Interim Consolidated Report as of June 30, 2011

Mission

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

Our skilled and 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

By their nature, the forward-looking statements contained in this document are subject to risk and uncertainty since they are dependent upon circumstances which should occur or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions.

Actual results could therefore differ materially from the forward-looking statements.

The operating and financial review and the notes to the interim financial statements contain in-depth analyses of some of the aforementioned risks.

Forward-looking statements are to be considered in the context of the date of their release. Saipem SpA is under no obligation to review, update or correct them subsequently, except where this is a mandatory requirement of the applicable legislation.

The forward-looking statements given herein are not intended to provide legal, accounting, tax or investment advice and should not be relied upon in that regard. Nor are they intended to constitute an invitation to invest.

Countries in which Saipem operates

EUROPE

Austria, Belgium, Croatia, Cyprus, Denmark, Finland, France, Germany, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Turkey, United Kingdom

AMERICAS

Bolivia, Brazil, Canada, Colombia, Dominican Republic, Ecuador, Mexico, Peru, Suriname, Trinidad and Tobago, United States, Venezuela

CIS

Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

AFRICA

Algeria, Angola, Congo, Egypt, Gabon, Ivory Coast, Libya, Mauritania, Morocco, Nigeria, South Africa, Tunisia

MIDDLE EAST

Iraq, Kuwait, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates

FAR EAST AND OCEANIA

Australia, China, India, Indonesia, Japan, Malaysia, Pakistan, Papua New Guinea, Singapore, South Korea, Taiwan, Thailand, Timor East, Vietnam

Board of Directors and Statutory Auditors of Saipem SpA

BOARD OF DIRECTORS

Chairman
Alberto Meomartini

Deputy Chairman and Chief Executive Officer
Pietro Franco Tali

Managing Director for Business Support and Transversal Activities (Deputy CEO)
Hugh James O'Donnell

Directors
Gabriele Galateri di Genola, Nicola Greco, Maurizio Montagnese, Mauro Sacchetto, Umberto Vergine, Michele Volpi

BOARD OF STATUTORY AUDITORS

Chairman
Mario Busso

Statutory Auditor
Fabrizio Gardi
Adriano Propersi

Alternate Statutory Auditor
Giulio Gamba
Paolo Sfameni

Independent Auditors

Reconta Ernst & Young SpA

Saipem is a subsidiary of Eni SpA

Interim Consolidated Report as of June 30, 2011

Condensed consolidated interim financial Statements

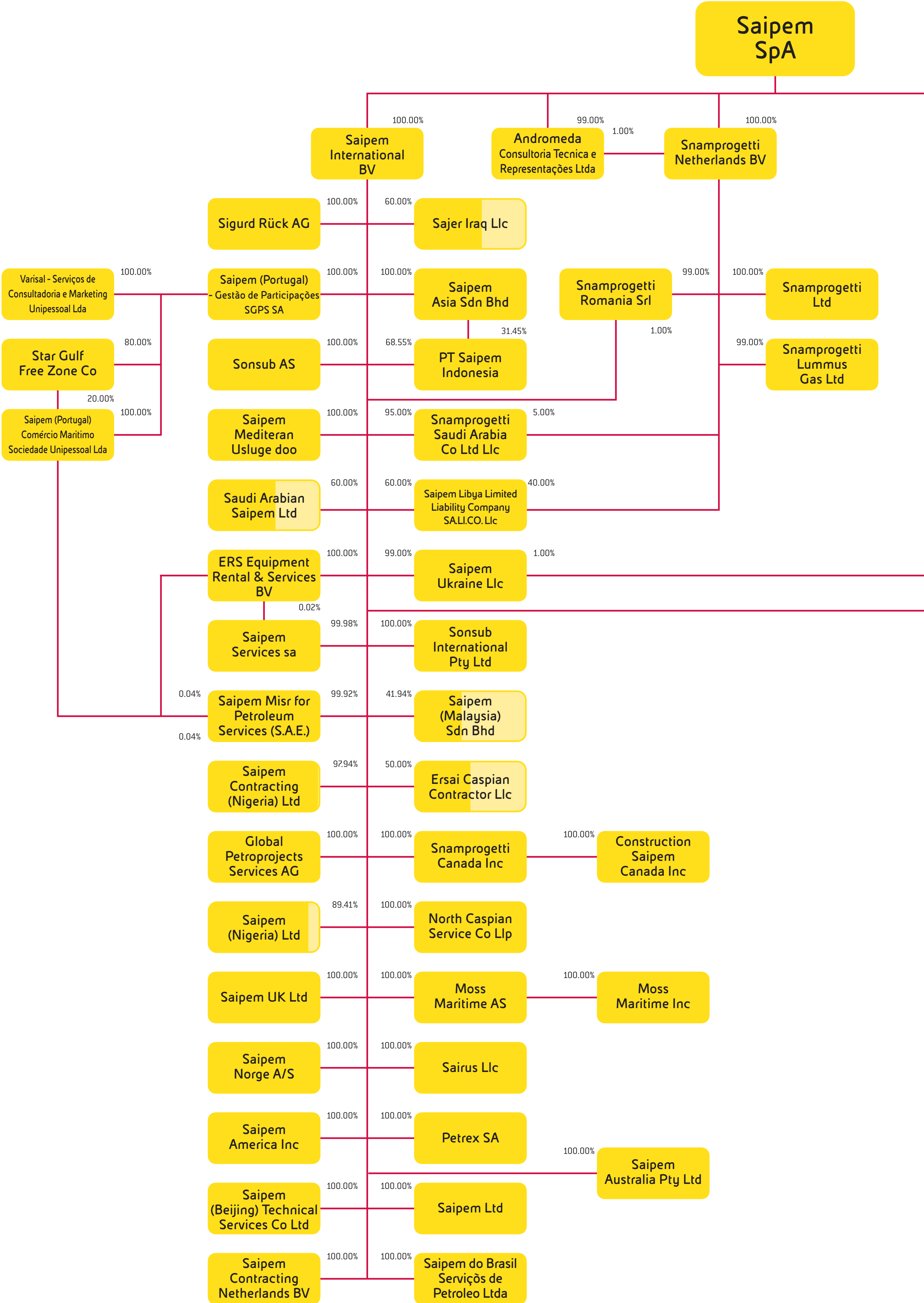
Approved by the Board of Directors on July 27, 2011

Interim results

In the first half of 2011, the Saipem Group achieved record results.

Revenues amounted to € 6,021 million (€ 5,385 million in the same period of 2010).
Operating profit totalled € 711 million (€ 627 million in the same period of 2010).
Net profit amounted to € 438 million (€ 380 million in the same period of 2010).
Cash flow (net profit plus depreciation and amortisation) reached a record € 740 million (€ 617 million in the same period of 2010).
The Offshore Engineering & Construction sector accounted for 39% of revenues and 45% of overall operating profits, the Onshore Engineering & Construction sector contributed 48% of revenues and 33% of overall operating profits, the Offshore Drilling sector 7% of revenues and 16% of overall operating profits and the Onshore Drilling sector generated 6% of revenues and 6% of overall operating profits.
Following the capital expended during the first half of the year and distribution of dividends, which were largely offset by cash flow for the period, net borrowings at June 30, 2011 stood at € 3,399 million (€ 3,263 million at December 31, 2010).
Capital expenditure in the first half of 2011 amounted to € 561 million (€ 782 million in the first half of 2010). With regard to the principal assets under construction, the construction of the new deepwater field development ship, Saipem FDS 2, was completed during the period, while the construction of the new pipelay vessel, CastorOne and the semi-submersible drilling rigs, Scarabeo 8 and Scarabeo 9, continued.
The Group was awarded new contracts worth € 6,006 million during the first six months of the year, while the order backlog at June 30, 2011 amounted to € 20,490 million.

Saipem Group structure
(subsidiaries)


Saipem SpA
100.00%
Saipem International BV
99.00%
1.00%
Andromeda Consultoria Tecnica e Representações Ltda
100.00%
Snamprogetti Netherlands BV
100.00%
Sigurd Rück AG
60.00%
Sajer Iraq Llc
100.00%
Varisal - Serviços de Consultadoria e Marketing Unipessoal Lda
100.00%
Saipem (Portugal) - Gestão de Participações SGPS SA
100.00%
Saipem Asia Sdn Bhd
Snamprogetti Romania Srl
99.00%
100.00%
Snamprogetti Ltd
80.00%
Star Gulf Free Zone Co
100.00%
Sonsub AS
68.55%
31.45%
PT Saipem Indonesia
1.00%
99.00%
Snamprogetti Lummus Gas Ltd
20.00%
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Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda
100.00%
Saipem Mediteran Usluge doo
95.00%
Snamprogetti Saudi Arabia Co Ltd Llc
5.00%
60.00%
Saudi Arabian Saipem Ltd
60.00%
Saipem Libya Limited Liability Company SA.LI.CO. Llc
40.00%
100.00%
ERS Equipment Rental & Services BV
99.00%
Saipem Ukraine Llc
1.00%
0.02%
99.98%
Saipem Services sa
100.00%
Sonsub International Pty Ltd
0.04%
Saipem Misr for Petroleum Services (S.A.E.)
0.04%
99.92%
41.94%
Saipem (Malaysia) Sdn Bhd
97.94%
Saipem Contracting (Nigeria) Ltd
50.00%
Ersai Caspian Contractor Llc
100.00%
Global Petroprojects Services AG
100.00%
Snamprogetti Canada Inc
100.00%
Construction Saipem Canada Inc
89.41%
Saipem (Nigeria) Ltd
100.00%
North Caspian Service Co Llp
100.00%
Saipem UK Ltd
100.00%
Moss Maritime AS
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Moss Maritime Inc
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Saipem Norge A/S
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Sairus Llc
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Saipem America Inc
100.00%
Petrex SA
100.00%
Saipem Australia Pty Ltd
100.00%
Saipem (Beijing) Technical Services Co Ltd
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Saipem Ltd
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Saipem Contracting Netherlands BV
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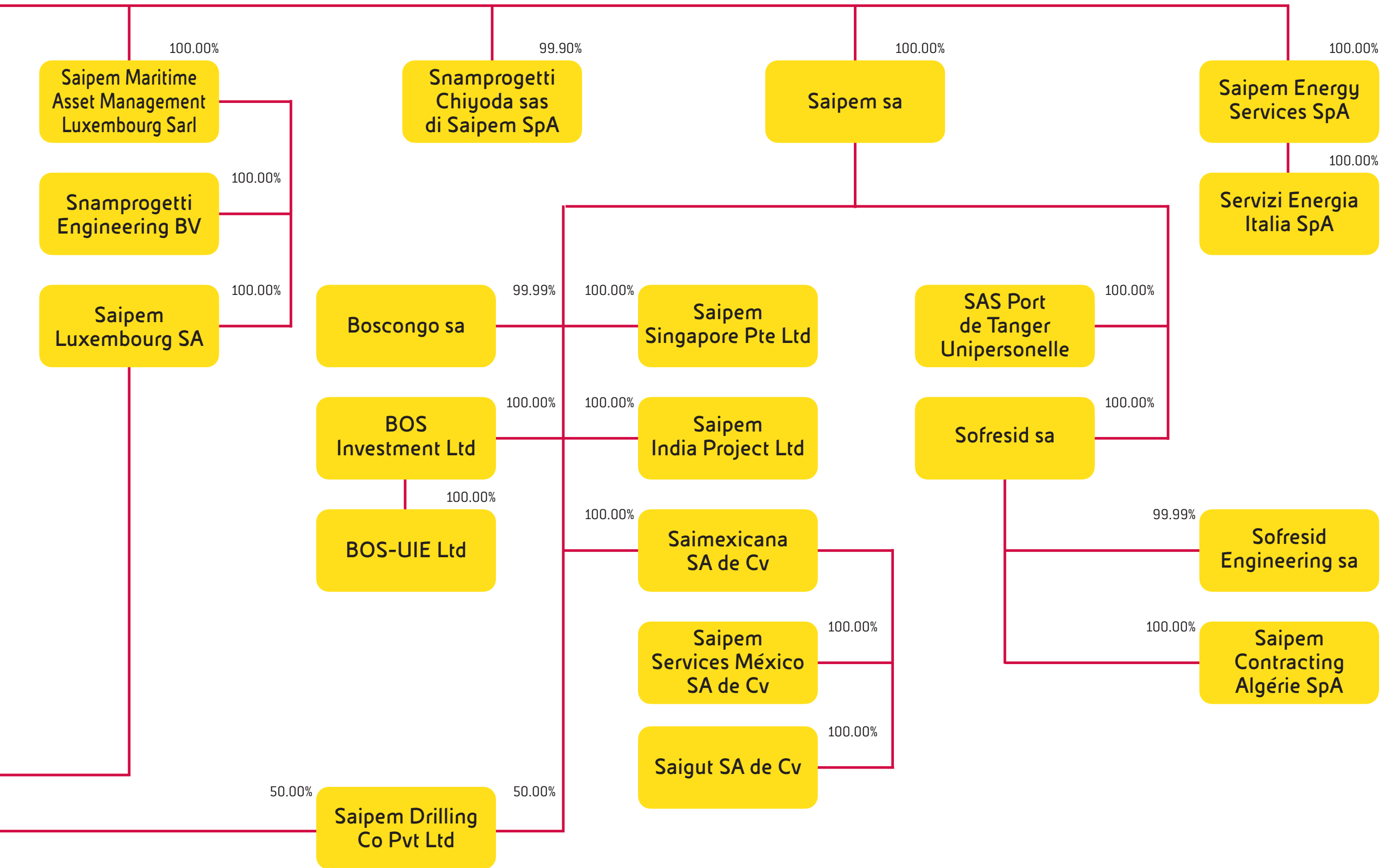
Saipem do Brasil Serviçõs de Petroleo Ltda



The chart only shows Saipem subsidiaries

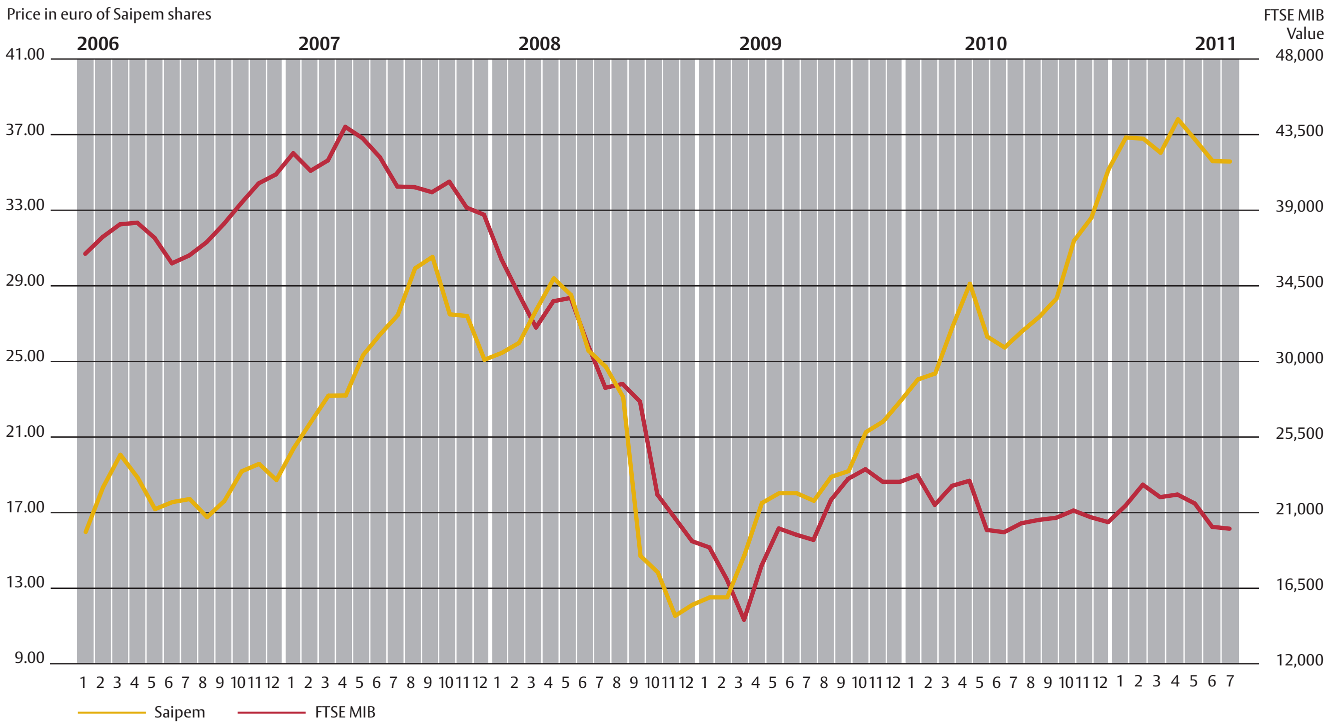
Operating and Financial Review

Saipem SpA share performance

During the first half of 2011, the value of Saipem ordinary shares on the Milan Stock Exchange registered a slight decrease of 4%, reaching a price of €35.38 at June 30, 2011, versus €36.90 at year end 2010.
On May 26, 2011, a dividend of €0.63 per ordinary share was distributed to shareholders, representing an increase of 15% compared with the dividend paid out in the previous year.
The socio-political unrest witnessed in a number of countries in North Africa and the Middle East during the first quarter of the year generated a climate of international tension as well as uncertainty – particularly in Europe – with regard to the security of oil supplies in the region. Although Saipem has limited exposure in the countries directly affected by the unrest, its share price – having ended 2010 close to an all-time high – fluctuated during the whole of the first quarter of 2011, hitting a first half low of €34.03 at the end of March. With the first signs of an easing in the crisis and favourable oil service market trends, the share price began a phase of recovery that ended with it hitting a new historical high of €38.60, driven in part by the signing of new contracts that will mainly be carried out using the Group's new vessels. However, doubts concerning the staying power of the economic recovery and the return of the debt crisis, which heavily affected a number of euro zone countries, once again undermined market confidence and the Saipem share remained flat during the second quarter of the year, before dropping close to the period low and ending the first half of 2011 at €35.38.
The Company's market capitalisation at the end of the period was approximately €16 billion.
In terms of share liquidity, shares traded in the first half of the year totalled approximately 276 million, versus the 470 million registered in the first half of 2010. The average number of shares traded daily for the period totalled 2.2 million (3.7 million in the first half of 2010), while the value of shares traded amounted to €10.1 billion, representing a decrease of 18% compared with the figure of €12.3 billion recorded in the first half of 2010.
The price of the savings shares, which are convertible at par with ordinary shares, and are of a limited number (136,636 at June 30, 2011), did not change significantly, standing at €36.40 at June 30, 2011. The dividend distributed on savings shares was €0.66 per share, which was up 14% on the previous year.

Share prices on the Milan Stock Exchange	(€)	2007	2008	2009	2010	**First half 2011**
Ordinary shares:						
- maximum		31.56	30.44	24.23	37.27	**38.60**
- minimum		18.32	10.29	10.78	23.08	**34.03**
- average		24.72	23.19	17.51	28.16	**36.55**
- period-end		27.30	11.92	24.02	36.90	**35.38**
Savings shares:						
- maximum		41.50	30.05	24.02	37.00	**39.25**
- minimum		19.10	16.82	14.85	23.00	**35.01**
- average		26.97	26.43	18.54	29.80	**36.68**
- period-end		28.50	16.82	24.02	36.50	**36.40**

Saipem and FTSE MIB - Average monthly prices January 2006-July 2011



Glossary

FINANCIAL TERMS

Adjusted net profit: net profit adjusted to exclude special items.
EBIT: Earnings Before Interest and Tax (operating profit).
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization (gross operating profit).
IFRS (International Financial Reporting Standards): accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Commission comprising 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: a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity including minority interest.
ROACE: Return On Average Capital Employed is calculated as the ratio between adjusted net profit before minority interest, plus net finance charges on net borrowings less the related tax effect and net average 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.
Carbon Capture and Storage: technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating the carbon dioxide emissions into the atmosphere.
Commissioning: series of processes and procedures carried out to start operations on 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.
Cracking: chemical-physical process typically employed in dedicated refinery plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
Deck: area of a vessel or platform where process plant and equipment, accommodation modules and drilling units are located.
Decommissioning: processes and procedures carried out in order to end operations on a gas pipeline, associated plant and equipment. Decommissioning 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.
Downstream: term referring to all those operations that follow exploration and production operations in the oil sector.
Drillship: vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
Dry-tree: wellhead located above the water on a floating production platform.
Dynamically Positioned Heavy Lifting 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): type of contract typical of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' is used to indicate that the system is delivered to the client ready for operations, i.e. already commissioned.
EPIC (Engineering, Procurement, Installation, Construction): 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 for the start-up of operations.
Fabrication yard: yard at which offshore structures are fabricated.
Facilities: auxiliary services, structures and installations required to support the main systems.
FDS (Field Development Ship): dynamically-positioned multipurpose crane and pipelay vessel.
FEED (Front-end Engineering and Design): basic engineering and preliminary activities carried out before beginning a complex project to evaluate its technical aspects and enable an initial estimate of the required investment.
Flare: tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilise it onsite or ship it elsewhere.
FLNG (Floating Liquefied Natural Gas): floating unit used for the treatment, liquefaction and storage of gas that is subsequently transferred on to vessels for transportation to end-use markets.
Floatover: type of module installation on 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.
Flowline: pipeline used to connect individual wells to a manifold or to gathering and processing facilities.
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.

FSRU (Floating Storage Regasification Unit): floating terminal in which liquefied natural gas is stored and then regasified before being transported by pipeline.

Hydrocracker: installation in which large hydrocarbon molecules are broken down into smaller ones.

Hydrotesting: operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is free of defects.

Hydrotreating: refining process aimed at improving the characteristics of oil fractions.

International Oil Companies: privately-owned, typically publicly traded oil companies engaged in various fields of the upstream and/or downstream oil industry.

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.

Leased FPSO: FPSO vessel for which a lease contract is in place between a client/lessee (i.e. an oil company) and a contractor/lessor, under which the lessee makes lease payments to the lessor for use of the vessel for a specific period of time. At the end of the lease term, the lessee has the option to purchase the FPSO.

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. A tonne of LNG equates to 1,500 cubic metres of gas.

Local Content Policy: policy whereby a company develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its business activities.

LPG: Liquefied Petroleum Gases. Produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gases exist in a gaseous state at ambient temperatures and atmospheric pressure, but change to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy to handle metal pressure vessels.

LTI (Lost Time Injury): any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.

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.

Multipipe subsea: subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deepwater application).

National Oil Companies: State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.

NDT (Non Destructive Testing): series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.

NDT Phased Array: non-destructive testing method that employs ultrasound to detect structural or welding defects.

Offshore/Onshore: the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.

Oil Services Industry: industry providing services to National or International Oil Companies for oil exploration, production, transportation and conversion purposes.

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.

Pipe-in-pipe forged end: forged end of coaxial double pipe.

Pipelayer: vessel used for subsea pipe laying.

Pipeline: pipes and auxiliary equipment used principally for transporting crude oil, oil products and natural gas to the point of delivery.

Pipe Tracking System (PTS): electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.

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.

Pre-Travel Counselling: health advice designed to take into account the health of the individual worker and ensure that he/she is furnished with adequate information on the specific risks present in his/her country of destination and the preventive measures that should be adopted.

Pulling: minor operations on oil wells due to maintenance or marginal replacements.

QHSE: Quality, Health, Safety, Environment.

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.

Shale gas: unconventional gas extracted from shale deposits.

Shallow water: see Conventional waters.

Sick Building Syndrome: a combination of ailments associated with a person's place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, molds and dust mites may be contributing factors.

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.

Subsea processing: operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.

Subsea tiebacks: lines connecting new oil fields with existing fixed or floating facilities.

Subsea treatment: a new process for the development of marginal fields. The system involves the injection and treatment of sea-water directly on the seabed.

SURF (Subsea, Umbilicals, Risers, Flowlines) facilities: pipelines and equipment connecting the well or subsea system to a floating unit.

Tandem Offloading: method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).

Tar sands: mixture of clay, sand, mud, water and bitumen. The bitumen in tar sands is composed principally of high molecular weight hydrocarbons and can be converted into a variety of oil products.

Template: rigid and modular subsea structure where the oilfield well-heads are located.

Tender assisted drilling unit (TAD): offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructure.

Tendon: pulling cables used on tension leg platforms 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: the term upstream relates to exploration and production operations.

Vacuum: second stage of oil distillation.

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

Wellhead Barge (WHB): vessel equipped for drilling, work over and production (partial or total) operations, connected to process and/or storage plants.

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

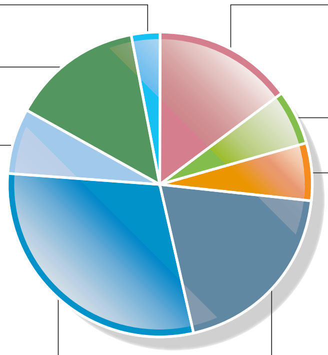
Operating Review

New contracts and backlog

New contracts awarded to the Saipem Group during the first half of 2011 amounted to € 6,006 million (€ 7,059 million in the first half of 2010).
54% of all contracts awarded were in the Offshore Engineering & Construction sector, 35% in the Onshore Engineering & Construction sector, 6% in the Onshore Drilling sector and 5% in the Offshore Drilling sector.
New contracts to be carried out abroad made up 85% and contracts awarded by Eni Group companies 7% of the overall figure. Orders awarded to the Parent Company Saipem SpA amounted to 34% of the overall total.
The backlog of the Saipem Group as at June 30, 2011 stood at € 20,490 million.

New contracts by geographical area

(€ million)



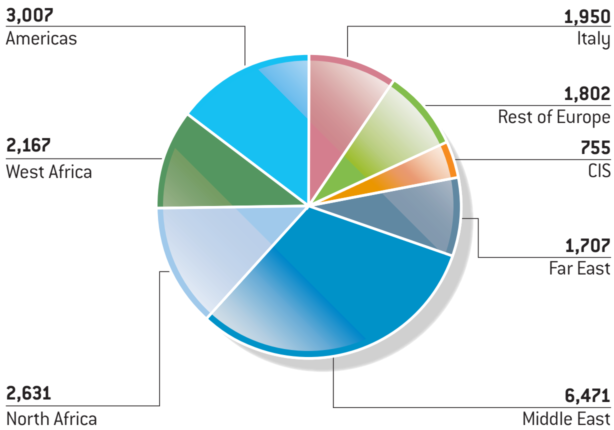
Saipem Group - New contracts awarded during the first half of 2011

Year 2010		(€ million)	First half 2010		**First half 2011**	
Amount	%		Amount	%	Amount	%
5,581	43	Saipem SpA	3,839	54	**2,050**	**34**
7,354	57	Group companies	3,220	46	**3,956**	**66**
12,935	**100**	**Total**	**7,059**	**100**	**6,006**	**100**
4,600	36	Offshore Engineering & Construction	1,923	27	**3,262**	**54**
7,744	60	Onshore Engineering & Construction	4,781	68	**2,077**	**35**
326	2	Offshore Drilling	149	2	**349**	**6**
265	2	Onshore Drilling	206	3	**318**	**5**
12,935	**100**	**Total**	**7,059**	**100**	**6,006**	**100**
825	6	Italy	455	6	**889**	**15**
12,110	94	Abroad	6,604	94	**5,117**	**85**
12,935	**100**	**Total**	**7,059**	**100**	**6,006**	**100**
962	7	Eni Group	596	8	**395**	**7**
11,973	93	Third parties	6,463	92	**5,611**	**93**
12,935	**100**	**Total**	**7,059**	**100**	**6,006**	**100**

The breakdown of the backlog by sector is as follows: 31% in the Offshore Engineering & Construction sector, 48% in the Onshore Engineering & Construction sector, 16% in Offshore Drilling and 5% in Onshore Drilling.
90% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 15% of the overall backlog.
The Parent Company Saipem SpA accounted for 54% of the total order backlog.

Backlog by geographical area

(€ million)



Saipem Group - Backlog as at June 30, 2011

Dec. 31, 2010		(€ million)	June 30, 2010		**June 30, 2011**	
Amount	%		Amount	%	Amount	%
11,242	55	Saipem SpA	11,468	56	**10,994**	**54**
9,263	45	Group companies	8,936	44	**9,464**	**46**
20,505	**100**	**Total**	**20,404**	**100**	**20,490**	**100**
5,544	27	Offshore Engineering & Construction	5,194	25	**6,432**	**31**
10,543	52	Onshore Engineering & Construction	10,261	50	**9,735**	**48**
3,354	16	Offshore Drilling	3,581	18	**3,285**	**16**
1,064	5	Onshore Drilling	1,368	7	**1,038**	**5**
20,505	**100**	**Total**	**20,404**	**100**	**20,490**	**100**
1,310	6	Italy	1,330	7	**1,950**	**10**
19,195	94	Abroad	19,074	93	**18,540**	**90**
20,505	**100**	**Total**	**20,404**	**100**	**20,490**	**100**
3,349	16	Eni Group	3,812	19	**3,149**	**15**
17,156	84	Third parties	16,592	81	**17,341**	**85**
20,505	**100**	**Total**	**20,404**	**100**	**20,490**	**100**

Capital expenditure

Capital expenditure in the first half of 2011 amounted to € 561 million (€ 782 million in the first half of 2010) and mainly related to:
- € 226 million in the Offshore Engineering & Construction sector relating mainly to the construction and completion of a new pipelayer and a deepwater field development ship, the conversion of an oil tanker into an FPSO vessel, the development of a new fabrication yard in Indonesia, and maintenance and upgrading of the existing asset base;
- € 10 million in the Onshore Engineering & Construction sector for maintenance and upgrading of the existing asset base;
- € 297 million in the Offshore Drilling sector, mainly relating to completion works on two semi-submersible rigs, in addition to the maintenance and upgrading of the existing asset base;
- € 28 million in the Onshore Drilling sector, relating to upgrading of the existing asset base.

The following table provides a breakdown of capital expenditure in the first half of 2011:

Capital expenditure

Year 2010	(€ million)	First half 2010	First half 2011
230	Saipem SpA	106	**20**
1,315	Group companies	676	**541**
1,545	**Total**	**782**	**561**
713	Offshore Engineering & Construction	346	**226**
25	Onshore Engineering & Construction	6	**10**
553	Offshore Drilling	313	**297**
254	Onshore Drilling	117	**28**
1,545	**Total**	**782**	**561**

Details of capital expenditure for the individual areas of activity are provided in the following pages.

Offshore Engineering & Construction

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 and competences, 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 first half of 2011 saw the Saipem FDS 2 enter into service. The FDS 2 is 183-metre long, 32 metres wide and 14.5-metre high, is equipped with a J-lay tower with a capacity of 2,000 tonnes and is designed to lay up to 36" pipes in both J-lay and S-lay mode, in water depths of up to to 3,000 metres. Saipem FDS 2 is also equipped with an extremely advanced dynamically positioning system (DP3), has a top sailing speed of 13 knots and onboard accommodation facilities to house up to 325 personnel in compliance with the highest international standards of comfort.
Meanwhile, the standout vessel in the Group's fleet of state-of-the-art semi-submersibles is the Saipem 7000, which is equipped with a dynamic positioning system, has a 14,000-tonne lifting capacity and is capable of laying 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. The fleet also includes 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 capable of operating 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 enjoys 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 operations.
Finally, Saipem is also active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitória and the Gimboa, as well as the FPSO Aquila, which is currently under construction.

Market conditions

The first half of 2011 saw an improvement in levels of activity in the Offshore sector compared with 2010. Following the significant decrease seen over the last two years as a result of the global economic crisis, Offshore investments registered moderate growth during the first six months of 2011.
This recovery was aided by the price of Brent crude, which generally traded at between 110 and 120 dollars a barrel, representing a significant increase over 2010 that was in part due to the unrest in North Africa.
In June, the International Energy Agency (IEA) decided to respond to the oil shortage caused by the Libyan political crisis – which has led to a significant loss of exports – by releasing strategic oil reserves in order to prevent further price rises that could jeopardise the global economic recovery. The immediate effect of the IEA's intervention was an initial fall in oil prices.
Experts expect prices to remain high in the medium term due to an increase in global demand for oil, largely as a result of the strong economic growth in South East Asia, thus opening up attractive new investment prospects in the Offshore E&C sector in challenging geographical areas, such as in West African deep water fields.

The principal areas of Offshore E&C investment are **Latin America**, **West Africa** and **Asia-Pacific**.
As a result of the ongoing success of explorations in the 'pre-salt' area, **Brazil** – where subsea installations increased during the six-month period – continues to be the area with the biggest potential for growth, not only in relation to the offshore E&C area, but in terms of the entire upstream sector.
In **West Africa**, market activity picked up compared with 2010 and further growth is expected to occur in 2012, along with a more substantial recovery on the subsea installations market.
In Angola in particular, levels of market activity are gradually picking up following the marked slowdown caused by the macro-economic recession, although current levels of growth are still some way off the highest levels of growth recorded.
Meanwhile, the downturn seen in Nigeria would seem to be mainly due to uncertainties connected with local legislation regarding foreign investments. Installations in Ghana on the other hand, which represents a new frontier for the deep water market, are currently registering growth.
In the **Asia-Pacific** area, market activity was concentrated in traditional sectors, such as the fixed platform sector.

With regard to subsea installations in **shallow waters**, levels of market activity were up in the North Sea (particularly in the Norwegian sector), which is currently the leading market for this type of installation.

The **fixed platform** market is currently buoyant, with growth registered worldwide compared with 2010. Market activity was up in the Middle East and India especially (in the smaller-sized platforms sector), as well as in the North Sea. In the Persian Gulf, which was not affected by the socio-political unrest in North

Africa, levels of market activity are currently high and the outlook for the coming years is good.

In the **FPSO** sector, there was a continuation of the recovery that began in 2010. Contractors' order books registered a slight increase in terms of the total number of floating units, with Brazil continuing to account for the lion's share of orders, representing 50% of the total. Contractors' confidence in the sector improved during the period, while medium-term growth prospects are very good.

On the **GNL** market, the half year period saw the emergence of conditions that it is estimated will lead to the absorption of the excess supply much quicker than was originally expected. The main reasons for this are the slowing up in the construction of new plants, the global economic recovery, the effects of the unrest in North Africa and – in particular – the expected increase in GNL demand in Japan following the tsunami and the closure of the country's nuclear plants. As a result, market expectations improved, while investment programmes in the nascent **FLNG** sector were stepped up.

The prospects for oil development in the **Arctic** improved over the half year period, as Norway and Russia signed an agreement in a long-standing dispute over maritime borders in the Barents Sea. In the US, meanwhile, the House of Representatives approved a new law intended to remove obstacles to drilling in Alaska.

The **large diameter pipeline** sector recorded good levels of market activity during the period, while further growth is expected over the next few years. Currently, the geographical areas offering the most interesting business opportunities are the Middle East and the North Atlantic.

New contracts

The most significant contracts awarded to the Group during the first half of 2011 were:
- for Saudi Aramco in Saudi Arabia, an EPIC (Engineering, Procurement, Installation, Construction) contract for the development of the Arabiyah and Hasbah offshore fields, as part of the Al Wasit Gas Program. The contract encompasses engineering, procurement, construction and installation of fifteen fixed platforms, an export pipeline, offshore lines, subsea and control cables;
- for Husky Oil China Ltd in China, the contract for the Liwan 3-1 Field - Deepwater EPCI encompassing the engineering, procurement, construction and installation of two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform;
- for Petrobras in Brazil, the EPIC contract for the Guara & Lula-Nordeste gas export pipelines encompassing the transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment;
- for the Burullus Gas Co in Egypt, the EPIC contract for new subsea developments in the area of the West Delta Deep Marine Concession. The contract encompasses the engineering, procurement, fabrication and installation of the subsea wellheads and related infrastructure, the umbilicals and flowlines;
- for Caspian Pipeline Consortium (CPC) in Russia, the contract for the expansion of the facilities of the CPC marine export terminal on the Black Sea shores in the Krasnodar region of the Russian Federation. The development includes the engineering, procurement and installation of a new offshore export pipeline for hydrocarbon transportation and the installation of a new offshore mooring system for hydrocarbon export.

Capital expenditure

The most significant investments in this sector included:
- the completion of investments for the construction of the new Saipem FDS 2 deepwater field development ship;
- the continuation of the investment in a new pipelayer, CastorOne, equipped with dynamic positioning, designed for laying large diameter pipes in arctic conditions/deep waters;
- the continuation of the conversion of an oil tanker into an FPSO vessel;
- the continuation of investments for the construction of a new fabrication yard in Indonesia;
- upgrading and integration works on the fleet's main vessels.

Work performed

The most significant projects were as follows.

In the Mediterranean Sea:
- for Snam Rete Gas, work was completed on the project for the installation of a new onshore gas import system from the FRSU (Floating Storage Re-gasification Unit) to be installed off the coast of Livorno, Italy;
- on the **Castor** project for UTE ACS Cobra Castor in Spain, work is underway on the installation of an offshore pipeline that will connect mainland Spain to the WHP platform (well head platform);
- for the Burullus Gas Co in Egypt, work started on the EPIC contract for new subsea developments in the area of the **West Delta Deep Marine Concession**. The contract encompasses the engineering, procurement, fabrication and installation of the subsea wellheads and related infrastructure, the umbilicals and flowlines.

In Saudi Arabia, for Saudi Aramco:
- construction works are being completed on platforms under the **Long Term Agreement** for the engineering, procurement, construction, transport and installation of structures, platforms and pipelines;
- work began on the EPIC contract for the development of the Arabiyah and Hasbah offshore fields, as part of the **Al Wasit Gas Program**. The contract encompasses engineering, procurement,

construction and installation of fifteen fixed platforms, an export pipeline, offshore lines, sub-sea and control cables.

In the Far East:
- works are ongoing for ExxonMobil on the contract for the **PNG LNG EPC2** Offshore Pipeline Project in Papua New Guinea. The scope of work consists of the engineering, transportation and installation of a gas sealine connecting the Omati River landfall point on the southern coast of Papua New Guinea to the onshore point located near the capital Port Moresby, on the southeastern coast of the country, where a new LNG plant will be located;
- work is underway for Premier Oil Natuna Sea BV on the EPIC project, **Gajah Baru**, in the West Natuna Sea offshore Indonesia, which encompasses engineering, procurement and installation of two platforms, a bridge connecting the platforms and a subsea gas export pipeline. One of the platforms will be installed using the float-over method;
- work began for Husky Oil China Ltd in China on the EPIC **Liwan 3-1** project encompassing the engineering, procurement, construction and installation of two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform.

In West Africa:
- work is underway for Esso Exploration Angola (Block 15) Ltd on the **Kizomba Satellites Epc3 Tiebacks** project, involving the Kizomba Satellites fields in Block 15 offshore Angola. The scope of work comprises engineering, construction, transport and installation of tiebacks, umbilicals, risers and subsea systems connecting the Mavacola and Clochas fields to the existing Kizomba A and B FPSOs;
- activities continued on the EPIC type **Usan** project for Elf Petroleum Nigeria (Total), relating to the subsea development of the Usan deepwater field, located approximately 160 km south of Port Harcourt in Nigeria. The contract encompasses the engineering, procurement, fabrication, installation and assistance to commissioning and start-up for subsea umbilicals, flowlines and risers connecting the 42 subsea wells to the FPSO system, 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;
- offshore works are being completed on the EPIC-type **FARM** project for Cabinda Gulf Oil Co Ltd, in Angola, which comprises the construction of 10 flare stacks and modifications to the gas combustion and discharge systems on 14 platforms in Block 0, which is located off the coast of Cabinda province;
- engineering and procurement activities continued offshore Nigeria on the **Bonga North West** contract for Shell Nigeria Exploration and Production Co Ltd (SNEPCo). The contract encompasses engineering, procurement, fabrication, installation and pre-commissioning services for pipe-in-pipe production flowlines, water injection flowlines as well as related production facilities.

In the Baltic Sea, pipelaying was completed on the **Nord Stream** project for Nord Stream AG. The contract involves the laying of a gas pipeline composed of two parallel pipes that will link Vyborg in Russia with Greifswald in Germany, as well as dredging, backfilling, testing and pre-commissioning activities.

In the North Sea:
- various structures were installed for ConocoPhillips and BP;
- preparatory work for the 2011 installation campaign was started in connection with contracts for Statoil (**Gudrun**), Elf Exploration UK (**West Franklin**), BP (**Claire Ridge**) and Shell (**Ormen Lange**).

Work started for Caspian Pipeline Consortium (CPC) in Russia on the contract for the expansion of the facilities of the **CPC marine export terminal** on the Black Sea shores in the Krasnodar region. The development includes the engineering, procurement and installation of a new offshore export pipeline for hydrocarbon transportation and for the installation of a new offshore mooring system for hydrocarbon export.

In Azerbaijan, for BP Exploration (Caspian Sea) Ltd, subsea inspection, maintenance and repair works continued on BP offshore infrastructure in the Azeri offshore, including platforms installed by BP in previous years. Meanwhile, for AIOC, as part of the **Chirag Oil Project**, work continued on the construction of the jacket for the new West Chirag platform. Engineering is also underway on two new work scopes encompassing the construction of the jacket and transportation and installation of the jacket and topsides.

In Kazakhstan, for Agip KCO, as part of the programme for the development of the Kashagan field:
- engineering and procurement activities are being completed in connection with the extension of the **Trunkline and Production Flowlines** project, which comprises engineering, procurement, laying and commissioning of pipelines, fibre optic cables and umbilicals;
- work is underway on the extension of the contract for the **Piles and Flares** project, which encompasses the installation of modular barges, a flare, a number of piperacks, a connecting bridge and various other structures currently under construction in Kuryk;
- activities continued on the **Hook Up and Commissioning** project, encompassing the hook-up and commissioning of offshore facilities and pre-fabrication and completion of modules at the Kuryk yard;
- work began on the **New Hook Up, Pre-commissioning and Commissioning assistance** project on island D.

In Brazil, for Petrobras:
- work continued on the EPIC contract **P55-SCR**, encompassing the engineering, procurement, transportation and offshore installation of flowlines and risers serving the semi-submersible platform P-55 to be installed in the Roncador field, in the Campos Basin, off the coast of the Rio de Janeiro state in Brazil;
- work started on the EPIC contract for the **Guara & Lula-Nordeste** gas export pipelines encompassing the

transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment.

In the Leased FPSO segment, the following vessels carried out operations during the period:
- the FPSO Cidade de Vitória carried out operations as part of an eleven-year contract with Petrobras on the second phase of development of the **Golfinho** field, situated off the coast of Brazil at a water depth of 1,400 metres;
- the FPSO Gimboa carried out operations on behalf of Sonangol P&P, under a six-year contract for the provision and operation of an FPSO unit for the development of the **Gimboa** field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.

Offshore fleet at June 30, 2011

Saipem 7000	Self-propelled, semi-submersible, dynamically positioned crane and pipelay vessel capable of lifting structures of up to 14,000 tonnes and J-laying pipelines at depths of up to 3,000 metres.
Saipem FDS	Multi-purpose mono-hull dynamically positioned crane and pipelay 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.
Saipem FDS 2	Pipelay vessel equipped with a J-lay tower with a capacity of 2,000 tonnes designed to lay up to 36" pipes in both J-lay and S-lay mode in water depths of up to 3,000 metres.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipe at depths of up to 1,000 metres.
Castoro Sette	Semi-submersible lay barge capable of laying large diameter pipe at depths of up to 1,000 metres.
Castoro Otto	Derrick/lay ship capable of laying pipes of up to 60" diameter and lifting structures of up to 2,200 tonnes.
Saipem 3000	Self-propelled, dynamically positioned crane vessel 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 work on platforms.
Semac 1	Semi-submersible pipelay barge 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/pipelay barge capable of burying pipes of up to 60" diameter and laying pipes in shallow waters.
Castoro 12	Pipelay barge, capable of laying pipe up to 40" diameter in ultra-shallow waters (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.
Castoro 16	Post-trenching and back-filling barge for pipe up to 40" diameter in ultra-shallow waters (1.4 metres).
Saibos 230	Work/pipelaying/accommodation barge capable of laying pipe up to 30" diameter, equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1	Heavy lifting barge 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	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Ersai 3	Self-propelled workshop/storage barge used as support vessel, with storage space and office space for 50 people.
Ersai 4	Self-propelled workshop/storage barge used as support vessel, with storage space and office space for 150 people.
Ersai 400	Accommodation barge for up to 400 people, equipped with antigas shelter for H_2S leaks.
Castoro 9	Launching/cargo barge.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
Castoro 15	Cargo barge.
S42	Cargo barge, utilised for storage of S7000 J-lay tower.
S43	Cargo barge.
S44	Launching/cargo barge, for structures of up to 30,000 tonnes.
S45	Launching/cargo barge, for structures of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
Bos 600	Launching/cargo barge, for structures of up to 30,000 tonnes.
FPSO - Cidade de Vitória	FPSO unit with a production capacity of 100,000 barrels a day.
FPSO - Gimboa	FPSO unit with a production capacity of 60,000 barrels a day.

Onshore Engineering & Construction

General overview

The Saipem Group's Onshore Engineering & Construction 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 worldwide leading position in the Onshore sector, providing a complete range of integrated basic and detailed engineering, procurement, project management and construction services, principally to the oil & gas, complex civil and marine infrastructures and environmental markets. In numerous markets, the company places great emphasis on maximising local content during project execution.

The Group has a long-term and continuous operational presence in the Arabian Peninsula and most of the Middle East, West Africa, North Africa, Europe, Russia, Kazakhstan and the Indian subcontinent and has a growing presence in Canada, a number of Latin American countries and Australia.

Market conditions

The positive trend that commenced in the previous year continued during the period, with a growing world economy and a gradual increase in energy demand driven in particular by the emerging economies of China, India and Brazil, while a mood of cautious optimism prevailed with regard to the market's medium-term economic prospects. In spite of the increase in the price of raw materials, levels of activity on the onshore plant construction market remained steady and growth was recorded in a number of sectors (in particular Upstream and Midstream), thanks in part to the increase in oil prices.

The price of Brent crude increased during the period as a consequence of the nuclear catastrophe in Japan and recent political tensions in North Africa and the Middle East. Oil prices are expected to remain high for the whole of 2011, helping oil companies meet their capex spending targets, which increased from 2010, although risk factor for investments in the E&C sector is that excessively high oil prices may jeopardise the global economic recovery.

In the gas production sector in the US, the development of non-conventional fields is becoming increasingly cheap and widespread. Looking ahead, this can also be expected to occur in China, Australia and – probably – Europe (which possesses non-conventional fields of a size comparable with those in North America). During the last two years, the gas market has been hugely impacted by a situation in which an excess of supply has caused a rapid decline in gas prices, leading in turn to a slowdown in investments. The major factors determining this situation are on the one hand the growth in natural gas production from non conventional sources in the US and the start-up of liquefaction mega-plants in Qatar and on the other the weakened gas demand from economically advanced countries caused by the economic crisis. The catastrophe in Japan and the number of countries that have subsequently reviewed their position on nuclear power, coupled with the global economic recovery and sustained demand in the Asia-Pacific area, are altering the fundamentals of a gas market on which demand is expected to grow, producing a positive impact on price.

With the exception of the Middle East (in the upstream segment) and the Asia-Pacific area (in the GNL segment), new contract awards in early 2011 experienced a slowdown. The onshore E&C market possesses significant potential for recovery, although the timeframe of such a recovery will depend on geopolitical and strategic factors and on the economies of advanced nations. Meanwhile, the increase seen in front-end engineering and design (FEED) services is a sign of efforts to optimise development costs and times for plant construction and of a tendency on the part of oil companies to consider alternative development solutions.

The **upstream** sector was the leading sector in terms of new contracts awarded in the first half of the year, especially in the Middle East (Saudi Arabia and Qatar) and North Africa (Algeria). The sector has good potential for development in the short to medium term due to the growth in demand for fuel and electrical energy and the need to replace declining fields and maintain adequate spare capacity. Massive programmes of investment in oil production are expected in countries such as Iraq and Saudi Arabia while – in view of the high oil prices – investments are also likely in non-conventional oil fields in Canada and, probably, Venezuela.

The **pipelines** sector confirmed its strategic importance, with the period seeing a number of contract awards for the construction of new pipelines, especially in Russia and neighbouring countries and with a particular focus on export pipelines to China. In early 2011, projects were also awarded in the Middle East and the Asia-Pacific area (Australia). In the medium-term, the prospects of new contract awards in the pipeline sector remain good in the Middle East and in the former Soviet Union (for export to both Europe and East Asia) as well as in connection with the development of new resources in the Americas.

The **gas liquefaction** sector is as yet showing no sign of recovery, although the market may pick up as a result of the growth in demand expected to occur to replace nuclear energy lost in the wake of the earthquake in Japan. In this regard, the projects currently under development in Australia for the development of new fields relatively close to the major Asian markets, some of which non-conventional, are expected to play a critical role. In addition, West Africa (Nigeria, Angola) and Russia are expected to be areas of potential interest.

The **refining** sector saw a slowdown in awards during the first few months of the year, with a small number of new projects awarded in Saudi Arabia, Brazil and Eastern Europe. In recent years, however, the sector has been one of the biggest growth markets, with new awards for export refineries (i.e. refineries close to oil production areas and not consumer markets) in the Middle East (UAE and Saudi Arabia). Looking forward, the growth in energy demand in the Asia-Pacific area, the Middle East and Latin America is expected to compensate for the fall in consumption in the west, meaning that the trend for closures of smaller, technically obsolete refineries and their replacement by larger more modern refineries capable of diesel production and designed to reduce environmental impact is likely to continue. In addition, new refinery construction is expected to take place mainly in areas characterised by strong economic growth.

The **petrochemical** sector, which is strongly cyclical, continued during the period to be impacted by the effects of the crisis and by the overcapacity created by the recent phase of heavy investment, particularly in the Middle East. The fall in demand recorded in 2008-2009 in North America and Europe, which was only partially offset by growth in the Middle East and the Asia-Pacific area, caused a marked slowdown in new investments. In fact, apart from the mega export plants in the Middle East (especially in the United Arab Emirates), few new projects were awarded during the first half of 2011. Once the current production surplus has been absorbed, the most significant new projects will in all likelihood be located in Asia (China and India) and the Middle East (Saudi Arabia especially), in line with industry's tendency to move towards these areas. Additional opportunities may emerge in South America and, possibly, Russia.

The demand for **fertiliser** is currently growing, with a large number of projects likely to be awarded in the near future in the Asia-Pacific area (India in particular) and South America (Venezuela), where fertiliser is of strategic importance for the food industry.

New contracts

The most significant contracts awarded to the Group during the first half of 2011 were:
- for Rete Ferroviaria Italiana SpA (part of the Ferrovie dello Stato Group) in Italy, a contract for the detailed engineering, project management and construction of a 39 km section of high-speed railway line and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation;
- for Gladstone LNG Operations Pty Ltd in Australia, the EPC (Engineering, Procurement, Construction) contract for the development of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Area Development (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built;
- in addition, new contracts were secured and contract variations negotiated on existing projects, mainly in North and West Africa.

Capital expenditure

Capital expenditure in the Onshore Engineering & Construction sector focused mainly on the acquisition and readying of plant and equipment necessary for the execution of projects.

Work performed

Onshore Engineering & Construction activities performed during the period achieved a new record in terms of revenue earned. The most significant works are detailed below by geographical area.

In Saudi Arabia, for Saudi Aramco, construction activities continued on the EPC **Manifa Field** contract for the construction of the gas/oil separation trains at the Manifa Field in Saudi Arabia. The project encompasses the engineering, procurement and construction of three gas/oil separation trains (GOSP), gas dehydration, crude inlet manifolds and the flare gas system.

In Qatar:
- construction and commissioning activities were completed on the EPC-type **Pearl Gas To Liquids (GTL)** project for Qatar Shell Ltd, comprising the construction of a waste water treatment plant in the industrial city of Ras Laffan;
- for Qatar Fertiliser Co SAQ, work is underway in the industrial area of Qafco in the city of Mesaieed on the EPC **Qafco 5 - Qafco 6** project comprising engineering, procurement, construction and commissioning of four new ammonia and urea production plants and associated service infrastructure. The plants will form the world's largest ammonia and urea production site.

In the United Arab Emirates, activities continued on the EPC contract for Abu Dhabi Gas Development Co Ltd, which is part of the development of the high sulphur content **Shah** sourgas field, encompassing the treatment of 1 billion cubic feet a day of sourgas from the Shah field, the separation of the sulphur from the natural gas and the transportation of both to treatment facilities near Habshan and Ruwais in the northern part of the Emirate.

In Kuwait:
- construction work is being completed for Kuwait Oil Co (KOC) on the EPC contract **BS 160**, which encompasses 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 Mina Al Ahmadi refinery;
- construction activities are underway for KOC (Kuwait Oil Co) on the EPC contract for the replacement of the compressors systems at KOC's **Gathering Centres 07, 08 and 21**, in the south of the country. The scope of work consists of engineering, procurement, the demolition and disposal of existing facilities, construction, installation, commissioning, as well as the training of personnel for three new compressors;
- work is underway on the EPC contract **BS 171** for Kuwait Oil Co (KOC), which encompasses the engineering, procurement and construction of a new booster station comprising three high and low-pressure gas trains for the production of dry gas and condensate;
- engineering work started on the EPC **Jurassic** project for Kharafi National, encompassing the engineering, procurement, construction and commissioning of an oil and gas treatment facility for the Jurassic field located in the north of Kuwait. The project also comprises the installation of the gathering system and pipelines and the construction of a sulphur granulation plant.

In Oman, work is being completed for SIDC on the contract to design and construct a deepwater bulk jetty for the loading and unloading of mineral ores at the port of **Sohar**, about 150 kilometres northwest of Muscat.

In Pakistan, work was completed for **Engro Chemical Pakistan Ltd (ECPL)**, on the project for the supply of technology licenses, engineering, procurement and supervisory activities relating to the construction of a plant for the production of ammonia and urea, including all service infrastructures in Daharki, approximately 450 kilometres north-east of Karachi.

In Syria, for Dijla Petroleum Co, work is underway on the **Khurbet East Central Processing Facility** turnkey project for the engineering, procurement and construction of processing facilities for the Khurbet East field.

In Algeria, for Sonatrach:
- construction work continued on the EPC contract in Algeria, for the construction of infrastructure of an LPG treatment plant in the **Hassi Messaoud** oil complex. The contract comprises the engineering, procurement and construction of three LPG trains;
- construction work continued on the EPC-type **LNG GL3Z Arzew** contract, which comprises engineering, procurement and construction of a liquefaction plant and the construction of utilities, a generator set and jetty;
- construction activities continued on the EPC project for Sonatrach and First Calgary Petroleum for the construction of facilities for the treatment of natural gas extracted from the **Menzel Ledjmet East** field and from the future developments of the Central Area Field Complex. The contract encompasses the engineering, procurement and construction of the natural gas gathering systems and processing plant and the related export pipelines;
- work continued on the **Ammonia/Urea Arzew** EPC contract, comprising engineering, procurement and construction of a marine export terminal for a future urea/ammonia plant to be built near the Algerian city of Arzew, approximately 400 kilometres west of Algiers;
- construction activities continued on the EPC contract for gas pipeline **GK3 - lot 3**, covering the engineering, procurement and construction of a gas transportation system. Lot 3 comprises a gas pipeline system from Mechtatine to Tamlouka in the northeast of Algeria, which then connects the latter to Skikda and El-Kala, located on the northeastern coast of the country;

In Nigeria:
- work is underway for Total Exploration and Production Nigeria Ltd - TEPNG (operator of the joint venture NNPC/TEPNG) on the EPC contract **OML 58 Upgrade**, which comprises engineering, procurement, construction and commissioning of new units and the demolition and decommissioning of existing units at the gas treatment plants of Obagi and Obite;
- work is ongoing for ChevronTexaco on the EPC-type **Escravos GTL** project. The plant will comprise two parallel trains;
- work is underway for Rivers State Government on an EPC contract comprising engineering, procurement, construction and commissioning of an **OCGT** (open-cycle gas turbine) power generation unit, in Port Harcourt;
- work is underway for the NNPC/Chevron Nigeria Ltd joint venture on the EPC contract for the **Olero Creek Restoration** project, encompassing the refurbishment of production facilities in the Olero Creek swamp area in Delta State.

In Italy:
- construction activities are underway for the Eni Refining & Marketing Division in connection with the first industrial scale application of EST Technology (Eni Slurry Technology), as part of the project for the construction of a refinery at Sannazzaro. EST Technology – to whose development Saipem made a significant contribution – has the capacity to almost completely convert heavy oil residues into lighter products;
- for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group) in Italy, work began on the contract for the detailed engineering, project management and construction of a 39 km section of high-speed railway line and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation.

In Congo, work continued for Port Autonome de Pointe Noire on the project for the reconstruction and extension of the **Pointe Noire** Container Quay, encompassing the engineering, procurement and construction of a combi-wall quay and accessory facilities.

In Poland, activities continued for Polskie LNG on the **Polskie** EPC contract for the construction of a regasification terminal. The contract encompasses the engineering, procurement and construction of the regasification facilities, including two liquid gas storage tanks.

In Canada, work continued for Husky Oil on the **Sunrise** EPC contract, which encompasses the engineering, procurement and construction of the Central Processing Facilities, comprising two plants.

In Mexico, work continued for PEMEX on the **Tula and Salamanca** EPC contract for the construction of two desulphurisation units and two amine regeneration units to be built at two of the Client's refineries. The facilities will be built at the Miguel Hidalgo refinery, located 2,000 m above sea level near the town of Tula and at the Antonio M Amor refinery, located 1,700 m above sea level near the town of Salamanca.

In Australia:
- construction activities are underway for Chevron on the **Gorgon LNG** jetty and marine structures project. The scope of work consists of the engineering, procurement, fabrication, construction and commissioning of the LNG jetty and related marine structures for the new Chevron Gorgon LNG plant on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia;
- work began for Gladstone LNG Operations Pty Ltd in Australia on the EPC (Engineering, Procurement, Construction) **Gladstone LNG** contract for the development of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Development Area (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built.

Offshore Drilling

General overview

The principal vessels in the Group's fleet are: the Saipem 12000, a drillship capable of working at depths of up to 3,600 metres using its dynamic positioning system; the Saipem 10000, a drillship capable of working at depths of up to 3,000 metres using its dynamic positioning system; the Scarabeo 7, a semi-submersible vessel capable of operating at depths of up to 1,500 metres; and the Scarabeo 5, a fourth generation semi-submersible vessel, capable of operating at depths of over 1,800 metres and drilling to a depth of 9,000 metres. The fleet also includes three semi-submersible rigs, seven jack-ups and a TAD (Tender Assisted Drilling) unit.

In the Offshore Drilling sector, the Group operated during the half-year in West and North Africa, the Gulf of Suez, the Persian Gulf, Australia, Norway, Peru, Indonesia, Italy and East Timor.

Market conditions

The positive oil price trend registered in the first half of 2011, coupled with some signs of growth in the world economy are gradually providing grounds for renewed optimism in the Offshore Drilling sector, in spite of the impact of the tension in the Middle East and North Africa and the delays in issuing permits for drilling in the Gulf of Mexico following the Macondo incident.
During the first six months of 2011, the total number of jack-ups under contract was largely unchanged compared with the same period of the previous year. The completion and delivery of a large number of new jack-ups during the half-year, combined with deliveries scheduled for the end of 2011, should continue to contribute to the removal from service of the most obsolete rigs and also help keep day rates stable at pre-crisis levels for the remainder of 2011.

Day rates for the latest generation rigs continue to be higher than for standard jack-ups.
The number of drillships active was up for the first half of 2011 compared with the same period of the previous year, with a moderate increase in levels of activity registered in Brazil. For semi-submersibles meanwhile there was a slight drop in contracts for less advanced rigs as clients continued to prefer fifth and sixth generation rigs.
Day rates for drillships picked up in the South-East Asia area and West Africa, while rates for semi-submersibles rose mainly in Latin America, remaining steady in other areas.

New contracts

The most significant contracts awarded to the Group during the first half of 2011 were:
- an extension for a period of twenty-four months starting from August 2012 of the charter of the drillship Saipem 10000 by Eni;
- a twelve-month extension consisting of two six-month options of the charter by Addax Petroleum of the semi-submersible drilling platform Scarabeo 3 in Nigeria;
- a twelve-month extension, starting from the second quarter of 2011, of the charter by NDC (National Development Co) of the jack-up Perro Negro 2;
- a three-month charter by Total of the jack-up Perro Negro 6, to carry out drilling operations in Angolan waters.

Capital expenditure

The most significant items of capital expenditure in the Offshore Drilling sector were:
- the continuation of construction activities for the new deep-water semi-submersible platform Scarabeo 8, which will operate in Norway on behalf of Eni Norge;
- the continuation of construction activities for the new deep-water semi-submersible platform Scarabeo 9, which will operate in the Gulf of Mexico;
- class reinstatement works and investments made on the fleet to ensure compliance with international regulations and to customise vessels to client-specific requirements.

Work performed

Activities comprised the drilling of 30 wells, totalling approximately 89,754 metres drilled.
The newly constructed deep-water drillship **Saipem 12000** continued operations on a long-term contract offshore Angola for Total Exploration & Production.
The deep-water drillship **Saipem 10000** completed operations for Eni in East Timor at the end of January and began operations for Eni offshore Australia in February.
The semi-submersible platform **Scarabeo 3** continued drilling operations offshore Nigeria for Addax Petroleum.
The semi-submersible platform **Scarabeo 4** continued to operate in Egypt for International Egyptian Oil Co (IEOC).
The semi-submersible platform **Scarabeo 5** continued operations offshore Norway for Statoil.

The semi-submersible platform **Scarabeo 6** continued drilling operations in Egypt for Burullus Gas Co.
The semi-submersible platform **Scarabeo 7** continued operations in Angola for Eni Angola.
The jack-up **Perro Negro 2** completed operations in Abu Dhabi for Total Abu Bukhoosh and began operations in April in the United Arab Emirates for National Drilling Co.
The jack-up **Perro Negro 3** continued drilling operations in the Persian Gulf for Harrington Dubai.
The jack-up **Perro Negro 4** continued operations in Egypt for Petrobel.
The jack-up **Perro Negro 5** continued operations in Saudi Arabia for Saudi Aramco.
The jack-up **Perro Negro 6** continued operations in Angola for Sonangol.
The jack-up **Perro Negro 7** continued drilling operations in Saudi Arabia for Saudi Aramco.
The newly constructed jack-up **Perro Negro 8** continued drilling operations in Italy for Eni Exploration & Production Division.

The **Packaged 5820** installation initially continued operations in Libyan waters for Mabruk Oil Operations Co. Operations were then suspended as of March with the client's agreement for reasons of security.

In Congo, the new tender assisted rig **TAD 1** continued drilling operations for Eni Congo SA.
Also in Congo, workover and maintenance works continued on the fixed platforms owned by Eni Congo SA.

In Peru, for Savia SA (formerly Petrotech), three rigs performed 85 workover and pulling operations, while three tender assisted rigs drilled four wells.

Utilisation of vessels

Vessel utilisation in the first half of 2011 was as follows:

Vessel	No. days under contract
Semi-submersible platform Scarabeo 3	151 (*)
Semi-submersible platform Scarabeo 4	181
Semi-submersible platform Scarabeo 5	157 (**)
Semi-submersible platform Scarabeo 6	168 (**)
Semi-submersible platform Scarabeo 7	181
Drillship Saipem 10000	181
Drillship Saipem 12000	181
Jack-up Perro Negro 2	181
Jack-up Perro Negro 3	181
Jack-up Perro Negro 4	181
Jack-up Perro Negro 5	181
Jack-up Perro Negro 6	181
Jack-up Perro Negro 7	181
Jack-up Perro Negro 8	181
Tender Assisted Drilling Unit	181

(*) For the remaining days (to 181), the vessel underwent class reinstatement works.
(**) For the remaining days (to 181), the vessel underwent maintenance following the emergence of technical issues.

Onshore Drilling

General overview

In the Onshore Drilling sector, the Saipem Group operated during the first half of 2011 in Italy, Algeria, Brazil, Bolivia, Colombia, Congo, Ecuador, Kazakhstan, Peru, Saudi Arabia, Ukraine and Venezuela.

Market conditions

During the first half of 2011, the positive oil price trend fuelled a recovery in investments in exploration, leading to strong growth in onshore rig use.
A strong upturn in levels of activity was recorded in both the US and Canada, where the number of active rigs was significantly higher than in 2010 and average expected use levels for 2011 are at least as good as those recorded in 2008.
In the rest of the world, where the impact of the crisis was less severe than in the US (utilisation rates registered for the world fleet of onshore drilling rigs in 2010 were already higher than 2008 levels), average levels of activity for 2011 are expected to grow significantly compared with the previous year. The most dynamic geographical areas include the Middle East, Latin America, and, to an extent, Europe. In addition to a consolidation of utilisation rates, 2011 is also expected to see a gradual recovery in day rates.

New contracts

The most significant contracts awarded to the Group during the first half of 2011 were:
- a contract for the charter by Saudi Aramco of nine rigs in Saudi Arabia for durations between one to three years;
- for various clients, contracts for the charter of five rigs in Peru, Colombia and Bolivia for durations of one to two years;
- for various clients, contracts for the charter of nine rigs in Peru and Colombia for durations of four to twelve months;
- for Ural Oil and Samek, two contracts for the charter in Kazakhstan of two drilling rigs for a duration of four and twelve months, respectively.

Capital expenditure

Capital expenditure in the Onshore Drilling sector included:
- the continuation of construction works on a new rig due to operate in Kazakhstan for Agip KCO;
- upgrading and integration works on rigs and installations to ensure operational efficiency.

Work performed

Activities comprised the drilling of 136 wells, totalling approximately 462,367 metres drilled.

In **Italy**, onshore drilling operations were performed on behalf of Eni Exploration & Production utilising an extended-reach drilling and workover rig in the province of Potenza, while a second rig continued drilling operations for Total Italia in the province of Matera.

In **Saudi Arabia**, eight rigs carried out operations for Saudi Aramco.

In **Algeria**, seven rigs operated for First Calgary Petroleum, Gazprom, ConocoPhillips and Groupement Sonatrach Agip.

In **Congo**, two rigs operated for Eni Congo.

In **Peru**, the Group has eight drill rigs and thirteen work over and pulling rigs and also operates five rigs owned by third-parties. The drill rigs drilled a total of fifteen wells for Petrominerales, Pluspetrol, Interoil, Sapet, Savia SA, BPZ Resources, Talisman and Petrobras, while a total of five hundred and sixty four work over and pulling operations were carried out for Pluspetrol, Petrobras, Savia SA (formerly Petrotech) and Interoil.

In **Venezuela**, the Group has twenty four drill rigs and four work over and pulling rigs. The drill rigs drilled a total of fifty two wells, mainly for PDVSA, but also for Petroquiriquire and Baripetrol, while a total of sixty one work over and pulling operations were carried out for PDVSA.

In **Colombia**, seven rigs drilled twenty six wells for Petrolifera, Pacific Rubiales, Hocol, Parex, Ecopetrol, Winchester, Oxy Colombia, Petrominerales and Occidental.

In **Brazil**, three rigs drilled nine wells for Petrobras.

In **Ecuador**, two rigs drilled four wells for Agip Oil Ecuador and Repsol.

In **Bolivia**, two rigs drilled two wells for YPFB Andina.

In **Kazakhstan**, workover operations continued on behalf of Karachaganak Petroleum Operating (KPO) in the province of Uralsk. An additional rig chartered from the US company Parker was used.
Also in Uralsk province, a medium-high power rig continued operations for Zhaikmunai Llp, while a second rig continued operations for U.O.G. on a contract to drill two wells.
In Aktobe province, a high power rig is nearing completion of two wells for Oiltechgroup.
One of the newly constructed rigs continued to operate for Agip KCO on a contract to drill fourteen wells.
Decommissioning and transportation operations continued for EMKI on two rigs owned by the client. One of the rigs will be converted and mobilised from Kashagan D-Island to another island.

In **Ukraine**, two rigs terminated operations for Regal Petroleum.

Utilisation of equipment

Average utilisation of rigs in the first half of 2011 stood at 94.3% (95.8% in the same period of 2010). At June 30, 2011, the Company owned 89 rigs, located as follows: 28 in Venezuela, 21 in Peru, 8 in Saudi Arabia, 7 in Algeria, 7 in Colombia, 5 in Kazakhstan, 3 in Brazil, 2 in Bolivia, 2 in Congo, 2 in Ecuador, 2 in Italy and 2 in Ukraine. In addition, 6 third-party rigs were used in Peru and 4 in Kazakhstan (of which 2 by the joint venture SaiPar).

Financial and economic results

As previously stated, revenues and associated profit levels, particularly in the Engineering & Construction 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 2010	(€ million)	First half 2010	First half 2011	% Ch.
11,160	**Net sales from operations**	**5,385**	**6,021**	**11.8**
14	Other income and revenues	5	**5**	
(7,711)	Purchases, services and other costs	(3,740)	**(4,180)**	
(1,627)	Payroll and related costs	(786)	**(833)**	
1,836	**Gross operating profit (EBITDA)**	**864**	**1,013**	**17.2**
(517)	Depreciation, amortisation and impairment	(237)	**(302)**	
1,319	**Operating profit (EBIT)**	**627**	**711**	
(110)	Net finance expense	(63)	**(67)**	
13	Net income from investments	4	**8**	
1,222	**Adjusted profit before income taxes**	**568**	**652**	**14.8**
(344)	Income taxes	(158)	**(183)**	
878	**Adjusted profit before minority interest**	**410**	**469**	**14.4**
(50)	Net profit attributable to minority interest	(30)	**(31)**	
828	**Adjusted net profit**	**380**	**438**	**15.3**
17	Gains on disposals	-	**-**	
(1)	Taxation	-	**-**	
844	**Net profit**	**380**	**438**	**15.3**

Net sales from operations for the first half of 2011 amounted to €6,021 million, an increase of 11.8% compared to the same period of 2010, due to greater volumes generated in all sectors.
Gross operating profit (EBITDA) amounted to €1,013 million, a 17.2% increase versus the same period of 2010.
Depreciation and amortisation of tangible and intangible assets amounted to €302 million, representing an increase compared with the first half of the previous year, mainly due to new rigs beginning operations in the Offshore Drilling sector.
Operating profit (EBIT) for the first half of 2011 amounted to €711 million, an €84 million increase over the first half of 2010. This figure is analysed in detail in the subsequent sections describing the performance of the various business units.
Net finance expense increased by €4 million compared with the first half of 2010, mainly due to the increase in average net borrowings.
Net income from investments amounted to €8 million, representing an increase compared with the figure recorded for the first half of 2010, as a result of the successful completion of a project by an associate company.
Adjusted profit before income taxes stood at €652 million, representing a 14.8% increase versus the first half of 2010.
Income taxes amounted to €183 million, an increase of €25 million compared to 2010, principally due to an increase in taxable income. The tax rate rose from 27.8% in the first half of 2010 to 28.1% in the first half of 2011.
Adjusted net profit reached a record €438 million, an increase of 15.3% over the first half of 2010.

Operating profit and costs by function

Year 2010	(€ million)	First half 2010	First half 2011	% Ch.
11,160	Net sales from operations	5,385	6,021	11.8
(9,361)	Production costs	(4,514)	(5,081)	
(131)	Idle costs	(62)	(50)	
(143)	Selling expenses	(74)	(81)	
(12)	Research and development costs	(6)	(7)	
(10)	Other operating income (expenses)	(10)	1	
(184)	General and administrative expenses	(92)	(92)	
1,319	Operating profit (EBIT)	627	711	13.4

In the first half of 2011, the Saipem Group achieved **net sales from operations** of €6,021 million, an increase of €636 million compared to the same period of the previous year.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €5,081 million, representing a significant increase (€567 million) which was in line with the increase in sales volumes for the period.
Idle costs fell by €12 million, mainly due to higher utilisation rates for Offshore E&C vessels.
Selling expenses of €81 million registered an increase of €7 million compared with the same period of the previous year due to an increase in sales activities.
Research and development costs included in operating costs increased by €1 million.
General and administrative expenses of €92 million were in line with the same period of the previous year.

Operating profit (EBIT) increased by 13.4% compared to the first half of 2010.
The analysis by business sector is as follows:

Offshore Engineering & Construction

Year 2010	(€ million)	First half 2010	First half 2011
4,486	Net sales from operations	2,159	2,374
(3,654)	Cost of sales	(1,761)	(1,938)
832	Gross operating profit (EBITDA)	398	436
(219)	Depreciation and amortisation	(100)	(114)
613	Operating profit (EBIT)	298	322

Revenues for the first half of 2011 amounted to €2,374 million, representing an increase of 10% compared with the same period of 2010, due mainly to increased volumes in Northern Europe and West Africa.
The cost of sales amounted to €1,938 million, representing an increase of 10.1% compared to the first half of 2010, which was due to an increase in operating activities.
Depreciation and amortisation rose by €14 million compared with the same period of 2010.
Operating profit (EBIT) for the first half of 2011 amounted to €322 million, equal to 13.6% of revenues, versus €298 million, equal to 13.8% of revenues, in the first half of 2010. Meanwhile, the EBITDA margin stood at 18.4%, which was in line with the figure recorded in the first half of 2010.

Onshore Engineering & Construction

Year 2010	(€ million)	First half 2010	First half 2011
5,236	Net sales from operations	2,555	2,885
(4,827)	Cost of sales	(2,361)	(2,637)
409	Gross operating profit (EBITDA)	194	248
(39)	Depreciation and amortisation	(18)	(17)
370	Operating profit (EBIT)	176	231

Revenues for the first half of 2011 amounted to € 2,885 million, representing a 12.9% increase compared to the same period of 2010, due mainly to higher volumes recorded in Algeria and Canada.
The cost of sales, which amounted to € 2,637 million, also increased compared with the first half of 2010, in line with the increase in revenues.
Depreciation and amortisation on the other hand recorded a decrease of € 1 million.
Operating profit (EBIT) for the first half of 2011 amounted to € 231 million, compared to € 176 million in the first half of 2010, with the margin on revenues increasing from 6.9% to 8%. Meanwhile, the EBITDA/gross profit margin stood at 8.6% compared with 7.6% in the same period of the previous year. The increase in margin is mainly attributable to improved operating efficiency.

Offshore Drilling

Year 2010	(€ million)	First half 2010	First half **2011**
750	Net sales from operations	346	**418**
(348)	Cost of sales	(164)	**(196)**
402	Gross operating profit (EBITDA)	182	**222**
(144)	Depreciation and amortisation	(64)	**(107)**
258	Operating profit (EBIT)	118	**115**

Revenues for the first half of 2011 amounted to € 418 million, representing a 20.8% increase on the same period of 2010, due mainly to the full-scale activities of the Saipem 12000 drillship and the jack-up Perro Negro 8 (which was under construction during the first half of 2010), which compensated for the idle time for maintenance registered by the Scarabeo 5 and Scarabeo 6.
The cost of sales increased by 19.5% compared to the first half of 2010. This increase reflected the increase in sales volumes for the period.
Depreciation and amortisation increased by € 43 million versus the first half of 2010, due to the start of operations on new vessels and the depreciation of equipment on the Scarabeo 8.
Operating profit/EBIT for the first half of 2011 amounted to € 115 million, compared to € 118 million in the first half of 2010, with the margin on revenues falling from 34.1% to 27.5%, mainly due to the idle time for maintenance registered by the Scarabeo 5 and Scarabeo 6.
The EBITDA/gross profit margin stood at 53.1%, representing a slight improvement on the figure of 52.6% registered in the same period of the previous year.

Onshore Drilling

Year 2010	(€ million)	First half 2010	First half **2011**
688	Net sales from operations	325	**344**
(495)	Cost of sales	(235)	**(237)**
193	Gross operating profit (EBITDA)	90	**107**
(115)	Depreciation and amortisation	(55)	**(64)**
78	Operating profit (EBIT)	35	**43**

Revenues for 2011 amounted to € 344 million, representing a 5.8% increase compared to 2010, due mainly to full-scale activity on rigs in South America and the beginning of operations on new rigs in Kazakhstan.
The cost of sales increased by 0.9% compared to the first half of 2010.
The increase in depreciation and amortisation is due to new rigs starting operations.
Operating profit/EBIT for the first half of 2011 amounted to € 43 million, versus € 35 million in the first half of 2010, with the margin on revenues increasing from 10.8% to 12.5%.
Meanwhile, the gross profit/EBITDA margin stood at 31.1% versus 27.7% in the first half of 2010.

Balance sheet and financial position

Saipem Group - Reclassified consolidated balance sheet [1]

The reclassified consolidated 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 reclassified consolidated 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, 2010		(€ million)	Dec. 31, 2010		**June 30, 2011**	
	7,061	Net tangible assets		7,403		**7,482**
	754	Net intangible assets		760		**756**
	7,815			8,163		**8,238**
3,434		*- Offshore Engineering & Construction*	*3,617*		***3,645***	
455		*- Onshore Engineering & Construction*	*444*		***437***	
3,089		*- Offshore Drilling*	*3,204*		***3,324***	
837		*- Onshore Drilling*	*898*		***832***	
	122	Investments		105		**107**
	7,937	**Non-current assets**		**8,268**		**8,345**
	(1,013)	**Net current assets**		**(658)**		**(308)**
	(187)	Provision for employee benefits		(193)		**(201)**
	6,737	**Capital employed, net**		**7,417**		**7,836**
	3,320	Shareholders' equity		4,060		**4,347**
	104	Minority interest		94		**90**
	3,313	Net borrowings		3,263		**3,399**
	6,737	**Sources of capital employed/Coverage**		**7,417**		**7,836**
	1.00	**Leverage (net borrowings/shareholders' equity including minority interest)**		**0.80**		**0.78**
	441,410,900	No. shares issued and outstanding		441,410,900		**441,410,900**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flows statement to statutory schemes' on page 55.

Management uses the reclassified consolidated 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.

Non-current assets at June 30, 2011 stood at € 8,345 million, an increase of € 77 million compared to December 31, 2010. This increase is due to investments in tangible and intangible assets of € 561 million, which were only partially offset by depreciation and amortisation of € 302 million and the negative effect, deriving mainly from the translation of financial statements in foreign currencies, of € 182 million.

Net current assets increased by € 350 million from negative € 658 million at December 31, 2010 to negative € 308 million at June 30, 2011, due to an increase in working capital and the effect of fair value measurement of derivatives.

The **provision for employee benefits** amounted to € 201 million, an increase of € 8 million compared with December 31, 2010.

As a result of the above, **net capital employed** increased by € 419 million, reaching € 7,836 million at June 30, 2011, compared to € 7,417 million at December 31, 2010.

Shareholders' equity, including minority interest, increased by € 283 million, to € 4,437 million at June 30, 2011, versus € 4,154 million at December 31, 2010. The increase reflected net profit for the period of € 469 million and changes in the fair value of exchange rate, interest rate and commodity hedging instruments (€ 182 million), partially offset by dividend distribution (€ 297 million) and the negative effects arising from the translation into euro of financial statements expressed in foreign currencies and from other variations (€ 71 million).

The increase in net capital employed, which was greater than the increase in shareholders' equity, led to an increase in net borrowings which, at June 30, 2011, stood at € 3,399 million, compared to € 3,263 million at December 31, 2010, representing an increase of € 136 million.

Analysis of net borrowings

June 30, 2010	(€ million)	Dec. 31, 2010	June 30, 2011
(10)	Financing receivables due after one year	(3)	**(3)**
300	Payables to banks due after one year	200	**200**
2,831	Payables to other financial institutions due after one year	2,687	**2,613**
3,121	**Net medium/long-term debt**	**2,884**	**2,810**
(1,183)	Accounts c/o bank, post and Group finance companies	(923)	**(875)**
(3)	Cash and cash on hand	(7)	**(7)**
(22)	Financial assets held for trading or available for sale	-	**-**
(123)	Financing receivables due within one year	(20)	**(29)**
266	Payables to banks due within one year	284	**244**
1,257	Payables to other financial institutions due within one year	1,045	**1,256**
192	**Net short-term debt**	**379**	**589**
3,313	**Net borrowings**	**3,263**	**3,399**

The fair value of derivative assets (liabilities) is detailed in Note 6 'Other current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'. Net borrowings includes the fair value of interest rate swap assets (liabilities).

A breakdown by currency of gross debt, amounting to €4,313 million, is provided in Note 14 'Short-term debt' and Note 19 'Long-term debt and current portion of long-term debt'.

Statement of comprehensive income

	First half	
(€ million)	2010	**2011**
Net profit for the period	**410**	**469**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges (*)	(484)	**237**
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	122	**(75)**
- income tax relating to other items of comprehensive income	98	**(55)**
Other items of comprehensive income	**(264)**	**107**
Total comprehensive income	**146**	**576**
Attributable to:		
- Saipem	104	**552**
- minority interest	42	**24**

(*) The change in the fair value of cash flow hedges relates almost exclusively to transactions with the Parent Company Eni.

Shareholders' equity

(€ million)	
Shareholders' equity including minority interest at December 31, 2010	**4,154**
Total comprehensive income	576
Dividend distribution	(297)
Sale of treasury shares	7
Cost related to stock options	-
Other changes	(3)
Total changes	**283**
Shareholders' equity including minority interest at June 30, 2011	**4,437**
Attributable to:	
- Saipem	4,347
- minority interest	90

Reclassified cash flows statement [1]

Saipem's reclassified cash flows 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 flows statement) that occurred between the beginning and 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 requirements. 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 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 2010	(€ million)	First half 2010	First half 2011
844	Net profit	380	**438**
50	Minority interest	30	**31**
	Adjustments to reconcile cash generated from operating profit before changes in working capital:		
531	Depreciation, amortisation and other non-monetary items	227	**323**
(17)	Net (gains) losses on disposal and write-off of assets	-	**3**
382	Dividends, interests and income taxes	173	**222**
1,790	**Net cash generated from operating profit before changes in working capital**	**810**	**1,017**
(220)	Changes in working capital related to operations	(141)	**(199)**
(246)	Dividends received, income taxes paid, interest paid and received	(84)	**(162)**
1,324	**Net cash flow from operations**	**585**	**656**
(1,545)	Capital expenditure	(782)	**(561)**
(4)	Investments in acquisition of consolidated companies	-	**-**
53	Disposals	3	**-**
-	Other cash flow related to capital expenditures, investments and disposals	-	**-**
(172)	**Free cash flow**	**(194)**	**95**
41	Repayment of debt related to financing activities	(40)	**(10)**
259	Changes in short and long-term financial debt	570	**190**
35	Sale of treasury shares	16	**7**
(263)	Cash flow from capital and reserves	(240)	**(297)**
44	Effect of changes in consolidation and exchange differences	88	**(33)**
(56)	**NET CASH FLOW FOR THE PERIOD**	**200**	**(48)**
(172)	**Free cash flow**	**(194)**	**95**
35	Sale of treasury shares	16	**7**
(263)	Cash flow from capital and reserves	(240)	**(297)**
(18)	Exchange differences on net borrowings and other changes	(50)	**59**
(418)	**CHANGE IN NET BORROWINGS**	**(468)**	**(136)**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flows statement to statutory schemes' on page 55.

Net cash flow from operations (€ 656 million) funded capital expenditures, thus generating a positive free cash flow of € 95 million.
Cash flow from capital and reserves, which amounted to a negative € 297 million, were due to the payment of dividends. The sale of treasury shares for incentive schemes for managers generated a positive cash flow of € 7 million, while the effect of exchange differences on net borrowings and other changes produced a net inflow of € 59 million.

As a result, **net borrowings** increased by € 136 million.

In particular
Net cash generated from operating profit before changes in working capital of € 1,017 million related to:
- net profit for the period of € 469 million, including minority interest of € 31 million;
- depreciation, amortisation and impairment of tangible and intangible assets of € 302 million, the change in the provision

for employee benefits (€ 11 million) and other changes of € 18 million;
- losses (gains) on and impairments of current assets, and exchange differences and other changes, which had a negative effect of € 5 million;
- net finance expense of € 39 million and income taxes of € 183 million.

The negative change in working capital related to operations of € 199 million was due to financial flows of projects underway.

Dividends, interests and income taxes paid during the first half of 2011 of € 162 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 2011 amounted to € 561 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€ 226 million), Offshore Drilling (€ 297 million), Onshore Drilling (€ 28 million) and Onshore Engineering & Construction (€ 10 million). Additional information concerning capital expenditure in the period can be found in the 'Operating Review' section.

There were no cash flows generated by disposals during the period.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted net profit before minority interest, plus net finance charges on net borrowings less the related tax effect and net average capital employed. The tax rate applied on finance charges is 27.5%, as per the applicable tax legislation.

Return On Average Operating Capital

To calculate the Return On Average Operating Capital, the average capital employed is netted of investments in progress that did not contribute to net profit for the period, which amounted to € 2,312 million at December 31, 2010, € 2,743 million for the twelve-month period ended June 30, 2010 and € 2,747 million for the twelve-month period ended June 30, 2011.

		Dec. 31, 2010	June 30, 2010	**June 30, 2011**
Adjusted net profit	(€ million)	878	793	**937**
Exclusion of net finance expense (net of tax effect)	(€ million)	80	78	**83**
Unlevered adjusted net profit	(€ million)	958	871	**1,020**
Capital employed, net:	(€ million)			
- at the beginning of the period		6,340	5,788	**6,737**
- at the end of the period		7,417	6,737	**7,836**
Average capital employed, net	(€ million)	6,879	6,263	**7,287**
Adjusted ROACE	(%)	**13.9**	**13.9**	**14.0**
Return On Average Operating Capital	(%)	**20.8**	**22.3**	**22.5**

Net borrowings and leverage

Saipem management uses leverage ratios to assess the soundness and efficiency of the Group's capital structure in terms of an optimal mix between net borrowings and shareholders' equity, and to carry out benchmark analyses against industry standards. Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity. Management's objective is to achieve a leverage ratio no higher than 0.5 during the period of implementation of the four-year plan.

	June 30, 2010	**June 30, 2011**
Leverage	1.00	**0.78**

Sustainability

Saipem continued to work to integrate a sustainable approach in its operating activities and its relationships with stakeholders, especially clients and local communities.
The Sustainability Committee, which exercises a sustainability strategy setting role and is chaired by the CEO, Pietro Franco Tali, met in June to discuss the results of the 2010 Sustainability Report and to be updated with regard to ongoing initiatives.
New communication tools, such as the new video 'A sustainable business' (produced in four languages) and the Algeria Case Study which provide a 360 degree view of Saipem's sustainability strategy and commitment, were formally presented to top management during the period.

Local Content and externalities

Maximising Local Content to contribute to the socio-economic context in the areas in which it operates remains a central element in Saipem's sustainability strategy. This approach has the objective of favouring sustainable development and wealth creation by fostering and developing local employment, the skills of local resources and local suppliers.
Saipem is proceeding with its innovative project to analyse and measure the externalities associated with local content strategy (i.e. the direct, indirect and induced socio-economic impacts of the strategy). This Model was launched in 2009 with the first assessment carried out in Kazakhstan and to date has also been implemented in Angola and Peru. During the first half of 2011, work began on an analysis of the Company's activities in Algeria. The initial results of the study will be available by the end of the year.

Relationships with stakeholders

In April 2011, the fifth Sustainability Report, detailing the Group's sustainability performance in 2010, was published. Hard copies of the report, which was certified by Ernst &Young, were distributed within the Saipem Group and to key external stakeholders. The report is also available in an interactive version on the Company's website.
The report's main target is a specialist audience interested in the Company's performance (i.e. analysts, investors, international clients).
In addition, a summary of the Sustainability Report in the form of an easy-to-read foldout pamphlet has been distributed internally on all projects and at all operating companies.
A 'Sustainability Kit' is also currently being produced to illustrate Saipem's sustainability strategy, achievements and performance to the Company's external stakeholders, main clients and other commercial stakeholders.
The new Algeria Country Case Study describes Saipem's established presence in the country.
All of the relevant documentation can be found on the sustainability section of the Saipem website at www.saipem.com/sustainability.
Finally, a new internal guideline concerning the relationship between Group companies/projects and local external stakeholders has been issued by the Corporate Sustainability function with the aim of providing additional managerial and monitoring tools.

Community initiatives

Sustainability initiatives aimed at the local communities continued in areas where Saipem operates through the implementation of planned projects included in the 2011 budget. Details are provided below of the most significant activities carried out.
In Kazakhstan, the joint venture Ersai Llc is implementing its annual sustainability plan specifically directed at the community of the village of Kuryk, on the coast of the Caspian Sea. Activities were implemented on the 'No Tuberculosis program' and in connection with training for local school graduates and social and sporting events.
Saipem Kazakhstan branch, which coordinates activities in the North Caspian area, has been particularly active in promoting events designed to contribute to the conservation of the local environment (cleaning activities and awareness events) in cooperation with local authorities and schools in Atyrau and in support of social projects aimed at needy people.
In Algeria, work continued on the implementation of a health program providing maternity counselling and assistance.
In Indonesia, a program is currently being implemented to improve the quality of local school infrastructures in the island of Karimun, where the new Fabrication Yard is based. A new building was designed for the primary school, while training material and furniture was given to the Junior and Senior High Schools. The technical institute was also provided with equipment and PPEs and a first HSE training course was implemented.
The period also saw the continuation of sustainability activities in Congo, mainly in terms of socio-economic development (in cooperation with local social centres), health care (a malaria program and technical training provided to three specialists from the National Hospital) and environmental conservation (in partnership with local NGOs). In addition, a partnership with the IST-AC (scientific department of the UCAC - Catholic University of Central Africa) was launched, consisting of an apprenticeship

program for Congolese students, economic aid and improvements to schools infrastructure. Twelve students are currently benefiting from the program.
In Angola, the 'Alegria do Ambriz' project is being implemented in collaboration with the Local Administration of Ambriz and with the support of the Governor of Bengo Province. The project is a long-term development initiative of national significance whose aim is to rebuilding community farmers' skills, reintroduce agricultural technologies and increase the agricultural production of the area surrounding Petromar's fabrication yard.
In Peru, the Group is particularly active in health programs (nutrition, dental health and immunisation), support programs for micro-entrepreneurship and sustainability awareness initiatives (waste segregation and minimisation, local culture, etc.). Also worthy of note is the forthcoming publication of the new Peru Sustainability Case Study in Spanish, which has already been distributed internally and to local external stakeholders.
Additional support programmes are being implemented to improve education and health – including in partnership with local institutions – and develop local resources and suppliers.

Research and development

Innovation and technology development activities implemented during the first half of 2011, consisted mainly of work to address the new challenges of deep and ultra deep-water and floating liquefaction facilities, the development of new methods and equipment for sealine laying and trenching in critical conditions, the reduction of the environmental impact during installation and subsea emergency intervention on exploration and production facilities, the improvement of proprietary process technologies, the extension of the company's portfolio of environmental services, the development of the onshore and offshore renewable energy sector and high-level technological collaborations.

In the deepwater area, progress was made on the development of innovative subsea processing systems initiated during previous years.
Development of the patented multipipe gas/liquid gravity separation system is currently underway, following the 1/4 scale performance tests conducted in 2010 under real flow conditions. A second JIP (Joint Industry Project) phase is currently under preparation, with financial support from oil companies that Saipem has already worked with as well as from new partners, with the aim of defining the entire subsea station and assessing the maturity of all its individual components.
The development of the liquid/liquid gravity spool separation system is ongoing, with the finalisation of the pre-design phase and the preparation of a first performance testing phase to be carried out by the end of 2011.
The preliminary design of subsea produced water solutions has been carried out and presented to oil companies and at international conferences.

In the SURF (Subsea, Umbilicals, Risers and Flowlines) area, significant progress was also made on the development of innovative solutions identified in previous years, which promise to open up new markets for the Company in terms of subsea field development.
For applications in medium water depths (300 to 500 m), the design of riser solutions using steel and titanium is currently under validation.
Innovative solutions for the insulation of subsea elements with complex geometries (FLET, ILT, spools) are under development. A performance test phase to validate these concepts is currently being prepared. Progress was also made on the design of active heating solutions for flowlines.

In the field of innovative floaters and associated systems, work carried out during the half year concentrated on the design of an offshore tandem LNG offloading system using floating cryogenic hoses in partnership with industrial players. In the near future, the system will undergo a qualification phase.
In addition, work on a dry-tree production unit (wellhead barge - WHB,) continued. Specifically, the half year period saw the production unit subjected to technology qualification on behalf of a major oil company. The dry tree production concept, which is particularly well suited to the development of deepwater fields in mild conditions, is being considered for application offshore West Africa.
The target of the Innovative Methods and Equipments unit during the period was to improve business sustainability in terms of competition, operative reliability and environmental impact reduction.

In the sealine trenching area, work focused on the mitigation of environmental impact and the restoration of marine protected areas. Studies and tests on meadow restoration using propagation and transplantation techniques were carried out over the period, as well as the development of low-siltation trenching and burial systems.
In sealine laying operations, the qualification tests of a new field joint coating system were concluded. Studies for a new high-capacity pipe abandonment and recovery system and for enhanced pipe offloading equipment were also completed, while activities to improve pulling capabilities and monitoring pipeline integrity during pipelaying continued. Studies to prevent the flooding of trunk lines during the laying phase were started.

Studies were also conducted during the period on developing systems capable of an emergency response in the event of oil spills from subsea exploratory wells and production facilities and on carrying out operations in Arctic regions.

Process development activity during the period concentrated on achieving continuous improvements in the performance and environmental compatibility of the proprietary fertiliser production technology 'SnamprogettiTM Urea', which to date has been licensed in 121 plants globally.
Attention is currently focused on minimising the environmental impact of Urea plants ('Urea Zero Emission') through the implementation of novel proprietary process steps currently under development. The technology for the recovery of ammonia from flue gas is now ready for application at pilot plant scale.

Validation of the updated mathematical model for the high pressure section of urea plants is currently under way. Once validated, this model will be used to evaluate new process improvements.

A cooperation agreement with Chiyoda was signed to develop onshore LNG plants. The agreement will enable the two companies to combine their respective Oil & Gas skills – in particular those relating to the gas monetisation chain – to tackle the rapidly expanding LNG and Upstream sector and other strategic markets.

The half year also saw the completion of construction work on the first commercial unit to use ENISOLVEX technology – a new proprietary technology for the remediation of soils and sediments contaminated by organic compounds – at the Eni R&M refinery in Gela, Italy.

In the field of Carbon Capture & Storage (CCS), the design of the pilot pipeline unit for dense phase transportation of CO_2 to be installed in the Enel power station in Brindisi was completed. Meanwhile a feasibility study for the transportation of CO_2 from the Eni R&M refinery in Gela to local oil fields to be used for Enhanced Oil Recovery is currently underway.

The development of solutions for large scale energy storage is also in progress, with an R&D project successfully nearing completion. A first demonstration unit is planned for 2012.

Quality, Health, Safety and Environment

Quality

To ensure that Saipem is able to satisfy the requirements of a market which grows ever more diversified and competitive and to achieve compliance with all of the applicable international standards, the first half of 2011 saw the continuation of the effort to define and implement innovative Quality Management and Quality Control tools at Corporate and Business Unit level. Specifically, the following initiatives were continued or commenced during the period.

In the Corporate and business support area:
- Customer Satisfaction: the second phase of the project sponsored by Top Management for monitoring Saipem Group customer satisfaction. Activities currently underway as part of this phase of implementation included project sponsor meetings at the main operating companies, fine-tuning of the web tool for data analysis and reporting, preparation of training material and the induction plan and the design of the communications campaign for the launch and dissemination of the monitoring methodology. In addition, the 2011 plan of projects to be subjected to monitoring was defined and shared;
- Communication and Training: in addition to the usual training activities aimed at home office, project and operative personnel regarding quality principles, the following activities were carried out:
  - design of a communications campaign for the new Customer Satisfaction process. The objectives of the campaign are the development of a range of tools to support the official launch of the new process, its roll out and the training programmes;
  - organisation of specific Quality Control training initiatives;
- Overseas Quality Management System development: in addition to the usual support initiatives connected with the development of Quality Management Systems at Group companies, the period saw:
  - support with definition of 2011 Group Quality objectives within Corporate QHSE & Sustainability Plan. Detailed appraisal of 2010 performance and distribution of feedback containing evaluations of activities performed and suggestions for improvement;
  - review of Operating Company Quality Reporting system, including introduction of Quality performance indicators for the various business operations;
  - support with achieving ISO 9001 certification for Saipem SpA Sharjah Branch in United Arab Emirates and commencement of certification process for Saipem Contracting Algeria and Kwanda in Angola;
- Knowledge Management & Sharing:
  - coordination of development of QHSE Corners on the Sharepoint platform that are remotely accessible from any group location, with the aim of sharing QHSE knowledge worldwide. Providing support to operating companies/Group branches with the creation and systematic updating of Quality information.

In the Project Quality Management area, the period saw:
- in light of the recent organisational changes, the design and development of new standard Project Quality Management (PQM) systems for business and investment projects though the issue of corporate standards and organisation of dedicated training sessions at Operating Companies;
- completion of the 'Offshore Vessel Quality Reporting (OVQR)' project for evaluating the quality performance of Offshore Construction vessels, including the development of a system of periodic data analysis;
- performance of internal audits employing a cross-functional approach and with special emphasis on the application of the Golden Rules & Silver Guidelines defined by Saipem Top Management;
- improvement to approval process on offshore drilling vessels and start of implementation of DAMS document management system for offshore vessels;
- preparation and sharing of close-out reports for upgrading/maintenance projects to ensure capture and reuse of experiences, lessons learnt and best practices.

In the Quality Control area:
- mapping and standardisation of processes and related applications in support of Quality Control activities in Fabrication Yards as part of wider project for the development of the Fabrication Management System;
- development of the management system for controlling tubular goods, aimed at improving the planning, effectiveness and efficiency of inspections and ensuring material traceability;
- completion of experimentation at fabrication yards of phased array non-destructive testing and acquisition of system. Phased array technology is a tried and tested methodology which is approved by clients and third party certification bodies;
- experimentation of new computerised Pipe Tracking System technologies with the objective of automating and improving traceability and control processes;
- standardisation of review (Interdisciplinary Check) and approval of on-board documentation.

Health and occupational medicine

Saipem's health and medical service continued during the period with its usual activities of prevention, protection and promotion

and the provision of emergency medical assistance to employees at companies and operating sites.
The principal activities performed in the first half of 2011 included:
Be.ST (BEtter Life Style): the programme, which was launched in September 2010 on the S7000, was also implemented in Algeria at the Hassi Messaoud base.

Alcohol and drugs policy: monitoring was carried out on the implementation of the Company alcohol and drug policy.

Health Management System (GIPSI): a new version of GIPSI was launched, with the aim of simplifying the health reporting system. The new release consists of a single, all-inclusive program for storage and management of all types of health-related data, which provides medical personnel with quick and easy real-time access to records. In addition to reducing the workload of medical personnel and preventing work from being needlessly duplicated, the new system represents another step towards the goal of paper-free reporting.

At present, an eLearning program is being developed to introduce newly hired personnel to the health management system.

Health surveillance programme: the first half of 2011 saw a continued effort to implement and align health surveillance activities in compliance with the requirements set out in the applicable European directives and Italian law (Article 41 of Legislative Decree 81/2008). The health of all employees is monitored under one of a series of health surveillance programmes designed take into account the risks associated with their specific type of work.

Pre Travel Counselling: the training programme pursuant to Italian occupational medicine legislation (Articles 36 and 37 of Legislative Decree 81/2008), called Pre-Travel Counselling, continued during the period. The aim of the programme is to facilitate and promote a travel medicine culture by keeping workers informed with regard to 'destination risks' through one-to-one presentations and group training programmes.

Work related stress risk management: development in collaboration with the San Raffaele hospital in Milan of a methodology for the management of work related stress and coordination of the risk assessment working group at the San Donato Milanese, Fano, Rome and Vibo Valentia offices.

Safety

Safety performances

The safety performances recorded during the first half of 2011 were in line with the targets set for the year, with an improvement registered in the total recordable incident frequency rate (which stood at 1.47 against a target of 1.71).
Despite this positive trend, the period also saw two fatal accidents involving Saipem and contractor personnel working on projects. The first of these occurred in March on an Onshore E&C project, when a member of contractor personnel fell from a metal structure during the installation of a series of gratings.
The second accident took place in April on an Offshore E&C project, when a Saipem employee drowned after a boat used for personnel transfer capsized.

Leadership in Health and Safety

The LiHS team worked on a number of different initiatives during the first half of 2011:
- the strategy for the implementation of the LiHS programme continued apace during the period and also involved contractors, clients and new projects acquired by Saipem;
- in January, the CEO of Saipem, Pietro Franco Tali, launched an important phase of the Leadership in Health & Safety programme, entitled Leading Behaviours. The communication campaign, which will run for the whole of 2011, illustrates the 5 Leading Behaviours to all employees through the publication of a series of videos on the Saipem intranet as well as the distribution of materials such as posters and brochures. Communications events have been organised at Saipem sites around the world to accompany the launch of each of the leading behaviours;
- the LiHS programme team also worked on the promotion of a number of initiatives connected with safety outside of the workplace, such as the road safety campaign as well as on the organisation of events related to safety in elementary schools in areas in which Saipem operates.

HSE training protocols

In terms of training, following the official issue of the Saipem SpA HSE Training Protocols, a joint initiative with the FORM unit was launched. The aim of the initiative is the definition and management of HSE training programmes using some of the functions offered by the application developed for preparing budget forecasts and managing training spending.
The training protocols were also extended during the period to the Group's foreign operating companies. This operation was accomplished through the introduction of new courses as well as an alignment of the entire training system consistently with the new training requirements and objectives.

Industrial Hygiene

Monitoring campaigns at production sites in Italy and abroad are continuing in accordance with Saipem health and safety policy. During the first half of 2011, monitoring campaigns were launched, while a number of improvements were implemented following up on assessments carried out in previous years. Special focus was given to the questions of asbestos and noise control.

Development is currently underway of a software for monitoring and updating the situation at all production sites in relation to documentation and, in particular, assessments outstanding/pending. The software will also contain include a special section for managing improvement action plans to be implemented where threshold levels set down in health and safety legislation are exceeded. The software is expected to be operational by the end of 2011.

With regard to the asbestos issue, in the light of the introduction and application by the Regional Lombardy Authority of the Lombardy Region Asbestos Plan (PRAL/Piano Regionale Amianto Lombardia), Saipem is currently carrying out a survey of asbestos-containing materials (ACM) present at all of its offices in Lombardy.

Environment

Since 2010, a series of environmental awareness campaigns have been organised with the aim of raising the awareness of employees with regard to the principal environmental aspects of Saipem's activities.
The issues tackled so far have been:
- energy saving;
- oil spill prevention;
- waste recycling;
- water saving and reuse.

Paper and electronic materials were prepared for each campaign issue and distributed to all of the sites involved. Local HSE personnel is responsible for raising awareness among employees and providing them with training, as well as for promoting and rewarding positive initiatives and best practices.

World Environment Day (June 2011) saw the launch of a new company magazine dealing with environmental issues called eNews, whose remit is to give greater visibility to significant environmental activities carried out at Saipem. The magazine covers issues relating to engineering and technical activities as well as educational and awareness-raising initiatives aimed at personnel.

With the aim of improving its monitoring of atmospheric emissions and reducing emission levels, Saipem has engaged Bureau Veritas to audit the calculation procedures and methodologies it uses for quantifying and reporting greenhouse gas emissions. This also enables Saipem to achieve its objective of validating its emission reporting to stakeholders.
The validation process was completed with success and the certificate is in the process of being issued.

Human resources

Workforce

The first half of 2011 saw a slight increase in the company workforce, due mainly to the completion of the manning of Offshore vessels (Aquila 2, CastorOne and the FDS2) and the staffing of newly acquired Engineering & Construction projects.

HR Control System

The first half of the year saw the completion of the following activities concerned with improving the governance of HR processes:

- the extension of the GHRS integrated personnel management system to 40 legal entities, bringing the percentage of the total workforce that is directly monitored to 92.5%;
- launch of the GHRS One Step Ahead Project, which will lead to further integration of HR processes within the IBIS Model, in particular the Compensation and Talent Management process;
- completion of scoping and design of the new Human Resources dashboard. The zero issue of the dashboard, showing the principal HR trends for the first half of 2011 is expected to be available by mid August 2011.

Development, Organisation, Communication and Compensation

Although conditions on international markets continued to display a lack of continuity and uniformity across the various sectors and geographical areas, some signs of recovery were seen. Accordingly, recruitment, training, development, compensation, organisation and communication focused on solutions, policies and tools designed to ensure efficiency, flexibility, maximum fulfilment of business operating requirements and the realisation of the full potential of Saipem's key and distinctive resources and capabilities.

In the light of the acquisition of a number of major projects by the Group, **recruitment** activities during the half year were strongly oriented towards identifying personnel offering extensive professional experience, taking advantage of significant opportunities offered by the market in this respect and making use of strategic partnerships with a very limited number of recruitment companies capable of guaranteeing resources matching the professional profiles that are critical for Saipem's business requirements. In terms of junior personnel intake, the mix between new graduates and high school leavers was recalibrated in favour of the latter. Specifically, a number of initiatives aimed at centres of technical excellence in Italy were developed with the aim of strengthening Saipem's image and reputation among young school leavers and its ability to attract such resources, while training programmes were focused towards in-house development of capabilities that are difficult to locate on the market.
Finally, with regard to e-recruiting, the functionalities of the eFesto recruitment portal were further enhanced to ensure greater traceability and control over all process phases and better communication with external markets, particularly in terms of the employee value proposition.

With regard to **Local Content** initiatives, training and development campaigns for local resources in Kazakhstan, Angola and Saudi Arabia were launched with the aim of increasing the use of local resources in operative positions such as technical roles in the offshore and drilling sectors. In Algeria, training programmes aimed at young local engineers were organised in collaboration with the Université des Science et de la Technologie d'Oran to increase the availability of the technical/specialist capabilities required for the Engineering and Construction sectors, which are currently difficult to locate on the local labour market. These included a post university course in Project Control and a Masters course in HSE.

Training activities during the half year period focused on 'law compliance' initiatives) initiatives. Following an initial phase focused on Italy, the initiatives were extended to cover the international sphere. In particular, a series of e-learning courses were organised for a large number of resources in connection with Legislative Decree 231/2001, the Code of Ethics and Security issues. The training initiatives for the members of the Compliance Committee of subsidiaries also continued during the period.
The period saw the launch of a training programme called 'Easy Landing' designed to develop and reinforce certain personal characteristics, interpersonal skills and a knowledge of international situations in young resources due to embark on their first experience abroad, with the aim of helping them integrate quickly and effectively within the new foreign environment and equip them with the tools necessary to enable them to make the most of their time abroad.
There was also the launch of an intense training programme aimed at developing and consolidating the technical/specialist capabilities and skills required for a number of roles that are critical to Saipem's business but which are difficult to locate on the market.
Within the new Engineering and Construction Business Unit, a series of initiatives was launched that focused on redefining project management roles to reflect the new operating scenario

and on strengthening managerial and technical project management skills with a view to creating cross-disciplinary competencies for deployment on the wide range of projects the Business Unit is capable of implementing.
In terms of HSE, which constitutes an increasingly important factor in the operating activities of Saipem, a specialist post graduate masters course was started in collaboration with the university of Bologna called 'Safety and environmental protection in the oil and gas industry'.
Finally, courses were provided to senior and middle managers with the aim of enhancing their leadership, communication and resource management and development skills.

In human resource **development**, a review of the personnel 'segmentation' process (i.e. the procedures and criteria used to identify resources with significant managerial development potential or critical professional skills) was carried out during the period. The related development programmes were also redefined accordingly. An analysis and review of the principal training and development processes and tools was launched during the period with a view to ensuring full alignment between the business strategy and the human resource development strategy. The goal of the project is to create an integrated talent management model compatible with the changing economic and social context, which poses new challenges and requirements to company and resources alike. At international level, work on the project to consolidate the process and the tools used for the monitoring and planning of the careers of a pool of critical and talented resources continued during the half year.
The 'Feedback' project was extended to include both middle managers and young Italian graduates as well as senior managers, with the aim of reinforcing the positive behaviours and capabilities recognised by the Model of Excellence.
Finally, work continued on the definition and implementation of measures connected with the optimisation of the middle and senior management population as part of the 'Organisational System Optimisation' project.

With regard to **compensation** policy, variable incentive plans (including project incentives) and retention systems, which continued to be the object of careful analysis and rationalisation, are being adopted on a selective basis, taking into account the specific characteristics of the relevant labour markets and current business trends and future outlooks.
In relation to management incentive schemes, the current short-term monetary incentive scheme, which is linked to individual performance and the long-term monetary scheme, linked to the company's performance in the long term, was confirmed during the period for Italian and international managerial resources.
Annual monetary incentives based on actual 2010 management performance were paid out in April to 221 Italian senior managers (77.5% of total senior managers), with a total cost outlay of €7,244,000 (23.6% of the total compensation at January 1, 2011). The new targets for 2011 for the same population of senior managers were also defined.

Organisational activities during the first half of the year focused on the definition of the organisational configuration best suited to guaranteeing effective integrated management and maximisation of operating synergies between the Onshore and Offshore businesses. The organisational structure of the new Engineering and Construction Business Unit was designed with a view to sharing competencies for deployment on projects characterised by high plant engineering/technology content and high complexity, maximising the integration of available company resources (tangible and intangible assets) and managing relations with reference markets and local stakeholders employing an integrated approach.

The period also saw a number of measures taken to enable the Business Units to successfully manage the most significant variables affecting business performance and competitiveness. Asset development management and maintenance activities, which were previously managed centrally, have been assigned to the Business Units and reorganised with the aim of ensuring assets, equipment, yards and logistical bases best meet business requirements. In addition, expediting, inspection, shipping and customs activities for Offshore and Drilling projects were reassigned to their respective Business Units in a continuation of the drive to integrate them with the technical and management disciplines involved in project execution.
All organisational initiatives were carried out with the aim of achieving maximum flexibility, effectiveness and efficiency and in accordance with the Saipem governance model and the principles of segregation of duties and responsibilities.
The following activities were also carried out during the period in pursuit of these goals:
- the definition of a new architecture for the Saipem system of procedures and regulations;
- start of implementation of measures to simplify and optimise the overall organisational structure as part of the 'Organisational System Optimisation' project.

In **Communication**, the period saw the definition of a new company image, focused on concepts such as oneness, multiculturality and excellence, with the aim of projecting a uniform corporate identity. The concepts were the key elements of a communications campaign launched during the period that used a graphical representation of the word 'ONE' to characterise Saipem's external and internal image. A line of clothing and merchandise was also launched exclusively for the Saipem employees involved in the promotion of the ONE campaign message.
On the intranet portal, a company forum was designed with a view to fostering interaction between employees, while a study for a graphical restyling of the site was carried out with the aim of making it more intuitive and immediate. Meanwhile the integration of local intranet sites on the shared Saipem platform continued.
Finally, work began on the definition of programming for a company TV channel which will be tested during the second half of 2011.

Personnel Management

During the first half of 2011, Saipem launched a series of initiatives aimed at increasing efficiency and stepping up the monitoring and analysis of the most significant personnel management trends. The objective of the initiatives is to provide decentralised HR offices with coordination and support in connection with monitoring key personnel management issues and trends related to Italian, local and international personnel and performing comparisons with international benchmarks.
New IT tools as well as training initiatives regarding both general and specific issues are due to be launched under the initiatives.
Activities carried out during the period included the transfer of the non-management personnel administrative services to Eni SpA. The transfer, which took effect on April 1, 2011 is part of a gradual process involving the centralisation of personnel administration departments, processes and services serving Eni Group personnel in Italy. The operation is designed to achieve more uniform and efficient process management with a view to providing the end user with a quicker, more personalised service.
With regard to the management of resources involved in international assignments, a number of projects were implemented to incentivise and support geographical mobility. Further testing of new expatriate compensation packages for expatriate assignments from Italy to major European and US locations was carried out during the period. The salary package was designed in collaboration with Eni functions with the goal of bringing expatriate compensation packages for Italians closer to those paid to similar professional figures working in highly competitive markets.

Industrial relations

Saipem's approach to industrial relations has always been to pay close attention to the diverse socio-economic contexts and legislation in the countries in which it operates. The company's industrial relations model focuses on ensuring the harmonisation and optimal management, in accordance with company policies, of relations with trade unions, employers' associations, institutions and public bodies.
In line with this approach, the first half of 2011 saw the completion of discussions with national representatives of trade union organisations from the Energy and Maritime sectors with respect to the following issues of interest to Saipem and Group companies.
Saipem took part in preliminary meetings during the period for the renewal of the collective labour agreement for seamen serving on board special vessels which expired on December 31, 2010 through the employers' association CONFITARMA.
In the energy sector, an agreement was signed with the national trade union secretaries which redefines the regulations and allowances for Offshore construction and drilling activities, following the acquisition of new offshore projects located in Italian waters.
Meanwhile, discussions with national secretaries relating to the transfer of the personnel administration activity to Eni were commenced and concluded during the period. The transfer took effect on April 1, 2011 and affected a total of 19 resources located at the San Donato Milanese, Ravenna, Fano and Rome offices.
Following the resolutions of the Board of Directors of Saipem and SES, the relevant areas of the energy sector trade unions were informed of the planned merger of SES into Saipem.
Saipem followed the negotiations for the successful renewal of the contract for workers deployed in drilling operations in Latin America using tools in place for monitoring trade union events at Group level.
Finally, Saipem representatives attended the annual Eni European Works Council meeting held in Stavanger, Norway on June 22, 23 and 24, 2011.

Year		First half	
2010	(units)	Average workforce 2010	**Average workforce 2011**
13,533	Offshore Engineering & Construction	13,590	**13,557**
14,916	Onshore Engineering & Construction	14,617	**15,798**
1,508	Offshore Drilling	1,481	**1,592**
5,213	Onshore Drilling	5,005	**5,685**
3,258	Staff positions	3,241	**3,309**
38,428	**Total**	**37,934**	**39,941**
7,071	Italian personnel	7,071	**7,115**
31,357	Other nationalities	30,863	**32,826**
38,428	**Total**	**37,934**	**39,941**
6,174	Italian personnel under open-ended contract	6,191	**6,161**
897	Italian personnel under fixed-term contract	880	**954**
7,071	**Total**	**7,071**	**7,115**

Dec. 31, 2010	(units)	June 30, 2010	**June 30, 2011**
7,244	Number of engineers	7,149	**7,632**
39,249	Number of employees	38,375	**40,468**

Information Technology

Information, Communication, Technologies

The first half of 2011 was mainly devoted to the implementation and completion of important change initiatives on Saipem information systems carried out to meet company requirements. The key enhancement initiative, which regarded the SAP R/3 system, was completed. This change plan included an overhaul of the technical platform, the adoption of the new native functionalities offered by release 6.0 of SAP R/3 and new system architecture for the company datawarehouse. Under the IBIS Consolidation project umbrella, Saipem designed and implemented an accounting model for managing working capital based on SAP New General Ledger, exploiting the capabilities of Material Ledger to support cost analysis activities.
With these new tools in place, a number of SAP roll outs were carried out during the period. In particular, a very effective revision of the IBIS application model was carried out to accommodate the new functionalities required to complete the roll out at the Peruvian company Petrex. In coordination with this initiative, Petrex is now also benefiting from a technical and functional update carried out on Spectec's asset management system, AMOS, which has been successfully integrated with the IBIS model of SAP R/3.
The principal area of the company where ICT work is still ongoing is international HR. In addition to a continuing effort to optimise the Oracle Peoplesoft-based personnel management system, GHRS, for which a large number of features will be released during the second half of 2012 as part of a new implementation project, Saipem is in the process of releasing a new software application for international payroll management developed in-house with excellent results. The successful adoption of the application in the United Arab Emirates, Qatar and Kuwait will be followed by further roll outs. The objective is to achieve robust and reliable master data management for head counting and labour costs.

Improved HR data management is facilitating the widespread roll out of the Workload Management System for engineering and supervision services. This innovative management application has also been extended to other Saipem professional families.
Implementation is underway at present, with coverage of the remaining areas expected to be completed by the end of 2012.

ICT business support activities during the period included a wide range of initiatives carried out to increase the efficiency and quality of engineering and construction. Saipem is currently in the process of reducing complex product customisations in favour of standard platforms enriched with custom functionalities co-designed with Saipem experts, through partnerships with its key suppliers of software solutions. This process requires an open and continuous dialogue with suppliers to ensure that the relevant requirements are understood and met. The joint software development programme is producing a direct and significant impact on business initiatives where new software is adopted, both in terms of the specific advantages obtained from the software and in terms of improvements in overall company performance at construction sites and operating companies. Improvements have been achieved in particular in relation to 3D modelling, design review, data warehousing, materials management, and construction and fabrication management.

In terms of IT infrastructure, the period saw the consolidation of the Saipem.com domain introduced in December 2010 and the continued roll out of the WIE - Windows Infrastructure Evolution project, whose objective is to take advantage of the functionalities offered by the latest Microsoft platforms. Meanwhile, following a successful pre-pilot phase, there was also a period of consolidation on the project for the design of the structural elements of the new distributed Microsoft architecture and the implementation of the 'single forest model'. Distribution of the new software has started and indeed has already been completed for a first group of smaller sites, which included a number of vessels, while work on the more time-consuming roll outs to the main Italian and French sites is currently ongoing.
In telecommunications, the ongoing implementation of unified communications services is currently focused on the introduction of the latest features of IP technology for managing voice and video traffic over Saipem's data network.

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 the risk deriving from 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 HSE risk associated with the potential occurrence of accidents, malfunctions, or failures with injury to persons and damage to the environment and impacts on operating and financial results;

(v) the country risk;

(vi) the project risk associated with the executions phase of engineering and construction contracts undertaken by the Onshore Construction, Offshore Construction and Asset Business Units.

Financial risks are managed in accordance with guidelines defined by the Parent Company, with the objective of aligning and coordinating Group companies' policies on financial risks.

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices 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 that revenues and costs from a significant portion of projects implemented are denominated and settled in non-euro currencies. This impacts on:

- profits, which may be significantly affected by exchange rate fluctuations on specific transactions arising from the time lag existing between the execution of a given transaction and the definition of the relevant contractual terms (economic risk) and by the conversion of foreign currency-denominated trade and financial payables and receivables (transaction risk);
- 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 the translation of foreign currency denominated profits or assets and liabilities of subsidiaries that prepare financial statements in a currency other than the euro.
Saipem uses a number of different types of derivative contract to reduce economic and transaction exposure, 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 the 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.
An exchange rate sensitivity analysis was performed for those currencies other than euro for which exchange risk exposure in the first half of 2011 was highest in order to calculate the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in the exchange rates.
The analysis was performed for all relevant financial assets and liabilities denominated in the currencies considered and regarded in particular the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short and long-term financial liabilities.

For exchange rate derivatives, the sensitivity analysis on fair value was conducted by comparing the conditions underlying the forward price fixed in the contract (i.e. spot exchange rate and interest rate) with spot rates and interest rate curves corresponding to the relevant contractual maturity dates, on the basis of period end exchange rates subjected to hypothetical positive and negative changes of 10%, with the resulting effects weighted on the basis of the notional amounts.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of work in progress because work in progress does not constitute a financial asset under IAS 32. Moreover, the analysis regards exposure to exchange rate risk in accordance with IFRS 7 and therefore does not consider the effects of the conversion of financial statements of consolidated companies with functional currencies other than the euro.
A positive variation in exchange rates between the foreign

currencies examined and the euro (i.e. depreciation of the euro against the other currencies) would have produced an overall effect on pre tax profit of -€ 33 million (-€ 7 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects, of -€ 348 million (-€ 328 million at December 31, 2010).
Meanwhile, a negative variation in exchange rates between the foreign currencies examined and the euro (i.e. appreciation of the euro against the other currencies) would have produced an overall effect on pre tax profit of € 34 million (€ 27 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects, of € 320 million (€ 333 million at December 31, 2010).
The increase (decrease) with respect to the previous period is essentially due to the currency exchange rates on the two reference dates and to variations in the assets and liabilities exposed to exchange rate fluctuations.

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. Interest Rate Swaps are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market prices provided by specialised sources. Planning, coordination and management of this activity at Group level is the responsibility of the Treasury Department.
To measure sensitivity to interest rate risk, a sensitivity analysis was performed. The analysis calculated the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in interest rates.
The analysis was performed for all relevant financial assets and liabilities exposed to interest rate fluctuations and regarded in particular the following items:
- interest rate derivatives;
- cash and cash equivalents;
- short and long-term financial liabilities.

For interest rate derivatives, the sensitivity analysis on fair value was conducted by comparing the interest rate conditions (fixed and variable rate) underlying the contract and used to calculate future interest rate differentials with discount curves for variable interest rates on the basis of period end interest rates subjected to hypothetical positive and negative changes of 10%, with the resulting changes weighted on the basis of the notional amounts.
For cash and cash equivalents, the analysis used the average balance for the period and the average rate of return for the period, while for short and long-term financial liabilities, the average exposure for the period and average interest rate for the period were considered.
A positive variation in interest rates would have produced an overall effect on pre tax profit of -€ 3 million (-€ 5 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects of -€ 2 million (-€ 5 million at December 31, 2010). A negative variation in interest rates would have produced an overall effect on pre tax profit of € 3 million (€ 5 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects of € 2 million (€ 5 million at December 31, 2010).
The increase (decrease) with respect to the previous period is essentially due to the interest rates on the two reference dates and to variations in the assets and liabilities exposed to interest rate fluctuations.

Commodity risk

Saipem's results are affected by changes in the prices of oil products (fuel oil, lubricants, bunker oil, etc.) and raw materials, since they represent associated costs in the running of vessels, offices and yards and the implementation of projects and investments.
In order to reduce its commodity risk, in addition to adopting solutions at a commercial level, Saipem also trades over the counter derivatives (swap and bullet swaps in particular) whose underlying commodities are oil products (mainly gasoil and naphtha) through Eni Trading & Shipping (ETS) on the organised markets of ICE and NYMEX where the relevant physical commodity market is well correlated to the financial market and is price efficient.
Such derivatives are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market prices provided by specialised sources.
With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no significant effect on pre tax profit (€ 0.1 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects, of € 5 million (€ 6 million at December 31, 2010). A 10% negative variation in the underlying rates would have produced no significant effect on pre tax profit (-€ 0.1 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects, of -€ 5 million (-€ 6 million at December 31, 2010).
The increase (decrease) with respect to the previous period is essentially due to the differences between the prices used in calculating the fair value of the instrument at the two reference dates.

Credit risk

Credit risk represents Saipem's exposure to potential losses deriving from the non-performance of counterparties. Credit risk arising in the normal course of operations is monitored by the business units and the administration department on the basis of standard procedures and periodic reporting. For financial transactions, such as investments and the use of financial instruments, including derivatives, companies adopt the guidelines issued by the Treasury Department of Saipem.
The critical situation that has developed on the financial markets has led to additional preventative measures to avoid the concentration of risk/assets being adopted.
In addition, operations involving derivative instruments are being

managed with a greater degree of selectivity.
The company did not have any significant cases of non performance by counterparties.
As at June 30, 2011, Saipem had no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group may not be available (funding liquidity risk), or that the Group is unable to sell its assets on the market place (asset liquidity risk), making it unable to meet its short-term finance requirements and settle obligations. Such a situation would negatively impact the Group's results as it would result in the Company incurring higher borrowing expenses to meet its obligations or under the worst of conditions the inability of the Company to continue as a going concern. As part of its financial planning process, Saipem manages liquidity risk by targeting a capital structure that guarantees a level of liquidity adequate for the Groups' needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an optimal profile in terms of maturity and composition of debt in accordance with business objectives and prescribed limits.
At present, in spite of the current market conditions, Saipem believes it has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, thanks to a use of credit lines that is both flexible and targeted to meet business needs.
The liquidity management policies used have the objective of ensuring both adequate funding to meet short-term requirements and obligations and a sufficient level of operating flexibility to fund Saipem's development plans, while maintaining an adequate finance structure in terms of debt composition and maturity.
At June 30, 2011, Saipem maintained unused borrowing facilities of € 1,968 million. These facilities were under interest rates that reflected market conditions. Fees charged for unused facilities were not significant.
The following tables show total contractual payments (including interest payments) and maturities on financial debt and payments and due dates for trade and other payables.

Finance debt

	Maturity					
(€ million)	2012 (*)	2013	2014	2015	After	Total
Long-term debt	725	398	258	1,098	560	3,039
Short-term debt	1,274	-	-	-	-	1,274
Derivative liabilities	146	-	-	-	-	146
	2,145	**398**	**258**	**1,098**	**560**	**4,459**
Interest on debt	112	64	54	41	63	334

(*) Includes the second half of 2011.

Trade and other payables

	Maturity			
(€ million)	2012 (*)	2013-2015	After	Total
Trade payables	2,675	-	-	2,675
Other payables and advances	2,507	2	-	2,509

(*) Includes the second half of 2011.

In addition to the financial and trade debt recorded in the balance sheet, the Saipem Group has contractual obligations relating to non-cancellable operating leases whose performance will entail payments being made in future years. The following table shows undiscounted payments due in future years in relation to outstanding contractual obligations.

Outstanding contractual obligations

	Maturity					
(€ million)	2012 (*)	2013	2014	2015	After	Total
Non-cancellable operating leases	169	50	30	25	61	335

(*) Includes the second half of 2011.

The table below summarises Saipem's capital expenditure commitments for property, plant and equipment and capital projects at June 30, 2011, for which procurement contracts will normally have been entered into.

	Maturity	
(€ million)	2011	2012
Committed on major projects	291	43
Other committed projects	88	-
	379	**43**

HSE risk

Saipem's business activities conducted both in and outside of Italy are subject to a broad range of national legislation and regulations, including laws implementing international protocols and conventions relating to specific sectors of activity.
These laws and regulations require prior authorisation and/or the acquisition of a license before operations may commence and the compliance with health, safety and environmental protection regulations.
Environmental regulations impose restrictions on the types, quantities and concentration of pollutants that can be released into the air, water and soil and require companies to adopt correct waste management practices. In particular, strict operating practices and standards to protect biodiversity must be adopted when exploring for, drilling and producing oil and gas in certain ecologically sensitive locations. Failure to comply with environmental, health and safety laws is punishable by criminal and civil sanctions against the individuals responsible and – in certain cases of violations of safety laws – against companies, in accordance with a European model of direct corporate liability implemented in Italy through Legislative Decree 231/2001.
Environmental, health and safety laws and regulations have a substantial impact on Saipem's operations and expenses and liabilities that Saipem may incur in relation to compliance with environmental, health and safety laws and regulations are expected to remain material to the Group's results of operations or financial position in future years. Recently enacted legislation regarding health and safety in the workplace in Italy introduced new requirements which will have an impact on operations at Eni sites and in particular on relationships with contractors as well as significant repercussions on the models used for attributing liability in the event of violations of health and safety legislation.
The new legislation emphasises the importance of adopting certified organisational and management models which can release companies from corporate liability in the event of violations of legislation regarding health and safety in the workplace. For this purpose, Saipem has adopted HSE guidelines to ensure the health and safety of employees, local communities, contractors and clients and the safeguarding of the environment, in compliance with local and international rules and regulations and in line with international best practices and standards.
An ongoing process of risk identification, evaluation and mitigation is at the heart of HSE management operations in all phases of activity and for all business units. This process is implemented through the adoption of effective management procedures and systems designed to suit the specific characteristics of each activity and the sites in which they take place and with a view to achieving the continuous improvement of plant and processes. Additionally, the codification and proceduralisation of operating phases has led to a reduction of the human factor in production site risk management. Operating emergencies that may have an adverse impact on assets, people and the environment are managed by the business units at site level through dedicated HSE structures equipped with emergency response plans indicating the corrective actions to be taken to minimise damage in the event of an incident and responsibilities for ensuring they are taken.
Saipem's integrated approach to managing health, safety and environmental issues is supported by the adoption in all Group companies of an HSE management system based on the Saipem/Eni Management System Model. The system, which is based on an annual cycle of planning, implementation, control, review of results and definition of new objectives, is designed to achieve risk prevention and the systematic monitoring and control of HSE performance, in a cycle of continuous improvement, and is subject to audits by internal and independent experts. Saipem's facilities are certified to international standards such as ISO 14001, OHSAS 18001 and in some cases EMAS. Saipem provides an advanced programme of training and development to HSE staff with the aim of:
- promoting conduct consistent with the applicable guidelines;
- guiding HSE-related cultural, professional and managerial growth of all personnel working at and for Saipem;
- supporting knowledge management and HSE risk control.

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. Developments in the political framework, economic crisis, internal social unrest and conflicts with other countries can compromise temporarily or permanently Saipem's ability to operate cost efficiently in such countries and may require specific measures to be taken in organisational or management terms (where possible in compliance with Saipem corporate policy) in order to enable the

continuation of activities underway in conditions that differ from those originally anticipated. If Saipem's ability to operate is temporarily compromised, demobilisation is planned according to criteria designed to guarantee the protection of company assets that remain on-site and to minimise the business interruption by employing solutions that accelerate and reduce the cost of business recovery once favourable conditions have returned. The measures outlined above may be costly and have an impact on expected results. Further risks associated with activities in such countries are: (i) lack of well established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavourable developments in laws and regulations and unilateral contract changes, leading to reductions in the value of Saipem's assets, forced sales and expropriations; (iii) restrictions on construction, drilling, imports and exports; (iv) tax increases; (v) civil and social unrest leading to sabotage, attacks, violence and similar incidents. Such events are predictable only to a very limited extent and may occur and develop at any time, causing a material adverse impact on Saipem's financial position and results.
Saipem employs a continuous and holistic approach to monitoring political, social and economic risk in countries in which it operates or intends to invest, drawing on the reports on principal project risks and related trends prepared in accordance with Corporate Risk Management Policy and Risk Management procedures and Standards and Security reports prepared in accordance with the Corporate Security Policy and Guidelines on Security Activities.

Project risk

The main objectives of the Risk and Opportunity and Knowledge Management department are to:
- promote the use of the Project Risk Management methodology for tenders and in the execution phase of projects managed by Business Units that apply the methodology as well as on the Company's principal investment projects;
- assure periodic reporting to management on principal project risks and on trends observed, aggregated by Business Unit and at global level. Implement project portfolio analyses in order to support management decisions and provide an understanding of the external macro risk factors on projects that may impact on company results enabling Management to intervene by deploying the appropriate risk management tools of avoidance, mitigation, transfer and acceptance;
- assure the spread of a risk management culture within Saipem with a view to achieving structured management of risk and opportunity and contribute to improved management of contingencies;
- provide advice, support and guidelines to the Business Units and projects with the identification and evaluation of risks and opportunities and with the implementation of mitigation and improvement measures for, respectively, managing risk areas and optimising opportunities;
- define, develop and update tools and methods for collecting and organising lessons learned and making them available to projects;
- ensure adequate training and the necessary support to commercial and project management teams;
- ensure that Corporate Guidelines, Procedures and Standards are constantly updated in accordance with international Standards and Codes of Practice, promoting full compliance and correct application within Saipem and its subsidiaries;
- contribute to promoting the observance of the Golden Rules and Silver Guidelines, the tool for regulating risk assumption through which Saipem assigns management the responsibility for the decision to assume significant risks.

The Standards and Procedures in force at Saipem comply with the principal international risk management standards.

Insurance

The Corporate Insurance function, in close cooperation with top management, defines annual Saipem Group guidelines for insurance coverage against the risk of damage to property, third party liability, as well as risks related to the performance of contracts.

An Insurance Program is defined on the basis of the guidelines, which identifies specific excess and maximum limit coverage for each type of risk based on an analysis that takes into account claim statistics for recent years, industry statistics and conditions offered by the international insurance market.

The Saipem insurance program is structured in such a way as to appropriately transfer risks deriving from operations to the insurance market, in particular the risks associated with the management of the fleet, equipment and other assets, including third party liability risks and risks deriving from the performance of contracts awarded by its clients.

Given the coverage that is offered by the insurance market and the changing circumstances on the energy market in which Saipem operates, it is not possible to guarantee that all circumstances and events will be adequately covered by the insurance program. Equally, due to the volatility of the insurance market, it cannot be guaranteed that it will be possible in the future to reasonably maintain adequate insurance coverage at the current rates, terms and conditions.

Within the Saipem Insurance Program, a distinction should be made between insurance cover for Group assets ('Corporate insurance policies') and the insurance cover connected with project execution.

Corporate insurance policies

A key tool in the management of Saipem's insurable risks is the captive reinsurance company Sigurd Rück AG, set up and operational since 2008, which covers the initial part of risk, corresponding to € 10 million per event for all classes of risk.

The catastrophic insurance program is composed of policies that cover damage to property, and maritime and non maritime third party liability. Cover can be broken down as follows:

Damage to property

- 'Fleet Insurance' policy: covers the entire fleet against events that cause partial or total damage to vessels;
- 'Equipment' policy: covers all onshore and offshore equipment, for example site equipment, onshore drilling rigs, subsea Remote Operating Vehicles (ROV), etc.;
- 'Transport' policy: covers transport, handling and storage of assets and equipment by land, sea or air;
- 'Buildings and Sites' policy: covers owned or rented buildings, offices, storage facilities and shipyards;
- 'Other minor risks' policy: covers minor risks such as theft and employee dishonesty.

Third-party liability

- 'Protection & Indemnity' ('P&I') policy: shipowners' liability cover through a P&I Club that is part of the International Group of P&I Clubs, up to a limit of US $6.96 billion for events occurring during transit and up to US $300 million for events occurring during operations. The policy also includes a sublimit for sea surface pollution by vessels of an amount per event of up to US $1 billion during transit and up to US $300 million during operations.
- 'Comprehensive General Liability' policy: covers all other types of general and third party liability claims arising from Saipem's industrial activities and supplements the specific P&I coverage up to a limit of € 300 million per event for offshore operations and up to a limit of € 400 million per event, for onshore operations.
- 'Employer's Liability' and 'Personal Accident' policies: these cover employer liability and employee accident risks respectively on the basis of the specific regulations in force in each country where the Group operates.

Project execution insurance policies

For all contracts awarded, specific project insurance coverage must be taken out. Generally, the contractual responsibility for such insurance lies with the client.

Where the responsibility lies with the contractor, Saipem takes out insurance that will cover all risks connected with the project for its entire duration.

Usually it takes out 'Builders' All Risks' insurance, which covers the scope of work of the contract, i.e. damage to the works under construction, as well as to equipment, products and materials required for its construction and third party liability for all works to be performed by the Group during all phases of project execution (engineering, transportation, construction, assembly, testing) including the contractual guarantee period.

The high insurance premiums and excesses on such policies are an incentive to Saipem in its efforts to achieve the continuous improvement of its prevention and protection processes in terms of quality, health, safety and environmental impact.

Additional information

Purchase of treasury shares

At June 30, 2011, the share capital amounted to €441,410,900. On the same day, the number of shares in circulations was 438,100,103. No treasury shares were purchased on the market during the period.

Regulation on Markets

Article 36 of Consob Regulation on Markets: conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries

With regard to the recently published regulations setting out conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries that are deemed to be of material significance in relation to the consolidated financial statements, the Company discloses that at June 30, 2011, the following eleven Saipem subsidiaries fell within the scope of application of the regulation in question:

- Ersai Caspian Contractor Llc;
- Petrex SA;
- Saipem Contracting (Nigeria) Ltd;
- Saipem Contracting Algérie SpA;
- Snamprogetti Saudi Arabia Ltd;
- Global Petroprojects Services AG;
- Saipem Asia Sdn Bhd;
- Saipem Misr for Petroleum Services (S.A.E.);
- Saudi Arabian Saipem Ltd;
- Saipem America Inc;
- PT Saipem Indonesia.

Procedures designed to ensure full compliance with Article 36 have already been adopted.
No further regulatory compliance plans are therefore scheduled for 2011.

Article 37 of Consob Regulation on Markets: conditions preventing the admission to trading on an Italian regulated market of the shares of subsidiaries subject to management and coordination by another company

Pursuant to the requirements set out in paragraph 13 of Article 2.6.2 of the Rules of the Markets organised and managed by Borsa Italiana SpA, the Board of Directors in its meeting of March 8, 2011, ascertained that the Company satisfies the conditions set out in Article 37 of Consob Regulation on Markets for the admission to trading on an Italian regulated market of the shares of subsidiaries subject to management and coordination by another company.
The Board of Directors on May 9, 2011 also verified that the composition of the Board itself, as appointed by the Shareholders' Meeting of May 4, 2011, and of its Committees, was in accordance with letter d), paragraph 1 of Article 37. The check showed that, as required, the Board is composed of a majority of independent directors, while the committees (Compensation Committee and Audit Committee) are composed exclusively of independent directors.

Disclosure of transactions with related parties

Transactions with related parties entered into by Saipem and identified by IAS 24 concern mainly the exchange of goods, the supply of services, and the provision and utilisation of financial resources, including entering into derivative contracts. All such transactions are an integral part of 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) and in the interest of Group companies.
Directors, general managers and senior managers with strategic responsibilities must declare, every six months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party, in accordance with the provisions of IAS 24.
The amounts of trade, financial or other operations with related parties are provided in Note 42 to the consolidated financial statements.
As of January 1, 2011, the new procedure 'Transactions involving interests held by board directors and statutory auditors and transactions with related parties' came into effect. The procedure can be consulted on Saipem's website www.saipem.it under the section 'Corporate Governance'.

Transactions with the Parent Company and with entities subject to its direction and coordination

Saipem is subject to the direction and coordination of Eni SpA. Transactions with Eni SpA and with entities subject to its direction and coordination constitute transactions with related parties and are commented on in Note 42 'Transactions with related parties' in the notes to the consolidated financial statements.

Events subsequent to period end

New contracts

In July 2011, Saipem was awarded new contracts and negotiated variations to existing contracts amounting to a total of approximately US $800 million, relating mainly to Engineering & Construction activities. The contracts in question were reported in the press release of July 25.

Management outlook

The strong volumes and margins recorded in the first half of the year and a fairly dynamic market enable management to be confident about achieving the targets for 2011 announced at the end of the first quarter, specifically, compared to 2010, revenues up approximately 8%, EBITDA up approximately 12% and net profit up approximately 8%. Investments for 2011 are confirmed to be in the region of € 1.1 billion.

Non-GAAP measures

Some of the performance indicators used in the 'Operating and Financial Review' are not included in the IFRS (i.e. they are non-GAAP measures).
They are disclosed to enhance the user's understanding of the Group's performance and are not intended to be considered as a substitute for IFRS measures.
The Non-GAAP measures used in the 'Operating and Financial Review' are as follows:

- cash flow: the sum of net profit plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- gross operating profit: a useful measure for evaluating the operating performance of the Group as a whole and of the individual sectors of activity, in addition to operating profit. Gross operating profit is an intermediate measure, which is calculated by adding depreciation and amortisation to operating profit;
- non-current assets: the sum of net tangible assets, net intangible assets and investments;
- net current assets: includes working capital and provisions for contingencies;
- net capital employed: the sum of non-current assets, working capital and the provision for employee benefits;
- sources of capital employed/coverage: the sum of shareholders' equity, minority interest and net borrowings.

Declaration pursuant to Legislative Decree No. 196 of June 30, 2003

In his capacity as data controller of personal data, the Chairman declares that the Security Policy Document has been updated pursuant to Legislative Decree No. 196 of June 30, 2003.

Secondary offices

Pursuant to Article 2428 of the Italian Civil Code, the company declares that it has a secondary office in Cortemaggiore (PC), Via Enrico Mattei 20.

Reconciliation of reclassified balance sheet, income statement and cash flows statement to statutory schemes

Reclassified balance sheet

(€ million)	Dec. 31, 2010		June 30, 2011	
Reclassified balance sheet items (where not stated otherwise, items comply with statutory scheme)	Partial amounts from statutory scheme	Amounts from reclassified scheme	Partial amounts from statutory scheme	Amounts from reclassified scheme
A) Net tangible assets		7,403		**7,482**
Note 7 - Property, plant and equipment	*7,403*		***7,482***	
B) Net intangible assets		760		**756**
Note 8 - Intangible assets	*760*		***756***	
C) Investments		105		**107**
Note 9 - Investments accounted for using the equity method	*115*		***116***	
Note 10 - Other investments	*2*		***2***	
Recl. from E) - provisions for losses related to investments	*(12)*		***(11)***	
D) Working capital		(506)		**(140)**
Note 2 - Trade and other receivables	*4,330*		***3,458***	
Recl. to I) - financing receivables not related to operations	*(20)*		***(29)***	
Note 3 - Inventories	*791*		***1,392***	
Note 4 - Current tax assets	*72*		***51***	
Note 5 - Other current tax assets	*218*		***251***	
Note 6 - Other current assets	*275*		***362***	
Note 11 - Other financial assets	*3*		***3***	
Recl. to I) - financing receivables not related to operations	*(3)*		***(3)***	
Note 12 - Deferred tax assets	*90*		***92***	
Note 13 - Other non-current assets	*39*		***37***	
Note 15 - Trade and other payables	*(5,814)*		***(5,178)***	
Note 16 - Income tax payables	*(166)*		***(196)***	
Note 17 - Other current tax liabilities	*(107)*		***(89)***	
Note 18 - Other current liabilities	*(149)*		***(155)***	
Note 22 - Deferred tax liabilities	*(55)*		***(130)***	
Note 23 - Other non-current liabilities	*(10)*		***(6)***	
E) Provisions for contingencies		(152)		**(168)**
Note 20 - Provisions for contingencies	*(164)*		***(179)***	
Recl. to C) - provisions for losses related to investments	*12*		***11***	
F) Provision for employee benefits		(193)		**(201)**
Note 21 - Provisions for employee benefits	*(193)*		***(201)***	
CAPITAL EMPLOYED, NET		**7,417**		**7,836**
G) Shareholders' equity		4,060		**4,347**
Note 25 - Saipem shareholders' equity	*4,060*		***4,347***	
H) Minority interest		94		**90**
Note 24 - Minority interest	*94*		***90***	
I) Net borrowings		3,263		**3,399**
Note 1 - Cash and cash equivalents	*(930)*		***(882)***	
Note 14 - Short-term debt	*1,002*		***1,274***	
Note 19 - Long-term debt	*2,887*		***2,813***	
Note 19 - Current portion of long-term debt	*327*		***226***	
Recl. from D) - financing receivables held for non-operating purposes (note 2)	*(20)*		***(29)***	
Recl. from D) - financing receivables held for non-operating purposes (note 11)	*(3)*		***(3)***	
SOURCES OF CAPITAL EMPLOYED/COVERAGE		**7,417**		**7,836**

Reclassified income statement

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

- the other gains and losses deriving from 'compensation for damages' (€ 4 million) have been recorded as adjustments to the corresponding cost items in the reclassified income statement;
- the items 'financial income' (€ 283 million), 'financial expenses' (-€ 366 million) and 'derivatives' (€ 16 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€ 67 million) in the reclassified income statement;
- the items 'effect of accounting using the equity method' (€ 8 million) and 'other income (expenses) from investments' (€ 0 million), which are indicated separately under the statutory scheme, are stated net under the items 'net income from investments' (€ 8 million) and 'gain on disposals' (€ 0 million) under the reclassified income statement;
- the item 'income taxes' (-€ 183 million) indicated in the statutory scheme is stated separately under the items 'income taxes' (-€ 183 million) and 'taxation' (€ 0 million).

All other items are unchanged.

Reclassified cash flows statement

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

- the items 'depreciation and amortisation' (€ 288 million), 'net impairment of tangible and intangible assets' (€ 14 million), 'effect of accounting using the equity method' (-€ 8 million), 'change in the provision for employee benefits' (€ 11 million) and 'other changes' (€ 18 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'depreciation/amortisation and other non-monetary items' (€ 323 million);
- the items 'interest income' (-€ 3 million), 'interest expense' (€ 42 million) and 'income taxes' (€ 183 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and taxes' (€ 222 million);
- the items regarding changes in 'inventories' (-€ 631 million), 'trade receivables' (€ 887 million), 'other assets and liabilities' (-€ 504 million), 'trade payables' (€ 34 million) and 'provisions' (€ 15 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'changes in working capital relating to operations' (-€ 199 million);
- the items 'interest received' (€ 4 million), 'interest paid' (-€ 53 million) and 'income taxes paid net of refunds of tax credits' (-€ 113 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends received, income taxes paid and interest paid and received' (-€ 162 million);
- the items relating to investments in 'intangible assets' (-€ 559 million) and 'tangible assets' (-€ 2 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€ 561 million);
- the items 'financing receivables' (-€ 13 million), 'securities' (€ 0 million) and 'financing receivables' (€ 3 million), indicated separately and included in cash flow used in investing activities in the statutory scheme, are shown net under the item 'borrowings (repayment) of debt related to financing activities' (-€ 10 million);
- the items 'proceeds from long-term debt' (€ 285 million), 'repayments of long-term debt' (-€ 379 million) and 'increase (decrease) in short-term debt' (€ 284 million), indicated separately and included in net cash used in financing activities in the statutory scheme, are shown net under the item 'changes in short and long-term financial debt' (€ 190 million).

All other items are unchanged.

Condensed Consolidated Interim Financial Statements

Financial statements

Balance sheet

(€ million)

			Dec. 31, 2010		June 30, 2011	
June 30, 2010		Note	Total	*of which with related parties*	Total	*of which with related parties*
	ASSETS					
	Current assets					
1,186	Cash and cash equivalents	(1)	930	509	882	393
22	Other financial assets held for trading or available for sale		-		-	
4,124	Trade and other receivables	(2)	4,330	1,073	3,458	713
1,599	Inventories	(3)	791		1,392	
59	Current tax assets	(4)	72		51	
230	Other current tax assets	(5)	218		251	
371	Other current assets	(6)	275	165	362	232
7,591	**Total current assets**		**6,616**		**6,396**	
	Non-current assets					
7,061	Property, plant and equipment	(7)	7,403		7,482	
754	Intangible assets	(8)	760		756	
127	Investments accounted for using the equity method	(9)	115		116	
2	Other investments	(10)	2		2	
10	Other financial assets	(11)	3		3	
159	Deferred tax assets	(12)	90		92	
42	Other non-current assets	(13)	39		37	
8,155	**Total non-current assets**		**8,413**		**8,488**	
15,746	**TOTAL ASSETS**		**15,028**		**14,884**	
	LIABILITIES AND SHAREHOLDERS' EQUITY					
	Current liabilities					
1,212	Short-term debt	(14)	1,002	875	1,274	1,089
311	Current portion of long-term debt	(19)	327	126	226	125
6,352	Trade and other payables	(15)	5,814	344	5,182	207
149	Income tax payables	(16)	166		196	
114	Other current tax liabilities	(17)	107		89	
644	Other current liabilities	(18)	149	132	155	146
8,782	**Total current liabilities**		**7,565**		**7,122**	
	Non-current liabilities					
3,131	Long-term debt	(19)	2,887	2,687	2,813	2,613
171	Provisions for contingencies	(20)	164		179	
187	Provisions for employee benefits	(21)	193		201	
26	Deferred tax liabilities	(22)	55		130	
25	Other non-current liabilities	(23)	10	8	2	-
3,540	**Total non-current liabilities**		**3,309**		**3,325**	
12,322	**TOTAL LIABILITIES**		**10,874**		**10,447**	
	SHAREHOLDERS' EQUITY					
104	Minority interest	(24)	94		90	
3,320	Saipem's shareholders' equity:	(25)	4,060		4,347	
441	- share capital	(26)	441		441	
55	- share premium reserve	(27)	55		55	
(208)	- other reserves	(28)	46		160	
2,755	- retained earnings		2,758		3,330	
380	- net profit for the period		844		438	
(103)	- treasury shares	(29)	(84)		(77)	
3,424	**Total shareholders' equity**		**4,154**		**4,437**	
15,746	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**		**15,028**		**14,884**	

Income statement

(€ million)			First half 2010		First half 2011	
Year 2010		Note	Total	*of which with related parties*	Total	*of which with related parties*
	REVENUES					
11,160	Net sales from operations	(31)	5,385	988	6,021	996
17	Other income and revenues	(32)	5	-	9	1
11,177	**Total revenues**		**5,390**		**6,030**	
	Operating expenses					
(7,714)	Purchases, services and other	(33)	(3,739)	(43)	(4,184)	(50)
(1,627)	Payroll and related costs	(34)	(786)		(833)	
(517)	Depreciation, amortisation and impairment	(35)	(237)		(302)	
-	Other operating expenses		(1)	(1)	-	-
1,319	**OPERATING PROFIT**		**627**		**711**	
	Finance income (expense)					
851	Finance income		634	-	283	1
(995)	Finance expense		(723)	(20)	(366)	(39)
34	Derivative financial instruments		26	17	16	20
(110)	**Total finance income (expense)**	(36)	**(63)**		**(67)**	
	Income (expense) from investments					
-	Share of profit of equity-accounted investments		4		8	
30	Other gain from investments		-		-	
30	**Total income (expense) from investments**	(37)	**4**		**8**	
1,239	**PROFIT BEFORE INCOME TAXES**		**568**		**652**	
(345)	Income taxes	(38)	(158)		(183)	
894	**NET PROFIT**		**410**		**469**	
	Attributable to:					
844	- Saipem		380		438	
50	- minority interest	(39)	30		31	
	Earnings per share attributable to Saipem (€ per share)					
1.93	Basic	(40)	0.87		1.00	
1.92	Diluted	(40)	0.86		0.99	

Statement of comprehensive income

(€ million)	First half 2010	First half 2011
Net profit of the period	**410**	**469**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges [1]	(484)	237
- exchange rate differences arising from the translation into euro of financial statements currencies other than euro	122	(75)
- income tax relating to other items of comprehensive income	98	(55)
Other items of comprehensive income	**(264)**	**107**
Total comprehensive income of the period	**146**	**576**
Attributable to:		
- Saipem Group	104	552
- minority interest	42	24

(1) The change in the fair value of cash flow hedges relates almost exclusively to transactions with the Parent Company Eni.

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 purchased	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2009	**441**	**55**	**7**	**88**	**17**	**77**	**(90)**	**2,226**	**732**	**(119)**	**3,434**	**61**	**3,495**
Net profit for the first half of 2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**380**	**-**	**380**	**30**	**410**
Other items of comprehensive income													
Change in the fair value of cash flow hedges net of the tax effect	-	-	-	-	-	(386)	-	-	-	-	(386)	-	(386)
Exchange rate differences arising from the translation into euro of financial statements currencies other than euro	-	-	-	-	-	1	109	-	-	-	110	12	122
Total recognised income (expense) for the first half of 2010	**-**	**-**	**-**	**-**	**-**	**(385)**	**109**	**-**	**380**	**-**	**104**	**42**	**146**
Transactions with shareholders													
Dividend distribution first half of 2010	-	-	-	-	-	-	-	-	(240)	-	(240)	-	(240)
2009 retained earnings and transfer to legal reserve	-	-	-	-	-	-	-	492	(492)	-	-	-	-
Treasury shares repurchased	-	-	-	-	(16)	-	-	16	-	16	16	-	16
Other changes in shareholders' equity													
Cost related to stock options/grants	-	-	-	-	-	-	-	4	-	-	4	-	4
Other changes	-	-	-	-	(1)	-	(14)	17	-	-	2	1	3
Total	**-**	**-**	**-**	**-**	**(17)**	**-**	**(14)**	**529**	**(732)**	**16**	**(218)**	**1**	**(217)**
Balance at June 30, 2010	**441**	**55**	**7**	**88**	**-**	**(308)**	**5**	**2,755**	**380**	**(103)**	**3,320**	**104**	**3,424**
Net profit for the second half of 2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**464**	**-**	**464**	**20**	**484**
Other items of comprehensive income													
Change in the fair value of cash flow hedges net of the tax effect	-	-	-	-	-	311	-	-	-	-	311	-	311
Exchange rate differences arising from the translation into euro of financial statements currencies other than euro	-	-	-	-	-	-	(62)	-	-	-	(62)	(7)	(69)
Gain on disposal of a business unit accounted for directly to equity	-	-	-	-	-	-	-	14	-	-	14	-	14
Capital gains tax	-	-	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Other changes	-	-	-	-	-	-	-	1	-	-	1	-	1
Total recognised income (expense) for the second half of 2010	**-**	**-**	**-**	**-**	**-**	**311**	**(62)**	**11**	**464**	**-**	**724**	**13**	**737**
Transactions with shareholders													
Dividend distribution second half of 2010	-	-	-	-	-	-	-	-	-	-	-	(23)	(23)
Treasury shares repurchased	-	-	-	-	-	-	-	1	-	19	20	-	20
Other changes in shareholders' equity													
Cost related to stock options/grants	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other changes	-	-	-	-	-	-	5	(8)	-	-	(3)	-	(3)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**(8)**	**-**	**19**	**16**	**(23)**	**(7)**
Balance at December 31, 2010	**441**	**55**	**7**	**88**	**-**	**3**	**(52)**	**2,758**	**844**	**(84)**	**4,060**	**94**	**4,154**

Statement of changes in shareholders' equity continued

	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 purchased	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2010	**441**	**55**	**7**	**88**	**-**	**3**	**(52)**	**2,758**	**844**	**(84)**	**4,060**	**94**	**4,154**
Net profit for the first half of 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**438**	**-**	**438**	**31**	**469**
Other items of comprehensive income													
Change in the fair value of cash flow hedges net of the tax effect	-	-	-	-	-	182	-	-	-	-	182	-	182
Exchange rate differences arising from the translation into euro of financial statements currencies other than euro	-	-	-	-	-	-	(68)	-	-	-	(68)	(7)	(75)
Total recognised income (expense) for the first half of 2011	**-**	**-**	**-**	**-**	**-**	**182**	**(68)**	**-**	**438**	**-**	**552**	**24**	**576**
Transactions with shareholders													
Dividend distribution first half of 2011	-	-	-	-	-	-	-	-	(276)	-	(276)	(21)	(297)
Retained earnings and transfer to legal reserve	-	-	-	-	-	-	-	568	(568)	-	-	-	-
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	7	7	-	7
Other changes in shareholders' equity													
Other changes	-	-	-	-	-	-	-	4	-	-	4	(7)	(3)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**572**	**(844)**	**7**	**(265)**	**(28)**	**(293)**
Balance at June 30, 2011	**441**	**55**	**7**	**88**	**-**	**185**	**(120)**	**3,330**	**438**	**(77)**	**4,347**	**90**	**4,437**

Cash flows statement

(€ million)	Note	First half 2010	First half 2011
Net profit		380	438
Minority interest		30	31
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation and amortisation	(35)	237	288
- net impairment of tangible and intangible assets	(35)	-	14
- effect of accounting using the equity method	(37)	(4)	(8)
- gains (losses) on disposal and write-off of assets		-	3
- interest income		(3)	(3)
- interest expense		18	42
- income taxes	(38)	158	183
- other changes		(7)	18
Changes in working capital:			
- inventories		(452)	(631)
- trade receivables		178	887
- trade payables		325	34
- provisions for contingencies		(35)	15
- other assets and liabilities		(157)	(504)
Cash flow from working capital		*668*	*807*
Change in the provision for employee benefits		1	11
Dividends received		18	-
Interest received		-	4
Interest paid		(42)	(53)
Income taxes paid net of refunds of tax credits		(60)	(113)
Net cash provided by operating activities		**585**	**656**
of which with related parties	(42)	*1,151*	*1,152*
Investing activities:			
- tangible assets	(7)	(780)	(559)
- intangible assets	(8)	(2)	(2)
- equity investments	(9)	-	-
- financing receivables		(86)	(13)
Cash flow from investing activities		*(868)*	*(574)*
Disposals:			
- tangible assets		3	-
- securities		14	-
- financing receivables		32	3
Cash flow from disposals		*49*	*3*
Net cash used in investing activities (*)		**(819)**	**(571)**
of which with related parties	(42)	-	-

Cash flows statement continued

(€ million)	Note	First half 2010	First half 2011
Proceeds from long-term debt		1,512	285
Repayments of long-term debt		(302)	(379)
Increase (decrease) in short-term debt		(640)	284
		570	**190**
Dividend distribution		(240)	(297)
Net purchase of treasury shares		16	7
Net cash used in financing activities		**346**	**(100)**
of which with related parties	(42)	*672*	*139*
Effect of changes in consolidation		-	(3)
Effect of exchange rate changes and other changes on cash and cash equivalents		88	(30)
Net cash flow for the period		**200**	**(48)**
Cash and cash equivalents - beginning of period	(1)	**986**	**930**
Cash and cash equivalents - end of period	(1)	**1,186**	**882**

(1) Net cash used in investing activities included investments in certain financial assets to absorb temporary surpluses of cash or as part of our ordinary management of financing activities. Due to their nature and the fact that they are very liquid, these financial assets are netted against finance debt in determining net borrowings. For the definition of net borrowings, see the 'Financial and economic results' section of the 'Operating and Financial Review'.
Cash flows of such investments were as follows:

(€ million)	First half 2010	First half 2011
Financing investments:		
- financing receivables	(86)	(13)
	(86)	**(13)**
Disposal of financing investments:		
- securities	14	-
- financing receivables	32	3
	46	**3**
Net cash flows from financing activities	**(40)**	**(10)**

Supplementary information

(€ million)	June 30, 2011
Analysis of disposals of consolidated entities and businesses	
Current assets	4
Non-current assets	4
Net liquidity (net borrowings)	1
Current and non-current liabilities	(8)
Net effect of disposals	**1**
Market value of holdings after control ceased	-
Gain on disposals	-
Minority interest	-
Total sale price	**1**
less:	
Cash and cash equivalents	*(1)*
Cash flow from disposals	**-**

Notes to the condensed consolidated interim financial statements

Basis of presentation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The structure of the financial statements is the same as that used in the Annual Report.
This report includes 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, with the exception of the International Accounting Standards that came into effect as of January 1, 2011, as illustrated in the 'Accounting standards and interpretations issued by IASB/IFRIC and endorsed by the European Union' section of the 2010 Annual Report. The application of these standards did not have any impact on the transactions carried out in the first half of 2011.
Current income taxes are determined on the basis of estimated taxable income. Current income tax assets and liabilities are measured at the amount expected to be paid to/recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by 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 'Scope of consolidation', which constitutes an integral part of these notes. The same section contains a list detailing the changes that occurred in the scope of consolidation during the period. The condensed consolidated interim financial statements as of June 30, 2011, approved by Saipem's Board of Directors on July 27, 2011, were subjected to a limited review by the independent auditor Reconta Ernst & Young SpA.
A limited review is substantially less in scope than an audit performed in accordance with generally accepted auditing standards.
Amounts stated in financial statements and the notes thereto are in millions of euros (€ million).

Foreign currency translation

Financial statements of foreign companies having a functional currency other than euro are converted into euro applying: (i) closing exchange rates for assets and liabilities; (ii) historical exchange rates for equity accounts; and (iii) the average rates for the period to the income statement (source: Bank of Italy).
Cumulative exchange rate differences resulting from this translation are recognised in shareholders' equity under the item 'Cumulative currency translation differences' for the portion relating to the Group's interest and under 'Minority interest' for the portion related to minority shareholders. Cumulative exchange differences are charged to the income statement when an investment is fully disposed of or when the investment ceases to qualify as a controlled company. In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under minority interest in equity.
The financial statements of foreign subsidiaries translated into euro are denominated in the functional currencies of the countries where the entities operate, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.
The exchange rates that have been applied for the translation of financial statements in foreign currencies are as follows:

Currency	Exchange rate at Dec. 31, 2010	Exchange rate at June 30, 2011	2011 average exchange rate
US Dollar	1.3362	1.4453	1.40325
British Pound Sterling	0.86075	0.90255	0.868183
Algerian Dinar	99.2612	104.147	101.699
Angolan Kwanza	123.79	134.851	130.811
Argentine Peso	5.30994	5.93151	5.67975
Australian Dollar	1.3136	1.3485	1.3582
Azerbaijan Manat	1.06739	1.13658	1.11267
Brazilian Real	2.2177	2.2601	2.2879
Canadian Dollar	1.3322	1.3951	1.3706
Croatian Kuna	7.383	7.4018	7.39754
Dominican Peso	50.0039	54.9684	53.0007
Egyptian Pound	7.75751	8.62746	8.29957
Indian Rupee	59.758	64.562	63.1436
Indonesian Rupee	12,002.1	12,397.4	12,267.4
Malaysian Ringgit	4.095	4.3626	4.25522
Nigerian Naira	203.444	220.077	216.806
Norwegian Kroner	7.8	7.7875	7.82474
Peruvian New Sol	3.75086	3.97963	3.90356
Qatar Riyal	4.86375	5.26296	5.10976
Romanian New Leu	4.262	4.2435	4.1798
Russian Rouble	40.82	40.4	40.1352
Saudi Arabian Riyal	5.0106	5.42017	5.26249
Singapore Dollar	1.7136	1.7761	1.76528
Swiss Franc	1.2504	1.2071	1.26943
UAE Dirham	4.90781	5.30853	5.154

Use of accounting estimates

For a description of the accounting estimates used see the 2010 Annual Report.

Recent accounting principles

With regard to recent accounting principles, in addition to the information provided in the 2010 Annual Report, during the first half of 2011 the IASB issued the the following accounting standards, which have not yet been endorsed by the European Union.

On May 12, 2011, the IASB issued IFRS 10 'Consolidated Financial Statements' and the revised version of IAS 27 'Separate Financial Statements', which establish principles for the presentation and the preparation of consolidated financial statements and separate financial statements, respectively. IFRS 10 establishes a single control model that applies to all entities, including Special Purpose Entities. According to the new definition, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard indicates factors to consider when determining whether an investor has control over an investee, including potential rights, protective rights, and the existence of agency or franchise relationships. The new version also recognises the possibility that an entity may hold control with less than a majority of voting rights as a consequence of the dispersion of holdings or the passive behaviour of other investors. The revised standard shall be applied for annual periods beginning on or after January 1, 2013.

On May 12, 2011, the IASB issued IFRS 11 'Joint Arrangements' and the revised version of IAS 28 'Investments in Associates and Joint Ventures'. IFRS 11 establishes two types of joint arrangement – joint operations and joint ventures – on the basis of the rights and obligations of the joint venturers – and determines the appropriate accounting to be used for their recognition in the financial statements. For interests in joint ventures, the new version of IFRS 11 requires the use of the equity method of accounting for interests in joint ventures, thereby eliminating the option to apply the proportionate consolidation method. The revised edition of IAS 28 defines the accounting treatment for the sale of an investment, or portion of an investment, in an associate or a joint venture. The revised standards shall be applied for annual periods beginning on or after January 1, 2013.

On May 12, 2011, the IASB issued IFRS 12 'Disclosure of Interests in Other Entities', which establishes disclosure requirements for consolidated financial statements in respect of subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 provisions shall be applied for annual periods beginning on or after January 1, 2013.

On May 12, 2011, the IASB issued 'IFRS 13 'Fair Value Measurement', which establishes a framework for measuring fair value and disclosure requirements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 provisions shall be applied for annual periods beginning on or after January 1, 2013.

On June 16, 2011, the IASB issued 'Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income', which introduces the requirement for entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently in accordance with the relevant IFRS. IAS 1 provisions shall be applied for annual periods beginning on or after January 1, 2012 (for Saipem: 2013 financial statements).

On June 16, 2011, the IASB issued a amended new version of IAS 19 'Employee Benefits', which introduced a requirement to immediately recognise all actuarial gains and losses through other comprehensive income, thereby eliminating the option to apply the corridor method. The actuarial gains and losses recognised in the statement of comprehensive income are not subsequently taken to the income statement. The new version also introduced enhanced disclosures about defined benefit plans. IAS 19 provisions shall be applied for annual periods beginning on or after January 1, 2013.
Saipem is currently reviewing these new standards and interpretations to determine the likely impact on the Group's results.

Scope of consolidation at June 30, 2011

Parent company

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation %	Method of consolidation or accounting principle (*)
Saipem SpA	San Donato Milanese	EUR	441,410,900	Eni Corporate SpA Saipem SpA Third parties	42.92 0.75 56.33		

Subsidiaries

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation %	Method of consolidation or accounting principle (*)
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00		Co.
Saipem Energy Services SpA	San Donato Milanese	EUR	9,020,216	Saipem SpA	100.00	100.00	F.C.
Servizi Energia Italia SpA	Marghera	EUR	291,000	Saipem Energy Services SpA	100.00	100.00	F.C.
Snamprogetti Chiyoda sas di Saipem SpA	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	99.90 0.10	99.90	F.C.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation %	Method of consolidation or accounting principle (*)
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	322,350,000	Saipem SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Boscongo sa	Pointe Noire (Congo)	XAF	1,597,805,000	Saipem sa Third parties	99.99 0.01	100.00	F.C.
BOS Investment Ltd	New Malden - Surrey (United Kingdom)	GBP	700,000	Saipem sa	100.00	100.00	F.C.
BOS-UIE Ltd	New Malden - Surrey (United Kingdom)	GBP	600,600	BOS Investment Ltd	100.00	100.00	F.C.
Construction Saipem Canada Inc	Montreal (Canada)	CAD	1,000	Snamprogetti Canada Inc	100.00	100.00	F.C.
Ersai Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
Ersai Marine Llc (***)	Almaty (Kazakhstan)	KZT	1,000,000	Ersai Caspian Contractor Llc	100.00		E.M.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	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.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem sa Third parties	55.00 45.00		E.M.

(*) 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 (*)
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.
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	485,469,045	Saipem International BV	100.00	100.00	F.C.
Professional Training Center Llc (***)	Karakiyan District, Mangistau Oblast (Kazakhstan)	KZT	1,000,000	Ersai Caspian Contractor Llc	100.00		E.M.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	111,290,000	Saipem International BV Saipem Asia Sdn Bhd	68.55 31.45	100.00	F.C.
Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Lda	Luanda (Angola)	AOA	1,600,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	60.00 40.00		E.M.
Saigut SA de Cv	Col Juarez (Mexico)	MXN	90,050,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saimexicana SA de Cv	Col Juarez (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	F.C.
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 Sociedade Unipessoal 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.
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	100.00	F.C.
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 Algérie SpA	Hassi Messaoud (Algeria)	DZD	1,556,435,000	Sofresid sa	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem do Brasil Serviços de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	84,719,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Co Pvt Ltd	Mumbai (India)	INR	50,000,000	Saipem International BV Saipem sa	50.00 50.00	100.00	F.C.
Saipem Engineering Nigeria Ltd (***)	Lagos (Nigeria)	NGN	75,000,000	Saipem International BV Third parties	95.00 5.00		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 India Project Ltd	Chennai (India)	INR	407,000,000	Saipem sa	100.00	100.00	F.C.
Saipem Ingenieria y Construcciones S.L.U.	Madrid (Spain)	EUR	40,000	Saipem International BV	100.00		E.M.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Libya Limited Liability Company - SA.LI.CO. Llc	Tripoli (Libya)	LYD	10,000,000	Saipem International BV Snamprogetti Netherlands BV	60.00 40.00	100.00	F.C.
Saipem Logistics Services Ltd (***)	Lagos (Nigeria)	NGN	55,000,000	Saipem International BV	100.00		E.M.
Saipem Ltd	New Malden - Surrey (United Kingdom)	EUR	7,500,000	Saipem International BV	100.00	100.00	F.C.
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sarl Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sarl	Luxembourg (Luxembourg)	USD	315,000	Saipem SpA	100.00	100.00	F.C.
Saipem Mediteran Usluge doo	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 Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Norge A/S	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Qatar Llc	Doha (Qatar)	QAR	2,000,000	Saipem International BV Third parties	49.00 51.00		E.M.
Saipem sa	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Col Juarez (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Services SA	Brussels (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	28,890,000	Saipem sa	100.00	100.00	F.C.
Saipem UK Ltd	New Malden - Surrey (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	F.C.
Sairus Llc (ex Katran-K Llc)	Krasnodar (Russian Federation)	RUB	1,603,800	Saipem International BV	100.00	100.00	F.C.
Sajer Iraq Company for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
SAS Port de Tanger Société par Actions Simplifiée Unipersonelle	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.

(*) 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	25,000,000	Saipem International BV	100.00	100.00	F.C.
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	Saipem Maritime Asset Management Luxembourg Sarl	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	300,000	Snamprogetti Netherlands BV Third parties	99.99 0.01		E.M.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	92,117,340	Saipem 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.
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	Sola (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.
Star Gulf Free Zone Co	Dubai (United Arab Emirates)	AED	500,000	Saipem (Portugal) - Gestão de Participações SGPS SA Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda	80.00 20.00	100.00	F.C.
TBE Ltd (**)	Damietta (Egypt)	EGP	50,000	Saipem sa Third parties	70.00 30.00		E.M.
Varisal - Serviços de Consultadoria e Marketing, Unipessoal Lda	Funchal (Portugal)	EUR	500,000	Saipem (Portugal) - Gestão de Participações SGPS SA	100.00	100.00	F.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Associated and jointly controlled companies

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation %	Method of consolidation or accounting principle (*)
ASG Scarl	San Donato Milanese	EUR	50,864	Saipem 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	Saipem SpA Third parties	50.36 49.64	50.36	P.C.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	52.00 48.00		E.M.
Consorzio F.S.B.	Venice	EUR	15,000	Saipem Energy Services SpA Third parties	28.00 72.00		Co.
Consorzio Libya Green Way	San Donato Milanese	EUR	100,000	Saipem SpA Third parties	26.50 73.50		E.M.
Milano-Brescia-Verona Scarl	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	52.00 48.00		E.M.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	P.C.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	P.C.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem sa Third parties	20.00 80.00		E.M.
SP - TKP Fertilizer Srl (**)	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	50.00 50.00		E.M.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation %	Method of consolidation or accounting principle (*)
02 Pearl snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
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)	AZN	2,000	Star Gulf Free Zone Co Third parties	50.00 50.00	50.00	P.C.
Caspian Barge Builders Pte Ltd (***)	Singapore (Singapore)	SGD	2	Saipem Singapore Pte Ltd Third parties	50.00 50.00		E.M.
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	Paris la Défense (France)	EUR	0	Saipem sa Third parties	27.50 72.50	27.50	P.C.
Fertilizantes Nitrogenados de Oriente CEC	Caracas (Venezuela)	VEB	9,667,827,216	Snamprogetti Netherlands BV Third parties	20.00 80.00		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 (*)
Fertilizantes Nitrogenados de Oriente SA	Caracas (Venezuela)	VEB	286,549	Snamprogetti Netherlands BV Third parties	20.00 80.00		E.M.
FPSO Mystras (Nigeria) Ltd (**)	Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras - Produção de Petròleo Lda	100.00		E.M.
FPSO Mystras - Produção de Petròleo, Lda	Funchal (Portugal)	EUR	50,000	Saipem (Portugal) - Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
Kwanda Suporto Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem sa Third parties	40.00 60.00		E.M.
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.
Nigetecsa Free Zone Enterprise (***)	Olokola (Nigeria)	USD	40,000	Saipem International BV Third parties	50.00 50.00		E.M.
ODE North Africa Llc	Maadi - Cairo (Egypt)	EGP	100,000	Offshore Design Engineering Ltd	100.00		E.M.
Offshore Design Engineering Ltd	Kingston upon Thames (United Kingdom)	GBP	100,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem sa Third parties	70.00 30.00	70.00	P.C.
RPCO Enterprises Ltd	Nicosia (Cyprus)	EUR	17,100	Snamprogetti Netherlands BV Third parties	50.00 50.00	50.00	P.C.
Sabella sas	Quimper (France)	EUR	37,000	Sofresid Engineering sa Third parties	32.50 67.50		E.M.
Saibos Akogep Snc	Montigny le Bretonneux (France)	EUR	39,000	Saipem sa Third parties	70.00 30.00	70.00	P.C.
Saipar Drilling Co BV	Amsterdam (Netherlands)	EUR	20,000	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	40,000,000	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		E.M.
Saipon snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem sa Third parties	60.00 40.00	60.00	P.C.
Servicios de Construçiones 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	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Sud-Soyo Urban Development Lda	Soyo (Angola)	AOA	20,000,000	Saipem sa Third parties	49.00 51.00		E.M.
T.P.C.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
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation %	Method of consolidation or accounting principle (*)
Tchad Cameroon Maintenance BV	Rotterdam (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	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem sa Third parties	42.50 57.50		E.M.
TMBYS sas	Guyancourt (France)	EUR	30,000	Saipem sa Third parties	33.33 66.67	33.33	P.C.
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.
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 131 companies: 64 are consolidated using the full consolidation method, 25 with the proportionate consolidation method, 40 with the equity method and 2 with the cost method, as follows:

	Subsidiaries			Associated and jointly controlled companies		
	Italy	**Outside Italy**	**Total**	**Italy**	**Outside Italy**	**Total**
Subsidiaries and their participating interests	**3**	**61**	**64**	**4**	**21**	**25**
Consolidated using the full consolidation method	3	61	64	-	-	-
Proportionate consolidation method	-	-	-	4	21	25
Participating interests held by consolidated companies (1)	**1**	**13**	**14**	**6**	**22**	**28**
Measured using the equity method	-	13	13	5	22	27
Measured using the cost method	1	-	1	1	-	1
Total companies	**4**	**74**	**78**	**10**	**43**	**53**

(1) Subsidiaries accounted for using the equity method and the cost method are related to companies whose full consolidation does not produce a material impact.

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

Changes in the scope of consolidation

There were no significant changes in the scope of consolidation during the first six months of 2011 with respect to the consolidated financial statements at December 31, 2010.
Changes are detailed below in order of occurrence.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Snamprogetti Africa (Nigeria)** Ltd in liquidation, previously accounted for using the equity method, was removed from the Register of Companies;
- **Modena Scarl**, consolidated using the proportionate method, was placed into liquidation;
- the **Consorzio Libya Green Way**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Starstroi Llc**, previously consolidated using the proportionate method, was sold to third parties;
- **Starstroi Maintenance Llc**, previously accounted for using the equity method, was wholly owned by third parties following the sale of Starstroi Llc;
- **Moss Offshore AS**, previously consolidated using the full consolidation method, was merged by incorporation into Moss Maritime AS;
- **Petromar Lda**, previously consolidated using the full consolidation method, was consolidated using the proportionate method;
- **Saipem Norge A/S**, previously consolidated using the equity method, was consolidated using the full consolidation method, as it exceeded the relevant size;
- **Consorzio Snamprogetti - ABB LG Chemicals** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Ingenieria y Construcciones S.L.U**, with registered offices in Spain, was incorporated and is accounted for using the equity method;
- **Saipem Australia (Pty) Ltd**, previously consolidated using the equity method, was consolidated using the full consolidation method, as it exceeded the relevant size;
- **TBE Ltd**, consolidated using the equity method, was placed into liquidation;
- **Hazira Marine Engineering & Construction Management Pvt Ltd**, previously accounted for using the equity method, was merged by incorporation into Saipem Drilling Co Pvt Ltd;
- **Moss Krilov Maritime OOO**, previously accounted for using the equity method, was sold to third parties;
- **Milano-Brescia-Verona Scarl**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Saipem Perfurações e Construções Petrolíferas Lda**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:
- **Saipem International BV** acquired a 100% interest in Saipem do Brasil Serviçõs de Petroleo Ltda from Saipem Energy Services SpA;
- Katran-K Llc changed its name to **Sairus Llc**.

Changes in functional currencies

Sigurd Rück AG changed its functional currency from the Swiss Franc to the euro.
Saimexicana SA de Cv changed its functional currency from the Mexican Peso to the US Dollar.
Saigut SA de Cv changed its functional currency from the Mexican Peso to the US Dollar.
Saipem Services Mexico SA de Cv changed its functional currency from the Mexican Peso to the US Dollar.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to €882 million, representing a decrease of €48 million compared with December 31, 2010 (€930 million).
Cash and equivalents at period-end, 31% of which are denominated in euro, 28% in US dollars and 41% in other currencies, received an average interest rate of 0.41%. €393 million thereof (€509 million at December 31, 2010) are on deposit at Eni Group financial companies. Cash and cash equivalents include cash and cash on hand of €7 million (€7 million at December 31, 2010).
At June 30, 2011, there were no financial receivables due within 90 days.
Funds deposited in three current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to €29.4 million at June 30, 2011) have been temporarily frozen since February 2010 in connection with an investigation being conducted into third parties.
The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2011 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	
Italy	49
Rest of Europe	520
Asia-Pacific	151
Africa	105
Americas	57
Total	**882**

2 Trade and other receivables

Trade and other receivables of €3,458 million (€4,330 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Trade receivables	3,550	2,635
Financing receivables for operating purposes	49	51
Financing receivables for non-operating purposes	20	29
Prepayments for services	533	485
Other receivables	178	258
Total	**4,330**	**3,458**

Receivables are stated net of the provision for impairment losses of €109 million:

(€ million)	Dec. 31, 2010	Additions	Deductions	Currency translation differences	Other changes	June 30, 2011
Trade receivables	103	3	-	(2)	(3)	101
Other receivables	8	-	-	-	-	8
Total	**111**	**3**	**-**	**(2)**	**(3)**	**109**

Trade receivables amounted to €2,635 million, representing a decrease of €915 million. €548 million (€913 million at December 31, 2010) were due from Eni's subsidiaries.
At June 30, 2011, Saipem had 'non-recourse non-notification' factoring agreements relating to trade receivables, including not past due receivables, amounting to €35 million. Saipem is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factor.
Trade receivables from related parties are shown in Note 42 'Transactions with related parties'.
Trade receivables included retention amounts guaranteeing contract work in progress of €87 million (€90 million at December 31, 2010), of which €43 million was due within one year and €44 million due after one year.
Financing receivables for non-operating purposes of €29 million (€20 million at December 31, 2010) mainly related to the receivable of €22 million held by Saipem America Inc from Eni Finance USA Inc for a financial loan.

Receivables from jointly controlled companies, with regard to the non-consolidated portion, were mainly trade receivables and were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
02 Pearl snc	3	3
Charville - Consultores e Serviços, Lda	1	-
Petromar Lda	-	24
Saipon snc	1	9
Société pour la Realisation du Port de Tanger Mediterranée	4	2
Southern Gas Constructors Ltd	5	8
TMBYS sas	1	4
Total	**15**	**50**

Other receivables of € 258 million consisted of the following:

(€ million)	Dec. 31, 2010	June 30, 2011
Receivables from:		
- insurance companies	10	41
- employees	27	38
- national insurance/social security contributions	1	4
- bank accounts due within/after one year	5	5
- non-financial public administrations	-	25
- foreign tax authorities other than tax credits	2	2
- consultants and professionals	1	1
- receivables from agents and representatives	3	3
Guarantee deposits	10	7
Other	119	132
Total	**178**	**258**

Other receivables from related parties are shown in Note 42 'Transactions with related parties'.
The amount of € 25 million relates to the payment of a deposit by Snamprogetti Netherlands BV, as detailed in the section on 'Legal proceedings' on page 90.
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.

3 Inventories

Inventories of € 1,392 million (€ 791 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Raw and auxiliary materials and consumables	396	423
Work in progress	395	969
Total	**791**	**1,392**

Inventories are stated net of the valuation allowance of € 12 million.

(€ million)	Dec. 31, 2010	Additions	Deductions	Other changes	June 30, 2011
Inventories valuation allowance	9	6	(3)	-	12
	9	**6**	**(3)**	**-**	**12**

4 Current tax assets

Current tax assets of € 51 million (€ 72 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Italian tax authorities	12	13
Foreign tax authorities	60	38
Total	**72**	**51**

5 Other current tax assets

Other current tax assets of € 251 million (€ 218 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Italian tax authorities	44	59
Foreign tax authorities	174	192
Total	**218**	**251**

6 Other current assets

Other current assets of € 362 million (€ 275 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Fair value of non-hedging derivatives	29	37
Fair value of hedging derivatives	126	221
Other	120	104
Total	**275**	**362**

At June 30, 2011, the fair value of derivative was € 258 million (€ 155 million at December 31, 2010).
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, 2011, 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 derivative contracts by type is provided in the following table:

	Assets Dec. 31, 2010			Assets June 30, 2011		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate derivatives						
- forward currency contracts (Spot component)						
. purchase	16			4		
. sale	118			217		
Total	134			221		
- forward currency contracts (Forward component)						
. purchase	-			-		
. sale	(9)			(1)		
Total	(9)	673	4,204	(1)	218	6,151
- forward commodity contracts (Forward component)						
. purchase	1			1		
Total	1	7		1	8	
Total derivative contracts qualified for hedge accounting	**126**	**680**	**4,204**	**221**	**226**	**6,151**
2) Derivative contracts not qualified for hedge accounting:						
- interest rate derivatives						
- forward currency contracts (Spot component)						
. purchase	4			2		
. sale	26			33		
Total	30			35		
- forward currency contracts (Forward component)						
. purchase	-			-		
. sale	(1)			1		
Total	(1)	246	1,505	1	167	1,249
- forward commodity contracts (Forward component)						
. sale	-			1		
Total	-		-	1		8
Total derivative contracts not qualified for hedge accounting	**29**	**246**	**1,505**	**37**	**167**	**1,257**
Total	**155**	**926**	**5,709**	**258**	**393**	**7,408**

Derivatives designated as cash flow hedges related to forward purchase and sale transactions (forward outrights and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions at June 30, 2011 are expected to occur up until 2013. During the first half of 2011, there were no significant cases of hedged items being no longer considered highly probable.
The fair value of derivative assets qualified for hedge accounting at June 30, 2011 was equal to € 221 million (€ 126 million at December 31, 2010). The spot component of these derivatives of € 221 million (€ 134 million at December 31, 2010) was deferred in a hedging reserve in equity (€ 214 million at June 30, 2011; € 128 million at December 31, 2010) and recorded as finance income and expenses (€ 7 million at June 30, 2011; € 6 million at December 31, 2010).
The fair value of derivative liabilities qualified for hedge accounting at June 30, 2011, analysed in Note 18 'Other current liabilities' amounted to € 110 million (€ 95 million at December 31, 2010). The spot component of these derivatives of € 98 million was deferred in a hedging reserve in equity (€ 96 million at June 30, 2011; € 71 million at December 31, 2010) and recorded as finance income and expense (€ 2 million at June 30, 2011; € 6 million at December 31, 2010), while the forward component, amounting to € 2 million (€ 18 million at December 31, 2010), was also recognised as finance income and expense.
During the year, operating revenues and expenses were adjusted by a net positive amount of € 33 million to reflect the effects of hedging. In addition, another amount of negative € 2 million was recorded as a decrease in the cost of construction of tangible assets.
Other assets at June 30, 2011 amounted to € 104 million, representing a decrease of € 16 million compared with December 31, 2010 and consisted mainly of prepayments.
Other receivables from related parties are shown in Note 42 'Transactions with related parties'.

Non-current assets

7 Property, plant and equipment

Property, plant and equipment amounting to € 7,482 million (€ 7,403 million at December 31, 2010) was as follows:

(€ million)	Gross value at Dec. 31, 2010	Provision for depreciation and impairments at Dec. 31, 2010	Net value at Dec. 31, 2010	Investments	Depreciation	Impairments	Change in the scope of consolidation	Disposals	Currency translation differences	Other changes	Final net value at June 30, 2011	Final gross value at June 30, 2011	Provision for depreciation and impairments at June 30, 2011
Property, plant and equipment	10,709	3,306	7,403	559	(282)	(14)	(29)	(4)	(149)	(2)	7,482	10,991	3,509
Total	**10,709**	**3,306**	**7,403**	**559**	**(282)**	**(14)**	**(29)**	**(4)**	**(149)**	**(2)**	**7,482**	**10,991**	**3,509**

Capital expenditure made during the first half of 2011 amounted to € 559 million (€ 780 million in the first half of 2010) and related to the following sectors: Offshore E&C (€ 224 million), Offshore Drilling (€ 297 million), Onshore Drilling (€ 28 million) and Onshore E&C (€ 10 million).
The main items of capital expenditure during the period included:

- in the Offshore E&C sector, the completion of investments on the new deep water field development ship, the continuation of construction and completion of a new pipelayer, the conversion of an oil tanker into an FPSO vessel, the development of a new fabrication yard in Indonesia, and maintenance and upgrading of the existing asset base;
- in the Onshore E&C sector, maintenance of the existing asset base;
- in the Offshore Drilling sector, the continuation of completion works on two semi-submersible rigs and the maintenance and upgrading of the existing asset base;
- in the Onshore Drilling sector, the conclusion of construction activities on a new rig and the continuation of upgrading of the existing asset base.

Impairments (write-downs) mainly related to equipment on the Scarabeo 8.
Finance expenses capitalised during the period, calculated using an average interest rate of 2.4.%, amounted to € 8 million (€ 50 million at December 31, 2010).
Exchange rate differences due to the translation of financial statements prepared in currencies other than euro, amounting to negative € 149 million, and mainly related to companies whose presentation currency is the US dollar.
Fully depreciated property, plant and equipment that is still in use mainly consisted of project-specific equipment which has been fully depreciated over the life of the project.
At June 30, 2011, 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, 2011 amounted to € 422 million (€ 444 million at December 31, 2010), as indicated in 'Summary of significant accounting policies - Risk management'.

Finance leases

Saipem currently has no finance leases.

8 Intangible assets

Intangible assets of € 756 million (€ 760 million at December 31, 2010) were as follows:

(€ million)	Gross value at Dec. 31, 2010	Provision for amortisation and impairments at Dec. 31, 2010	Net value at Dec. 31, 2010	Investments	Amortisation	Impairments	Reversals of writedowns	Disposals	Currency translation differences	Other changes	Final net value at June 30, 2011	Final gross value at June 30, 2011	Provision for amortisation and impairments at June 30, 2011
Intangible assets with finite useful lives	147	120	27	2	(6)	-	-	-	-	-	23	149	126
Other intangible assets with indefinite useful lives	733	-	733	-	-	-	-	-	-	-	733	733	-
Total	**880**	**120**	**760**	**2**	**(6)**	**-**	**-**	**-**	**-**	**-**	**756**	**882**	**126**

Goodwill of € 733 million related to the difference between the purchase price, inclusive of related costs, and the shareholders' equity of Saipem sa (€ 689 million), Sofresid sa (€ 21 million) and the Moss Maritime Group (€ 15 million) on the date that control was acquired.

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

(€ million)	June 30, 2011
Offshore	415
Onshore	318
Total	**733**

The key assumptions adopted for assessing the recoverable amount of the cash generating units exceeding their carrying amount referred to operating results, the discount rate and the growth rates adopted to determine the terminal value. As the relevant assumptions included in the four-year plan used for impairment testing at December 31, 2010 did not change significantly in the period, management believes that an update of the estimated recoverable amounts of the Offshore and Onshore CGUs is not necessary.

9 Investments accounted for using the equity method

Investments accounted for using the equity method of € 116 million (€ 115 million at December 31, 2010) were as follows:

(€ million)	Opening net value	Acquisitions and subscriptions	Sale and redemption	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Change in the scope of consolidation	Currency translation differences	Other changes	Closing net value	Provision for impairment
Dec. 31, 2010											
Investments in subsidiaries	3	-	-	1	-	-	-	1	-	5	-
Investments in associates	115	4	(14)	15	(4)	(6)	-	-	-	110	-
Total	**118**	**4**	**(14)**	**16**	**(4)**	**(6)**	**-**	**1**	**-**	**115**	**-**
June 30, 2011											
Investments in subsidiaries	5	-	-	1	-	-	-	-	-	6	-
Investments in associates	110	-	-	8	(2)	(2)	(3)	(1)	-	110	-
Total	**115**	**-**	**-**	**9**	**(2)**	**(2)**	**(3)**	**(1)**	**-**	**116**	**-**

Investments in subsidiaries and associates at June 30, 2011 are reported in the section 'Scope of consolidation at June 30, 2011'.
Share of profit of investments accounted for using the equity method of € 9 million related mainly to profits recorded by LNG - Serviços e Gestão de Projectos Lda (€ 4 million) and Rosetti Marino SpA (€ 2 million).
Deductions following the distribution of dividends of € 2 million related to Rosetti Marino SpA.
The net carrying value of investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Net value at Dec. 31, 2010	Net value at June 30, 2011
Snamprogetti Management Services SA	99.99	4	5
Other		1	1
Total subsidiaries		**5**	**6**
Fertilizantes Nitrogenados de Oriente CEC	20.00	68	68
Rosetti Marino SpA	20.00	24	24
Other		18	18
Total associates		**110**	**110**

A provision for losses relating to investments accounted for using the equity method is recorded under the provisions for contingencies. At period end, the provision amounted to € 11 million (€ 12 million at December 31, 2010).
In October 2010, the Venezuelan company, Fertilizantes Nitrogenados de Oriente CEC, was the subject of an expropriation order. Venezuelan law provides a procedure for the definition of fair compensation through negotiation.

10 Other investments

The net value of other investments, which was unchanged from December 31, 2010, related to Nagarjuna Fertilizer and Chemicals Ltd.

(€ million)	Group interest (%)	Net value at Dec. 31, 2010	Net value at June 30, 2011
Total subsidiaries		-	-
Total associates		-	-
Nagarjuna Fertilizer and Chemicals Ltd	0.93	2	2
Total other companies		**2**	**2**

11 Other financial assets

At June 30, 2011, other long-term financial assets amounted to € 3 million and related to financing receivables held for non-operating purposes by the Saipem sa and Sofresid sa.

12 Deferred tax assets

Deferred tax assets of € 92 million (€ 90 million at December 31, 2010) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2010	Additions (Deductions)	Currency translation differences and other changes	June 30, 2011
Deferred tax assets	90	18	(16)	92
Total	**90**	**18**	**(16)**	**92**

'Currency translation differences and other changes', which amounted to negative € 16 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative for € 4 million); (ii) exchange rate losses (€ 5 million); (iii) the tax effects (negative for € 10 million) of fair value changes of derivatives designated as cash flow hedges; (iv) other changes (positive for € 3 million).

13 Other non-current assets

Other non-current assets of € 37 million (€ 39 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Other receivables	5	8
Fair value of hedging derivatives	-	1
Other	34	28
Total	**39**	**37**

Current liabilities

14 Short-term debt

Short-term debt of € 1,274 million (€ 1,002 million at December 31, 2010) was as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Banks	83	143
Other financial institutions	919	1,131
Total	**1,002**	**1,274**

The current portion of long-term debt, amounting to €226 million (€327 million at December 31, 2010), is detailed in Note 19 'Long-term debt and current portion of long-term debt'.
The breakdown of short-term debt by issuing institution, currency and average interest rate was as follows:

(€ million)

		Dec. 31, 2010			June 30, 2011		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
CEPAV (Consorzio Eni per l'Alta Velocità) Due	Euro	43	-	-	43	-	-
Eni SpA	Euro	513	1.040	1.040	840	1.580	1.580
Eni Coordination Center SA	Euro	280	0.920	1.484	182	1.581	2.581
Eni Coordination Center SA	US Dollar	37	0.591	1.461	22	0.515	1.805
Eni Coordination Center SA	Other	2	1.044	1.044	3	0.930	0.930
Third Parties	Euro	50	1.790	1.790	62	2.330	2.330
Third Parties	US Dollar	22	0.386	1,661	-	-	-
Third Parties	Nigerian Naira	26	12.000	16.000	30	10.750	16.000
Third Parties	Other	29	variable		92	variable	
Total		**1,002**			**1,274**		

At June 30, 2011, Saipem had unused lines of credit amounting to €1,968 million (€1,834 million at December 31, 2010). Commission fees on unused lines of credit were not significant.
At June 30, 2011, there were no unfulfilment of covenants of agreements in relation to financing contracts.

15 Trade and other payables

Trade and other payables of €5,182 million (€5,814 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Trade payables	2,698	2,675
Advances	2,761	2,102
Other	355	405
Total	**5,814**	**5,182**

Trade and other payables of €2,675 million decreased by €23 million versus December 31, 2010.
Advances of €2,102 million (€2,761 million at December 31, 2010), consisted mainly of deferred revenues from construction contracts (€1,074 million at June 30, 2011; €1,611 million at December 31, 2010) and advances on contract work in progress received by Saipem SpA and foreign subsidiaries of €1,028 million (€1,150 million at December 31, 2010)
Trade payables to Eni subsidiaries and advances received from Eni subsidiaries amounted to €201 million (€213 million at December 31, 2010).
Trade payables to related companies are shown in Note 42 'Transactions with related parties'.
Payables to jointly controlled companies, with regard to the non-consolidated portion, amounted to €3 million and related to Petromar Lda.
Other payables of €405 million were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Payables to:		
- employees	142	176
- national insurance/social security contributions	63	57
- insurance companies	5	9
- consultants and professionals	2	2
Other	143	161
Total	**355**	**405**

Other payables to related parties are shown in Note 42 '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.

16 Income tax payables

Income tax payables of € 196 million (€ 166 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Italian tax authorities	9	16
Foreign tax authorities	157	180
Total	**166**	**196**

17 Other current tax liabilities

Other current tax liabilities of € 89 million (€ 107 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Italian tax authorities	11	7
Foreign tax authorities	96	82
Total	**107**	**89**

18 Other current liabilities

Other current liabilities of € 155 million (€ 149 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Fair value of non-hedging derivatives	50	36
Fair value of hedging derivatives	82	110
Other	17	9
Total	**149**	**155**

At June 30, 2011, the fair value of derivative liabilities was € 146 million (€ 132 million at December 31, 2010).
The following table shows the fair value of derivative assets and liabilities at June 30, 2011.

(€ million)	Dec. 31, 2010	June 30, 2011
Fair value of derivative assets	155	258
Fair value of derivative liabilities	(145)	(147)
Total	**10**	**111**

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, 2011, 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.
A liability of € 1 million (€ 4 million at December 31, 2010), relating to the fair value of an interest rate swap entered into by Saipem SpA, is recorded under Note 14 'Short-term debt'.

The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at June 30, 2011, 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:

	Liabilities Dec. 31, 2010			**Liabilities June 30, 2011**		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate derivatives						
. interest rate swaps	4	200		1	100	
- forward currency contracts (Spot component)						
. purchase	36			95		
. sale	37			3		
Total	73			98		
- forward currency contracts (Forward component)						
. purchase	(3)			2		
. sale	1			1		
Total	(2)	1,573	1,292	3	3,024	234
- forward commodity contracts (Forward component)						
. purchase	20	-		9	-	
Total	20	45		9	56	
Total derivative contracts qualified for hedge accounting	**95**	**1,818**	**1,292**	**111**	**3,180**	**234**
2) Derivative contracts not qualified for hedge accounting:						
- interest rate derivatives						
. interest rate swaps	-			-		
- forward currency contracts (Spot component)						
. purchase	34			30		
. sale	10			4		
Total	44			34		
- forward currency contracts (Forward component)						
. purchase	(1)			-		
. sale	-			-		
Total	(1)	1,466	462	-	948	274
- forward commodity contracts (Forward component)						
. purchase	6			2		
. sale	1			-		
Total	7	13	-	2	9	2
Total derivative contracts not qualified for hedge accounting	**50**	**1,479**	**462**	**36**	**957**	**276**
Total	**145**	**3,297**	**1,754**	**147**	**4,137**	**510**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 6 'Other current assets' and Note 13 'Other non-current assets'.

Other current liabilities amounted to € 9 million (€ 17 million at December 31, 2010).

Other payables to related parties are shown in Note 42 'Transactions with related parties'.

Non-current liabilities

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

Long-term debt, including the current portion of long-term debt, amounted to € 3,039 million (€ 3,214 million at December 31, 2010) and was as follows:

	Dec. 31, 2010			June 30, 2011		
(€ million)	Current portion of long-term debt	Long-term debt	Total	Current portion of long-term debt	Long-term debt	Total
Banks	201	200	401	101	200	301
Other financial institutions	126	2,687	2,813	125	2,613	2,738
Total	**327**	**2,887**	**3,214**	**226**	**2,813**	**3,039**

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

(€ million)

Type	**Maturity range**	**2012**	**2013**	**2014**	**2015**	**After**	**Total**
Banks	2015	-	-	-	200	-	200
Other financial institutions	2012-2024	499	398	258	898	560	2,613
Total		**499**	**398**	**258**	**1,098**	**560**	**2,813**

Long-term debt at June 30, 2011 amounted to € 2,813 million, down € 74 million versus December 31, 2010 (€ 2,887 million). The current portion of long-term debt decreased by € 101 million due to repayments to UniCredit and Interbanca.

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

(€ million)

			Dec. 31, 2010			June 30, 2011		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2012-2017	653	1.790	4.950	652	2.330	4.950
Eni Coordination Center SA	Euro	2012-2024	1,078	1.224	5.970	1,015	1.651	5.970
Eni Coordination Center SA	US Dollar	2012-2016	1,076	0.761	5,100	1,071	0.685	5.100
Eni Coordination Center SA	Other currencies	2012-2015	6	0.811	0.811	-	-	-
Third Parties	Euro	2011-2015	401	0.915	3.315	301	1.455	3.315
Total			**3,214**			**3,039**		

There was no debt secured by mortgages or liens on fixed assets of consolidated companies or by pledges on securities.

The fair value of long-term debt, including the current portion of long-term debt, amounted to € 2,796 million (€ 2,934 million at December 31, 2010) and was calculated by discounting the expected future cash flows at the following rates:

(%)	**2010**	**2011**
Euro	1.00-3.53	1.55-3.62
US Dollar	0.26-2.51	0.19-2.01

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

The following table provides a breakdown of the net borrowings indicated in the section 'Financial and economic results' included in the 'Operating and Financial Review':

	Dec. 31, 2010			June 30, 2011		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	930	-	930	882	-	882
B. Available-for-sale and held-to-maturity securities	-	-	-	-	-	-
C. Liquidity (A+B)	**930**	**-**	**930**	**882**	**-**	**882**
D. Financing receivables	**20**	**-**	**20**	**29**	**-**	**29**
E. Short-term bank debt	83	-	83	143	-	143
F. Long-term bank debt	201	200	401	101	200	301
G. Short-term related party debt	875	-	875	1,089	-	1,089
H. Long-term related party debt	126	2,687	2,813	125	2,613	2,738
I. Other short-term debt	44	-	44	42	-	42
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**1,329**	**2,887**	**4,216**	**1,500**	**2,813**	**4,313**
N. Net financial position pursuant to Consob communication No. DEM/6064293/2006 (M-C-D)	**379**	**2,887**	**3,266**	**589**	**2,813**	**3,402**
O. Non-current financing receivables	**-**	**3**	**3**	**-**	**3**	**3**
P. Net borrowings (N-O)	**379**	**2,884**	**3,263**	**589**	**2,810**	**3,399**

Net borrowings include a liability relating to the interest rate swap but do not include the fair value of derivatives indicated in Note 6 'Other current assets', Note 13 'Other non-current assets' and Note 18 'Other current liabilities'.
Current financing receivables for non-operating purposes of € 29 million (€ 20 million at December 31, 2010), mainly related to the receivable held by Saipem America Inc from Eni Finance USA Inc for the financial loan.

20 Provisions for contingencies

Provisions for contingencies of € 179 million (€ 164 million at December 31, 2010) were as follows:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2010					
Provisions for taxes	66	22	(16)	(17)	55
Provisions for contractual penalties and disputes	29	5	(9)	-	25
Provisions for losses on investments	2	12	(1)	(1)	12
Other	103	35	(64)	(2)	72
Total	**200**	**74**	**(90)**	**(20)**	**164**
June 30, 2011					
Provisions for taxes	55	5	(1)	(1)	58
Provisions for contractual penalties and disputes	25	-	(10)	-	15
Provisions for losses on investments	12	-	(1)	-	11
Other	72	34	(9)	(2)	95
Total	**164**	**39**	**(21)**	**(3)**	**179**

The **provisions for taxes**, amounting to € 58 million, related entirely to disputes with foreign tax authorities that are either ongoing or potential based on the results of recent assessments.
The **provisions for contractual penalties and disputes** amounted to € 15 million and consisted of accruals made by Saipem SpA and a number of foreign subsidiaries. It represents the best estimate of the amount that may be required to settle current disputes.
The **provisions for losses on investments** amounted to € 11 million and related to provisions for losses of investments that exceed their shareholders' equity. The provision related mainly to amounts set aside in connection with investments held by Saipem sa.
Other provisions stood at € 95 million and principally consisted of an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sector.
With respect to the foregoing liabilities, Saipem does not reasonably expect any material additional losses beyond those amounts accrued above.

21 Provisions for employee benefits

Provisions for employee benefits at June 30, 2011 amounted to € 201 million (€ 193 million at December 31, 2010).

22 Deferred tax liabilities

Deferred tax liabilities of € 130 million (€ 55 million at December 31, 2010) are shown net of offsettable deferred tax assets of € 115 million.

(€ million)	Dec. 31, 2010	Additions (Deductions)	Currency translation differences and other changes	June 30, 2011
Deferred tax liabilities	55	31	44	130
Total	**55**	**31**	**44**	**130**

'Currency translation differences and other changes', which amounted to positive € 44 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative for € 4 million); (ii) exchange rate losses (€ 3 million); (iii) the tax effects (positive for € 45 million) of fair value changes of derivatives designated as cash flow hedges; (iv) other changes (positive for € 6 million).
Deferred tax assets and liabilities consisted of the following:

(€ million)	Dec. 31, 2010	June 30, 2011
Deferred tax liabilities	(166)	(245)
Deferred tax assets available for offset	111	115
	(55)	**(130)**
Deferred tax assets not available for offset	90	92
Net deferred tax assets	**35**	**38**

Tax losses

Tax losses, amounted to € 370 million, thereof considerable part can be carried-forward without limit. The tax rate applied to determine the portion of carried-forward tax losses to be utilised averaged out at 27.9%. Tax losses related entirely to foreign companies and can be used in the following periods:

(€ million)	Foreign subsidiaries
2013	67
2014	6
2015	5
After 2015	68
Without limit	224
Total	**370**

23 Other non-current liabilities

Other non-current liabilities of € 2 million (€ 10 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Fair value of hedging derivatives	9	-
Trade and other payables	1	2
Total	**10**	**2**

Shareholders' equity

24 Minority interest

Minority interest at June 30, 2011 amounted to € 90 million (€ 94 million at December 31, 2010) and mainly related to Ersai Caspian Contractor Llc (€ 86 million).

25 Saipem's shareholders' equity

Saipem's shareholders' equity at June 30, 2011, amounting to € 4,347 million can be analysed as follows:

(€ million)	Dec. 31, 2010	June 30, 2011
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	3	185
Cumulative currency translation differences	(52)	(120)
Other reserves	7	7
Retained earnings	2,758	3,330
Net profit for the year/period	844	438
Treasury shares	(84)	(77)
Total	**4,060**	**4,347**

Saipem's shareholders' equity at June 30, 2011 included distributable reserves of € 3,640 million, 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 (€ 79 million at June 30, 2011).

26 Share capital

At June 30, 2011, 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, thereof 441,274,264 are ordinary shares and 136,636 are savings shares.
On May 4, 2011, Saipem's Shareholders' Meeting approved a dividend distribution of € 0.63 per ordinary share and € 0.66 per savings share, with the exclusion of treasury shares.

27 Share premium reserve

The share premium reserve amounted to € 55 million at June 30, 2011 and was unchanged from December 31, 2010.

28 Other reserves

At June 30, 2011, 'Other reserves' amounted to € 160 million (€ 46 million at December 31, 2010) and consisted of the following items.

Legal reserve

At June 30, 2011, the legal reserve stood at €88 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 remained unchanged, having reached a fifth of share capital.

Cash flow hedge reserve

This reserve amounted to €185 million (€3 million at December 31, 2010) and related to the fair value valuation of interest rate swaps, commodity hedges and the spot component of foreign currency hedging contracts at June 30, 2011.
The reserve is shown net of tax of €54 million (€1 million at December 31, 2010).

Cumulative currency translation differences

This reserve amounted to a negative €120 million (negative €52 million at December 31, 2010) and related to exchange rate differences arising from the translation into euro of financial statements denominated in functional currencies other than euro.

Other reserves

Other reserves amounted to €7 million and were unchanged from December 31, 2010. They related to the allocation of part of 2009 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.

29 Treasury shares

Saipem SpA holds 3,310,797 treasury shares (3,710,372 at December 31, 2010), amounting to €77 million (€84 million at December 31, 2010). These are ordinary shares of Saipem SpA with a nominal value of €1 each.
Treasury shares related to the 2002-2008 stock option schemes. Operations involving treasury shares during the period were as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury share repurchased				
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	2,245,300	25.836	58	0.51
Total	**11,817,944**	**14.745**	**174**	**2.67**
Less treasury shares allocated:				
- without consideration, as stock grants	1,616,400			
- against payment, as stock options	6,890,747			
Treasury shares held at June 30, 2011	**3,310,797**			

At June 30, 2011 outstanding stock options amounted to 1,832,500.
Further information on stock option schemes is provided in Note 34 'Payroll and related costs'.

30 Guarantees, commitments and risks

Guarantees

Guarantees of € 7,268 million (€ 7,387 million at December 31, 2010) were as follows:

	Dec. 31, 2010			June 30, 2011		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associates	22	65	87	106	66	172
Consolidated companies	487	3,198	3,685	489	3,110	3,599
Own	21	3,594	3,615	21	3,476	3,497
Total	**530**	**6,857**	**7,387**	**616**	**6,652**	**7,268**

Other guarantees issued for associated and consolidated companies of € 3,176 million (€ 3,263 million at December 31, 2010) mainly related to independent guarantees given to third parties relating to bid bonds and performance bonds of € 3,171 million.

Commitments

Saipem SpA is committed, for the benefit of its customers, to fulfiling contractual obligations entered into by subsidiaries or associated companies in case these latter fail to fulfil the obligations themselves, as well as to paying any damages incurred as a result of failure in meeting such obligations.
These commitments guarantee contracts, whose overall value amounted to € 26,256 million (€ 25,900 million at December 31, 2010), including work already performed and the backlog of orders at June 30, 2011 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 included in the 'Operating and Financial Review'.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Below, financial assets and liabilities measured at fair value in the balance sheet are classified using the 'fair value hierarchy' based on the significance of the inputs used in the measurement process. The fair value hierarchy consists of the following three levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
c) Level 3: inputs for assets or liabilities that are not based on observable market data.

Financial instruments measured at fair value at June 30, 2011 are classified as follows:

	June 30, 2011			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	1	-	1
Financial assets measured at fair value under the fair value option:				
- investments	2	-	-	2
Net hedging derivative assets (liabilities)	-	110	-	110
Total	**2**	**111**	**-**	**113**

There was no movement between Levels 1 and 2 during the first half of the year.

Legal proceedings

Saipem is involved in civil and administrative proceedings and legal actions connected with the ordinary course of its business. Based on the information available to date, and taking into account the provisions made for contingencies, Saipem believes that the foregoing will not have significant adverse effects on its consolidated financial statements.
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

In connection with the project for the construction of the Milan-Verona high-speed railway line, on December 28, 2000, the CEPAV Due Consortium (in which Saipem holds a 52% stake) filed a notice of arbitration against TAV (now RFI SpA) to recover damages for delays for which TAV was deemed responsible. On January 4, 2007, the Arbitration Panel issued an interim award which recognised the consortium's right to recover extra costs incurred for design activities. TAV challenged the interim award before the Rome Court of Appeal, pleading the previous termination of the relevant agreement. Decree Law No. 7 of January 31, 2007 – subsequently converted into law – in fact had revoked the concession awarded by Ferrovie dello Stato to TAV SpA for the construction of the Milan-Verona line, and this revocation had also affected the agreement that CEPAV Due signed with TAV SpA on October 15, 1991, leading to its termination. The judgement on appeal is currently ongoing. The hearing of the conclusions, which was originally scheduled for January 28, 2011, was postponed in view of the fact that negotiations for a settlement were due to take place between the parties.
The arbitration proceeding continued in order to establish the value of damages and was concluded on February 23, 2010 with the delivery of the arbitration award, which ordered TAV to pay to CEPAV Due Consortium an amount of € 44,176,787 plus legal interest and compensation for inflation accrued from the date of the notice of arbitration until the date of payment of damages. The court also ordered TAV to pay an additional € 1,115,000 plus interest and compensation for inflation accrued from October 30, 2000 until the date of payment of damages.
In February 2007, after Decree Law No. 7 of January 31, 2007 entered into force, the CEPAV Due Consortium filed a second notice of arbitration against TAV aimed at recovering damages for breaches of contract committed by TAV before the issue of the decree and for damages resulting from the revocation of the agreement. TAV has rejected all liability.
Subsequent to the commencement of this second arbitration proceeding, Article 12 of Decree Law No. 112 of June 25, 2008, converted into Law No. 133 of August 6, 2008, provided for the 'Annulment of the revocation of the TAV concessions' and for the continuation without interruption of the agreement signed by CEPAV Due with TAV SpA on October 15, 1991 with RFI (Rete Ferroviaria Italiana) SpA. The arbitration proceeding however continued to determine the damages suffered by the Consortium before the revocation of the concessions. The Arbitration Panel scheduled a hearing for September 22, 2009 for the appointment of a court-appointed expert, but this hearing was postponed until November 23, 2009. At the November 23 hearing, the Arbitration Panel agreed to the request of both parties to suspend the decision with regard to the appointment of the court-appointed expert, effectively causing a de facto suspension of the proceeding in view of the fact that talks were due to take place to reach a settlement in connection with both the concluded arbitration proceeding and the pending one. During the first half of 2011, the parties signed the Supplemental Agreement to the 1991 Agreement. On the same occasion, a settlement agreement was defined with the intent to close all disputes concluded and pending between the parties. The validity of the settlement agreement was suspended pending the entering into force of the Supplemental Agreement. The settlement agreement will produce its effects in the second half of the year.

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

The CEPAV Uno Consortium (Eni Consortium for the High-Speed Railway Line), consisting of Saipem SpA having a 50.36% stake; Consorzio Cooperative Costruzioni - CCC, a 21.34% stake; Grandi Lavori - Fincosit and Impresa Pizzarotti & C, a 14.15% stake each, signed a contract with TAV SpA on October 15, 1991 and, subsequently, a supplemental contract 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 contract, the subsequent supplemental contract 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 (€ 1,770 million, as at December 31, 2007).
An attempt by CEPAV Uno and TAV to reach an amicable settlement ended unsuccessfully on March 14, 2006. Consequently, on April 27, 2006, a notice of arbitration was sent to TAV. The evidence acquisition phase is currently underway. At the subsequent hearings, following the filing of the findings of the court-appointed expert on July 30, 2010, which were partially favourable for the Consortium, briefs and responses were filed with regard to the preliminary questions. At the hearing of May 20, 2011, the court-appointed expert filed clarifications in response to the comments made on the findings. The parties will file their final briefs regarding the initial findings of the court appointed expert by July 30, 2011.
The deadline for the Arbitration Panel to file the arbitration award was originally set for June 29, 2010 and was subsequently extended to December 27, 2011. On March 23, 2009, the Arbitration Panel, replying to a specific question submitted to it by one of the parties, issued an interim award which in substance allowed TAV to carry out checks on accounting records including records related to subcontracts awarded by the Consortium and by contractors. The Consortium, assuming that this interim award was vitiated, on April 8, 2010 challenged the same before the Rome Court of Appeal in order to have it annulled. At the hearing held on September 22, 2010, the proceedings were postponed to October 9, 2013 when the specification of the final conclusions will take place.

TSKJ Consortium - Investigations by the U.S., Italian and other overseas Authorities

Snamprogetti Netherlands BV has a 25% interest in the TSKJ Consortium companies. The remaining interests are held in equal shares of 25% by Halliburton/KBR, Technip and JGC. Beginning in 1994, the TSKJ Consortium has been involved in the construction of natural gas liquefaction facilities at Bonny Island in Nigeria.
Snamprogetti SpA, the holding company of Snamprogetti Netherlands BV, was a wholly owned subsidiary of Eni until February 2006, when an agreement was entered into for the sale of Snamprogetti to Saipem. Snamprogetti was merged into Saipem as of October 1, 2008. As part of the sale of Snamprogetti to Saipem, Eni agreed to indemnify Saipem for potential losses resulting from the investigations into the TSKJ matter, including in connection with its subsidiaries.

The US Securities and Exchange Commission (SEC), the U.S. Department of Justice (DoJ) and other authorities, including the Public Prosecutor's office of Milan, investigated on alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials.
In 2010, settlement agreements were reached with the US and Nigerian authorities.
The proceedings in Italy: the TSKJ matter has seen investigations by the Milan Public Prosecutor's office against unknown persons since 2004. Since March 10, 2009, the Company has received requests to produce documents from the Milan Public Prosecutor's office. The investigation regards events dating back to 1994 onwards and also concerns the period subsequent to the introduction of Legislative Decree No. 231 of June 8, 2001 regarding the administrative responsibility of companies. Violations of the provisions of this legislative decree are punishable by fines and by the confiscation of any profits obtained as a result of such violations.
On July 31, 2009, a decree issued by the Judge for Preliminary Investigation at the Court of Milan was served on Saipem SpA (as legal entity incorporating Snamprogetti SpA). The decree set for September 22, 2009 a hearing in camera in relation to proceedings pursuant to Legislative Decree No. 231 of June 8, 2001, under which the Milan Public Prosecutor was investigating Saipem SpA and Eni SpA for liability of legal entities arising from offences involving international corruption alleged against two former managers of Snamprogetti SpA.
The Milan Public Prosecutor requested that Saipem SpA and Eni SpA be debarred from activities involving – directly or indirectly – any agreement with the Nigerian National Petroleum Corp and its subsidiaries.
The Milan Public Prosecutor's request for precautionary measures related to TSKJ Consortium practices between 1995 and 2004. In this regard, the Public Prosecutor claimed the inadequacy and violation of the organisational, management and control Model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision. In actual fact, at the time of the events under investigation, the Company had in place a code of practice and internal procedures based on best practices. Subsequently, the code and internal procedures were improved with a view to achieving the continuous improvement of internal compliance, including with regard to Anti-Corruption. Furthermore, on July 14, 2008, Saipem approved a new Code of Ethics and a new Model 231, which reaffirmed that the belief that one is acting in favour or to the advantage of Saipem can never, in any way, justify – not even in part – any behaviours that conflict with the principles and contents of the Code, while, as mentioned above, in the light of the investigations into the TSKJ matter, Saipem made substantial enhancements to its existing compliance system, in particular issuing a procedure containing new anti-corruption guidelines and principles on February 10, 2010. The guidelines enhanced the company's anti-corruption system, which can be considered in line with international best practices and optimised the compliance system to ensure maximum observance by Saipem and its personnel of the Code of Ethics, Model 231 and national and international anti-corruption laws.
On November 17, 2009, the Judge for the Preliminary investigation rejected the request for precautionary measures of disqualification filed by the Milan Public Prosecutor. The Milan Public Prosecutor appealed against the decision of the Judge for Preliminary Investigation but on February 9, 2010, the Court of Appeal, exercising the function of judicial review court, handed down its ruling, which dismissed as unfounded the appeal of the Public Prosecutor and upheld the decision of the Judge for the Preliminary Investigation. The Public Prosecutor of Milan filed an appeal against the decision. On September 30, 2010, the appeal was upheld by the Court of Cassation. The Supreme Court decided that the request for precautionary measures was also admissible pursuant to Law 231/2001 in cases of alleged international corruption. The decision relating to the Milan Public Prosecutor's request for precautionary measures returned to the judicial review court, which scheduled a hearing for February 22, 2011. On February 18, 2011, following payment by Snamprogetti Netherlands BV of a deposit of €24,530,580, which was also on behalf of Saipem SpA, the Milan Public Prosecutor's office withdrew its appeal against the decision with which the judge for the preliminary investigation had rejected the request for precautionary measures of disqualification, with regard to both Eni SpA and Saipem SpA. At the hearing of February 22, 2011, the judicial review court acknowledged the withdrawal and declared the Milan Public Prosecutor's office appeal inadmissible. The proceeding connected with the request for precautionary measures of disqualification for Saipem SpA and Eni SpA therefore concluded.
Following the receipt on November 3, 2010 of the notice of conclusion of investigations, on December 3, 2010, Saipem's defence counsel received notice of the scheduling of a preliminary hearing, accompanied by a request for committal to trial. The document contains accusations against five former Snamprogetti SpA employees (now Saipem) and against Saipem SpA as a legal person as the company that absorbed Snamprogetti. The accusations regard alleged acts of corruption in Nigeria committed until and after July 31, 2004, with the aggravating circumstance of Snamprogetti SpA's having allegedly obtained significant financial gain (indicated as being not less than US $65 million).
On January 26, 2011, at the conclusion of the hearings, the Judge for the Preliminary Hearing ordered Saipem SpA and the five former Snamprogetti SpA employees to stand trial at a hearing scheduled for April 5, 2011, which was postponed to May 10, 2011 so that a pre-trial hearing could be held. Following the first trial hearing, the Court adjourned proceedings to October 6, 2011 to allow the request for evidence to be acted upon and for the related questions to be discussed.
In the event of an acquittal, the above-mentioned deposit of €24,530,580 will be refunded to Snamprogetti Netherlands BV. The deposit will be confiscated by the authorities in the event of a conviction. In connection with the sale of Snamprogetti to Saipem, Eni agreed to indemnify Saipem for a variety of matters, including potential losses resulting from the investigations into the TSKJ matter.

Algeria

On February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Code of Criminal Procedure relating to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of 'international corruption' mentioned in the request is sanctioned by Legislative Decree No. 231 of June 8, 2001. In compliance with the request, the collection of documentation was commenced promptly and on February 16, 2011, the documents collected up until that point were transmitted, with Saipem reserving the right to deposit further documentation when available. Saipem continues to collaborate fully with the Public Prosecutor.

Kuwait

On June 21, 2011, a warrant requested by the Milan Public Prosecutor was served on Saipem for the search of the office of a Saipem employee. The warrant was issued in connection with alleged crimes committed by said employee together with third parties related to the award of tenders by Saipem SpA to third companies for a project in Kuwait.
In connection with the same matter, the Public Prosecutor also served a notice of indictment upon Saipem SpA pursuant to Italian Legislative Decree 231/2001. In this regard, the Company believes that its position will shortly be cleared, since it is the injured party in respect of the illicit conduct under investigation.

EniPower - Enquiries by the Judiciary

As part of the inquiries commenced by the Milan Public Prosecutor (criminal proceedings 2460/2003 R.G.N.R. pending at the Milan Public Prosecutor's office) into contracts awarded by EniPower to various companies, Snamprogetti SpA (as engineering and procurement services contractor), together with other parties, were served a notice informing them that they were under investigation, pursuant to Article 25 of Legislative Decree 231/2001. Preliminary investigations ended in August 2007, with a favourable outcome for Snamprogetti, which was not included among the parties still under investigation for whom committals for trial were requested.
Snamprogetti subsequently brought proceedings against the physical and legal persons implicated in transactions relating to the Company and reached settlements with a number of parties that requested the application of settlement procedures. Following the conclusion of the preliminary hearing, criminal proceedings continued against former employees of the above companies as well as against employees and managers of a number of their suppliers, pursuant to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA (now Saipem SpA) presented themselves as plaintiffs in the preliminary hearing. In the preliminary hearing related to the main proceeding of April 27, 2009, the judge for the preliminary hearing requested that all parties that did not request the application of settlement procedures stand trial, excluding Romeo Franco Musazzi and ABB Instrumentation SpA as a result of the statute of limitations.
In the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. The examination of the witnesses has been completed and the parties are now due to present their conclusions. The next hearing is scheduled for September 20, 2011.

Revenues

The following is a summary of the main components of revenues. The most significant changes in revenues are analysed in the 'Financial and economic results' section included in the 'Operating and Financial Review'.

31 Net sales from operations

Net sales from operations were as follows:

(€ million)	First half 2010	First half 2011
Net sales from operations	4,958	5,429
Change in contract work in progress	427	592
Total	**5,385**	**6,021**

Net sales by geographical area were as follows:

(€ million)	First half 2010	First half 2011
Italy	430	216
Rest of Europe	441	798
CIS	623	692
Middle East	772	949
Far East	208	212
North Africa	1,223	1,431
West Africa	1,342	1,283
Americas	346	440
Total	**5,385**	**6,021**

Information required by IAS 11 is provided by business sector in Note 41.
Revenues from Eni companies amounted to € 980 million (€ 964 million in the first half of 2010).

32 Other income and revenues

Other income and revenues were as follows:

(€ million)	First half 2010	First half 2011
Gains on disposal of assets	1	-
Indemnities	2	4
Other	2	5
Total	**5**	**9**

Operating expenses

The following is a summary of the main components of operating expenses. The most significant changes in operating expenses are analysed in the 'Financial and economic results' section included in the 'Operating and Financial Review'.

33 Purchases, services and other

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

(€ million)	First half 2010	First half 2011
Production costs - raw, ancillary and consumable materials and goods	1,141	1,109
Production costs - services	2,366	2,752
Operating leases and other	282	340
Net provisions for contingencies	(35)	15
Other expenses	38	21
less:		
- capitalised direct costs associated with self-constructed assets	(23)	(12)
- changes in inventories of raw, ancillary and consumable materials and goods	(30)	(41)
Total	**3,739**	**4,184**

Production costs for services included agency fees of € 4 million (€ 13 million in the first half of 2010).
Net provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
Purchase services and other expenses towards Eni subsidiaries amounted to € 47 million (€ 42 million in the first half of 2010).

34 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	First half 2010	First half 2011
Payroll	795	840
less:		
- capitalised direct costs associated with self-constructed assets	(9)	(7)
Total	**786**	**833**

Stock-based compensation

Until 2008, Saipem maintained stock option grant programs with the aim of improving the motivation and loyalty of its senior managers.
No new stock-based compensation schemes for Saipem senior managers were started in 2011.

STOCK OPTIONS

The following table shows changes in the stock option plans:

	2010			2011		
(€ thousand)	Number of shares	Average strike price	Market price [a]	Number of shares	Average strike price	Market price [a]
Options as of January 1,	**4,769,014**	**21.045**	**114,933**	**2,338,550**	**23.564**	**88,062**
New options granted	-	-	-	-	-	-
(Options exercised during the period)	(1,940,675)	17.668	53,555	(399,575)	18.243	14,595
(Options cancelled during the period)	(489,789)	-	11,951	(106,475)	-	3,912
Options outstanding as of June 30,	**2,338,550**	**23.564**	**88,062**	**1,832,500**	**24.720**	**65,237**
Of which: exercisable as of June 30,	**899,575**	**19.742**	**33,140**	**497,100**	**21.422**	**17,697**

(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.

At June 30, 2011, No. 1,832,500 options had been assigned for the purchase of 1,832,500 ordinary shares of Saipem SpA with a nominal value of €1 each. The options related to the following plans:

	Number of shares	**Strike price** (€)	**Average remaining life** (years)	**Fair value (€) for assignees resident in Italy**	**Fair value (€) for assignees resident in France**
2005 plan	90,500	11.881	2	3.1029	2.9795
2006 plan	134,400	17.519	2	5.7208	6.1427
2007 plan	428,500	26.521	2	8.8966	9.5320
2008 plan	1,179,100	25.872	3	8.2186	8.7734
Total	**1,832,500**				

Average number of employees

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

(number)	**First half 2010**	**First half 2011**
Senior managers	421	423
Junior managers	4,144	4,532
White collars	16,539	17,638
Blue collars	16,546	17,048
Seamen	284	300
Total	**37,934**	**39,941**

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 was comparable to senior manager status.

35 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	**First half 2010**	**First half 2011**
Depreciation and amortisation:		
- tangible assets	232	282
- intangible assets	5	6
	237	**288**
Impairment:		
- tangible assets	-	14
- intangible assets	-	-
Total	**237**	**302**

36 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	First half 2010	First half 2011
Finance income (expense)		
Finance income	634	283
Finance expense	(723)	(366)
	(89)	**(83)**
Derivatives	26	16
	(63)	**(67)**

Net finance income and expense was as follows:

(€ million)	First half 2010	First half 2011
Exchange gains (losses)	**(67)**	**(41)**
Exchange gains	629	272
Exchange losses	(696)	(313)
Finance income (expense) related to net borrowings	**(23)**	**(43)**
Interest and other income from Group financial companies	-	1
Interest from banks and other financial institutions	4	9
Interest and other expense due to Group financial companies	(20)	(39)
Interest and other expense due to banks and other financial institutions	(7)	(14)
Other finance income (expense)	**1**	**1**
Other finance income from third parties	1	1
Total finance income (expense)	**(89)**	**(83)**

Gains (losses) on derivatives consisted of the following:

(€ million)	First half 2010	First half 2011
Exchange rate derivatives	31	18
Interest rate derivatives	(5)	(2)
	26	**16**

The net gain on derivatives of €16 million (€26 million in the first half of 2010) was primarily due to the recognition in the income statement of the change in fair value of derivatives that do not qualify as hedging instruments under IFRS and changes in the value of the forward component of derivatives that qualify for hedge accounting.

37 Income (expense) from investments

Effect of accounting using the equity method

The 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 2010	First half 2011
Share of profit of investments accounted for using the equity method	12	9
Share of losses of investments accounted for using the equity method	(2)	(2)
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	(6)	1
Total	**4**	**8**

The share of profit (losses) of investments accounted for using the equity method is commented on in Note 9 'Investments accounted for using the equity method'.

Other income (expense) from investments

No other income/expense from investments was recorded.

38 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2010	First half 2011
Current taxes:		
- Italian entities	74	47
- foreign entities	70	123
Net deferred taxes:		
- Italian entities	-	30
- foreign entities	14	(17)
Total	**158**	**183**

The effective tax rate during the period was 28% (28% in the first half of 2010).

(€ million)	First half 2010	First half 2011
Income taxes recognised in consolidated income statement	158	183
Income taxes recognised in statement of comprehensive income	98	(55)
Tax on total comprehensive income	**256**	**128**

39 Minority interest

Minority interest's share of profit amounted to € 31 million.

40 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 outstanding used for the calculation of the basic earnings per share outstanding for 2011 and 2010 was 438,095,377 and 436,894,212, respectively.

Diluted earnings per share are calculated by dividing net profit for the period attributable to Saipem's shareholders by the weighted average of fully-diluted shares issued and outstanding during the period, with the exception of treasury shares and including the number of shares that could potentially be issued. At June 30, 2011, shares that could potentially be issued only regarded shares granted under stock option plans. The average number of shares outstanding used for the calculation of diluted earnings for 2011 and 2010 was 440,064,513 and 440,757,927, respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		June 30, 2010	June 30, 2011
Average number of shares used for the calculation of the basic earnings per share		**436,894,212**	**438,095,377**
Number of potential shares following stock option plans		3,719,014	1,832,500
Number of savings shares convertible into ordinary shares		144,701	136,636
Average number of shares used for the calculation of the diluted earnings per share		**440,757,927**	**440,064,513**
Saipem's net profit	(€ million)	380	438
Basic earnings per share	(€ per share)	0.87	1.00
Diluted earnings per share	(€ per share)	0.86	0.99

41 Segment information, geographical information and construction contracts

Segment information

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Unallocated	Total
First half 2010						
Net sales from operations	2,159	2,555	346	325	-	5,385
Operating profit	298	176	118	35	-	627
Depreciation, amortisation and impairment	100	18	64	55	-	237
Net income from investments	4	-	-	-	-	4
Capital expenditure	346	6	313	117	-	782
Property, plant and equipment	3,004	133	3,087	837	-	7,061
Investments	46	83	-	-	-	129
Current assets	2,578	2,836	290	390	1,497	7,591
Current liabilities	2,855	3,436	328	377	1,786	8,782
Provisions for contingencies	25	71	2	1	72	171
First half 2011						
Net sales from operations	2,374	2,885	418	344	-	6,021
Operating profit	322	231	115	43	-	711
Depreciation, amortisation and impairment	114	17	107	64	-	302
Net income from investments	4	4	-	-	-	8
Capital expenditure	226	10	297	28	-	561
Property, plant and equipment	3,217	111	3,323	831	-	7,482
Investments	35	83	-	-	-	118
Current assets	2,010	2,569	341	289	1,187	6,396
Current liabilities	2,063	2,677	331	266	1,785	7,122
Provisions for contingencies	66	50	1	1	61	179

Geographical information

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single year, it is difficult to allocate assets to a specific geographic area. As a result, certain assets have been deemed not directly attributable.
The unallocated part of tangible and intangible assets and capital expenditure related to vessels and their related equipment and goodwill.

The unallocated part of current assets pertained to inventories related to vessels.
A breakdown of revenues by geographical area is provided in Note 32.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
First half 2010									
Capital expenditure	56	2	102	52	3	12	23	532	782
Tangible and intangible assets	120	10	424	295	45	502	904	5,515	7,815
Identifiable assets (current)	725	1,070	662	1,146	1,492	1,461	525	510	7,591
First half 2011									
Capital expenditure	48	1	8	70	7	12	15	400	561
Tangible and intangible assets	104	21	438	367	49	445	904	5,910	8,238
Identifiable assets (current)	283	1,002	609	964	1,362	1,139	468	569	6,396

Current assets were allocated by geographical area using the following criteria: (i) cash and cash equivalents and financing receivables were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventory was allocated on the basis of the country in which onshore storage facilities were situated (i.e. excluding inventory in storage facilities situated on vessels); (iii) trade receivables and other assets were allocated to the geographical area to which the related project belonged.
Non current assets were allocated on the basis of the country in which the asset operates, except for offshore drilling and construction vessels, which were included under 'Unallocated'.

Construction contracts

Construction contracts are recognised in accordance with IAS 11.

(€ million)	First half 2010	First half 2011
Construction contracts - assets	1,232	969
Construction contracts - liabilities	(1,362)	(1,123)
Construction contracts - net	**(130)**	**(154)**
Cost and margins (completion percentage)	4,657	4,783
Progress billings	(4,759)	(4,909)
Change in provision for future losses	(28)	(28)
Construction contracts - net	**(130)**	**(154)**

42 Transactions with related parties

Saipem SpA is a subsidiary of Eni SpA. Transactions with related parties entered into by Saipem SpA and/or companies within the scope of consolidation concern mainly the supply of services, the exchange of goods, the provision and utilisation of financial resources, including entering into derivative contracts with other Eni SpA subsidiaries or associated companies. 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 were carried out for the mutual benefit of the Saipem companies involved.
The tables below show the value of transactions of a trade, financial or other nature entered into with related parties. The analysis by company is based on the principle of relevance in relation to the total amount of transactions. Transactions not itemised because they are immaterial are aggregated under the following captions:

- Eni subsidiaries;
- Eni associates;
- other related parties.

Trade and other transactions

Trade transactions as of and for the six-month period ended June 30, 2010 consisted of the following:

(€ million)

	Dec. 31, 2010			First half 2010			
				Costs		Revenues	
Company	Receivables (*)	Payables (*)	Guarantees	Goods	Services	Goods and services	Other
Associated and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta velocità) Due	55	3	76	-	-	2	-
Kwanda Suporto Logistico Lda	51	1	-	-	-	1	-
Rosetti Marino Group	3	-	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	3	1	-	-	1	4	-
Saipem Triune Engineering Private Ltd	-	-	1	-	-	-	-
Total associated and jointly controlled companies	**112**	**25**	**77**	**-**	**1**	**7**	**-**
Eni consolidated subsidiaries							
Eni SpA	1	6	5,688	2	3	1	-
Eni SpA Exploration & Production Division	102	2	-	-	1	121	-
Eni SpA Gas & Power Division	2	1	-	-	5	1	-
Eni SpA Refining & Marketing Division	58	3	-	1	3	31	-
Agip Energy & Natural Resources (Nigeria) Ltd	13	-	-	-	-	13	-
Agip Karachaganak BV	2	-	-	-	-	2	-
Agip Oil Ecuador BV	2	-	-	-	-	4	-
Burren Energy Services Ltd	2	-	-	-	-	2	-
Eni Adfin SpA	2	1	-	-	2	-	-
Eni Algeria Production BV	1	-	-	-	-	1	-
Eni Angola SpA	9	-	-	-	-	60	-
Eni Australia BV	-	-	-	-	-	75	-
Eni Canada Holding	234	63	-	-	-	133	-
Eni Congo SA	38	-	-	-	-	88	-
Eni Coordination Center SA	-	-	-	-	-	-	-
Eni Corporate University SpA	-	2	-	-	1	-	-
Eni Denmark BV	2	-	-	-	-	1	-
Eni Finance USA Inc	17	-	-	-	-	-	-
Eni Hewett Ltd	1	-	-	-	-	5	-
Eni Indonesia	-	-	-	-	-	20	-
Eni Iran BV	-	-	-	-	-	-	-
Eni Iraq BV	1	2	-	-	-	-	-
Eni Mediterranea Idrocarburi SpA	18	-	-	-	-	9	-
Eni Muara Bakau BV	8	-	-	-	-	21	-
Eni Norge AS	1	-	-	-	-	-	-
EniPower SpA	5	-	-	-	-	5	-
EniServizi SpA	-	9	-	-	17	-	-
Eni Timor Leste SpA	12	-	-	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	6	-	-	-
Eni Tunisia BV	5	-	-	-	-	24	-
Eni Venezuela BV	1	-	-	-	-	-	-
GreenStream BV	-	-	-	-	-	1	-
Ieoc Production BV	-	-	-	-	-	10	-
Naoc - Nigerian Agip Oil Co Ltd	57	23	-	-	-	45	-
Nigerian Agip Exploration Ltd	-	-	-	-	-	-	-
Polimeri Europa SpA	14	-	-	-	1	12	-
Polimeri Europa France	-	-	-	-	-	1	-
Raffineria di Gela SpA	21	-	-	-	-	14	-
Serfactoring SpA	-	87	-	-	-	-	-
Snam Rete Gas SpA	95	-	-	-	-	77	-
Società Adriatica Idrocarburi	3	-	-	-	-	5	-
Società EniPower Ferrara Srl	8	-	-	-	-	1	-

(€ million)

	Dec. 31, 2010			First half 2010			
				Costs		Revenues	
Company	Receivables (*)	Payables (*)	Guarantees	Goods	Services	Goods and services	Other
Società Ionica Gas	3	-	-	-	-	4	-
Stoccaggi Gas Italia SpA	16	-	-	-	-	13	-
Syndial SpA	38	-	-	-	-	17	-
Total Eni consolidated subsidiaries	**792**	**199**	**5,688**	**9**	**33**	**817**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	140	14	-	-	-	147	-
Total Eni subsidiaries	**932**	**213**	**5,688**	**9**	**33**	**964**	**-**
Eni associates	29	126	-	-	-	17	-
Total Eni companies	**961**	**339**	**5,688**	**9**	**33**	**981**	**-**
Total transactions with related parties	**1,073**	**344**	**5,765**	**9**	**34**	**988**	**-**
Total	**4,330**	**5,814**	**7,387**	**1,141**	**2,366**	**5,385**	**5**
Incidence (%)	**24.78**	**5.92**	**78.04**	**0.79**	**1.44**	**18.35**	**-**

(*) 'Receivables' and 'Payables' consist of the items 'Trade and other receivables' and 'Trade and other payables'.

Trade transactions as of and for the six-month period ended June 30, 2011 consisted of the following:

(€ million)

	June 30, 2011			First half 2011			
				Costs		Revenues	
Company	Receivables (*)	Payables (*)	Guarantees	Goods	Services	Goods and services	Other
Associated and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta velocità) Due	49	2	159	-	-	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	7	-	-	-	-		-
Kwanda Suporto Logistico Lda	52	1	-	-	-	6	-
Rosetti Marino Group	2		-	1	-		-
Saipem Taqa Al Rushaid Fabricators Co Ltd	2	1	-	-	-	1	-
Saipem Triune Engineering Private Ltd	-	-	1	-	-	-	-
Total associated and jointly controlled companies	**112**	**4**	**160**	**1**	**-**	**7**	**-**
Eni consolidated subsidiaries							
Eni SpA	3	6	5,509	1	4	-	-
Eni SpA Exploration & Production Division	59	-	-	-	-	59	-
Eni SpA Gas & Power Division	1	-	-	-	1	-	-
Eni SpA Refining & Marketing Division	23	2	-	3	1	24	-
Agip Energy & Natural Resources (Nigeria) Ltd	8	-	-	-	-	13	-
Agip Karachaganak BV	3	-	-	-	-	1	-
Agip Oil Ecuador BV	4	-	-	-	-	4	-
Burren Energy Services Ltd	4	-	-	-	-	4	-
Eni Adfin SpA	-	3	-	-	2	-	-
Eni Algeria Production BV	1	-	-	-	-	-	-
Eni Angola Production BV	32	-	-	-	-	34	-
Eni Angola SpA	8	-	-	-	-	16	-
Eni Australia Ltd	23	-	-	-	-	40	-
Eni Canada Holding	100	37	-	-	-	165	-
Eni Congo SA	39	-	-	-	-	34	-
Eni Coordination Center SA	5	-	-	-	-	-	-
Eni Corporate University SpA	-	3	-	-	3	-	-
Eni Finance USA Inc	22	-	-	-	-	-	-
Eni Insurance Ltd	6	8	-	9	-	6	-
Eni Iran BV	-	-	-	-	-	-	-
Eni Iraq BV	10	1	-	-	-	30	-
Eni Mediterranea Idrocarburi SpA	2	-	-	-	-	1	-
Eni Muara Bakau BV	9	-	-	1	-	9	-
Eni Norge As	-	-	-	-	-	1	-

(€ million)

	June 30, 2011			First half 2011			
				Costs		Revenues	
Company	Receivables (*)	Payables (*)	Guarantees	Goods	Services	Goods and services	Other
EniPower SpA	2	-	-	-	-	2	-
EniServizi SpA	-	9	-	-	21	-	-
Eni Timor Leste SpA	-	-	-	-	-	7	-
Eni Trading & Shipping SpA	-	-	-	1	-	-	1
Eni Tunisia BV	2	-	-	-	-	1	-
Eni Venezuela BV	1	-	-	-	-	1	-
Ieoc Production BV	-	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	47	24	-	-	-	15	-
Nigerian Agip Exploration Ltd	1	-	-	-	-	1	-
Polimeri Europa SpA	6	-	-	-	-	3	-
Polimeri Europa France	-	-	-	-	-	1	-
Raffineria di Gela SpA	18	-	-	-	-	15	-
Serfactoring SpA	2	78	-	-	-	-	-
Snam Rete Gas SpA	33	-	-	-	-	26	-
Società EniPower Ferrara Srl	-	-	-	-	-	-	-
Società Ionica Gas	1	-	-	-	-	-	-
Stoccaggi Gas Italia SpA	13	-	-	-	-	9	-
Syndial SpA	28	-	-	-	-	14	-
Other (**)	4	3	-	-	-	-	-
Total Eni consolidated subsidiaries	**520**	**174**	**5,509**	**15**	**32**	**536**	**1**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	58	27	-	-	-	444	-
Total Eni subsidiaries	**578**	**201**	**5,509**	**15**	**32**	**980**	**1**
Eni associates	23	2	-	1	1	9	-
Total Eni companies	**601**	**203**	**5,509**	**16**	**33**	**989**	**1**
Total transactions with related parties	**713**	**207**	**5,669**	**17**	**33**	**996**	**1**
Total	**3,458**	**5,182**	**7,268**	**1,109**	**3,092**	**6,021**	**9**
Incidence (%)	**20.62**	**3.99**	**78.00**	**1.53**	**1.07**	**16.54**	**11.11**

(*) 'Receivables' and 'Payables' consist of the items 'Trade and other receivables' and 'Trade and other payables'.
(**) Transactions not exceeding € 500 thousand.

The totals shown in the tables refer to the items 'trade receivables', 'trade payables', 'production costs - raw, ancillary and consumable materials and goods' and 'production costs - services' described in Notes 3, 15 and 33.
The Saipem Group provides services to Eni Group companies in all sectors in which it operates, both in Italy and abroad. Revenues from Eni associates amounted to € 9 million, thereof € 2 million from Mellitah Oil & Gas BV and € 6 million from Angola LNG. Receivables from Eni associates amounted to € 23 million, thereof € 20 million from Mellitah Oil & Gas BV and € 2 million from Angola LNG.

	Dec. 31, 2010		June 30, 2011	
(€ million)	Other receivables	Other payables	Other receivables	Other payables
Eni SpA (formerly Enifin SpA)	163	113	229	133
Eni SpA Exploration & Production Division	-	-	-	-
Banque Eni SA	1	-	2	2
Eni Trading & Shipping SpA	1	27	1	11
Syndial SpA	-	-	-	-
Total transactions with related parties	**165**	**140**	**232**	**146**
Total	**314**	**159**	**399**	**157**
Incidence (%)	**52.55**	**88.05**	**58.15**	**92.99**

Financial transactions

Financial transactions consisted of the following:

(€ million)

	Dec. 31, 2010			First half 2010		
Company	Receivables	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	-	1,166	11,093	(20)	-	16
Banque Eni SA	-	-	96	-	-	1
CEPAV (Consorzio Eni per l'Alta Velocità) Due	-	43	-	-	-	-
Eni Coordination Center SA	-	2,479	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	-	-	(1)
Serfactoring SpA	-	-	-	-	-	-
Total transactions with related parties	**-**	**3,688**	**11,189**	**(20)**	**-**	**16**

(1) Shown on the balance sheet under 'Short-term debt' (€875 million) and inclusive of the current portion under 'Long-term debt' (€2,813 million).

Financial transactions also include transactions with Eni Trading & Shipping SpA which are included in the income statement under the item 'Other operating income (expense)'.

Financial transactions as of and for the six-month period ended June 30, 2011 consisted of the following:

(€ million)

	June 30, 2011			First half 2011		
Company	Receivables	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	-	1,491	11,768	(20)	-	21
Banque Eni SA	-	-	173	-	-	(1)
CEPAV (Consorzio Eni per l'Alta Velocità) Due	-	43	-	-	-	-
Eni Coordination Center SA	-	2,291	-	(19)	1	-
Eni Trading & Shipping SpA	-	-	-	-	-	-
Serfactoring SpA	-	2	-	-	-	-
Total transactions with related parties	**-**	**3,827**	**11,941**	**(39)**	**1**	**20**

(1) Shown on the balance sheet under 'Short-term debt' (€1,274 million) and inclusive of the current portion under 'Long-term debt' (€3,039 million).

Financial transactions also include transactions with Eni Trading & Shipping SpA which are included in the income statement under the item 'Other operating income (expense)'.

As the result of a special agreement between Saipem and the Eni Corporate Finance Unit (formerly 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:

	Dec. 31, 2010			June 30, 2011		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	1,002	875	87.33	1,274	1,089	85.48
Long-term debt (including current portion)	3,214	2,813	87.52	3,039	2,738	90.10

	First half 2010			First half 2011		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	634	-	-	283	1	0.35
Finance expense	(723)	(20)	2.77	(366)	(39)	10.66
Derivatives	26	17	65.38	16	20	125.00
Other operating income (expenses)	(1)	(1)	100.00	-	-	-

The main cash flows with related parties were as follows:

(€ million)	June 30, 2010	June 30, 2011
Revenues and other income	988	997
Costs and other expenses	(43)	(50)
Finance income (expenses) and derivatives	(4)	(18)
Net change in trade receivables and payables	210	223
Net cash provided by operating activities	**1,151**	**1,152**
Change in financial (payables) receivables	672	139
Net cash used in financing activities	**672**	**139**
Total cash flows with related parties	**1,823**	**1,291**

Financial transactions also include transactions with Eni Trading & Shipping SpA which are included in the income statement under the item 'Other operating income (expense)'.
The incidence of cash flows with related parties was as follows:

	June 30, 2010			June 30, 2011		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Net cash provided by operating activities	585	1,151	196.75	656	1,152	175.61
Cash used in investing activities	(819)	-	-	571	-	-
Cash used in financing activities (*)	346	672	194.22	(100)	139	(139.00)

(*) Cash used in financing activities does not include dividends distributed or net purchase of treasury shares.

Information on jointly controlled entities

Information relating to jointly controlled entities, consolidated using the proportionate method, are as follows:

(€ million)	June 30, 2010	June 30, 2011
Capital employed, net	(174)	(142)
Total assets	439	469
Total current assets	418	364
Total non-current assets	21	105
Total liabilities	434	485
Total current liabilities	419	461
Total non-current liabilities	15	24
Total revenues	460	399
Total operating expenses	461	395
Operating profit	(1)	4
Net profit (loss) for the period	(6)	2

43 Significant non-recurring events and operations

No significant non-recurring events or operations took place in the first half of 2011 and in the first half of 2010.

44 Transactions deriving from atypical or unusual transactions

No significant atypical or unusual transactions were performed in the first half of 2011 and in the first half of 2010.

45 Events subsequent to period-end

Information on subsequent events is provided in the section 'Events subsequent to period-end' included in the 'Operating and Financial Review'.

Certification of the Condensed Consolidated Interim Financial Statements pursuant to Article 81-*ter* of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned Pietro Franco Tali and Giulio Bozzini in their quality as Deputy 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, 2011 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 condensed consolidated interim financial statements as of June 30, 2011 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 Model 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 condensed consolidated interim financial statements as of June 30, 2011:

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, results of operations and cash flows of the Parent Company and the Group consolidated companies as of and for the period presented in this report;

3.2 the Operating and Financial Review provides information regarding material events occurred during the first half of 2011 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 27, 2011

Pietro Franco Tali	Giulio Bozzini
Deputy Chairman and CEO	Chief Financial Officer

Independent Auditors' Review Report

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Auditors' review report on the condensed consolidated interim financial statements
(Translation from the original Italian text)

To the Shareholders of
Saipem S.p.A.

1. We have reviewed the condensed consolidated interim financial statements of Saipem S.p.A. and its subsidiaries (the "Saipem Group") as of June 30, 2011, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flows and the related explanatory notes. Saipem S.p.A.'s Directors are responsible for the preparation of the condensed consolidated interim financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the condensed consolidated interim financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these condensed consolidated interim financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 29, 2011 and on August 5, 2010, respectively.

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 June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 4, 2011

Reconta Ernst & Young S.p.A.
Signed by: Pietro Carena, Partner

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

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saipem

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Publications
Bilancio al 31 dicembre (in Italian)
Annual Report (in English)

Interim Consolidated Report as of June 30
(in Italian and English)

Sustainability Report (in English)

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