17	36
Interest and other finance expense to Group financial companies	(51)	(81)
Net interest to banks	3	(6)
Interest income from banks	10	4
Interest expense to banks	(7)	(10)
Interest and other finance expense on debt	(2)	-
Other net finance income (expense)	(4)	18
Other finance income	5	19
Other finance expense	(9)	(1)
Total finance income (expense)	(57)	(49)

Gains (losses) on derivatives consisted of the following:

(€ million)	First half 2007	First half 2008
Derivatives on exchange rate	12	(6)
Derivatives on interest rate	-	-
Derivatives on commodities	1	2
	13	(4)

The net loss on derivatives of €4 million (net gain of €13 million in the first half of 2007) was primarily due to the recognition in the income statement of the change in the fair value of those derivatives which cannot be qualified as hedging instruments under IFRS and changes in the value of the forward component of derivatives that qualify for hedge accounting.

38 Income (expense) from investments

Share of profit (loss) of investments accounted for using the equity method and other gains (losses) from investments consisted of the following:

(€ million)	First half 2007	First half 2008
Share of profit (loss) of investments accounted for using the equity method	25	7
Gain on disposals	-	187
Dividends	3	1
Total	28	195

More information is provided in Note 10 'Investments accounted for using the equity method'.

'Gain on disposal' mainly related (€185 million) to the sale of the investment in Gaztransport & Technigaz sas. This figure takes into account the allocation of a part of the goodwill arising on the acquisition of the Bouygues Offshore Group (€81 million).

39 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2007	First half 2008
Current taxes:		
- Italian subsidiaries	73	68
- foreign subsidiaries	59	50
Net deferred taxes:		
- Italian subsidiaries	(2)	11
- foreign subsidiaries	(19)	2
Total	111	131

The effective tax rate (excluding the effect of the sale of the investment in Gaztransport et Technigaz sas) was 28%, compared with a rate of 29.1% in the first half of 2007.

40 Minority interest

Minority interest amounted to €3 million.

41 Earnings per share

Basic earnings per ordinary share are calculated by dividing net profit for the period attributable to Saipem's shareholders by the weighted average of ordinary shares issued and outstanding during the period, excluding treasury shares.

The average number of ordinary shares used for the calculation of the basic earnings per share outstanding for 2008 and 2007 was 436,046,616 and 435,680,479, respectively.

Diluted earnings per share are calculated by dividing net profit for the period attributable to Saipem's shareholders by the weighted average of shares fully-diluted issued and outstanding during the period, with the exception of treasury shares and

including the number of shares that could potentially be issued in connection with stock-based compensation plans. The average number of shares used in the calculation of diluted earnings for 2007 and 2008 was 441,752,074 and 441,631,385, respectively. Reconciliation of the average number shares used for the calculation for both basic and diluted earnings per share was as follows:

	June 30, 2007	June 30, 2008
Average number of shares used for the calculation of the basic earnings per share	435,680,479	436,046,616
Number of potential shares following stock grant plans	1,029,400	242,300
Number of potential shares following stock option plans	4,883,094	5,183,369
Number of savings shares convertible into ordinary shares	159,101	159,100
Average number of shares used for the calculation of the diluted earnings per share	441,752,074	441,631,385
Saipem's net profit	(€ million) 268	501
Basic earnings per share	(€ per share) 0.62	1.16
Diluted earnings per share	(€ per share) 0.61	1.14

42 Information by industry segment

Information by industry segment

(€ million)	Offshore	Onshore	Offshore Drilling	Onshore Drilling	Not allocated	Total
First half 2007						
Net sales from operations ^(a)	2,467	3,077	285	162	-	5,991
less: intersegment sales	(744)	(413)	(82)	(17)	-	(1,256)
Net sales to customers	1,723	2,664	203	145	-	4,735
Operating profit	197	125	65	22	-	409
Depreciation, amortisation and impairment	73	24	30	12	-	139
Net income from investments	1	27	-	-	-	28
Capital expenditure	229	55	165	72	-	521
Investments	15	128	-	-	-	143
Current assets	1,671	2,497	191	140	1,854	6,353
Current liabilities	1,445	2,983	145	82	2,576	7,231
Provisions	17	98	-	-	42	157
First half 2008						
Net sales from operations ^(a)	2,377	2,922	357	221	-	5,877
less: intersegment sales	636	480	119	23	-	1,258
Net sales to customers	1,741	2,442	238	198	-	4,619
Operating profit	234	131	91	33	-	489
Depreciation, amortisation and impairment	81	23	32	27	-	163
Net income from investments	4	191	-	-	-	195
Capital expenditure	380	29	447	112	11	979
Investments	20	15	-	-	-	35
Current assets	1,828	2,569	243	178	2,362	7,180
Current liabilities	1,725	2,902	217	123	3,496	8,463
Provisions	12	89	-	-	86	187

(a) Before elimination of intersegment sales.

Intersegment sales were conducted on an arm's length basis.

The following table contains information required by IAS 11 paragraphs 39, 40 and 42.

(€ million)	Offshore	Onshore	Offshore Drilling	Onshore Drilling	Not allocated	Total
Net sales from operations (a)	1,741	2,442	238	198	-	4,619
Change in provision for future losses (b)	(7)	(23)	-	-	-	(30)
Total (a-b)	1,748	2,465	238	198	-	4,649
Advances from clients	115	150	-	-	-	265
Provision for future losses (c)	5	73	-	-	-	78
Contract work in progress (d)	(322)	(781)	(5)	(40)	-	(1,148)
Deferred income (e)	473	971	2	-	-	1,446
Total (c+d+e)	156	263	(3)	(40)	-	376

⁴³ Transactions with related parties

Saipem SpA is a subsidiary of Eni SpA. Transactions with related parties entered by Saipem SpA and/or companies within the consolidation area regard essentially the supply of services, trading of goods, obtainment and use of financial instruments with other Eni SpA subsidiaries or associates. These transactions are an integral part of the ordinary day-to-day business and are carried out on an arm's length basis, i.e. at conditions which would be applied between independent parties. All transactions have been carried out for the mutual benefit of the companies involved.

The tables below shows the value of the transactions of a trade, financial or other nature entertained with related parties. The analysis by company is based on the principle of relevance in relation to the total amount of individual transactions. Transactions not itemised because they are immaterial are aggregated under the following captions:

- Eni subsidiary companies;
- Eni associates.

Trade and other transactions

Trade transactions in the first half of 2007 consisted of the following:

(€ million)

Name	June 30, 2007			First half 2007			
	Receivables	Payables	Guarantees	Costs		Revenues	
				Goods	Services	Goods and services	Other
Unconsolidated associates							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	13	53	22	-	-	-	-
Consorzio ITA	1	-	-	-	-	-	-
Consorzio Bonifica Aree e Siti Inquinati	2	-	-	-	-	-	-
TSKJ - Serviços de Engenharia Lda	-	-	25	-	-	-	-
Total	16	53	47	-	-	-	-
Unconsolidated subsidiaries							
Snamprogetti Engineering BV	5	-	-	-	-	-	-
Snamprogetti Africa (Nigeria) Ltd	1	-	-	-	-	-	-
Total	6	-	-	-	-	-	-
Eni subsidiaries							
Eni SpA	66	8	3,128	-	4	-	-
Eni SpA Exploration & Production Division	81	1	-	1	-	106	1
Eni SpA Gas & Power Division	12	-	-	-	-	7	-
Eni SpA Refining & Marketing Division	100	45	-	1	1	59	-
Agip Energy & Natural Resources (Nigeria) Ltd	9	-	-	-	-	11	-
AgipFuel SpA	-	1	-	-	2	-	-
Agip Karachaganak BV	2	-	-	-	-	2	-
Agip Oil Ecuador BV	2	-	-	-	-	4	-
Ecofuel SpA	1	-	-	-	-	-	-
Eni Algeria Production BV	1	-	-	-	-	2	-
Eni Australia BV	2	8	-	-	-	2	-
Eni Congo SA	68	2	-	-	-	67	-
Eni Corporate University SpA	-	3	-	-	2	-	-
Eni Gas BV	-	-	39	-	-	-	-
Eni Iran BV	10	2	-	-	-	7	-
Eni Mediterranea Idrocarburi SpA	9	-	-	-	-	12	-
Eni North Africa BV	1	-	-	-	-	1	-
EniPower Ferrara Srl	6	4	4	-	-	5	-
EniPower Mantova SpA	1	-	-	-	-	1	-
EniPower SpA	20	5	1	-	-	9	-
EniServizi SpA	1	19	-	-	20	1	-
Eni Tunisia BV	-	-	-	-	-	5	-
GreenStream BV	2	-	-	-	-	3	-
leoc Exploration BV	8	-	-	-	-	13	-
leoc Production BV	2	-	-	-	-	3	-
Naoc - Nigerian Agip Oil Co Ltd	61	15	-	-	-	12	-
Padana Assicurazioni SpA	5	10	-	-	2	-	-
Polimeri Europa SpA	19	3	-	-	-	24	2
Praoil Oleodotti Italiani SpA	1	-	-	-	-	1	-
Raffineria di Gela SpA	6	1	-	-	-	4	-
Serfactoring SpA	-	28	-	-	-	-	-
Snam Rete Gas SpA	16	18	16	-	-	17	-
Société pour la Construction du Gazoduc Transtunisien SA - Scogat SA	47	15	-	-	-	43	-
Sofid SpA	-	2	-	-	3	-	-
Stoccaggi Gas Italia SpA	4	-	-	-	-	12	-
Syndial SpA	54	3	2	-	-	41	-
Total Eni subsidiaries	617	193	3,190	2	34	474	3
Eni associates	1	-	-	-	-	1	-
Total Eni companies	618	193	3,190	2	34	475	3
Total transactions with related parties	640	246	3,237	2	34	475	3
Overall total	2,805	2,562	4,741	1,221	2,140	4,735	5
Incidence (%)	22.42	9.6	68.27	0.1	1.6	10.0	60.0

Trade transactions in the first half of 2008 consisted of the following:

(€ million)

Name	June 30, 2008			First half 2008			
	Receivables	Payables	Guarantees	Costs		Revenues	
				Goods	Services	Goods and services	Other
Unconsolidated associates							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	86	43	64	-	-	-	-
LNG - Serviços e Gestão de Projectos Lda	-	-	-	-	-	1	-
Consorzio ITA	1	-	-	-	-	1	-
TSKJ Italia Srl	-	-	22	-	-	-	-
Total	87	43	86	-	-	2	-
Unconsolidated subsidiaries							
Snamprogetti Africa (Nigeria) Ltd	2	-	-	-	-	-	-
Total	2	-	-	-	-	-	-
Eni subsidiaries							
Eni SpA	26	9	3,220	-	4	1	-
Eni SpA Exploration & Production Division	117	2	-	-	-	116	-
Eni SpA Gas & Power Division	7	-	-	-	-	10	-
Eni SpA Refining & Marketing Division	50	35	-	3	-	44	-
Agip Energy & Natural Resources (Nigeria) Ltd	19	-	-	-	-	11	2
Agip Karachaganak BV	1	-	-	-	-	2	-
Dunastyr Polisztirolgyártà	1	-	-	-	-	1	-
Ecofuel SpA	-	-	-	-	-	1	-
Eni Algeria Production BV	1	-	-	-	-	2	-
Eni Australia BV	43	7	-	-	-	41	-
Eni Congo SA	27	6	-	-	-	52	-
Eni Corporate University SpA	-	3	-	-	2	-	-
Eni Coordination Center SA	25	-	-	-	-	-	-
Eni Iran BV	8	2	-	-	-	3	-
Eni Insurance Ltd	-	-	-	-	-	-	2
Eni Mediterranea Idrocarburi SpA	9	-	-	-	-	11	-
Eni North Africa BV	12	-	-	-	-	24	-
EniPower Mantova SpA	5	-	-	-	-	4	-
EniPower SpA	2	4	-	-	-	3	-
EniServizi SpA	2	20	-	1	20	1	-
Eni Tunisia BV	17	-	-	-	-	17	-
GreenStream BV	4	-	-	-	-	2	-
leoc Production BV	1	-	-	-	-	1	-
Naoc - Nigerian Agip Oil Co Ltd	31	1	-	-	-	20	-
Nigerian Agip Exploration Ltd	1	-	-	-	-	-	-
Padana Assicurazioni SpA	-	-	-	-	2	-	-
Polimeri Europa SpA	16	4	-	-	1	12	-
Raffineria di Gela SpA	7	-	-	-	-	6	-
Serfactoring SpA	-	15	-	-	-	-	-
Snam Rete Gas SpA	31	29	-	-	-	19	-
Società EniPower Ferrara Srl	3	-	-	-	-	3	-
Société pour la Construction du Gazoduc Transtunisien SA - Scogat SA	23	85	-	-	-	41	-
Sofid SpA	1	2	-	-	2	-	-
Stoccaggi Gas Italia SpA	10	1	-	-	-	10	-
Syndial SpA	56	5	2	-	-	33	-
Total Eni subsidiaries	556	230	3,222	4	31	491	4
Eni associates	2	-	-	-	-	1	-
Total Eni companies	558	230	3,222	4	31	492	4
Total transactions with related parties	647	273	3,308	4	31	494	4
Overall total	3,117	4,813	4,817	967	2,170	4,619	14
Incidence (%)	20.76	5.67	68.67	0.41	1.43	10.69	28.57

Other transactions consisted of the following:

(€ million)	June 30, 2007			June 30, 2008		
	Other receivables	Other payables	Contract work in progress	Other receivables	Other payables	Contract work in progress
Eni SpA	60	39	-	108	100	-
Eni SpA Gas & Power Division	-	-	-	-	-	-
Agip Energy and Natural Resources (Nigeria) Ltd	1	-	-	-	-	-
Banque Eni SA	-	-	-	2	-	-
Eni Trading & Shipping SpA	-	-	-	3	-	-
GreenStream BV	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	-	-	-	-	-	3
Padana Assicurazioni SpA	1	-	-	-	-	-
Polimeri Europa SpA	-	-	2	-	-	-
Raffineria di Gela SpA	-	-	-	-	-	-
Serfactoring SpA	-	-	-	-	11	-
Sofid SpA	2	-	-	-	-	-
Total transactions with related parties	64	39	2	113	111	3
Overall total	141	68	710	278	154	991
Incidence (%)	45.4	57.4	0.3	40.6	72.0	0.3

Financing transactions

Financing transactions in the first half of 2007 consisted of the following:

(€ million)

Name	June 30, 2007			First half 2007	
	Receivables	Payables	Guarantees	Charges	Gains
Eni SpA	12	1,503	6,696	80	42
Banque Eni SA	-	1	-	-	-
Eni Coordination Center SA	-	609	-	10	4
Eni Dación BV	-	3	-	-	-
Eni International Bank Ltd	-	123	36	5	1
Sofid SpA	1	6	-	-	-
Total transactions with related parties	13	2,245	6,732	95	47

Financing transactions in the first half of 2008 consisted of the following:

(€ million)

Name	June 30, 2008			First half 2008	
	Receivables	Payables	Guarantees	Charges	Gains
Eni SpA	13	1,951	8,482	138	123
Banque Eni SA	-	-	350	1	4
Eni Coordination Center SA	-	1,342	-	30	3
Eni Dación BV	-	4	-	-	-
Eni International Bank Ltd	-	-	-	-	-
Eni Trading & Shipping SpA	-	-	23	-	2
Sofid SpA	-	-	-	-	-
Total transactions with related parties	13	3,297	8,855	169	132

As the result of a special agreement between Saipem and the Eni Corporate Finance Unit (previously Enifin SpA), Eni SpA supplies financial services to the Italian companies of the Saipem Group, consisting of loans, deposits and financial instruments for the hedging of foreign exchange and interest rate risks.

The incidence of financial transactions and positions with related parties was as follows:

(€ million)	June 30, 2007			June 30, 2008		
	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Short-term debt	2,335	2,158	92.40	3,198	2,858	89.36
Long-term debt (including current portion)	859	87	10.10	933	439	47.05

(€ million)	First half 2007			First half 2008		
	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Finance income	406	47	11.58	586	132	22.53
Finance expense	463	95	20.52	635	169	26.61

The main cash flows with related parties were as follows:

(€ million)	June 30, 2007	June 30, 2008
Revenues and other income	478	498
Costs and other expenses	(36)	(35)
Finance income (expense)	(48)	(37)
Net change in trade receivables and liabilities	(102)	200
Net cash from operating activities	292	626
Change in financing liabilities (receivables)	(434)	232
Net cash used in financing activities	(434)	232
Total cash flows with related parties	(142)	858

The incidence of cash flows with related parties was as follows:

(€ million)	June 30, 2007			June 30, 2008		
	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Cash from operating activities	483	292	60.46	645	626	97.05
Cash used in investing activities	(536)	-	-	(656)	-	-
Cash used in financing activities	274	(434)	(158.39)	(56)	232	(414.29)

Information on jointly controlled entities

Information relating to jointly controlled entities consolidated using the proportional method was as follows:

(€ million)	June 30, 2007	June 30, 2008
Working capital, net	(5)	(75)
Total assets	1,070	749
Total liabilities	766	662
Revenues	586	732
Operating expenses	553	710
Operating profit	33	22
Net profit	24	14

44 Assets classified as held for sale

Other assets held for sale amounted to €80 million and related to the programme for the disposal of non-core assets, and in particular to the sale of non-strategic investments in Fertilizantes Nitrogenados de Oriente CEC (and its subsidiaries) and in Fertilizantes Nitrogenados de Oriente SA.

Assets and liabilities of assets held for sale were as follows:

(€ million)	Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA
Non-current assets	
Investments accounted for using the equity method	80
Total assets held for sale	80

45 Significant non-recurring events and operations

In the first half of 2008, no significant non-recurring events and/or operations took place.

In the first half of 2007, significant non-recurring transactions consisted of a gain deriving from the curtailment of the provisions accrued by Italian companies for employee termination indemnities ('TFR') following the changes introduced by the 2007 Italian Budget Law and related decrees (€11 million).

46 Positions or transactions deriving from atypical and unusual operations

In the first half of 2007 and 2008, no significant atypical and unusual operations were performed.

47 Significant post-closing events

Information on significant post-closing events is provided in the 'Subsequent events' section of the 'Operating and Financial Review'.

Certification by company executive bodies and the senior manager charged with preparing the company's financial reports pursuant to Article 154-bis, comma 5 of Legislative Decree No. 58/1998 (Consolidated Finance Act), and prepared in accordance with Issuers' Regulations (attachment 3C-ter)

1. The undersigned Pietro Franco Tali and Alessandro Bernini in their quality as Chairman and CEO and manager responsible for the preparation of financial reports of Saipem SpA, respectively, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998, certify that the internal controls over financial reporting in place for the preparation of the condensed consolidated interim financial statements as of June 30, 2008 and during the period covered by the report, were:

- adequate to the company structure, and
- effectively applied during the process of preparation of the report.

2. Internal controls over financial reporting in place for the preparation of the 2008 condensed consolidated interim financial statements have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Saipem in accordance with the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:

3.1 the 2008 condensed consolidated interim financial statements:

- a) were prepared in accordance with the evaluation and measurement criteria issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002;
- b) correspond to the company's evidence and accounting books and entries;
- c) fairly represent the financial condition, results of operations and cash flows of the parent company and the Group consolidated companies as of, and for, the periods presented in this report.

3.2 The Operating and Financial Review provides information regarding material events occurred during the first half of 2008 and their impact on condensed financial statements, as well as a description of the main risks and uncertainties for the second half of the year and related-party transactions.

July 29, 2008

Chairman and CEO
Pietro Franco Tali

Chief Financial Officer
Alessandro Bernini

Report of Independent Auditors



PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

To the Shareholders of
Saipem SpA

1. We have reviewed the condensed consolidated interim financial statements of Saipem SpA and subsidiaries (Saipem Group) as of 30 June 2008 and for the six months then ended, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholders' equity and cash flows and related explanatory notes. Saipem SpA's Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard n° 34 (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.
2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and of the consolidated interim financial statements of the prior year presented in the condensed consolidated interim financial statements, reference should be made to our reports dated 5 April 2008 and 27 September 2007, respectively.

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3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Saipem Group as of 30 June 2008 have not been prepared, in all material respects, in accordance with IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 8 August 2008

PricewaterhouseCoopers SpA

Signed by

Andrea Alessandri
(Partner)

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



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Capital stock: €441,410,900 fully paid
Tax identification number and Milan Companies' Register
No. 00825790157
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Publications

Bilancio al 31 dicembre (in Italian) redatto ai sensi
del D.Lgs. 9 aprile 1991, n. 127
Annual Report at December 31 (in English)
Relazione finanziaria semestrale consolidata al 30 giugno (in Italian)
Interim Consolidated Report as of June 30 (in English)
Sustainability Report (in English)

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