saipem

Interim Consolidated Report as of June 30, 2012

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, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should 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, Greece, 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, Cameroon, Congo, Egypt, Gabon, Ivory Coast, Libya, Mauritania, Morocco, Mozambique, Nigeria, South Africa, Tunisia

MIDDLE EAST
Iraq, Kuwait, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen

FAR EAST AND OCEANIA
Australia, China, East Timor, India, Indonesia, Japan, Malaysia, Myanmar, Pakistan, Papua New Guinea, Singapore, South Korea, Taiwan, Thailand, Vietnam

Board of Directors and 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 Auditors
Anna Gervasoni[1]
Adriano Propersi

Alternate Statutory Auditors
Giulio Gamba[2]
Paolo Sfameni

(1) Appointed Statutory Auditor by the Shareholders' Meeting of April 27, 2012.
(2) As the Alternate Statutory Auditor, took over as Statutory Auditor from Fabrizio Gardi on December 6, 2011 and confirmed again as Alternate Statutory Auditor by the Shareholders' Meeting of April 27, 2012.

Independent Auditors

Reconta Ernst & Young SpA

Saipem is a subsidiary of Eni SpA

Interim Consolidated Report as of June 30, 2012

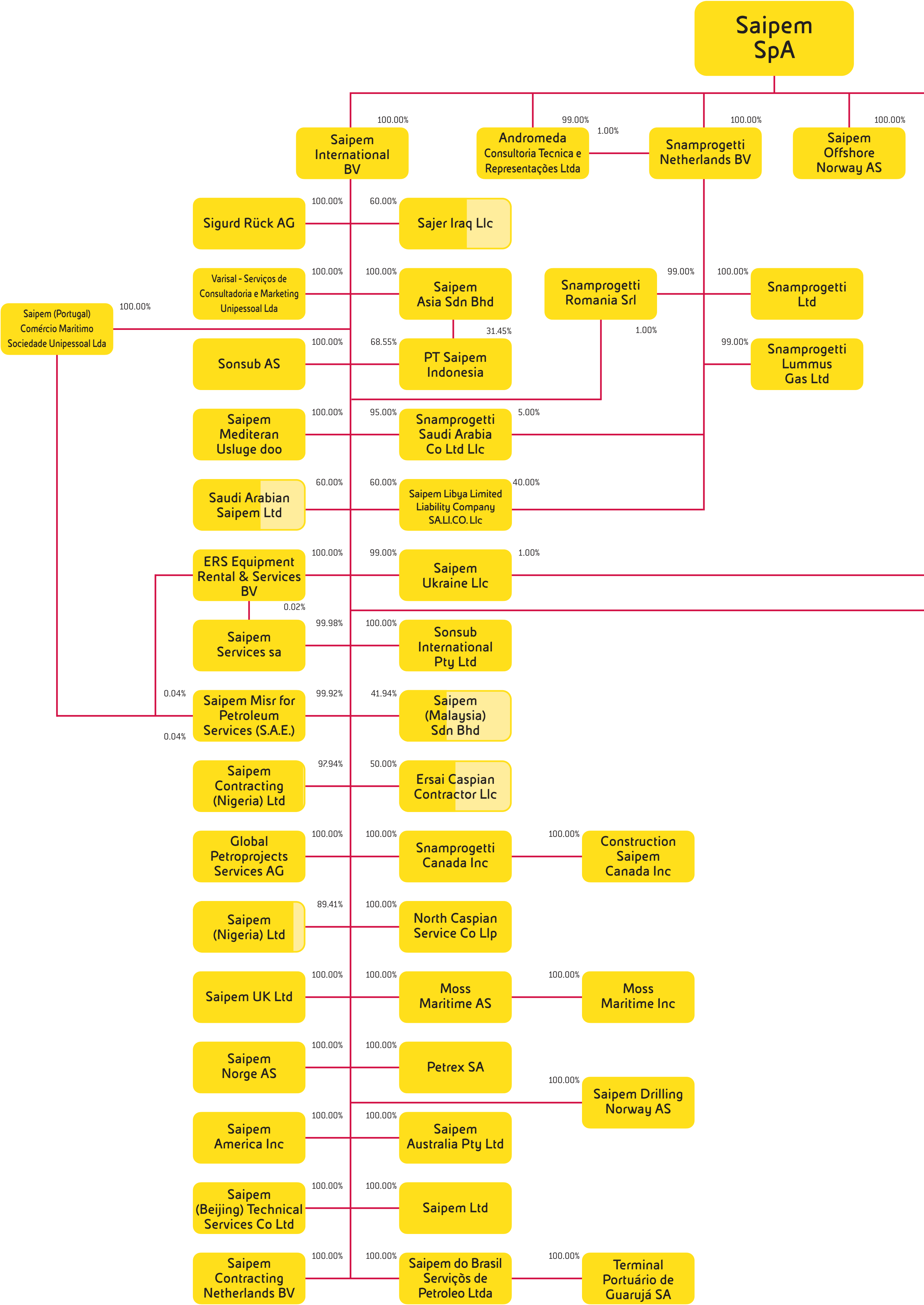
Condensed consolidated interim financial statements

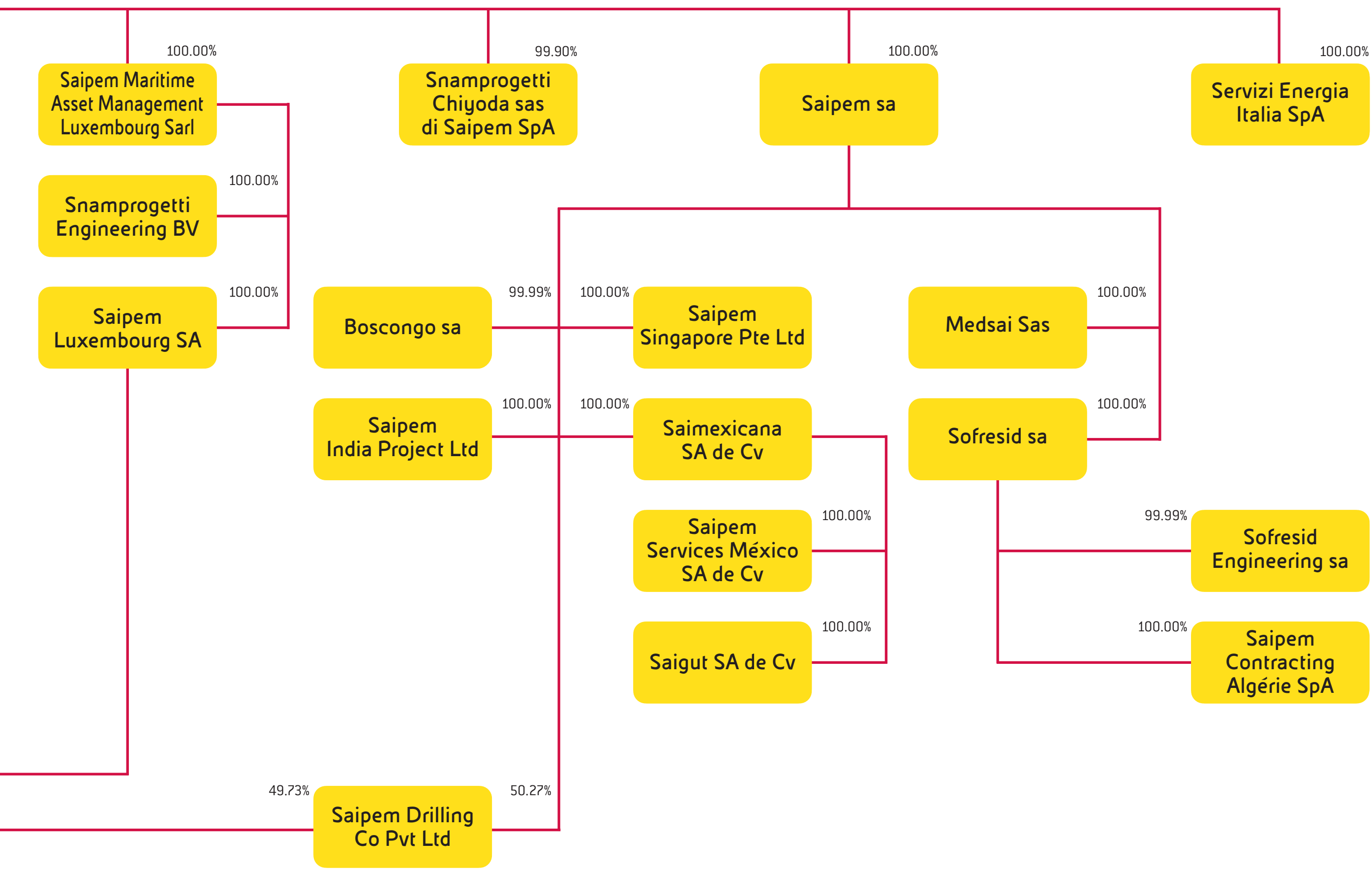
Approved by the Board of Directors on July 30, 2012

Interim results

Revenues amounted to € 6,397 million (€ 6,021 million in the same period of 2011).
Operating profit totalled € 762 million (€ 711 million in the same period of 2011).
Net profit was € 473 million (€ 438 million in the same period of 2011).
Cash flow (net profit plus depreciation and amortisation) reached € 818 million (€ 740 million in the same period of 2011).
The Offshore Engineering & Construction sector accounted for 39% of revenues and 43% of overall operating profits, the Onshore Engineering & Construction sector contributed 47% of revenues and 32% of overall operating profits, the Offshore Drilling sector 8% of revenues and 18% of overall operating profits and the Onshore Drilling sector generated 6% of revenues and 7% of overall operating profits.
Net financial debt at June 30, 2012 amounted to € 3,935 million, an increase of € 743 million from December 31, 2011. This is ascribed to a deterioration in working capital during the first quarter of 2012, the distribution of dividends during the second quarter and the renewal of exchange rate hedging transactions against a stronger US Dollar. The recovery from the unusual working capital exposure of Q1 started in Q2 and is expected to continue in the second half of the year.
Capital expenditure in the first half of 2012 amounted to € 548 million (€ 561 million in the first half of 2011). With regard to the principal assets under construction, the construction of the semi-submersible drilling rig, Scarabeo 8, was completed during the period, while the construction of the new pipelay vessel, Castorone, continued.
The Group was awarded new contracts worth € 6,303 million during the first six months of the year, while the order backlog at June 30, 2012 amounted to € 20,323 million.

Saipem Group structure
(subsidiaries)


Saipem SpA
100.00%
Saipem International BV
99.00%
Andromeda Consultoria Tecnica e Representações Ltda
1.00%
100.00%
Snamprogetti Netherlands BV
100.00%
Saipem Offshore Norway AS
100.00%
Sigurd Rück AG
60.00%
Sajer Iraq Llc
100.00%
Varisal - Serviços de Consultadoria e Marketing Unipessoal Lda
100.00%
Saipem Asia Sdn Bhd
Snamprogetti Romania Srl
99.00%
100.00%
Snamprogetti Ltd
100.00%
Saipem (Portugal) Comércio Maritimo Sociedade Unipessoal Lda
31.45%
1.00%
100.00%
Sonsub AS
68.55%
PT Saipem Indonesia
99.00%
Snamprogetti Lummus Gas Ltd
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.)
99.92%
41.94%
Saipem (Malaysia) Sdn Bhd
0.04%
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
100.00%
Moss Maritime Inc
100.00%
Saipem Norge AS
100.00%
Petrex SA
100.00%
Saipem Drilling Norway AS
100.00%
Saipem America Inc
100.00%
Saipem Australia Pty Ltd
100.00%
Saipem (Beijing) Technical Services Co Ltd
100.00%
Saipem Ltd
100.00%
Saipem Contracting Netherlands BV
100.00%
Saipem do Brasil Serviçõs de Petroleo Ltda
100.00%
Terminal Portuário de Guarujá SA



The chart only shows Saipem subsidiaries

Operating and Financial Review

Saipem SpA share performance

During the first half of 2012, the value of Saipem ordinary shares on the Milan Stock Exchange registered an increase of 6.9%, reaching a price of €34.99 at June 30, 2012, versus €32.73 at year end 2011. In the same period, the FTSE MIB index, which records the performance of the 40 most liquid and capitalized Italian stocks, reported a drop in excess of 5%.

On May 24, 2012, a dividend of €0.70 per ordinary share was distributed to shareholders, representing an increase of over 11% compared with the dividend paid out in the previous year (€0.63 per share).

The debt crisis that affected a number of Euro zone states during the second half of 2011, including Italy, continued to exercise an influence during 2012. In spite of market uncertainty, however, expectations for growth in spending by oil companies and for sustained demand for oil services saw the Saipem share hit a record high of 39.51.

A series of negative factors however, including the continuation of the crisis in the Euro area, which was accentuated by uncertainty regarding the outcome of the negotiations over Greek debt, and signs of a global economic downturn, pushed oil prices down sharply and had an adverse impact on the performance of the markets in the second quarter of 2012.

The Saipem share was not escape from this negative trend, beginning a fall which took it below the €30 threshold to €29.98 at the beginning of June, before closing the half year at €34.99.

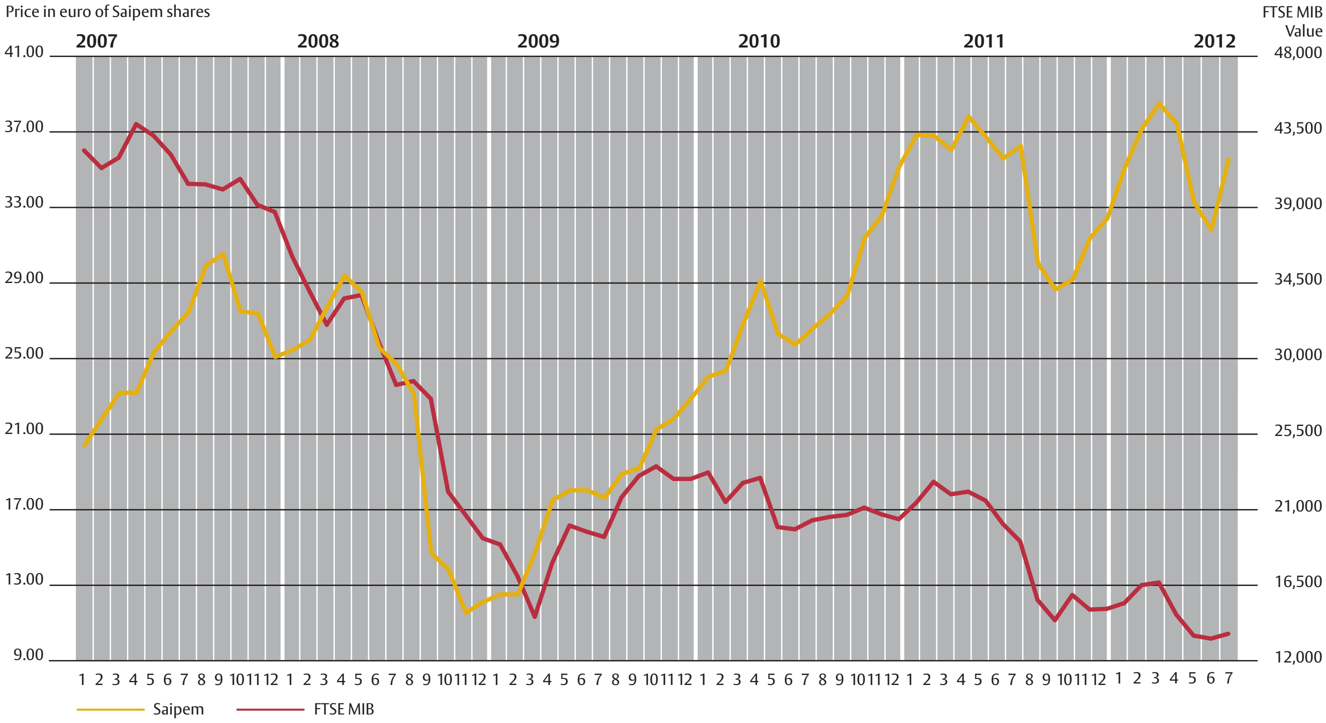
At period end on June 30, Saipem's market capitalization reached €15.5 billion approximately.

In terms of share liquidity, shares traded in the first half of the year totalled approximately 219 million, versus the approximately 276 million registered in the first half of 2011. The average number of shares traded daily for the period totalled 1.7 million (2.2 million in the first half of 2011), while the value of shares traded amounted to €7.7 billion, representing a decrease of 24% compared with the figure of €10.1 billion recorded in the first half of 2011.

The price of the savings shares, which are convertible at par with ordinary shares, and are of a limited number (116,799 at June 30, 2012), increased 8.6% to €32.59 at June 30, 2012. The dividend distributed on savings shares was €0.73 per share, which was up 6% on the previous year.

Share Prices on the Milan Stock Exchange	(€)	2008	2009	2010	2011	First half 2012
Ordinary shares:						
- maximum		30.44	24.23	37.27	38.60	**39.51**
- minimum		10.29	10.78	23.08	23.77	**29.98**
- average		23.19	17.51	28.16	33.89	**35.50**
- period-end		11.92	24.02	36.90	32.73	**34.99**
Savings shares:						
- maximum		30.05	24.02	37.00	39.25	**33.26**
- minimum		16.82	14.85	23.00	30.00	**30.00**
- average		26.43	18.54	29.80	34.89	**30.69**
- period-end		16.82	24.02	36.50	30.00	**32.59**

Saipem and FTSE MIB - Average monthly prices January 2007-July 2012



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 Amortisation (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.

OECD: Organization for Economic Cooperation and Development.

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 undertaken in order to start operations of a gas pipeline, associated plants and equipment.

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

Conventional waters: depths 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 work equipment is located: process plant and equipment, accommodation modules and drilling units.

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

Deep waters: depths of over 500 metres.

Downstream: all operations following exploration and production operations in the oil sector.

Drillship: vessel equipped with self-propulsion system capable of carrying 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 typically of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' indicates that the system is delivered to the client ready for operations, i.e. already commissioned.

EPIC (Engineering, Procurement, Installation, Construction): type of contract typically applied in the Offshore construction sector involving the realization 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 which 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.

Gas export line: pipeline for carrying gas from the subsea reservoirs to the mainland.

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 devoid 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, whereby 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.

Mooring buoy: offshore mooring system.

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: companies that provide services to the oil exploration and production sector but which are not directly engaged themselves in oil production.

Pig: piece of equipment used to internally clean, descale and inspect 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, while the outer pipe contains the insulating material needed 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: operation consisting of 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 supporting 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, moulds and dust mites may be contributing factors.

S-laying: method of pipelaying that utilises the elastic properties of steel, which causes the pipe configuration to 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 a 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.

Train: series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.

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: term relating 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, workover 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.

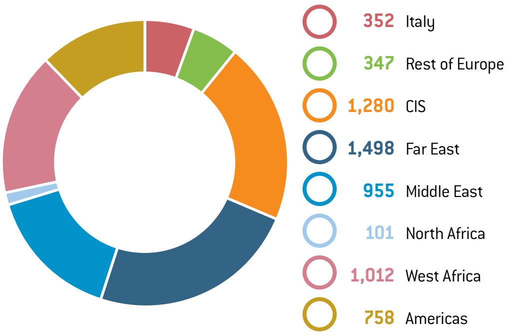
Operating Review

New contracts and backlog

New contracts awarded to the Saipem Group during the first half of 2012 amounted to €6,303 million (€6,006 million in the first half of 2011).
67% of all contracts awarded were in the Offshore Engineering & Construction sector, 23% in the Onshore Engineering & Construction sector, 6% in the Offshore Drilling sector and 4% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 94% of the total and contracts awarded by Eni Group companies 7%. Orders awarded to the Parent Company Saipem SpA amounted to 19% of the overall total.
The backlog of the Saipem Group as at June 30, 2012 stood at €20,323 million.

New contracts by geographical area

€6,303 million



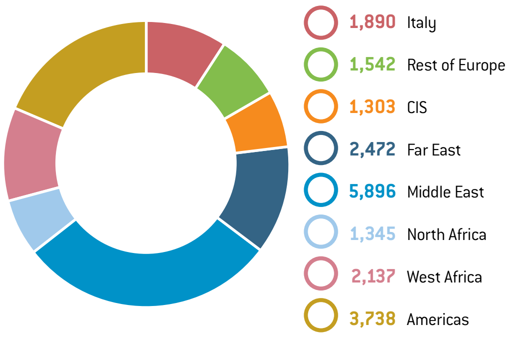
Saipem Group - New contracts awarded during the first half of 2012

2011		(€ million)	First half 2011		**First half 2012**	
Amount	%		Amount	%	Amount	%
4,268	34	Saipem SpA	2,050	34	**1,192**	**19**
8,237	66	Group companies	3,956	66	**5,111**	**81**
12,505	**100**	**Total**	**6,006**	**100**	**6,303**	**100**
6,131	49	Offshore Engineering & Construction	3,262	54	**4,229**	**67**
5,006	40	Onshore Engineering & Construction	2,077	35	**1,416**	**23**
780	6	Offshore Drilling	349	6	**405**	**6**
588	5	Onshore Drilling	318	5	**253**	**4**
12,505	**100**	**Total**	**6,006**	**100**	**6,303**	**100**
1,116	9	Italy	889	15	**352**	**6**
11,389	91	Outside Italy	5,117	85	**5,951**	**94**
12,505	**100**	**Total**	**6,006**	**100**	**6,303**	**100**
822	7	Eni Group	395	7	**427**	**7**
11,683	93	Third parties	5,611	93	**5,876**	**93**
12,505	**100**	**Total**	**6,006**	**100**	**6,303**	**100**

The breakdown of the backlog by sector is as follows: 41% in the Offshore Engineering & Construction sector, 39% in the Onshore Engineering & Construction sector, 16% in Offshore Drilling and 4% in Onshore Drilling.
91% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 14% of the overall backlog. The Parent Company Saipem SpA accounted for 52% of the total order backlog.

Backlog by geographical area

€20,323 million



Saipem Group - Backlog as at June 30, 2012

Dec. 31, 2011		(€ million)	June 30, 2011		**June 30, 2012**	
Amount	%		Amount	%	Amount	%
10,764	53	Saipem SpA	10,994	54	**10,656**	**52**
9,653	47	Group companies	9,464	46	**9,667**	**48**
20,417	**100**	**Total**	**20,490**	**100**	**20,323**	**100**
6,600	32	Offshore Engineering & Construction	6,432	31	**8,311**	**41**
9,604	47	OnshoreEngineering & Construction	9,735	48	**8,005**	**39**
3,301	16	Offshore Drilling	3,285	16	**3,197**	**16**
912	5	OnshoreDrilling	1,038	5	**810**	**4**
20,417	**100**	**Total**	**20,490**	**100**	**20,323**	**100**
1,816	9	Italy	1,950	10	**1,890**	**9**
18,601	91	Outside Italy	18,540	90	**18,433**	**91**
20,417	**100**	**Total**	**20,490**	**100**	**20,323**	**100**
2,883	14	Eni Group	3,149	15	**2,758**	**14**
17,534	86	Third parties	17,341	85	**17,565**	**86**
20,417	**100**	**Total**	**20,490**	**100**	**20,323**	**100**

Capital expenditure

Capital expenditure in the first half of 2012 amounted to € 548 million (€ 561 million in the first half of 2011) and mainly related to:

- € 265 million in the Offshore Engineering & Construction sector, relating to the construction of a new pipelayer, ongoing work to develop a new fabrication yard in Indonesia, the beginning of construction work on a new base in Brazil and the maintenance and upgrading of the existing asset base;
- € 19 million in the Onshore Engineering & Construction sector for the purchase of equipment and facilities for a base in Iraq as well as for maintenance of the existing asset base;
- € 200 million in the Offshore Drilling sector, relating to completion works on the Scarabeo 8, upgrading works on the Scarabeo 6 to enable it to operate in water depths of up to 1,100 metres and on the Scarabeo 3, which is currently undergoing class reinstatement works in Cape Town, as well as maintenance and upgrading of the existing asset base;
- € 64 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 2012:

Capital expenditure

Year 2011	(€ million)	First half 2011	First half 2012
115	Saipem SpA	20	**45**
1,084	Group companies	541	**503**
1,199	**Total**	**561**	**548**
509	Offshore Engineering & Construction	226	**265**
59	Onshore Engineering & Construction	10	**19**
509	Offshore Drilling	297	**200**
122	Onshore Drilling	28	**64**
1,199	**Total**	**561**	**548**

Details of capital expenditure for the individual business units 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 projects.
The most advanced vessels in the Saipem fleet include: the Saipem FDS 2 field development ship, which entered into service during 2011 and which to date has been deployed on projects in West Africa and China. The vessel employs a cutting-edge DP3 dynamic-positioning system, is capable of operating at depths of up to 3,000 metres, and is equipped with a vertical tower with a capacity of 2,000 tonnes designed to J-lay sealines of up to 36' in diameter and to S-lay sealines of the same diameter; 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; 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 3,000 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.
During the period, the Karimun fabrication yard in Indonesia continued construction work on various Group projects.
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 Vitoria, the Gimboa, and the Aquila 2.

Market conditions

The macroeconomic conditions registered during the first half of 2012 were the same as those seen at the end of 2011. In the case of Europe, conditions were perhaps even worse however.
The key characteristics of the crisis in the Euro zone were mild recession and unemployment of over 10%.
This had repercussions at a global level: in the US, the weak economic recovery failed to gather momentum, while in Asia (and in particular in China and India), a slowdown in economic growth was caused by a fall in overseas demand.
In spite of these conditions, the oil industry is experiencing an upturn, having put the Macondo accident behind it (implementing enhanced safety standards) and seen the end of the crisis in Libya, where production is already starting to return to pre-crisis levels.
Oil prices, although held back by the slowdown in growth, are nonetheless expected to remain sustained for the whole of 2012, thus stimulating investments.
As result, the offshore sector too is currently registering fairly high levels of activity thanks to the discoveries in the Brazilian Pre-Salt area, which are attracting substantial investment from Petrobras, and to the development of offshore gas fields in Australia. In addition, the new series of discoveries made offshore Africa represents another of the year's important trends. In West Africa, levels of activity in the Gulf of Guinea are intensifying, thanks also to Ghana and the new players on the deepwater market, which include Equatorial Guinea and Gabon, while new markets are expected to open up as a result of the significant natural gas discoveries made off the coast of Tanzania and Mozambique, which over the next few years will represent an increasingly important element in the equilibrium of the LNG market.
Finally – although its impact is more long-term – the increasing importance of the Arctic, which represents the new frontier of hydrocarbon research and production, constitutes an increasingly important factor in the overall market outlook.

The impact of the trends described above can also be seen in the various segments that make up the Offshore Engineering & Construction business.
With regard to **subsea development**, this year is expected to bring a significant rise in terms of start-ups compared with the previous year, a third of which will probably concern the Gulf of Mexico, with the remainder being distributed throughout the rest of the world, but particularly in West Africa and the North Sea. In Latin America, Brazil continues to maintain very high levels of activity, while in the Asia-Pacific region, a number of very important projects are currently underway, such as Liwan, which is the first deepwater development to take place in southern China and for which Saipem has been awarded the contract for the field development.

In the **subsea pipeline** segment, 2012 is expected to register growth compared with 2011 in terms of kilometres installed worldwide. The (by now well established) trend is towards a steady increase in deepwater and ultradeepwater installations, with the biggest increases expected to take place this year in the **large diameter pipeline** sector. Geographically speaking, the key sector will be the Asia-Pacific region, where a number of major

projects have reached the implementation phase, such as the Gorgon off the coast of northern Australia, which is part of the country's plans to develop its considerable gas resources.
In the Gulf of Mexico and the Mediterranean, a substantial increase in installations is expected. In latter area, the biggest project is the Tamar gas pipeline, which will connect the gas field of the same name to the Israeli coast.

The number of **platforms** expected to be installed by year end 2012 is forecast to match the levels registered in 2011, while in terms of geographical distribution, the Asia-Pacific region and the Middle East are expected to account for approximately two thirds of all installations worldwide.
Meanwhile, the heavy and ultra-heavy lifting sector continues to account for a significant share of the overall market in terms of units, weighing in at around a fifth of the total.

Conditions in the **floaters** segment, and in particular the FPSO market, are equally good.
Although the annual number of installations is expected to be in line with the figure recorded in 2011 (approximately 13 units), during the last six months an increase in the number of FPSO units ordered worldwide has been registered, mainly in relation to the development of the Brazilian offshore.
The last six months has also witnessed an increase in the number of FSRU units ordered and, while the Floating LNG market is still in an embryonic phase, a growing number of Oil Companies are currently considering the use of FSRU technology for gas field development. Furthermore, the period saw an important step with the arrival of the final investment decision by Petronas for the world's second biggest FLNG development project.

New contracts

The most significant contracts awarded to the Group during the period were:
- for INPEX, an EPIC project forming part of the Ichthys LNG Project, encompassing the engineering, procurement, construction and installation of a subsea pipeline connecting the offshore central processing facility to the onshore processing facility in Darwin;
- for Lukoil-Nizhnevolzhskneft in Russia, the Filanovsky EPIC contract for the engineering, procurement, fabrication and installation of an oil pipeline and a gas pipeline in a maximum water depth of 6 metres, along with related onshore pipelines connecting the riser block in the offshore field to the onshore shut-off valves;
- for Petrobras in Brazil, the EPIC contract for the gas export trunkline Rota Cabiúnas, situated in the Santos Basin Pre-Salt Region. The development comprises the engineering and procurement of subsea equipment and the installation of a pipeline in a maximum water depth of 2,200 metres using the Castorone and the FDS 2;
- for Discovery Producers Llc in the Gulf of Mexico, the contract for the transport and installation of the gas export pipeline Keathley Canyon Connector. Offshore activities will be carried out by the pipelay vessel Castorone in water depths ranging from 100 to 2,100 metres;
- for Dong E&P, an EPIC contract involving the engineering, procurement, construction and installation of a gas pipeline and an oil pipeline at a maximum water depth of forty metres connecting the Hejre field to an offshore platform;
- for CABGOC (Cabinda Gulf Oil Co Ltd) in Angola, 2 separate packages for the development of the southern part of Mafumeira field. The first contract, EPIC 3, is for the engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-in activities on the existing Mafumeira Norte platform and the future Mafumeira Sul production platforms. The second contract, EPIC 4, comprises the engineering, procurement, fabrication and installation of an onshore pipeline portion connecting the field to the oil storage and export facilities in the Malongo Terminal;
- for Mobil Producing Nigeria Unlimited, the contract for the Asasa Pressure Maintenance, Usari FA-FR Risers and Edop Pipeline Extension projects, encompassing the fabrication and installation of pipelines, risers and subsea spools at a maximum water depth of fifty metres;
- for Saudi Aramco as part of the Long Term Agreement, the contract for the construction, transport and installation of four jackets and an observation platform for the Marjan and Manifa fields in the Persian Gulf.

Capital expenditure

The most significant investments in this sector included:
- the continuation of investments for the construction of a new fabrication yard in Indonesia;
- the continuation of investments in a new pipelayer, Castorone, equipped with dynamic positioning, designed for laying large diameter pipes in sub-arctic conditions and in deep waters;
- the start of construction works for the new yard in Brazil;
- upgrading and integration works on the fleet's main vessels.

Work performed

The biggest and most important projects underway or completed during the first half of 2012 were:

In the Mediterranean Sea:
- on the **Castor** project for UTE ACS Cobra Castor in Spain, work was completed on the installation of an offshore pipeline that connects mainland Spain to the Well Head Platform;
- for the Burullus Gas Co in Egypt, work continued on the new subsea developments in the area of the **West Delta Deep Marine Concession**. The contract encompasses the engineering, procurement, construction and installation of subsea wellheads and related infrastructures, umbilicals and flowlines;
- for Petrobel in Egypt, the offshore platform **SETH** was installed.

In Saudi Arabia, for Saudi Aramco:
- work continued as part of the **Al Wasit Gas Program**, for the development of the Arabiyah and Hasbah offshore fields. The EPIC contract encompasses the engineering, procurement, construction and installation of 15 fixed platforms, an export pipeline, offshore lines, subsea and control cables;
- construction and installation works were completed on four new platforms under the **Long Term Agreement**, which encompasses the engineering, procurement, construction, transport and installation of structures, platforms and pipelines.

In Iraq, work is underway for South Oil Co on the project **Iraq Crude Oil Export Expansion - Phase 2**, within the framework of the expansion of the Basra Oil Terminal. The contract encompasses the engineering, procurement, construction and installation of a Central Metering and Manifold Platform (CMMP), along with associated facilities.

In the Far East:
- work for ExxonMobil on the contract for the **PNG LNG EPC2** Offshore Pipeline Project in Papua New Guinea is nearing completion. The scope of work consists of the engineering, transportation and installation of a gas sealine connecting the production facilities situated at the mouth of 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 south-eastern coast of the country, where a new LNG plant will be located;
- work is underway for Husky Oil China Ltd in China on the EPIC **Liwan 3-1** project encompassing the engineering, procurement and installation of two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform;
- work started for **Bien Dong** Petroleum Operating Co in Vietnam on the engineering, transportation and installation of pipelines and subsea cables as well as of two platforms and interconnecting bridges;
- work is underway on the **Ruby Field** project in Indonesia for PearlOil (Sebuku) Ltd. The project comprises the transport and installation of a process and quarters platform, a well-head platform and an interconnecting bridge.

Work is underway in Australia for INPEX on the **Ichthys LNG** project, which consists of the engineering, procurement, construction and installation of a subsea pipeline connecting the offshore Central Processing Facility to the onshore processing facility in Darwin.

In West Africa:
- pre-commissioning is underway on the **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. This contract encompasses the engineering, procurement, construction, installation and assistance for the commissioning and start-up of subsea umbilicals, flowlines and risers connecting 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;
- work is undergoing completion for Esso Exploration Angola (Block 15) Ltd on the **Kizomba Satellites Epc3 Tiebacks** project offshore Angola. The scope of work comprises engineering, construction, transport and installation of pipes, umbilicals, risers and subsea systems connecting the Mavacola and Clochas fields to the Kizomba A and B FPSOs;
- work is underway for Mobil Producing Nigeria Unlimited on the **Critical Crude Pipeline Replacement** project in Nigeria, involving the fabrication, transportation, installation and testing of 6 replacement pipelines connecting 6 platforms, including shore approach and subsea safety structures;
- engineering and procurement activities continued offshore Nigeria on the **Bonga North West**, 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, flowlines for injecting water into fields as well as related subsea production facilities;
- work is underway for Total E&P Nigeria Ltd on the **OFON2 - D030** project in Nigeria for new offshore facilities in the Ofon field. The EPIC contract involves the engineering, procurement, construction and installation of the OFP2 Jacket, as well as the transportation and installation of the new OFQ platform complete with living quarters.

In the Baltic Sea, the laying of the second line was completed and testing is currently underway on the **Nord Stream** project for Nord Stream AG. The contract involved the laying of a gas pipeline composed of two parallel pipes linking 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 (**Jasmine**, **Greater Ekofisk** and **Britannia** projects), Shell (**Ormen Lange** project), Statoil (**Troll-Oseberg Gas injection** decommissioning project), BP (**Andrew** project) and Chevron (**Captain** project);
- work is underway on **K4 - Z** project for Total, an EPIC contract involving the engineering, procurement, construction and installation of a pipeline and a piggy back line. The project also includes dredging, backfilling and shore approach;
- work is underway on the EPIC project **York**, for Centrica UK, encompassing the fabrication, installation and testing of a pipeline, an umbilical and the related connections;
- work is underway on the **Elgin B** project for Elf Exploration UK, an EPIC contract involving the engineering, procurement, construction and installation of a jacket.

Work is underway for the Caspian Pipeline Consortium (CPC) in Russia on a 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 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 infrastructures 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:
- work is undergoing completion 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;
- work is underway 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 continued 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 continued on the **Guara & Lula-Nordeste** gas export pipeline project encompassing the transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment;
- work continued on the **Lula-Nordeste - Cernambi** EPIC contract for the engineering, procurement, construction and installation of a gas pipeline and related subsea equipment;
- work began on the EPIC contract for the construction of the **Rota Cabiúnas** gas export trunkline, situated in the Santos Basin Pre-Salt Region. The development comprises the engineering and procurement of subsea equipment and the installation of a pipeline in a maximum water depth of 2,200 metres. The pipeline will connect the Central Gathering Manifold in the Lula field, in the Santos Basin, to the onshore Processing Plant of Cabiúnas, located in the Macaé district, in the State of Rio de Janeiro.

For PDVSA in Venezuela, work continued on the construction of the **Dragon - CIGMA** project involving the transportation and installation of the gas pipeline which will connect the Dragon gas platform to the CIGMA complex.

In the Leased FPSO segment, the following vessels carried out operations during the period:
- the FPSO Cidade de Vitoria 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;
- the FPSO Aquila 2 unit carried out operations on the Eni E&P contract for the procurement and operation of an FPSO for a period of 20 years, the first 8 of which involve exploitation of the **Aquila** well in the Adriatic at a depth of 815 metres.

Offshore Fleet at June 30, 2012

Saipem 7000	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 3,000 metres, capable of launching 22" diameter pipe in J-lay configuration and lifting structures of up to 600 tonnes.
Saipem FDS 2	Dynamically-positioned pipelay vessel utilised for the development of deepwater fields at depths of up to 3,000 metres equipped with a J-lay tower with a capacity of 2,000 tonnes designed to lay up to 36" pipes in J-lay mode and lifting structures of up to 1,000 tonnes. The vessel can also be configured to lay 36" pipes in S-lay mode.
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 500 metres.
Castoro Otto	Mono-hull derrick pipelay ship capable of laying pipes of up to 60" diameter and lifting structures of up to 2,200 tonnes.
Saipem 3000	Mono-hull, dynamically-positioned derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and lifting structures of up to 2,200 tonnes.
Bar Protector	Dynamically positioned diving support vessel used for deep-water diving operations and works on platforms and subsea fields.
Semac 1	Semi-submersible pipelay barge capable of laying pipe of large diameter in waters up to a depth of 500 metres.
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	Shallow-water pipelay barge, capable of laying pipe up to 40" diameter in waters of up to 1.4 metres.
S355	Derrick lay barge capable of laying pipe up to 42" diameter and lifting structures of up to 600 tonnes.
Crawler	Derrick lay barge capable of laying pipe up to 60" diameter and lifting structures of up to 540 tonnes.
Castoro 16	Post-trenching and back-filling barge for up to 40" diameter pipes in ultra-shallow waters (1.4 metres).
Saibos 230	Derrick pipelay barge capable of laying pipe up to 30" diameter, equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1	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	Cargo barge.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
Castoro 15	Cargo barge.
S42	Cargo barge used for storage of S7000 J-lay tower.
S43	Cargo barge.
S44	Launch cargo barge for structures of up to 30,000 tonnes.
S45	Launch cargo barge for structures of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
Bos 600	Launch cargo barge for structures of up to 30,000 tonnes.
FPSO - Cidade de Vitoria	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.
FPSO Aquila 2	FPSO unit with a production capacity of 12,000 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.

Market conditions

The global economy is registering growth at a rate lower than forecast in 2011, with political and economic uncertainty affecting key areas such as the Euro zone, the Middle East and North Africa. Meanwhile in the emerging nations, including China, a further slowdown in economic growth is forecast.
Global oil demand is showing very slight growth due to a fall in demand in OECD countries which was only just offset by the growth registered in non OECD countries. The global oil supply is increasing, due in particular to the growth in production in OPEC countries. A degree of uncertainty persists however in the short to medium term due to the unpredictable political situation in a number of countries (especially Iran). In the OECD area, only the US and Canada increased their oil supply.
The world gas market may be impacted by the surplus of North American gas, which could lead to developments in terms of the planning of LNG projects in both Canada and the US, but equally could be allocated for domestic use in petrochemical developments and gas monetization.
The nuclear catastrophe in Japan has led to the closure of all of the country's nuclear plants. Germany too is also currently implementing a plan which aims to achieve denuclearisation by 2022, starting with the closure of a number of plants deemed obsolete, while other countries in favour of energy nuclear are reviewing their energy policies with a view to increasing gas consumption.
The value of new contract awards made during the first few half of 2012 was higher than in the same period of 2011. These included the award of a major LNG project in Australia (Ichthys) and a growing number of awards in the Petrochemical and Fertilizer segments. Most new EPC contracts given the green light are situated in the Asia-Pacific region (Australia, India, Bangladesh, China and South Korea).
In the **upstream** segment, new awards were made in the Middle East and North America. A slowdown in awards was seen during the first half of 2012 following a series of major contracts awarded in recent years in the Middle East and North America. The segment however has good potential for development in the short to medium term in connection with the recent gas and oil field discoveries and the constant need to replace and/or maintain the production levels of gradually declining fields.
Iraq possesses an abundance of resources that are as yet undeveloped as a result of the internal tensions seen in recent years, but once the country's planned investments have been completed, its oil production capacity will be comparable with Saudi Arabia's. In addition to the upstream segment, investments are also planned in the pipeline, refining and infrastructure segments.
Oil prices are sufficiently high to sustain the development of non-conventional oil fields, meaning that opportunities for new projects in Canada and Venezuela remain a viable option.
In the gas production sector, the development of non-conventional fields in North America has led to a supply surplus which is revolutionizing the country's energy policies, transforming North America from a gas importer into an exporter. The decisions regarding the use of the gas will have direct repercussions on the upstream segment, in terms of the award of contracts for new gas treatment plants and, as a consequence, in the pipeline and gas liquefaction sector.
In addition, there is growing evidence of pointing to the likelihood of forthcoming non-conventional gas field developments in China.
The **pipeline** segment during the first half of the year saw the award of a major contract for a gas pipeline in Canada (the Coastal Gaslink Project) which will supply an LNG plant whose construction is still to be awarded – representing a clear sign of the country's intention to become a gas exporter – and a major contract for the construction of a gas pipeline in Latin America (Mexico). As the determining factor in the segment is the abundance of available gas, most of the projects currently under construction are either gas pipelines or expansions of existing gas networks. In the short to medium term, prospects are good for new project awards in the Middle East (Iraq), North America (Canada and the United States), the Asia-Pacific region (mainly in connection with the forecast growth in consumption in India and China), the CIS and Europe.
The demand for liquefied gas grew during the period. This was in part due to Japan's decision to gradually replace the energy it produced from nuclear sources with gas. By May, in fact, the country had shut down the last of its nuclear plants. The first half

of 2012 in the **gas liquefaction** segment saw the award of a major project in Australia which confirmed the area's significant potential, particularly in view of the country's large number of fields and their relative proximity to important Asian markets. The segment has excellent short term prospects for awards in the Asia-Pacific region (in particular Australia) and in the medium term in Africa (Nigeria, Tanzania, Mozambique). In North America, meanwhile, the significant production of gas from non-conventional fields could lead to the construction of new gas liquefaction plants for export purposes. In this connection, the future energy policies of Canada and the United States regarding the allocation of their gas production for domestic or export will be crucial in deciding a shift in or a consolidation of the current balance of supply and demand on the gas market.
The first half of 2012 in the **refining** segment brought new awards in South America (Brazil), the Middle East, North America (Canada), Asia-Pacific (South Korea), Europe (Bulgaria) and the CIS (Turkmenistan). In the OECD countries (in Europe in particular), increasingly strict environmental legislation has seen the gradual phasing out of smaller, technically obsolete refineries. The end result of this process of renovation may be the replacement of the capacity of the older inefficient plants by a medium-large modern refineries. In global terms, the segment continues to show good short to medium term potential in the Asia-Pacific, the Middle East, South America, and Africa as well as, to a lesser degree, the CIS and Europe.
In the **Petrochemical** segment, new contract awards during the period showed signs of recovery. Award levels were comparable with the pre-crisis period, with new projects being awarded in the Middle East (Saudi Arabia), Asia-Pacific (India) and Africa (Egypt). There were also positive signs pointing towards a recovery in project awards in North America as an effect of the surplus of non-conventional, low cost gas. The favourable prospects do not only regard the immediate present, but also extend into the medium term.
The **fertilizers** segment continued to perform dynamically in line with a trend that commenced in mid-2011 and sustained by the increase in fertilizer prices registered up until October of last year. Contract awards were seen in Africa (Libya, Gabon), South America (Brazil), Asia-Pacific (Bangladesh, China), the Middle East (Saudi Arabia) and the CIS (Ukraine). Demand for fertilizers is expected to grow, while a number of projects are due for award in the short term, particularly in the leading areas of the Asia-Pacific (India in particular), South America, Africa, Middle East and, to a lesser extent, the CIS.
In the **infrastructure** segment, economic development in a number of emerging countries continues to sustain the market for large-scale civil and port infrastructures. In particular, the government of Iraq currently has plans to enhance the country's infrastructure with a view to achieving economic growth by stepping up domestic oil production, transformation and export.

New contracts

The most significant contracts awarded to the Group during the period were:

- for Saudi Aramco and Sumitomo Chemical, the EPC contract for the Naphtha and Aromatics Package of the Rabigh II project in Saudi Arabia. The scope of work includes the engineering, procurement and construction of two processing units: a Naphtha Reformer Unit and an Aromatics Complex;
- for the Emirate of Makkah Province the procurement, installation, construction and assistance during the commissioning of a new rainwater drainage system, serving the Northern side of the City of Jeddah;
- for the Shell Petroleum Development Co, an EPC contract on the Otumara-Saghara-Escravos Pipeline Project in Nigeria, encompassing the engineering, procurement, fabrication and commissioning of a network of pipelines in a swamp area, which will connect the client's flowstations in the Otumara, Saghara and Escravos fields.

Capital expenditure

Capital expenditure in the Onshore Engineering & Construction sector focused mainly on the acquisition of equipment and facilities for the base in Iraq, as well as on the acquisition and readying of plant and equipment necessary for the execution of projects.

Work performed

The largest/most important projects underway or completed during the first half of 2012 were:

In Saudi Arabia

- for Saudi Aramco, construction continued on the EPC contract **Manifa Field** 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, gas dehydration, crude inlet manifolds and the flare gas system;
- for Safco, work started on the EPC contract **Safco V**, which encompasses the engineering, procurement and construction of a urea production plant, together with associated utilities and off-site systems and interconnecting structures to existing plants;
- for the Emirate of Makkah Province, procurement and construction work began on the **Stormwater Drainage Program - Package 8** project, encompassing the procurement, installation, construction and assistance during the commissioning of a new rainwater drainage system, serving the Northern side of the City of Jeddah.

In Qatar:

- for Qatar Fertiliser Co SAQ, work is underway in the industrial area of Qafco in the city of Mesaieed on the EPC project **Qafco 5 - Qafco 6** 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** sour gas field, encompassing the treatment of 1 billion cubic feet a day of sour gas 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;
- for the Etihad Rail Co in Abu Dhabi, work continued on a project encompassing the engineering and construction of a **railway line** linking the natural gas production fields of Shah and Habshan (located inland) to the Port of Ruwais.

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 work continued 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;
- activities continued 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.

In Morocco, for Tangier Mediterranean Special Agency, in a joint venture with Bouygues Travaux Publics and Bouygues Maroc, work continued on an EPC contract for the expansion of the Port of Tangiers.

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 work 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;
- 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 Tamloukain in the northeast of Algeria, which then connects the latter to Skikda and El-Kala, located on the north-eastern 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 continued for ChevronTexaco on the EPC-type **Escravos GTL** project. The plant will comprise two parallel trains;
- work is underway for the Nigerian National Petroleum Corp (NNPC)/Chevron 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;
- work continued for the Government of Rivers State on the EPC contract for the engineering, procurement and construction of the second train of the **Independent Power Plant at Afam**;
- work continued on the contract for the construction of the **Otumara-Saghara-Escravos** gas pipeline for Shell Petroleum Development.

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 Italy:
- construction continued 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 is underway 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 Poland, engineering work continued for Polskie LNG on the **Polskie** EPC contract for a re-gasification terminal on the northwest coast of Poland. The scope of work comprises the engineering, procurement and construction of the regasification facilities, including two liquid gas storage tanks.

In Canada:
- work continued on the **Sunrise** EPC contract for Husky Oil, which encompasses the engineering, procurement and

construction of the Central Processing Facilities, comprising two plants;
- works are underway for Canadian Natural Resources Ltd in the Athabasca region, in Alberta, Canada, on the engineering, procurement and construction of a Secondary Upgrader plant, under an EPC contract included in the **Horizon Oil Sands - Hydrotreater Phase 2** project.

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 metres above sea level near the town of Tula and at the Antonio M. Amor refinery, located 1,700 metres above sea level near the town of Salamanca.

In Suriname, for Staatsolie, work continued on the EPC contract encompassing engineering, procurement, fabrication and construction for the expansion of the **Tout Lui Faut** Refinery, located south of the capital Paramaribo.

In Australia:
- construction is ongoing for Chevron on the **Gorgon LNG** jetty and marine structures EPC 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 contract for **Gladstone LNG** involving the engineering, procurement and construction 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

In the Offshore Drilling sector, the Group operated during the period in Italy, Norway, North and West Africa, Mozambique, the Gulf of Suez, the Persian Gulf, Australia, Indonesia, Peru and the Gulf of Mexico. The Group's offshore drilling fleet includes the newly-built semi-submersible drilling rig Scarabeo 9, capable of working at depths of up to 3,600 metres using its dynamic positioning system; the newly-built semi-submersible rig Scarabeo 8, capable of operating under harsh environmental conditions in water depths of up to 3,000 metres in dynamic positioned mode and up to 1,000 metres when moored or moored with DP assistance the Saipem 10000, capable of operating at depths of up to 3,000 metres using its dynamic positioning system; the Saipem 12000, a drillship capable of operating at depths of up to 3,600 metres using its dynamic positioning system; Scarabeo 7, a semi-submersible vessel capable of operating at depths of up to 1,500 metres and Scarabeo 5, a fourth generation semi-submersible vessel, capable of working at depths of over 1,800 metres. The fleet also includes three semi-submersible rigs, seven jack-ups and a Tender Assisted Drilling unit (TAD).

Market conditions

During the first half of 2012, the Offshore Drilling sector registered a slight increase in the number of active rigs compared with 2011, driven by a favourable oil price environment and by a significant number of discoveries in deep and ultra-deep waters and in spite of the concerns regarding the prospects of the Euro zone and the internal unrest seen in a number of Middle Eastern countries. Meanwhile, the increase in the global fleet led to a slight fall in use rates compared with the second half of 2011.
In the Gulf of Mexico, the issue of permits for drilling is gradually returning to pre-Macondo levels, leading to a recovery in the day rates paid for jack-ups and semi-submersibles. Meanwhile, recent explorations have led to growing interest in other deep-water regions, such as Brazil, and West Africa (Angola), as well as a number of emerging nations such as Tanzania and Mozambique in East Africa, where significant gas field discoveries have been made over the last year.
In the first six months of 2012, levels of activity in the Offshore Drilling sector were the same as those registered at the end of 2011, while there was an increase in the total number of jack-ups under contract compared with the same period of the previous year, particularly in the Middle East and South East Asia, where rigs from other areas tend to converge. Following an increase in demand for jack-ups and with availability levels essentially unchanged from the first half of the previous year, the global utilization rate for jack-ups grew notably in South East Asia.
The gradual replacement of older rigs with more modern rigs has seen a steady rise in day rates worldwide. In the harsh environment jack-ups segment, rates remained generally higher than for standard rigs due to their limited availability, which is a consequence of their significantly higher construction costs.
The number of drillships active was up for the first half of 2012 compared with the first and second halves of 2011, with a substantial increase in levels of activity registered in Brazil. This was also where the biggest improvement in day rates was seen. In the Gulf of Mexico, a drillship utilization rate of almost 100% was registered following an increase in demand compared with the same period of 2011.
The semi-submersibles segment showed a certain dynamism, concentrated particularly in the North Sea and South America (especially in Brazil, where the utilization rate was the highest worldwide). Day rates remained stable, with growth expected by year-end 2012, while the geographical area registering the highest rates was the Gulf of Mexico.
A large number of rigs currently under construction are expected to be completed over the next few months and the following two years. This applies in particular to new generation jack-ups and drillships due to operate in Brazil, Mozambique, the Gulf of Mexico and South Korea. This trend may push down the day rates for older rigs or contribute to their being either withdrawn from service or modernized.

New contracts

The most important contracts awarded to the Group during the period included:
- a fifteen-month extension of the charter by Eni of the semi-submersible drilling rig Scarabeo 7 for operations in Indonesian waters;
- a two-year extension, starting from the fourth quarter of 2012, of the charter by Eni of the jack-up Perro Negro 8 for drilling operations in the Adriatic off the coast of Italy;
- an extension of the charter by Addax Petroleum, of the semi-submersible drilling rig Scarabeo 3 in Nigeria;
- a three-year extension of the charter by Petrobel of the jack-up Perro Negro 4 for drilling operations in Egypt;
- an eighteen-month extension, starting from the second quarter of 2012, of the charter by NDC (National Development Co) of the jack-up Perro Negro 2 offshore Abu Dhabi;
- the charter by HOEC (Hindustan Oil Exploration Ltd) of the jack-up Perro Negro 3 for drilling operations in Indian waters for a period ranging from four to six months.

Capital expenditure

The most significant items of capital expenditure in the Offshore Drilling sector were:
- the completion of investments for the construction of the semi-submersible Scarabeo 8;
- the start of upgrading works on the semi-submersible platform Scarabeo 6 to make it capable of operating in water depths of up to 1,100 metres;
- the start of class reinstatement works on the semi-submersible platform Scarabeo 3;
- 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 37 wells, totalling approximately 87,701 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** continued drilling operations for Eni offshore Mozambique.
The semi-submersible platform **Scarabeo 3** carried out operations in Nigeria for Addax Petroleum until the end of April and was then transferred to Cape Town for class reinstatement works.
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 Eni Norge and Statoil.
The semi-submersible platform **Scarabeo 6** continued drilling operations in Egypt for Burullus Gas Co.
The semi-submersible platform **Scarabeo 7** continued to operate in Angola for Eni Angola.
The semi-submersible platform **Scarabeo 8** continued operations offshore Norway for Eni Norge.
The semi-submersible platform **Scarabeo 9** started offshore operations in the Caribbean for Repsol and Petronas.
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** carried out drilling operations in the Persian Gulf for Harrington Dubai until May and then operated in Indian waters for HOEC (Hindustan Oil Exploration Ltd).
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 until May and then operated in Congo for Eni.
The jack-up **Perro Negro 7** continued operations in Saudi Arabia for Saudi Aramco.
The newly built jack-up **Perro Negro 8** continued to operate in Italy for Eni Exploration & Production Division.
The **Packaged 5820** installation continued operations in Libyan waters for Mobruk Oil Operations Co.

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), 3 rigs performed 41 workover and pulling operations, while 2 tender assisted rigs drilled 3 wells.

Utilisation of vessels

Vessel utilisation in the first half of 2012 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	121 [1]
Semi-submersible platform Scarabeo 4	182
Semi-submersible platform Scarabeo 5	182
Semi-submersible platform Scarabeo 6	113 [1]
Semi-submersible platform Scarabeo 7	182
Semi-submersible platform Scarabeo 8	57
Semi-submersible platform Scarabeo 9	164
Drillship Saipem 10000	182
Drillship Saipem 12000	175 [2]
Jack-up Perro Negro 2	182
Jack-up Perro Negro 3	120 [1][2]
Jack-up Perro Negro 4	182
Jack-up Perro Negro 5	182
Jack-up Perro Negro 6	182
Jack-up Perro Negro 7	182
Jack-up Perro Negro 8	173 [2]
Tender Assisted Drilling Unit	182

(1) For the remaining days (to 182), the vessel underwent class reinstatement works.
(2) For the remaining days (to 182), 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 2012 in Algeria, Saudi Arabia, Brazil, Bolivia, Colombia, Congo, Ecuador, Italy, Kazakhstan, Peru, Ukraine and Venezuela.

Market conditions

The Onshore Drilling sector showed good potential for growth during the first half of 2012, driven above all by a favourable oil price environment, as well as by higher volumes and by the increasing complexity of well-drilling operations, which are being carried out in remote and challenging areas.
Thanks to the development of non-conventional resources, drilling activity in terms of active rigs in the United States continued to register steady growth compared with the same period of 2011, with day rates progressively rising during 2012. In Canada, a slight drop in drilling activity was seen during the period, producing a temporary fall in utilization rates, while day rates are expected to recover over the next few years.
Globally, onshore drilling activity showed signs of growth, fuelled by investments in exploration and production. Year end 2012 is expected to bring an additional increase in terms of both active rigs and day rates. The most dynamic areas at present are the Middle East and South East Asia. A number of important nations for drilling, such as Saudi Arabia, are at present planning to increase the number of drilling rigs in the area with the goal of increasing oil production. Europe also saw an increase in the number of active rigs, although the area itself is not one of the most important in absolute terms.
Day rates remained more or less in line with the same period of 2011, with prospects for growth in 2012.

New contracts

The most significant contracts awarded to the Group during the first half of 2012 included:
- contracts with various clients for the lease of five rigs, three of which are for new contracts won in Africa and two for contract extensions in Saudi Arabia and Colombia respectively.
  The duration of these contracts ranges from three months to one year;
- contracts with various clients for the charter of 14 rigs in South America, Saudi Arabia, Kazakhstan and Italy. Seven of the contracts are new, while the remaining seven are extensions. They have durations ranging from two to thirty-six months.

Capital expenditure

Capital expenditure in the Onshore Drilling sector included:
- the purchase of a new rig due to operate in Saudi Arabia for Saudi Aramco starting from the second half of 2012;
- completion works on a new rig due to operate in South America;
- upgrading and integration works on rigs and installations to maintain operational efficiency.

Work performed

Activities comprised the drilling of 55 wells, totalling approximately 218,265 metres drilled.

In **Italy**, operations continued for Total Italia in the province of Matera.

In **Saudi Arabia**, 9 rigs operated for Saudi Aramco and 1 for South Rub Al-Khali Co Ltd.

In **Algeria**, 7 rigs operated for First Calgary Petroleum, Gazprom, Groupement Sonatrach Agip and PTT EP.

In **Congo**, 2 rigs operated for Eni Congo.

In **Peru**, the Group has 8 drill rigs and 13 work over and pulling rigs and also operates 6 workover and pulling rigs owned by third parties. The drill rigs drilled 7 wells for the clients Petrominerales, Repsol, Savia SA and Petrobras, while a total of 569 workover and pulling operations were carried out for Pluspetrol, Petrobras, Savia SA (formerly Petrotech) and Interoil.

In **Venezuela**, the Group has 24 drill rigs and 4 workover and pulling rigs. The drill rigs drilled a total of 64 wells, mainly for PDVSA and Baripetrol, while a total of 52 workover and pulling operations were carried out for PDVSA.

In **Colombia** 8 rigs drilled 16 wells for Petro Magdalena, Petrominerales, Ecopetrol, C&C Energy, Hocol and Equion.

In **Brazil**, 3 rigs drilled 10 wells for Petrobras.

In **Ecuador**, 2 rigs drilled 7 wells for Repsol and other operators.

In **Bolivia**, 4 rigs drilled 12 wells for YPFB Andina, Repsol and PDVSA.

In **Kazakhstan**, workover operations continued on behalf of Karachaganak Petroleum Operating (KPO) in the province of Uralsk. Two additional rigs chartered from the US company Parker were used.
Also in Uralsk province, a medium-high power rig continued operations for Zhaikmunai Llp, while a second rig completed operations for United Orogen Ltd on a contract to drill 2 wells and commenced work on the drilling of 3 wells for Zhaikmunai Llp.
In Aktobe province, a high power rig completed 2 wells for Oiltechgroup and commenced operations on 2 others for SAMEK.
A newly-built rig continued to operate for Agip KCO on a contract to drill 14 wells, while a second rig is being readied to meet client requirements.

In **Ukraine** 1 rig operated on behalf of Cadogan.

Utilisation of rigs

The average utilisation of rigs was 96% (95.8% in 2011). At June 30, 2012, Company owned rigs amounted to 92 (plus one under completion), located as follows: 28 in Venezuela, 21 in Peru, 10 in Saudi Arabia, 8 in Colombia, 7 in Algeria, 5 in Kazakhstan, 4 in Bolivia, 3 in Brazil, 2 in Congo, 2 in Ecuador, 1 in Italy and 1 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, and 2 third-party rigs in Kazakhstan by the joint venture SaiPar.

Financial and economic results

As previously stated, revenues and associated profit levels, particularly in the Engineering & Construction sector, 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 2011	(€ million)	First half 2011	First half 2012	% Ch.
12,593	**Net sales from operations**	**6,021**	**6,397**	**6.2**
21	Other revenues and income	5	**4**	
(8,729)	Purchases, services and other costs	(4,180)	**(4,352)**	
(1,750)	Payroll and related costs	(833)	**(942)**	
2,135	**Gross operating profit (EBITDA)**	**1,013**	**1,107**	**9.3**
(642)	Depreciation, amortisation and impairment	(302)	**(345)**	
1,493	**Operating profit (EBIT)**	**711**	**762**	**7.2**
(133)	Net finance expense	(67)	**(80)**	
19	Net income from investments	8	**5**	
1,379	**Adjusted profit before income taxes**	**652**	**687**	**5.4**
(392)	Income taxes	(183)	**(199)**	
987	**Adjusted profit before minority interest**	**469**	**488**	**4.1**
(66)	Net profit attributable to minority interest	(31)	**(15)**	
921	**Adjusted net profit**	**438**	**473**	**8.0**

Net sales from operation for the first half of 2012 amounted to €6,397 million, representing an increase of 6.2% compared to the same period of 2011, due to greater volumes generated in all sectors.
Gross operating profit (EBITDA) amounted to €1,107 million, representing a 9.3% increase versus the same period of 2011.
Depreciation and amortisation of tangible and intangible assets amounted to €345 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 2012 amounted to €762 million, a €51 million increase over the first half of 2011. This figure is analysed in detail in the sections describing the performance of the individual business units.
Net finance expense increased by €13 million compared with the first half of 2011, mainly due to the increase in average net borrowings.
Net income from investments amounted to €5 million due to a reduction in the operations carried out by a number of associated companies.
Adjusted profit before income taxes stood at €687 million, representing a 5.4% increase versus the first half of 2011.
Income taxes amounted to €199 million, an increase of 8.7% compared to the first half of 2011, principally due to an increase in taxable income.
Adjusted net profit totalled €473 million, representing an increase of 8% versus the first half of 2011.

Operating profit and costs by function

Year 2011	(€ million)	First half 2011	2012	% Ch.
12,593	**Net sales from operations**	**6,021**	**6,397**	**6.2**
(10,608)	Production costs	(5,081)	**(5,397)**	
(134)	Idle costs	(50)	**(60)**	
(158)	Selling expenses	(81)	**(72)**	
(12)	Research and development costs	(7)	**(6)**	
(4)	Other operating income (expenses)	1	**(6)**	
(184)	General and administrative expenses	(92)	**(94)**	
1,493	**Operating profit (EBIT)**	**711**	**762**	**7.2**

In the first half of 2012, the Saipem Group achieved **net sales from operations** of € 6,397 million, representing an increase of € 376 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 € 5,397 million, representing an increase (€ 316 million) which was in line with the increase in sales volumes for the period.
Idle costs increased by € 10 million, mainly due to the a drop in the deployment of the vessels of the E&C Offshore fleet on operating projects.
Selling expenses of € 72 million registered a decrease of € 9 million compared to the same period of 2011, as a consequence of a greater degree of selectivity and focus with regard to bid preparation.
Research and development costs included in operating costs decreased by € 1 million.
General and administrative expenses amounted to € 94 million, representing an increase of € 2 million.

Operating profit (EBIT) increased by 7.2% compared to the first half of 2011.
The analysis by business sector is as follows:

Offshore Engineering & Construction

Year 2011	(€ million)	First half 2011	2012
5,075	Net sales from operations	2,374	**2,518**
(4,134)	Cost of sales	(1,938)	**(2,059)**
941	Gross operating profit (EBITDA)	436	**459**
(255)	Depreciation and amortisation	(114)	**(131)**
686	Operating profit (EBIT)	322	**328**

Revenues for the first half of 2012 amounted to € 2,518 million, representing a 6.1% increase compared to the same period of 2011, due mainly to higher volumes recorded in the Middle and Far East.
The increase in operating activities caused a 6.2% (€ 121 million) increase in the cost of sales compared to the first half of 2011.
Depreciation and amortisation rose by € 17 million compared with the same period of 2011.
Operating profit (EBIT) for the first half of 2012 amounted to € 328 million, equal to 13% of revenues, versus € 322 million, equal to 13.6% of revenues, in the first half of 2011. The EBITDA margin stood at 18.2%, which was more or less in line with the same period of 2011.
The Al Wasit project in Saudi Arabia is expected to show a decrease in revenues in 2012, due to part of operations having been rescheduled to accommodate modifications requested by the client Saudi Aramco.

Onshore Engineering & Construction

Year 2011	(€ million)	First half 2011	2012
5,945	Net sales from operations	2,885	**3,015**
(5,427)	Cost of sales	(2,637)	**(2,753)**
518	Gross operating profit (EBITDA)	248	**262**
(35)	Depreciation and amortisation	(17)	**(16)**
483	Operating profit (EBIT)	231	**246**

Revenues for the first half of 2012 amounted to € 3,015 million, representing a 4.5% increase compared to the same period of 2011, due mainly to higher volumes recorded in the Middle East and West Africa.
The cost of sales, which amounted to € 2,753 million, also increased compared with the first half of 2011, in line with the increase in revenues.
Depreciation and amortisation dropped by € 1 million compared with the same period of 2011.
Operating profit (EBIT) for the first half of 2012 amounted to € 246 million, versus € 231 million in the first half of 2011, with the margin on revenues increasing from 8% to 8.2%. Meanwhile, the EBITDA margin stood at 8.7%, compared with 8.6% in 2011.
The Jurassic project in Kuwait is currently on hold awaiting that the Client Kharafi National, who had signed a contract with Kuwait Oil Co, formalizes its financial structure.

Offshore Drilling

Year		First half	
2011	(€ million)	2011	**2012**
833	Net sales from operations	418	**509**
(390)	Cost of sales	(196)	**(237)**
443	Gross operating profit (EBITDA)	222	**272**
(221)	Depreciation and amortisation	(107)	**(133)**
222	Operating profit (EBIT)	115	**139**

Revenues for the first half of 2012 amounted to € 509 million, representing a 21.8% increase on the first half of 2011, mainly attributable to the deployment of the semi-submersible rigs Scarabeo 8 and Scarabeo 9 (under construction during the first half of 2011), which offset the upgrading works downtime registered by the semi-submersible rig Scarabeo 6.
The cost of sales increased by 20.9% compared to the first half of 2011. This increase reflected the increase in volumes for the period.
Depreciation and amortisation increased by € 26 million versus the first half of 2011, due to new vessels entering into service.
Operating profit (EBIT) for the first half of 2012 amounted to € 139 million, compared to € 115 million in the first half of 2011, with the margin on revenues falling from 27.5% to 27.3%. This fall was caused by the increase registered in depreciation, which was mainly due to the Scarabeo 8 and Scarabeo 9 entering service.
The EBITDA margin stood at 53.4%, representing a slight improvement on the figure of 53.1% registered in the same period of the previous year.

Onshore Drilling

Year		First half	
2011	(€ million)	2011	**2012**
740	Net sales from operations	344	**355**
(507)	Cost of sales	(237)	**(241)**
233	Gross operating profit (EBITDA)	107	**114**
(131)	Depreciation and amortisation	(64)	**(65)**
102	Operating profit (EBIT)	43	**49**

Revenues for the first half of 2012 amounted to € 355 million, representing a 3.2% increase compared to the same period of 2011, due mainly to the full scale operation of new rigs in South America.
The cost of sales increased by 1.7% compared to the first half of 2011.
The increase in depreciation and amortisation was due to new rigs entering service.
Operating profit for the first half of 2011 amounted to € 49 million, compared to € 43 million in the first half of 2011, while the margin on revenues increased from 12.5% to 13.8%.
Meanwhile, the EBITDA margin stood at 32.1%, compared with 31.1% in the same period of 2011, owing mainly to increased operational efficiency and to a greater utilization of rigs.

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 that helps investors to assess Saipem's capital structure and to analyse its sources of funds (owned and borrowed) and investments in fixed assets and working capital.

June 30, 2011		(€ million)	Dec. 31, 2011		**June 30, 2012**	
	7,482	Net tangible assets		8,024		**8,289**
	756	Net intangible assets		752		**753**
	8,238			8,776		**9,042**
3,645		*- Offshore Engineering & Construction*	*3,851*		***3,993***	
437		*- Onshore Engineering & Construction*	*464*		***471***	
3,324		*- Offshore Drilling*	*3,550*		***3,655***	
832		*- Onshore Drilling*	*911*		***923***	
	107	Investments		102		**107**
	8,345	**Non-current assets**		**8,878**		**9,149**
	(308)	**Net current assets**		**(663)**		**(51)**
	(201)	Provision for employee benefits		(200)		**(210)**
	7,836	**Capital employed, net**		**8,015**		**8,888**
	4,347	Shareholders' equity		4,709		**4,819**
	90	Minority interest		114		**134**
	3,399	Net borrowings		3,192		**3,935**
	7,836	**Funding**		**8,015**		**8,888**
	0.78	**Leverage (net borrowings/shareholders' equity including minority interest)**		**0.66**		**0.79**
	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 56.

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, 2012 stood at € 9,149 million, an increase of € 271 million compared to December 31, 2011. This increase was due to capital expenditure of € 548 million and the positive effect deriving mainly from the translation of financial statements in foreign currencies of € 68 million, which was only partially offset by depreciation and amortisation of € 345 million.

Net current assets increased by € 612 million from negative € 663 million at December 31, 2011 to negative € 51 million at June 30, 2012, due to an increase in working capital that was mainly related to an increase in contract work in progress, a decrease in advances on projects acquired during the half year and the effect of fair value measurement of derivatives.

The **provision for employee benefits** amounted to € 210 million, representing an increase of € 10 million compared with December 31, 2011.

As a result of the above, **net capital employed** increased by € 873 million, reaching € 8,888 million at June 30, 2012, compared with € 8,015 million at December 31, 2011.

Shareholders' equity, including minority interests, increased by € 130 million to € 4,953 million at June 30, 2012, compared with € 4,823 million at December 31, 2011. This increase reflected net profit for the year of € 488 million and by the positive effects arising from the translation into euro of financial statements expressed in foreign currencies and from other variations (€ 59 million), which were partially offset by dividend distribution (€ 307 million) and by changes in the fair value of exchange rate and commodity hedging instruments of € 110 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, 2012, stood at € 3,935 million, compared with € 3,192 million at December 31, 2011, representing an increase of € 743 million.

Analysis of net borrowings

June 30, 2011	(€ million)	Dec. 31, 2011	June 30, 2012
(3)	Financing receivables due after one year	(2)	**(1)**
200	Payables to banks due after one year	200	**200**
2,613	Payables to other financial institutions due after one year	2,376	**2,807**
2,810	**Net medium/long-term debt**	**2,574**	**3,006**
(875)	Accounts c/o bank, post and Group finance companies	(1,022)	**(1,230)**
(7)	Cash and cash on hand	(7)	**(6)**
(29)	Financing receivables due within one year	(75)	**(74)**
244	Payables to banks due within one year	94	**143**
1,256	Payables to other financial institutions due within one year	1,628	**2,096**
589	**Net short-term debt**	**618**	**929**
3,399	**Net borrowings**	**3,192**	**3,935**

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'.

A breakdown by currency of gross debt, amounting to € 5,246 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)	2011	2012
Net profit for the period	**469**	**488**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges (*)	237	**(129)**
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	(75)	**35**
- share of other comprehensive income of investments accounted for using the equity method	-	**2**
- income tax relating to other items of comprehensive income	(55)	**19**
Other items of comprehensive income	**107**	**(73)**
Total comprehensive income for the period	**576**	**415**
Attributable to:		
- Saipem	552	**396**
- minority interest	24	**19**

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

Shareholders' equity including minority interest

(€ million)	
Shareholders' equity including minority interest at December 31, 2011	**4,823**
Total comprehensive income for the period	415
Dividend distribution	(307)
Sale of treasury shares	22
Total changes	**130**
Shareholders' equity including minority interest at June 30, 2012	**4,953**
Attributable to:	
- Saipem	4,819
- minority interest	134

Reclassified cash flows statement (1)

Saipem's reclassified cash flow statement derives from the statutory cash flow statement. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flow statement) and in net borrowings (deriving from the reclassified cash flow statement) occurring between the beginning and the end of the period. The measure enabling such a link is 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, or (ii) changes in net borrowings for the year by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Year 2011	(€ million)	First half 2011	First half 2012
921	Net profit	438	**473**
66	Minority interest	31	**15**
	Adjustments to reconcile cash generated from operating profit before changes in working capital:		
627	Depreciation, amortisation and other non-monetary items	323	**343**
2	Net (gains) losses on disposal and write-off of assets	3	**-**
483	Dividends, interests and income taxes	222	**249**
2,099	**Net cash generated from operating profit before changes in working capital**	**1,017**	**1,080**
(174)	Changes in working capital related to operations	(199)	**(777)**
(376)	Dividends received, income taxes paid, interest paid and received	(162)	**(160)**
1,549	**Net cash flow from operations**	**656**	**143**
(1,106)	Capital expenditure	(561)	**(548)**
(93)	Investments and purchase of consolidated subsidiaries and businesses	-	**-**
18	Disposals	-	**(6)**
49	Other cash flow related to capital expenditures, investments and disposals	-	**-**
417	**Free cash flow**	**95**	**(411)**
(52)	Borrowings (repayment) of debt related to financing activities	(10)	**5**
20	Changes in short and long-term financial debt	190	**906**
11	Sale of treasury shares	7	**22**
(297)	Cash flow from capital and reserves	(297)	**(329)**
-	Effect of changes in consolidation and exchange differences	(33)	**14**
99	**NET CASH FLOW FOR THE PERIOD**	**(48)**	**207**
417	**Free cash flow**	**95**	**(411)**
11	Sale of treasury shares	7	**22**
(297)	Cash flow from capital and reserves	(297)	**(329)**
(60)	Exchange differences on net borrowings and other changes	59	**(25)**
71	**CHANGE IN NET BORROWINGS**	**(136)**	**(743)**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 56.

The **net cash flow from operations** (€ 143 million) only partially funded capital expenditures, thus generating a negative free cash flow of € 411 million.
Cash flow from capital and reserves, which amounted to a negative € 329 million, were due to the payment of dividends. The sale of treasury shares for incentive schemes for managers generated a positive cash flow of € 22 million, while the effect of exchange differences on net borrowings and other changes produced a net inflow of € 25 million.

As a result, **net borrowings** increased by € 743 million.

In particular
Net cash generated from operating profit before changes in working capital of € 1,080 million related to:
- net profit for the period of € 488 million, including minority interest of € 15 million;
- depreciation, amortisation and impairment of tangible and intangible assets of € 345 million, the change in the provision

for employee benefits (€ 10 million) less other changes of € 12 million;
- net finance expense of € 50 million and income taxes of € 199 million.

The negative change in working capital related to operations of € 777 million was due to financial flows of projects underway.

Dividends received, income taxes paid, interest paid and received during the first half of 2012 of € 160 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.

Capital expenditure during the period amounted to € 548 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€ 265 million di euro), Offshore Drilling (€ 200 million), Onshore Drilling(€ 64 million) and Onshore Engineering & Construction (€ 19 million). Additional information concerning capital expenditure during the first half of 2012 can be found in the 'Operating Review' section.

The cash flows generated by disposals amounted to € 6 million.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between net profit before minority interest, net interest expense 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 € 2,308 million at December 31, 2011, € 2,747 million for the twelve-month period ended June 30, 2011 and € 779 million for the twelve-month period ended June 30, 2012.

		Dec. 31, 2011	June 30, 2011	**June 30, 2012**
Adjusted net profit	(€ million)	987	937	**1,006**
Exclusion of net finance expense (net of tax effect)	(€ million)	96	83	**106**
Unlevered adjusted net profit	(€ million)	1,083	1,020	**1,112**
Capital employed, net:	(€ million)			
- at the beginning of the period		7,417	6,737	**7,836**
- at the end of the period		8,015	7,836	**8,888**
Average capital employed, net	(€ million)	7,716	7,287	**8,362**
Adjusted ROACE	(%)	**14.0**	**14.0**	**13.3**
Return On Average Operating Capital	(%)	**20.0**	**22.5**	**16.9**

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 including minority interest. Management's objective is to achieve a leverage ratio no higher than 0.5 during the period of implementation of the four-year plan.

	Dec. 31, 2011	**June 30, 2012**
Leverage	0.66	**0.79**

Sustainability

Saipem is committed to managing its global operations in a sustainable and responsible manner and to building strong relationships with its stakeholders, seeking to secure their involvement and to achieve a full understanding of their needs and their requirements.

Measuring value creation in local communities

The maximisation of local content is one of the cornerstones of Saipem's sustainability strategy. The Group pursues the objective of promoting sustainable development and creating wealth and well-being by maximizing the number of local employees and suppliers and by contributing to developing their capabilities and know-how. Saipem takes active steps to define and quantify the actual contribution it makes to the socio-economic development of local communities in the areas in which it operates. In 2009, Saipem launched the SELCE Model (Saipem Externalities Local Content Evaluation), which is a measurement tool used to analyse and estimate the value created by the local content strategy (i.e. its direct, indirect and induced effects in terms of economic growth, employment and development of human capital). The model has been applied in Kazakhstan, Angola, Peru, Algeria and Nigeria and was also placed at the disposal of a number of clients for use on their projects.
During the first half of 2012, the Group began to use the SELCE Model to analyse its operations in France. The results will be finalized by the end of the year.
In addition, the first half of 2012 also saw Saipem complete an analysis based on the SROI (Social Return On Investment) methodology. The analysis aimed to measure the value created by the Group in society as a whole as well as the perception of this value through an in-depth analysis of the local context and stakeholder involvement. The analysis was initially applied to operations at the Saipem Indonesia Karimun Branch and the results were officially presented to the local authorities and other local stakeholders in Karimun in May 2012.

Sustainability reporting

2012 saw Saipem improve its Sustainability reporting through the publication of two separate documents: Saipem Sustainability Performance and Saipem Sustainability.
Saipem Sustainability Performance details the Saipem's Sustainability performance in 2011 and provides additional qualitative and quantitative information, as required by the GRI guideline (Global Reporting Initiatives). The report provides transparent disclosure and enables comparability with other market players. The second document, Saipem Sustainability, is a stand-alone report focusing on the most significant issues identified as material for Saipem business and important for its stakeholders.

Internal Network

February 2012 saw the launch of the Saipem Sustainability Portal, which is an in-house tool designed for use by Saipem personnel around the world. Its aim is to communicate and promote significant information regarding Sustainability, including documentation (reports, newsletters and guidelines), on-the-ground initiatives and projects.
In addition, the Sustainability Team held two workshops in Peru and France aimed at Saipem Sustainability Facilitators, which had the main aims of enhancing participant's skills and capabilities and improving their ability to design sustainable solutions that are compatible with Saipem's business requirements, strengthen the professional sustainability network and share lessons learned, best practices and useful tools.

Local Community Initiatives

Saipem's local community sustainability initiatives continued during the period in accordance with the relevant plans and budgets set for 2012. Details of the most significant initiatives are provided below.
In Kazakhstan, Ersai Caspian Contractor Llc is implementing its annual sustainability plan, which focuses on the community of the village of Kuryk, on the coast of the Caspian Sea. Activities were implemented during the period on the 'No Tuberculosis program', on training schemes and on social events designed to improve awareness in the local community with regard to health issues.
Saipem Kazakhstan Branch, which is responsible for the coordination of activities in the North Caspian area, was especially active during the period, encouraging the promotion and preservation of the environment. The company is also in the process of carrying out training initiatives designed to increase employment opportunities for young people and organizing safety campaigns.
In Algeria, Saipem Contracting Algérie SpA organized a series of awareness campaigns aimed at children and also continued with its medical program designed to provide advice and assistance to pregnant women.
In Indonesia, Saipem continued to implement its programme to

improve the quality of the local schools infrastructure on the island of Karimun where the new Fabrication Yard is situated. The company is also working on a road safety campaign as well as on initiatives for the local community (in particular in connection with the provision of basic education).
The period also saw ongoing sustainability work done by Boscongo, Saipem's operating company in Congo. A new initiative currently underway consists of providing support to a waste disposal and recycling programme for local villages. In addition, the malaria prevention programme continued and additional technical training was provided.
Finally, in Peru, Petrex was particularly active during the period, carrying out work on projects designed to develop and support local entrepreneurship, on health programmes consisting of workshops and campaigns and on training initiatives for local communities.

Research and development

The Company's innovation and technology efforts during the first half of 2012 were carried out according to plan. They consisted 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 period also saw the improvement of proprietary process technologies, the expansion of the company's portfolio of environmental services, the development of the onshore and offshore renewable energy sector and high-level technological collaborations with research centres and other industry players.

In the deepwater area, important milestones were reached in the development of innovative subsea processing systems initiated during previous years.

The development of the patented technology 'Multipipe gas/liquid gravity separation system' made another step forward in the frame of a JIP (Joint Industry Project) supported financially by a number of oil companies. This JIP aims to define the entire subsea station and assess the maturity of all its individual components.

The development of the 'liquid/liquid gravity spool separation system' is proceeding apace: after a pre-design phase, an initial performance testing stage was launched. Functional testing will take place in the second half of 2012.

The preliminary design of subsea produced water solutions was executed and presented to oil companies and at international conferences. The first qualification phase of these systems has been completed, with positive results for applications in deep and ultra-deep waters.

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 moving ahead. A feasibility study has been successfully completed and development is now focused on installation procedures.

Innovative solutions involving floating and thermal insulation materials for SURF applications are currently in the qualification phase. 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 period concentrated on the design of an offshore tandem LNG offloading system using floating cryogenic hoses.

In the sealine trenching area, work continued on the mitigation of environmental impact of operations and the restoration of marine protected areas. The period saw the beginning of experiments at sea of Posidonia transplantation techniques. A satellite survey of the environmental impact of subsea trenching operations also began.

Studies on a new subsea pipeline trenching and installation method with a very low environmental impact are underway, while new studies commenced during the period on the development of systems for measuring the flatness of pipelines after they have been laid in trenches.

On the wave of the positive results achieved last year with the new welded joint coating system for subsea pipeline construction operations, work to extend the method to other situations has commenced. Preliminary analyses for the application of a highly productive process for pipeline welding on-board pipelay vessels are now underway, while equipment for welding offshore stainless steel pipelines was prepared. Studies and experiments are also underway on automatic recognition of pipe sections during pre-fabrication, as well as studies to increase the level of safety of equipment during laying operations.

Work to increase the vessel's maximum pipe tow capacity and to monitor its integrity during the laying phase is ongoing. To this end, a test site was set up for the development and validation of a new instrument for the remote measurement of the pipe's internal ovalisation during laying. Developments and experiments of a system to prevent flooding of the pipe during laying phase continued on various fronts in relation to critical components.

As regards subsea operations, development of a pipe repair system continue, while a study on the reduction of hydroacoustic impact during subsea pile driving operations is underway.

Studies were also conducted during the year on developing systems capable of an emergency response in the event of oil spills from exploration and production facilities were carried out, as were studies of operations in the Arctic regions.

Process development activities focused on the achievement of continuous improvements in the environmental compatibility of proprietary fertilizer production technology 'Snamprogetti™ Urea', licensed to 127 units world-wide.

Much effort is being put into minimizing the environmental impact of Urea plants (Urea Zero Emission) through the implementation of innovative technologies currently under development. Cooperation with the University of Bologna has commenced with a view to validating technological components developed by third parties for inclusion in 'Zero Emission' process flow diagrams.

As regards offshore wind power projects, Saipem is moving ahead in its development of new support structures for wind turbines as well as methods for on-site installation, with the aim of reducing costs and improving health and safety.

Work is currently focusing on solutions for large scale energy storage and on the qualification of storage materials.

Quality, Health, Safety and Environment

Quality

The first six months of 2012 saw ongoing efforts to make improvements in Quality Assurance and Quality Control activities, particularly with regard to the integration of the Onshore and Offshore Quality Management Systems.
The following specific initiatives were pursued during the half year period.

System Quality:
- planning of Corporate Standard Procedures for the integration of the Onshore and Offshore Management Systems within the new E&C Business Unit Management System. Specifically, support was provided in connection with the finalization of the Corporate Standards for engineering processes;
- the move to standardize Lessons Learned procedures continued apace, with the relevant Corporate Standard currently in preparation and the web application, which will be used for collecting, managing and disseminating Lessons Learned in the Onshore E&C, Offshore E&C and Drilling sectors, undergoing completion;
- review of the OCQR (Operating Company Quality Reporting) system to improve monitoring and periodical assessment of Quality Management Systems in Group companies and on the most significant project;
- enhancement of the knowledge repository and knowledge sharing system via the introduction of QHSE Corners based on the Microsoft Sharepoint platform.

Project Quality Management:
- integration of Project Quality Managements methodologies for Onshore E&C and Offshore E&C projects and definition of draft procedures;
- continuous updating of on board vessel documentation using the shared document management system, DAMS;
- coordination and supervision of the revision of the E&C fleet's on board documentation as an integral part of the Saipem Document System;
- design of a web-based portal for Drilling project reports.

Quality Control:
- completion of standardization of Quality Control Plans for Onshore E&C and Offshore E&C projects and dissemination to concerned areas;
- implementation of the NDT Phased Array methodology in Fabrication Yards, particularly at Petromar (where the required equipment is currently being purchased) and Star (where a feasibility study has been launched);
- automation and improvement of the Pipe Tracking System (PTS) for traceability and monitoring of laid pipeline. Following the successful results achieved during onshore simulations, testing is at present underway on board the Crawler;
- implementation of a portal for monitoring blowout preventer (BOP) systems used on Onshore Drilling projects;
- development and implementation of criteria for maintenance and testing of BOP systems used on Onshore and Offshore Drilling projects;
- definition and development of training courses for the various Quality Control disciplines;
- integration of Quality Control processes within the Fabrication Management System developed by the E&C Business Unit.

Safety

In March 2012, ISO 14001 and OHSAS 18001 certification was extended to Saipem Corporate and Saipem's offices in Italy. This important achievement demonstrates Saipem's commitment to HSE and shows how much HSE has become an integral part of Saipem's approach.
Currently the Engineering & Construction Business Unit, Integrated Projects, Corporate and all Saipem offices in Italy are 14001 and OHSAS 18001 certified. Work is ongoing to extend certification to the Drilling Business Unit.

During the first six months of 2012 saw the continuation of the coordination, support and roll-out of the LiHS Program, which is now in its fifth year of implementation. During the same period, the LiHS 'Leading Behaviours' campaign, which represents phase 4 of the LiHs strategy, continued, with more than 600 cascaded events organized by Saipem managers around the world. More than 50,000 employees have now participated in the LiHS programme in the five years since its introduction.
The first half of the year also saw the launch of the LiHS programme within Eni, where it was renamed 'Eni in Safety'.

Following the entry into force of a State-Region Agreement relating to mandatory training, work began during the period in relation to the 'Basic' training requirement for all workers. A training module entitled 'General Safety Course for Workers' was planned and launched.

A course entitled 'Safe Crane Operations' was created with the participation of the Saipem Corporate HSE Department and support of the Engineering & Construction Business Unit. The aim of the course is to provide crane operators with the required technical and HSE know-how and skills. The first edition of the course and a test run were held at Saipem Contracting (Nigeria) Ltd in the fabrication yard at Rumolumeni.

An HSE Training Portal called Delphi was set up during the first half of the year with the aim of standardizing the HSE courses held at Saipem operating companies and providing a tool for communication and information exchange between HSE trainers. Delphi provides information on HSE courses and enables employees to find out what is on offer at Saipem and to make a request to attend a course.

Saipem's safety performance for the first half of 2012 was in line with targets. An improvement was registered in the total recordable incident frequency rate, which stood at 1.20 against a target of 1.30.
Although the generally positive trend was maintained during the first half of the year, two fatal accidents occurred on Saipem projects.
The first took place in Nigeria in February on a pipelaying project, when a Saipem employee was crushed by a pipeline under tension at the conclusion of testing operations.
Meanwhile in June in the Arab Emirates a member of contractor staff working on the Shah project was hit and killed by the bucket of an excavator.

An analysis of Saipem's 2011 safety performance pointed to the need to launch a prevention programme on Saipem sites and projects regarding falls from height. The initiative is aimed at all personnel working at height and has the goal of reducing and if possible eliminating accidents of this nature.

Environment

The final theme of the Environmental Awareness Campaign, entitled 'Ecological footprint minimization', was launched during the first half of 2012. The theme relates to Saipem's ecological footprint and to the goal of reducing CO_2 emissions from Company operations. The campaign also includes an invitation to all to reduce their own personal ecological footprints and impact on the planet.

A variety of initiatives were organized for World Environment Day (June 2012), including a seminar entitled 'Oil Spill Management', which was held with the support of Saipem's Oil Spill Response Team. Water bottles were also handed out for to celebrate the fifth Environment Day as part of an initiative called 'Message in a bottle'.

The publication of the new company magazine **eNews**, which deals with environmental issues, continued during the first half of 2012. The magazine's remit is to give greater visibility to environmental initiatives from a technical and engineering perspective and to educate and raise awareness among personnel.

Health

A support campaign was designed and implemented with the aim of helping overweight employees get into shape. The campaign involved measuring the Body Mass Index of employees and then holding a weight loss competition. Posters and motivational slogans were also employed to encourage participation. Another important component of the campaign was the H-Factor programme (Be.ST), which was launched on the Castoro 2, Perro Negro 8 and at Petrex operating sites in Peru.

Technical modifications were made during the period on the GIPSI (Computer Management of Individual Health Services) application relating to the assignment of employees to sites and yards. GIPSI smart cards containing the updated information are currently in the process of being issued to medical and nursing personnel.

On the occasion of the world health awareness days promoted by the World Health Organisation, the Saipem medical team organised the following initiatives:
- World Tuberculosis Day;
- World Day against Malaria;
- World Hypertension Day;
- World No Tobacco Day.

Human resources

Workforce

The few months of 2012 saw a slight increase in the overall workforce.
The reduction caused by the release of resources employed on finished projects (Kazakhstan and Nigeria) was offset by new recruits hired for onshore projects acquired in developing geographical areas (Canada and Mexico) and offshore projects taking place in Asia/Middle East (Wasit and Karimun Yard).

Industrial relations

Following the completion of a comparative analysis of expatriate procedures and practices adopted in Saipem companies in Italy and abroad, whose principal result was a consolidation and standardization of international mobility policies, a process of analysis and benchmarking of the international employee assignment models and practices used in major companies comparable with Saipem in terms of size and geographical was commenced with a view to achieving alignment with best market practices.
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. For many years now, the company's industrial relations model has focused on ensuring harmonisation and optimal management, in accordance with company policies, of relations with trade unions and employers' associations, as well as political institutions and public bodies.
Saipem SpA, in accordance with this approach, the first half of 2012 saw the conclusion of the four-year profitability and productivity agreement with the finalization of the company's 2011 results.
The general malaise in the Italian maritime transport sector has an impact on Saipem maritime personnel with the failure to agree a renewal of the applicable collective bargaining agreement, for which negotiations have been ongoing for the past year.
In 2012, the Energy sector, will, like many other sectors, be renewing its national collective bargaining agreement, negotiations for which are expected to be concluded during the second half of the year.

Human Resources Management

During the first half of 2012, the Human Resources Management department pressed on with the initiatives it commenced in the previous year relating to the continuous improvement of operating processes and the development of analysis and reporting models and tools designed to provide accurate monitoring of key indicators concerning personnel and to facilitate cost optimization.
The department focused in particular on consolidating and making additional enhancements to the functionalities of a series of applications (InfoDip and Vacation Planning System) designed to provide effective support to the decisions and actions taken by the Human Resources department, especially in relation to critical human resources issues such as holiday, overtime, working hours and excessive absences.

Development, Organisation, Communication and Compensation

Faced with a global scenario of increasing complexity and competitiveness and a labour market characterized by uncertainty, Saipem's confirmed intention is to pursue a strategy of maximizing the potential of its human resources as a winning approach to achieving business excellence.
This strategy includes developing and maintaining cooperative relations with strategic countries and communities through initiatives designed to maximise Local Content.
During the first half of the year, Saipem focused on analysing and redefining its work processes by optimizing its **organizational** structure in Italy and abroad, with the aim of assuring an effective and timely response to developments in business strategies.
All of the organizational initiatives carried out were implemented in accordance with the Saipem governance model and the principles of segregation of duties and responsibilities.
In connection with the above initiatives, changes were implemented within the Engineering & Construction Business Unit as part of a review of the commercial and project execution areas. A new commercial model was designed with the aim of ensuring effective client relationships at local level, compatibly with the ongoing central role of the BU in providing operational guidance and commercial on at a global level.
In addition, the Projects Execution function was reorganized during the first half of 2012, with the introduction of specific business area manager positions responsible for project results, experience capitalization and the definition of optimized project execution models. Within the same function, in view of the increasing level of demand from the market for integrated field development and optimization, a team was set up with the remit of evaluating the potential of this business for Saipem and defining strategies and plans designed to provide an effective response in relation to prospective opportunities.
The Procurement function has been reorganized with a view to providing an effective response to the Business Units. A new

model involving dedicated structures within each of the BUs was adopted, while a review of the operating model for Post Order activities was carried out aimed at improving the management of Saipem's strategic supply markets, and optimizing the management of project procurement and operating efficiency through the development of low-cost centres performing back-office activities.
Meanwhile, the organizational structures at overseas companies continued to undergo changes to align them with the model established for the Engineering and Construction Business Unit. The changes affected in particular Saipem do Brasil Serviços de Petroleo Ltda, Saipem Contracting Algérie SpA, Saipem Contracting (Nigeria) Ltd and Saipem India Projects Ltd.
A number of studies were also conducted during the period to define solutions geared towards achieving overall optimization and enhanced efficiency at country level.
A preliminary analysis was carried out on the Saipem Risk and Internal Control Management System (structures, processes, models, etc.) with the aim of identifying potential areas of optimization. Following the completion of the analysis, an initiative was launched to define and implement actions designed to improve the effectiveness of the system and to roll out its principles Group wide.
The ongoing effort to update the company's system of regulations and procedures saw the introduction and issue during the period of Management System Guidelines (MSG) concerning Procurement, Materials Management, Anticorruption, ICT, Human Resources, Taxes, Transactions Involving the Interests of Directors and Statutory Auditors and Transactions with Related Parties.
Saipem places special importance on the **development** of human resources and the period saw a concrete demonstration of this commitment with the consolidation of the People Strategy and the Employee Value Proposition and the subsequent publication of the new material. Currently, the section of the Saipem internet site dealing with Recruiting is being updated to ensure its content is in line with the Employee Value Proposition.
The new provisions of the Corporate Governance Code led during the half year period to the creation of a Compensation and Nomination Committee and the introduction of new rules concerning the method used to define Succession Plans for top management and other strategic positions within the company.
The roll-out of 'Self Service' style tools continued during the period with the ultimate goal of facilitating human resource management in the Saipem Group. Specifically, as part of an overhaul of the human resources management application GHRS, a series of enhancements are being implemented with the aim of integrating and computerizing all of the human resource management processes, thus rendering employees and managers active participants in terms of the management and sharing of HR data and the creation of challenging training and development programs tailored to suit individual requirements.
Market trends and global economic conditions during the first half of the year dictated a cautious, differentiated approach to the definition of **compensation** policies. Accordingly, the current short-term monetary incentive scheme linked to individual performance and the long-term monetary scheme linked to the company's performance in the long term were confirmed during the period for all Italian and international managerial resources.
Individual annual monetary incentives, which were based on actual 2011 management performance, were paid out in March to 216 Italian senior managers, representing 72% of the total, with a total cost outlay of € 7,224,500 (22.34% of total compensation at January 1, 2012). The new targets for 2012 for the same population of senior managers were also defined.
To ensure high levels of market competitiveness and at the same time maintain a level of excellence, Saipem's **selection** activities are oriented towards identifying personnel offering extensive, relevant professional experience and capabilities. However, Saipem has also developed a series of initiatives involving, on the one hand, employer branding schemes aimed at leading Italian universities and, on the other, the country's top technical institutes, with a view to developing and fostering these

Year			First half	
2011		(units)	Average workforce 2011	**Average workforce 2012**
13,336	Offshore Engineering & Construction		13,557	**13,632**
16,242	Onshore Engineering & Construction		15,798	**16,280**
1,655	Offshore Drilling		1,592	**2,213**
5,823	Onshore Drilling		5,685	**6,679**
3,332	Staff positions		3,309	**2,611**
40,388	**Total**		**39,941**	**41,415**
7,204	Italian personnel		7,115	**7,365**
33,184	Other nationalities		32,826	**34,050**
40,388	**Total**		**39,941**	**41,415**
6,222	Italian personnel under open-ended contract		6,161	**6,350**
982	Italian personnel under fixed-term contract		954	**1,015**
7,204	**Total**		**7,115**	**7,365**

Dec. 31, 2011		(units)	June 30, 2011	**June 30, 2012**
7,355	Number of engineers		7,632	**7,362**
40,830	Number of employees		40,468	**41,785**

capabilities, which can be difficult to locate on the market. Taking its cue from developments in the worlds of industry and education, Saipem aims to build lasting relations with Italy's technical institutes in order to strengthen its image, cultivate an awareness of its business activities and enhance its ability to attract young school leavers and influence their training paths.
In this connection, an intensive technical/professional training programme aimed at young school leavers and designed to develop and consolidate the capabilities required to fill a series of roles that are critical to Saipem's business was held again during the period.
With regard to overseas employees, **local content** initiatives are currently being implemented in Kazakhstan and Saudi Arabia with the aim of increasing the use of local resources in technical roles in the offshore and drilling sectors. In particular, in Saudi Arabia, an agreement was reached with the local government whereby Saipem will act as the partner of a local school whose aim is to train up resources to fill key drilling roles. Meanwhile, selection and recruitment initiatives were implemented in Angola (definition of training plans within a Saipem training centre for fabrication) and for the Karimun Yard (monitoring of the labour market in the island and the surrounding area) to develop and support the growth of local resources to fill critical roles.
These included the creation of technical and professional training programmes.
Saipem reaffirmed its strong interest in Brazil and Canada. Business development activities were accompanied by an intensification of employer branding and resource attraction, retention and engagement initiatives, with the aim of increasing awareness of the Saipem Group. As part of a restructuring plan designed to achieve a balanced mix between youth and seniority, and local and expat personnel, partnerships have been entered into with universities and technical institutes to create fast tracks for young qualified school leavers and graduates.
Training activities carried out during the period, which were characterised by the growing concern for **law compliance** and the application of the Internal Control Model, mostly regarded the dissemination of the Model at all hierarchical levels in Italy and abroad.
Finally, e-learning courses were organised in connection with Legislative Decree 231/2001 and Security issues. The training initiatives for the members of the Compliance Committee of subsidiaries also continued during the period, as did those for Employers, Safety Managers, Safety Supervisors and Officers regarding the new work safety legislation introduced under Legislative Decree No. 81/2008.
An internationally oriented programme on Business Leadership aimed at a number of critical roles, such as Project Director and Area Manager, was successfully reorganized in conjunction with Eni Corporate University and various other Eni Group companies.
A series of workshops for the engineering professional family as well as personalized courses aimed at senior and middle managers have been launched in order to respond to a need for innovation and cost control in relation to design activities and also with a view to developing resource leadership, communication, management and development skills.
In **communication**, in order to achieve increased employee participation and line involvement in HR processes, an HR pilot project called GHRS OSA One Step Ahead was launched in Italy with the aim of developing a portal with value-added services and functionalities to support HR processes. As a result of the project, an increased level of standardization of processes has been achieved globally, leading also to improved efficiency, effectiveness and data control.
Finally, recognizing the importance of securing employee loyalty at the earliest possible stage, Saipem has commenced work on the design of a Welcome Kit intended to introduce new hires to the business and to facilitate their arrival and induction within the company.

Information technology

Information, Communication, Technologies

The first half of 2012 saw a consolidation of the results achieved through the changes initiatives Saipem has implemented on the company's central information systems in recent years.
The long term change plan for SAP R/3 was completed during the period and the functionalities offered by release 6.0 – Material Ledger in particular – are currently being rolled out at Group companies. In addition, the roll out of SAP was commenced at Saipem do Brasil Serviçõs de Petroleo Ltda (in response to the growing importance of the company's business initiatives in Brazil) and at Saipem Drilling Norway AS. Both activities are scheduled for completion in the second half of 2012. The roll out in Brazil includes the introduction of new components for managing the complex local tax system.
The roll-out of Material Ledger also impacts upon Spectec's AMOS asset maintenance management system. The final phase of the plan for the centralization and unification of the AMOS databases is currently underway and should be completed in October 2012. When finished, this will make maintenance of the application environment much simpler in future.
The partnership with Oracle Corp in the HR area relating to the Peoplesoft application GHRS continued with success during the period, while the initiatives launched in 2011 as part of the OSA (One Step Ahead) project produced their first releases in the first half of 2012. The new functionalities due for release are designed to render the application environment more useable for both line management and personnel alike through the deployment of a self-service style approach.
The roll out of the Saipem-developed international payroll solution continued apace with the payrolls of Saipem companies in Luxembourg, Saudi Arabia, Algeria, India and Singapore being completed during the first half of 2012. Meanwhile, the payrolls in Nigeria, Switzerland, Egypt and the STAR consortium in Saudi Arabia are currently in the analysis phase and are expected be completed during the second half year of 2012. Development and maintenance of the software has been offshored to Saipem India Projects Ltd in Chennai.
The steady improvement registered in the quality of HR data available in GHRS has facilitated the introduction of the workload management system. The initiative has been a broad success and now provides coverage of all operating areas, in terms of business demand and HR capacity, corresponding to a total of over thirty thousand managed resources, including the offshore E&C, ROV and drilling vessels, fabrication and construction professional families. In addition, the application's reporting functionalities are due to be enhanced with the introduction of a management dashboard accessible through the web and on tablet and mobile devices which is scheduled to be released during the beginning of the second half of 2012 in the datawarehouse,
ICT business support activities during the period were focused on the adoption of innovative tools targeted at increasing the efficiency and quality of engineering design and construction. Through partnerships with major suppliers of software solutions, such as Aveva, Bentley, and Intergraph, Saipem is continuing with its strategy of reducing customisations in favour of the adoption, where possible, of standard platforms enhanced on the basis of a continuous dialogue between the suppliers' development centres and Saipem experts. The support provided on the Shah Gas project on the one hand required a significant effort to ensure the effective implementation of the new 3D modelling tool SmartPlant 3D but on the other represented an opportunity to develop and implement new data quality control procedures.
As regards IT infrastructure, the period saw the ongoing consolidation of the saipem.com domain and the roll out of the WIE (Windows Infrastructure Evolution) project to take advantage of the benefits deriving from the functionalities offered by the new Microsoft platforms. The project related to the structural elements of the new distributed Microsoft architecture, which saw the implementation of the 'single forest model', is at an advanced stage. Distribution of the new software was started and completed for a first group of sites, which included a number of vessels, in conjunction with a more time-consuming roll out to the main Italian and French sites, which will be completed in 2012.
Finally, in relation to governance activities and compliance and security processes, analysis of company data (and the risks associated with their processing) is under way and should be completed in 2012. This approach is combined with a cutting-edge use of IT security technologies and is designed to mitigate the security risks associated with data processing by the company information systems.

Risk management

Saipem implements and maintains an adequate system of internal controls and risk management which consists of the instruments, organizational structures and company regulations designed to safeguard company assets and to ensure the effectiveness and efficiency of company processes, reliable financial reporting, and compliance with all laws and regulations, the Articles of Association and company procedures. The structure of the internal control system of Saipem, which constitutes an integral part of the Organizational and Management Model of the Company, which assigns specific roles to the Company's management bodies, compliance committees, control bodies, Company management and all personnel, is based on the principles contained in the Code of Ethics and the Corporate Governance Code, takings into account the applicable legislation, the 'Internal Control - Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO) and national and international[1] best practices.
Additional information on the internal control system and risk management, including details concerning its architecture, instruments and design, as well as the roles, responsibilities and duties of its key actors, is contained in the Corporate Governance Report and Shareholding Structure document.
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 the sources of funding required to meet the Group's short term financial obligations 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 in both the bid and operating phases.
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 standard evaluation and 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.

(1) See CoSO - Committee of Sponsoring of the Treadway Commission (1992), Internal Control - Integrated Framework.

An exchange rate sensitivity analysis was performed for those currencies other than euro for which exchange risk exposure in the first half of 2012 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 -€88 million (-€113 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects, of -€489 million (-€364 million at December 31, 2011).
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 €42 million (€76 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects, of €433 million (€311 million at December 31, 2011).
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 standard evaluation and 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:
- 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 -€2 million (-€6 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects of -€2 million (-€6 million at December 31, 2011). A negative variation in interest rates would have produced an overall effect on pre tax profit of €2 million (€6 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects of €2 million (€6 million at December 31, 2011).
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.
As regards commodity price risk management, derivative instruments on commodities are entered into by Saipem to hedge underlying contractual commitments. Hedge transactions may

also be entered into in relation to future underlying contractual commitments, provided these are highly probable.
Such derivatives are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market standard evaluation and 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 net profit (€ 1 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects, of € 1 million (€ 3 million at December 31, 2011). A 10% negative variation in the underlying rates would have produced no significant effect on net profit (-€ 1 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects, of -€ 1 million (-€ 3 million at December 31, 2011).
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 in compliance with the centralised treasury model of Eni.
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, 2012, 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.
As at June 30, 2012, Saipem maintained unused borrowing facilities of € 1,485 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)	2013 (*)	2014	2015	2016	After	Total
Long-term debt	1,175	476	1,430	277	450	3,808
Short-term debt	1,438	-	-	-	-	1,438
Derivative liabilities	300	17	6	-	-	323
	2,913	**493**	**1,436**	**277**	**450**	**5,569**
Interest on debt	104	56	40	25	38	263

(*) Includes the second half of 2012.

Trade and other payables

(€ million)	2013 (*)	2013-2015	After	Total
	Maturity			
Trade payables	3,006	-	-	3,006
Other payables and advances	2,338	2	-	2,340

(*) Includes the second half of 2012.

Outstanding contractual obligations

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.

(€ million)	2013 (*)	2014	2015	2016	After	Total
	Maturity					
Non-cancellable operating leases	143	52	45	43	93	376

(*) Includes the second half of 2012.

The operating leases mainly relate to office buildings, long-term time charters and land.
The table below summarises Saipem's capital expenditure commitments for property, plant and equipment and capital projects for which procurement contracts will normally have been entered into.

(€ million)	2012	2013
	Maturity	
Committed on major projects	74	-
Other committed projects	94	-
	168	**-**

HSE (Health, Safety & Environment) risk

Saipem's business activities conducted both in and outside 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 an 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 component in plant 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, consisting of an annual cycle of planning, implementation, control, review of results and definition of new objectives. The system is aimed at achieving risk prevention and the systematic monitoring and control of HSE performance in a cycle of continuous improvement and is subjected to audit by internal and independent experts. Saipem's facilities are certified to international standards such as ISO 14001, OHSAS 18001 and even EMAS. Saipem also provides an advanced program of training and development for HSE staff with the aim of:

- promoting conduct consistent with the applicable guidelines;
- guiding HSE-related cultural, professional and managerial growth of all personnel;
- 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 unstable. 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 (where possible incompliance with Saipem corporate policy) to be taken at an organisational or management level 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.

To manage the specific security risks to which it is exposed in the countries where it operates, Saipem has adopted a structured model known as Secur, based on the criteria of prevention, precaution, protection, information, promotion and participation. The aim is to protect the safety of employees, contractors and the public, as well as the integrity of assets and brand reputation. Secur's actions are concretised in the creation of a comprehensive security management system, understood as an organisational, legal and procedural tool to prevent and handle the consequences of security related events. It is targeted at the management of risk deriving from the unlawful acts of physical or juridical persons who expose the company and its assets, people and image to potential damage.

Project risk

The main objectives of the Operational Risk and Opportunity and Knowledge Management department are to:

- promote the use of the Risk Management methodology for tenders and in the execution phase of projects managed by Business Units 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 so that Management can 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 during business activities and contributing also to improved management of contingencies;
- provide advice, support and guidelines to the Business Units and projects in identifying and evaluating risks and opportunities and in all activities related to the implementation of mitigation and improvement measures for risk management and the optimisation of opportunities respectively;
- 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 the protection of Saipem's intellectual property rights by monitoring the processes connected with the creation and filing of patents and the identification of distinct know-how that is to be protected, and by promoting the sharing and centralized collection of a corpus of Saipem's intellectual property rights;
- 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 programme. 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

The Corporate insurance program is structured with an initial band of risk that is self-insured through a captive reinsurance company, with amounts in excess covered by a catastrophic insurance program taken out on the insurance market.
The catastrophic insurance programme 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 $5.6 billion (with a sublimit for pollution of US $1 billion) for events occurring during transit, up to US $300 million for events occurring during offshore drilling operations and up to US $500 million for events occurring during offshore construction 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.

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. Sigurd Rück AG in turn carries out risk mitigation by re-insuring its portfolio on primary securities markets.

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, 2012, the share capital amounted to €441,410,900. On the same day, the number of shares in circulation was 439,151,953. No treasury shares were purchased on the market during the first half of the year.

Consob 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 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, 2012, the following thirteen Saipem subsidiaries fell within the scope of application of the regulation in question, namely:

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

Procedures designed to ensure full compliance with Article 36 have already been adopted.

Under the Regulatory Compliance Plan for 2012, internal control systems satisfying the requirements of Article 36 will be implemented in the following companies:

- Saipem Offshore Norway AS;
- Saipem Drilling Norway AS.

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 13, 2012, ascertained that the Company satisfies the conditions set out in paragraph 1 of 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 meeting on March 13, 2012 also verified that the composition of the Board itself, as appointed by the Shareholders' Meeting of May 4, 2011, and of its internal Committees, was in accordance with letter d), paragraph 1 of Article 37. The Board is in fact made up of a majority of independent directors and the Committees (the Compensation and Nomination Committee and the Audit and Risk 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 43 to the condensed consolidated interim financial statements.

Transactions with the parent company and companies subject to Saipem's direction and coordination

Saipem SpA 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 43 'Transactions with related parties' in the notes to the condensed consolidated interim financial statements.

Events subsequent to period end

New contracts

In July 2012, Saipem was awarded new contracts amounting to a total of approximately US $1,000 million, relating mainly to Onshore Drilling and Offshore Engineering & Construction activities. The contracts in question were reported in the press releases of July 24 and 26.

Outlook

Oil industry spending is still expected to increase compared with 2011, although weak gas demand in the Euro zone has caused postponements on a number of important development projects and transport infrastructure projects intended to serve the European market. The economic recession, coupled with problems connected with the finance system in a number of European countries is creating a climate of uncertainty with regard to the future outlook of the global economy and this is having an impact on the timeframes for the approval and commencement of many initiatives planned by Oil Companies. That said, a number of projects in Nigeria, Angola, Brazil, the Middle East and South East Asia still appear set to receive the green light during the second half of the year, with Saipem standing a good chance of benefiting from its competitive position in many of these areas.
Although overall there is a situation of growing uncertainty with regard to future market prospects, the Company's backlog of orders and its results for the first half of 2012 mean it is able to confirm its initial guidance for 2012, i.e. revenues of approximately € 13 billion, EBIT of approximately € 1.6 billion and net profit of around € 1 billion. Investments are now expected to reach approximately € 1 billion. The increase of € 100 million compared with last year's guidance is related to three rigs for Saudi Aramco, the expansion of the Edmonton yard in Canada and the effect of the appreciation of the US dollar against the euro.

Committees of the Board of Directors

In compliance with the provisions of the new Corporate Governance Code for listed companies, the Board of Directors has resolved to form:
- the Compensation and Nomination Committee: the existing Compensation and Nomination Committee will thus take on consultative and advisory functions vis-à-vis the Board of Directors with regard to appointments;
- the Audit and Risk Committee, replacing the Audit Committee, which has the task of provide support to the Board in connection with issues regarding the internal control and risk management system.

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;
- total liabilities and shareholders' equity: 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 flow statement to statutory schemes

Reclassified balance sheet

(€ million)	Dec. 31, 2011		June 30, 2012	
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		8,024		**8,289**
Note 7 - Property, plant and equipment	*8,024*		***8,289***	
B) Net intangible assets		752		**753**
Note 8 - Intangible assets	*752*		***753***	
C) Investments		102		**107**
Note 9 - Investments accounted for using the equity method	*109*		***114***	
Note 10 - Other investments	*1*		***1***	
Reclassified from E) - provisions for losses related to investments	*(8)*		***(8)***	
D) Working capital		(462)		**133**
Note 2 - Trade and other receivables	*3,504*		***3,329***	
Reclassified to I) - financing receivables not related to operations	*(75)*		***(74)***	
Note 3 - Inventories	*1,353*		***2,215***	
Note 4 - Current tax assets	*78*		***53***	
Note 5 - Other current tax assets	*256*		***291***	
Note 6 - Other current assets	*498*		***271***	
Note 11 - Other financial assets	*2*		***1***	
Reclassified to I) - financing receivables not related to operations	*(2)*		***(1)***	
Note 12 - Deferred tax assets	*100*		***88***	
Note 13 - Other non-current assets	*146*		***151***	
Note 15 - Trade and other payables	*(5,341)*		***(5,344)***	
Note 16 - Income tax payables	*(244)*		***(292)***	
Note 17 - Other current tax liabilities	*(150)*		***(109)***	
Note 18 - Other current liabilities	*(506)*		***(341)***	
Note 22 - Deferred tax liabilities	*(79)*		***(70)***	
Note 23 - Other non-current liabilities	*(2)*		***(35)***	
E) Provisions for contingencies		(201)		**(184)**
Note 20 - Provisions for contingencies	*(209)*		***(192)***	
Reclassified to C) - provisions for losses related to investments	*8*		***8***	
F) Employee termination benefits		(200)		**(210)**
Note 21 - Provisions for employee benefits	*(200)*		***(210)***	
CAPITAL EMPLOYED, NET		**8,015**		**8,888**
G) Shareholders' equity		4,709		**4,819**
Note 25 - Saipem shareholders' equity	*4,709*		***4,819***	
H) Minority interest		114		**134**
Note 24 - Minority interest	*114*		***134***	
I) Net borrowings		3,192		**3,935**
Note 1 - Cash and cash equivalents	*(1,029)*		***(1,236)***	
Note 14 - Short-term debt	*956*		***1,438***	
Note 19 - Long-term debt	*2,576*		***3,007***	
Note 19 - Current portion of long-term debt	*766*		***801***	
Reclassified from D) - financing receivables held for non-operating purposes (note 2)	*(75)*		***(74)***	
Reclassified from D) - financing receivables held for non-operating purposes (note 11)	*(2)*		***(1)***	
FUNDING		**8,015**		**8,888**

Reclassified income statement

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

- other income and revenues (€ 6 million) relating to reimbursements for services that are not part of core operations (€ 4 million), compensation for damages (€ 1 million) and gains on disposals of assets (€ 1 million), which are indicated in the statutory scheme under the item 'other income and revenues', have been recorded as reductions to the corresponding cost items in the reclassified income statement;
- the items 'financial income' (€ 155 million), 'financial expenses' (-€ 218 million) and 'derivatives' (-€ 17 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€ 80 million) in the reclassified income statement;
- the items 'effect of accounting using the equity method' (€ 4 million) and 'other income (expenses) from investments' (€ 1 million), which are indicated separately under the statutory scheme, are stated net under the item 'net income from investments' (€ 5 million) of the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

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

- the items 'depreciation and amortisation' (€ 324 million), 'net impairment of tangible and intangible assets' (€ 21 million), 'change in the provision for employee benefits' (€ 10 million), 'other changes' (-€ 8 million) and 'effect of accounting using the equity method' (-€ 4 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' (€ 343 million);
- the items 'income taxes' (€ 199 million), 'interest expense' (€ 55 million) and 'interest income' (-€ 5 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' (€ 249 million);
- the items regarding changes in 'inventories' (-€ 850 million), 'other assets and liabilities' (-€ 255 million), 'provisions for contingencies' (-€ 17 million), 'trade receivables' (€ 301 million) and 'trade payables' (€ 44 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 related to operations' (-€ 777 million);
- the items 'interest received' (€ 3 million), 'dividends received' (€ 1 million), 'income taxes paid net of refunds of tax credits' (-€ 109 million) and 'interest paid' (-€ 55 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' (-€ 160 million);
- the items relating to investments in 'intangible assets' (-€ 5 million) and 'tangible assets' (-€ 543 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€ 548 million);
- the items relating to disposals of 'tangible assets' (€ 2 million) and 'consolidated subsidiaries and businesses and shareholdings' (-€ 8 million), indicated separately and included in cash flow from disposals in the statutory scheme, are shown net under the item 'disposals' (-€ 6 million);
- the items 'financing receivables' (-€ 2 million) and disposals of 'financing receivables' (€ 7 million), indicated separately and included in cash flow used in investing activities in the statutory scheme, are shown under the item 'borrowings (repayment) of debt related to financing activities' (€ 5 million);
- the items 'proceeds from long-term debt' (€ 478 million), 'repayments of long-term debt' (-€ 53 million) and 'increase (decrease) in short-term debt' (€ 481 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' (€ 906 million).

All other items are unchanged.

Condensed Consolidated Interim Financial Statements

Financial statements

Balance sheet

(€ million)

June 30, 2011		Note	Dec. 31, 2011 Total	Dec. 31, 2011 *of which with related parties*	June 30, 2012 Total	June 30, 2012 *of which with related parties*
	ASSETS					
	Current assets					
882	Cash and cash equivalents	(1)	1,029	572	1,236	617
3,458	Trade and other receivables	(2)	3,504	880	3,329	801
1,392	Inventories	(3)	1,353		2,215	
51	Current tax assets	(4)	78		53	
251	Other current tax assets	(5)	256		291	
362	Other current assets	(6)	498	240	271	105
6,396	**Total current assets**		**6,718**		**7,395**	
	Non-current assets					
7,482	Property, plant and equipment	(7)	8,024		8,289	
756	Intangible assets	(8)	752		753	
116	Investments accounted for using the equity method	(9)	109		114	
2	Other investments	(10)	1		1	
3	Other financial assets	(11)	2		1	
92	Deferred tax assets	(12)	100		88	
37	Other non-current assets	(13)	146		151	
8,488	**Total non-current assets**		**9,134**		**9,397**	
14,884	**TOTAL ASSETS**		**15,852**		**16,792**	
	LIABILITIES AND SHAREHOLDERS' EQUITY					
	Current liabilities					
1,274	Short-term debt	(14)	956	826	1,438	1,282
226	Current portion of long-term debt	(19)	766	765	801	800
5,182	Trade and other payables	(15)	5,341	246	5,344	186
196	Income tax payables	(16)	244		292	
89	Other current tax liabilities	(17)	150		109	
155	Other current liabilities	(18)	506	494	341	291
7,122	**Total current liabilities**		**7,963**		**8,325**	
	Non-current liabilities					
2,813	Long-term debt	(19)	2,576	2,376	3,007	2,807
179	Provisions for contingencies	(20)	209		192	
201	Provisions for employee benefits	(21)	200		210	
130	Deferred tax liabilities	(22)	79		70	
2	Other non-current liabilities	(23)	2	-	35	33
3,325	**Total non-current liabilities**		**3,066**		**3,514**	
10,447	**TOTAL LIABILITIES**		**11,029**		**11,839**	
	SHAREHOLDERS' EQUITY					
90	Minority interest	(24)	114		134	
4,347	Saipem's shareholders' equity:	(25)	4,709		4,819	
441	- share capital	(26)	441		441	
55	- share premium reserve	(27)	55		55	
160	- other reserves	(28)	23		(56)	
3,330	- retained earnings		3,342		3,956	
438	- net profit for the period		921		473	
(77)	- treasury shares	(29)	(73)		(50)	
4,437	**Total shareholders' equity**		**4,823**		**4,953**	
14,884	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**		**15,852**		**16,792**	

Income statement

(€ million)

Year 2011		Note	First half 2011 Total	First half 2011 *of which with related parties*	First half 2012 Total	First half 2012 *of which with related parties*
	REVENUES					
12,593	Net sales from operations	(32)	6,021	996	6,397	939
38	Other revenues and income	(33)	9	1	6	-
12,631	**Total revenues**		**6,030**		**6,403**	
	Operating expenses					
(8,749)	Purchases, services and other costs	(34)	(4,184)	(50)	(4,354)	(76)
(1,750)	Payroll and related costs	(35)	(833)		(942)	
(642)	Amortisation, depreciation and write-downs	(36)	(302)		(345)	
3	Other operating income (expense)		-	-	-	-
1,493	**OPERATING PROFIT**		**711**		**762**	
	Finance income (expense)					
524	Finance income		283	1	155	1
(586)	Finance expense		(366)	(39)	(218)	(49)
(71)	Derivatives		16	20	(17)	(16)
(133)	**Total finance income (expense)**	(37)	**(67)**		**(80)**	
	Income (expense) from investments					
16	Share of profit of equity-accounted investments		8		4	
3	Other gains from investments		-		1	
19	**Total income (expense) from investments**	(38)	**8**		**5**	
1,379	**PROFIT BEFORE INCOME TAXES**		**652**		**687**	
(392)	Income taxes	(39)	(183)		(199)	
987	**NET PROFIT**		**469**		**488**	
	Attributable to:					
921	- Saipem		438		473	
66	- minority interest	(40)	31		15	
	Earnings per share attributable to Saipem (€ per share)					
2.10	Basic earnings per share	(41)	1.00		1.08	
2.09	Diluted earnings per share	(41)	0.99		1.08	

Statement of comprehensive income

(€ million)	First half 2011	First half 2012
Net profit for the period	**469**	**488**
Other items of comprehensive income:		
- change in the fair value of cash flow hedging derivatives [1]	237	(129)
- exchange rate differences arising from the translation into euro of financial statements currencies other than euro	(75)	35
- share of other comprehensive income of investments accounted for using the equity method	-	2
- income tax relating to other items of comprehensive income	(55)	19
Other items of comprehensive income	**107**	**(73)**
Total comprehensive income for the period	**576**	**415**
Attributable to:		
- Saipem	552	396
- minority interest	24	19

(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	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 hedging derivatives net of the tax effect	-	-	-	-	-	182	-	-	-	-	182	-	182
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(68)	-	-	-	(68)	(7)	(75)
Total comprehensive income (loss) for the first half of 2011	**-**	**-**	**-**	**-**	**-**	**182**	**(68)**	**-**	**438**	**-**	**552**	**24**	**576**
Transactions with shareholders													
Dividend distribution in the first half of 2011	-	-	-	-	-	-	-	-	(276)	-	(276)	(21)	(297)
Retained earnings transfer to legal reserve	-	-	-	-	-	-	-	568	(568)	-	-	-	-
Treasury shares sale	-	-	-	-	-	-	-	-	-	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**
Net profit for the second half of 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**483**	**-**	**483**	**35**	**518**
Other items of comprehensive income													
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	(245)	-	-	-	-	(245)	-	(245)
Investments carried at fair value	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	108	-	-	-	108	12	120
Total comprehensive income (loss) for the first half of 2011	**-**	**-**	**-**	**-**	**-**	**(245)**	**108**	**(1)**	**483**	**-**	**345**	**47**	**392**
Transactions with shareholders													
Dividend distribution in the second half of 2011	-	-	-	-	-	-	-	-	-	-	-	(22)	(22)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares sale	-	-	-	-	-	-	-	-	-	4	4	-	4
Other changes in shareholders' equity													
Cost of stock options/grants	-	-	-	-	-	-	-	1	-	-	1	-	1
Transactions with companies under common control	-	-	-	-	-	-	-	4	-	-	4	-	4
Other changes	-	-	-	-	-	-	-	8	-	-	8	(1)	7
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**4**	**17**	**(23)**	**(6)**
Balance at December 31, 2011	**441**	**55**	**7**	**88**	**-**	**(60)**	**(12)**	**3,342**	**921**	**(73)**	**4,709**	**114**	**4,823**

cont'd **Statement of changes in shareholders' equity**

(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve	Cumulative currency translation differences	Retained earnings	Net profit for the period	Treasury shares	Total	Minority interest	Total shareholders' equity
	Saipem shareholders' equity												
Balance at December 31, 2011	**441**	**55**	**7**	**88**	**-**	**(60)**	**(12)**	**3,342**	**921**	**(73)**	**4,709**	**114**	**4,823**
Net profit for the first half of 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**473**	**-**	**473**	**15**	**488**
Other items of comprehensive income													
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	(110)	-	-	-	-	(110)	-	(110)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	31	-	-	-	31	4	35
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	2	-	-	2	-	2
Total comprehensive income (loss) for the first half of 2012	**-**	**-**	**-**	**-**	**-**	**(110)**	**31**	**2**	**473**	**-**	**396**	**19**	**415**
Transactions with shareholders													
Dividend distribution in the first half of 2012	-	-	-	-	-	-	-	-	(307)	-	(307)	-	(307)
Retained earnings	-	-	-	-	-	-	-	614	(614)	-	-	-	-
Treasury shares sale	-	-	-	-	-	-	-	-	-	22	22	-	22
Other changes in shareholders' equity													
Other changes	-	-	-	-	-	-	-	(2)	-	1	(1)	1	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**612**	**(921)**	**23**	**(286)**	**1**	**(285)**
Balance at June 30, 2012	**441**	**55**	**7**	**88**	**-**	**(170)**	**19**	**3,956**	**473**	**(50)**	**4,819**	**134**	**4,953**

Cash flows statement

(€ million)	Note	First half 2011	First half 2012
Net profit for the period		438	473
Minority interest		31	15
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation and amortisation	(36)	288	324
- net impairment of tangible and intangible assets	(36)	14	21
- share of profit (loss) of equity-accounted investments	(38)	(8)	(4)
- net (gains) losses on disposal of assets		3	-
- interest income		(3)	(5)
- interest expense		42	55
- income taxes	(39)	183	199
- other changes		18	(8)
Changes in working capital:			
- inventories		(631)	(850)
- trade receivables		887	301
- trade payables		34	44
- provisions for contingencies		15	(17)
- other assets and liabilities		(504)	(255)
Cash flow from working capital		*807*	*293*
Change in the provision for employee benefits		11	10
Dividends received		-	1
Interest received		4	3
Interest paid		(53)	(55)
Income taxes paid net of refunds of tax credits		(113)	(109)
Net cash provided by operating activities		**656**	**143**
of which with related parties	(43)	*1,152*	*818*
Investing activities:			
- tangible assets	(7)	(559)	(543)
- intangible assets	(8)	(2)	(5)
- investments	(9)	-	-
- consolidated subsidiaries and businesses		-	-
- financing receivables		(13)	(2)
Cash flow from investments		*(574)*	*(550)*
Disposals:			
- tangible assets		-	2
- consolidated subsidiaries and businesses		-	(8)
- investments		-	-
- securities		-	-
- financing receivables		3	7
Cash flow from disposals		*3*	*1*
Net cash used in investing activities [1]		**(571)**	**(549)**
of which with related parties	(43)	-	-

Cash flows statement cont'd

(€ million)	Note	First half 2011	First half 2012
Proceeds from long-term debt		285	478
Repayments of long-term debt		(379)	(53)
Increase (decrease) in short-term debt		284	481
		190	**906**
Dividend paid		(297)	(329)
Sale of treasury shares		7	22
Net cash flow from financing		**(100)**	**599**
of which with related parties	(43)	*139*	*922*
Effect of changes in consolidation		(3)	-
Effect of exchange rate changes and other changes on cash and cash equivalents		(30)	14
Net cash flow for the period		**(48)**	**207**
Cash and cash equivalents - beginning of period	(1)	**930**	**1,029**
Cash and cash equivalents - end of period	(1)	**882**	**1,236**

(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'.
The cash flows of such investments were as follows:

(€ million)	First half 2011	First half 2012
Financing investments:		
- financing receivables	(13)	(1)
	(13)	**(1)**
Disposal of financing investments:		
- securities	-	-
- financing receivables	3	6
	3	**6**
Net cash flows from financing activities	**(10)**	**5**

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.
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 balance sheet date.
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, 2012, approved by Saipem's Board of Directors on July 30, 2012, 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 caption 'Cumulative currency translation differences' for the portion relating to the Group's share 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 translated into euros are those denominated in the functional currency, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.

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

Currency	Exchange rate at Dec. 31, 2011	Exchange rate at June 30, 2012	2012 average exchange rate
US Dollar	1.2939	1.259	1.29647
British Pound Sterling	0.8353	0.8068	0.82252
Algerian Dinar	97.466	99.806	97.7057
Angolan Kwanza	122.618	120.058	123.39
Argentine Peso	5.56769	5.6432	5.69097
Australian Dollar	1.2723	1.2339	1.25586
Azerbaijan Manat	1.01749	0.987811	1.01855
Brazilian Real	2.4159	2.5788	2.41443
Canadian Dollar	1.3215	1.2871	1.30403
Croatian Kuna	7.537	7.5178	7.54278
Dominican Peso	50.0217	49.1992	50.5329
Egyptian Pound	7.80328	7.62765	7.83008
Indian Rupee	68.713	70.12	67.5963
Indonesian Rupee	11,731.5	11,878.5	11,916.9
Malaysian Ringgit	4.1055	3.996	4.00224
Nigerian Naira	208.165	205.224	206.558
Norwegian Kroner	7.754	7.533	7.57286
Peruvian New Sol	3.48747	3.35398	3.4677
Qatari Riyal	4.71164	4.58387	4.72047
Romanian New Leu	4.3233	4.4513	4.39041
Russian Rouble	41.765	41.37	39.7093
Saudi Arabian Riyal	4.85236	4.72157	4.8621
Singapore Dollar	1.6819	1.5974	1.63908
Swiss Franc	1.2156	1.203	1.20483
UAE Dirham	4.75237	4.6243	4.7619

Use of accounting estimates

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

Recent accounting principles

With regard to recent accounting principles, in addition to the information provided in the Annual Report, during the first half of 2012 the IASB issued the following accounting standards, which have not yet been endorsed by the European Union.

On June 28, 2012, the IASB published 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)', which clarifies and simplifies the transition requirements in IFRS 10, IFRS 11 and IFRS 12. The amendments shall be applied for annual periods beginning on or after January 1, 2013.

On May 17, 2012, the IASB published 'Annual Improvements to IFRSs 2009-2011 Cycle', which essentially consists of changes of a technical and editorial nature to existing standards. The amendments shall be applied for annual periods beginning on or after January 1, 2013.

Saipem is currently reviewing these new standards to determine their likely impact on the Group's results if adopted.

Scope of consolidation at June 30, 2012

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	42.91 0.51 56.58		

Controlled companies

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	51.00	Co.
Servizi Energia Italia SpA	San Donato Milanese	EUR	291,000	Saipem 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

Andromeda Consultoria Tecnica e Rapresentações Ltda	Rio de Janeiro (Brazil)	BRL	5,494,210	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	20,000	Saipem sa	100.00	100.00	Co.
BOS-UIE Ltd (**)	New Malden - Surrey (United Kingdom)	GBP	19,998	BOS Investment Ltd	100.00	100.00	Co.
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	50.00	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	55.00	E.M.
Medsai SAS	Montigny le Bretonneux (France)	EUR	37,000	Saipem 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.

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	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	50.00	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 International BV Third parties	60.00 40.00	60.00	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	232,438,000	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 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	1,805,300	Saipem International BV Third parties	99.90 0.10	99.90	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 Serviçõs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	345,081,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Co Pvt Ltd	Mumbai (India)	INR	50,273,400	Saipem International BV Saipem sa	49.73 50.27	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	90,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	50,000,000	Saipem International BV Third parties	51.00 49.00	51.00	E.M.
Saipem India Project Ltd	Chennai (India)	INR	407,000,000	Saipem 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.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saipem Ingenieria y Construcciones S.L.U.	Madrid (Spain)	EUR	40,000	Saipem International BV	100.00	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 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	378,000	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 AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	110,000	Saipem SpA	100.00	100.00	F.C.
Saipem Qatar Llc	Doha (Qatar)	QAR	2,000,000	Saipem International BV Third parties	49.00 51.00	49.00	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.
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.
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.
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.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Snamprogetti Ltd	Basingstoke (United Kingdom)	GBP	9,900	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV	99.00	99.00	F.C.
				Third parties	1.00		
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	99.00	100.00	F.C.
				Saipem International BV	1.00		
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV	95.00	100.00	F.C.
				Snamprogetti Netherlands BV	5.00		
Sofresid Engineering sa	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid sa	99.99	100.00	F.C.
				Third parties	0.01		
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.
TBE Ltd (**)	Damietta (Egypt)	EGP	50,000	Saipem sa	70.00	70.00	E.M.
				Third parties	30.00		
Terminal Portuàrio do Guarujá SA	Guarujá - San Paolo (Brazil)	BRL	31,757,206	Saipem do Brasil Serviçõs de Petroleo Ltda	100.00	100.00	F.C.
Varisal - Serviços de Consultadoria e Marketing, Unipessoal Lda	Funchal (Portugal)	EUR	500,000	Saipem International BV	100.00	100.00	F.C.

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

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	52.00	E.M.
Consorzio F.S.B.	Venice	EUR	15,000	Saipem SpA Third parties	28.00 72.00	28.00	Co.
Consorzio Libya Green Way (***)	San Donato Milanese	EUR	100,000	Saipem SpA Third parties	26.50 73.50	26.50	E.M.
Milano-Brescia-Verona Scarl	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	52.00 48.00	52.00	E.M.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	P.C.
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	San Donato Milanese	EUR	1,000	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	E.M.
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	20.00	E.M.
SP - TKP Fertilizer Srl (**)	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	50.00 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	50.00	E.M.
Bonny Project Management Co Ltd	Greenford (United Kingdom)	GBP	1,000	LNG - Serviços e Gestão de Projectos Lda	100.00	25.00	E.M.
Charville - Consultores e Serviços, Lda	Funchal (Portugal)	EUR	5,000	Saipem International BV 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	20.00	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	20.00	E.M.
FPSO Mystras (Nigeria) Ltd (***)	Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras - Produção de Petròleo Lda	100.00	50.00	E.M.
FPSO Mystras - Produção de Petròleo, Lda	Funchal (Portugal)	EUR	50,000	Saipem International BV 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	40.00	E.M.
LNG - Serviços e Gestão de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
ODE North Africa Llc	Maadi - Cairo (Egypt)	EGP	100,000	Offshore Design Engineering Ltd	100.00	50.00	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	32.50	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 Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	40,000,000	Saipem International BV Third parties	40.00 60.00	40.00	E.M.
Saipon snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem sa Third parties	60.00 40.00	60.00	P.C.
Sairus Llc	Krasnodar (Russian Federation)	RUB	1,603,800	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Servicios de Construçiones Caucedo sa (**)	Santo Domingo (Dominican Republic)	DOP	100,000	Saipem sa Third parties	49.70 50.30	49.70	E.M.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Medsai SAS Third parties	33.33 66.67	33.33	P.C.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV 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	49.00	E.M.
T.P.C.I. Angola Tecnoprojecto Internacional sa	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
Tchad Cameroon Maintenance BV	Rotterdam (Netherlands)	EUR	18,000	Saipem sa Third parties	40.00 60.00	40.00	E.M.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem sa Third parties	42.50 57.50	42.50	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 (*)
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	25.00	E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00	25.00	E.M.
TSKJ - Serviços de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.

The Saipem Group comprises 120 companies: 61 are consolidated using the full consolidation method, 21 with the proportionate consolidation method, 34 with the equity method and 4 with the cost method.
At June 30, 2012, the companies of Saipem SpA can be broken down as follows:

	Controlled companies			Associated and jointly controlled companies		
	Italy	**Outside Italy**	**Total**	**Italy**	**Outside Italy**	**Total**
Subsidiaries and their participating interests	**2**	**59**	**61**	**4**	**17**	**21**
Companies consolidated using the full consolidation method	2	59	61	-	-	-
Companies consolidated using the proportional method	-	-	-	4	17	21
Participating interests held by consolidated companies (1)	**1**	**12**	**13**	**7**	**18**	**25**
Accounted for using the equity method	-	10	10	6	18	24
Accounted for using the cost method	1	2	3	1	-	1
Total companies	**3**	**71**	**74**	**11**	**35**	**46**

(1) The participating interests held by controlled companies accounted for using the equity method and the cost method concern insignificant subsidiaries and subsidiaries whose consolidation does not produce significant effects.

(*) 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 2012 with respect to the consolidated financial statements at December 31, 2011.
Changes are detailed below in order of occurrence.

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

- **BOS Investment Ltd** (in liquidation), previously consolidated using the full consolidation method, was consolidated using the cost method pending its removal from the Register of Companies;
- **BOS-UIE Ltd** (in liquidation), previously consolidated using the full consolidation method, was consolidated using the cost method pending its removal from the Register of Companies;
- **Saipem Energy Services SpA**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem SpA;
- **Snamprogetti Management Services SA** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Caspian Barge Builders Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem East Africa Ltd**, with registered offices in Uganda, was incorporated and is accounted for using the equity method;
- **Saipem Drilling Norway AS**, with registered offices in Norway, was incorporated and is accounted for using the full consolidation method;
- **Sairus Llc**, previously consolidated using the full consolidation method, was consolidated using the proportionate method following the sale of a 50% ownership interest to third parties;
- **Nigetecsa Free Zone Enterprise**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Engineering Nigeria Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Shipping & Maritime Services Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Logistics Services Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Star Gulf Free Zone Co**, previously consolidated using the full consolidation method, was sold to third parties;
- **BOS Shelf Ltd Society**, previously consolidated using the proportionate method, is now owned by third parties, following the sale of Star Gulf Free Zone Co;
- **TZS Llc (NV)**, previously consolidated using the proportionate method, was removed;
- **TZS Llc (TX)**, previously consolidated using the proportionate method, was removed;
- **Tecnip-Zachry-Saipem LNG Lp**, previously consolidated using the proportionate method, was removed.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation

- **Servizi Energia Italia SpA**, consolidated using the full consolidation method, is now fully owned by Saipem SpA following this latter's absorption of Saipem Energy Services SpA;
- **Consorzio F.S.B.**, consolidated using the cost method, is now owned by Saipem SpA following this latter's absorption of Saipem Energy Services SpA.

Changes in functional currencies

- **Global Petroprojects Services AG** changed its functional currency from the Swiss Franc to the euro, beginning January 1, 2012;
- **Saipem Offshore Norway AS** changed its functional currency from the Norwegian Kroner to the euro, beginning April 1, 2012.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to € 1,236 million, showing an increase of € 207 million compared with December 31, 2011 (€ 1,029 million).
Cash and equivalents at period-end, 43% of which are denominated in euro, 34% in US dollars and 23% in other currencies, received an average interest rate of 0.595%. € 617 million thereof (€ 572 million at December 31, 2011) are on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of € 6 million (€ 7 million at December 31, 2011).
Funds in three current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to € 30.7 million at June 30, 2012) have been temporarily frozen since February 2010 in connection with an investigation being conducted into third parties.
In June 2012, the subsidiary Saipem sa deposited the equivalent of € 10.7 million in an escrow account pending the resolution of a dispute with a client.
The breakdown of cash and cash equivalents of Saipem SpA and other Group companies at June 30, 2012 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Italy	72	195
Rest of Europe	620	675
CIS	37	111
Middle East	61	59
Far East	28	52
North Africa	11	40
West Africa and rest of Africa	143	67
Americas	57	37
Total	**1,029**	**1,236**

2 Trade and other receivables

Trade and other receivables of € 3,329 million (€ 3,504 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Trade receivables	2,822	2,568
Financing receivables for operating purposes	3	3
Financing receivables for non-operating purposes	75	74
Prepayments for services	405	431
Other receivables	199	253
Total	**3,504**	**3,329**

Receivables are stated net of the provision for impairment losses of €99 million.

(€ million)	Dec. 31, 2011	Additions	Deductions	Currency translation differences	Other changes	June 30, 2012
Trade receivables	94	-	(7)	1	-	88
Other receivables	11	-	-	-	-	11
Total	**105**	**-**	**(7)**	**1**	**-**	**99**

Trade receivables amounted to € 2,568 million, showing a decrease of € 254 million compared to December 31, 2011.
At June 30, 2012, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to € 342 million. Saipem is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factor.
Trade receivables included retention amounts guaranteeing contract work in progress of € 147 million (€ 116 million at December 31, 2011), of which € 60 million were due within one year and € 87 million due after one year.
Financing receivables for operating purposes of € 3 million (€ 3 million at December 31, 2011) are mainly related to the receivable held by Saipem SpA from Serfactoring SpA.
Financing receivables for non-operating purposes of € 74 million (€ 75 million at December 31, 2011) are related to the receivable of € 47 million held by Saipem America Inc from Eni Finance USA Inc for a financial loan and the deposit of € 25 million paid by Snamprogetti Netherlands BV in relation to the TSKJ matter (see the ‘Legal proceedings’ section for full details).

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

(€ million)	Dec. 31, 2011	June 30, 2012
02 Pearl snc	3	3
Petromar Lda	22	20
Saipon snc	9	22
Société pour la Réalisation du Port de Tanger Méditerranée	3	2
Southern Gas Constructors Ltd	3	2
TMBYS sas	7	10
Total	**47**	**59**

Other receivables of € 253 million consisted of the following:

(€ million)	Dec. 31, 2011	June 30, 2012
Receivables from:		
- insurance companies	56	58
- employees	28	53
Guarantee deposits	10	15
Other receivables	105	127
Total	**199**	**253**

Trade receivables and other receivables from related parties amounted to € 801 million (€ 880 million at December 31, 2011) and are detailed in Note 43 'Transactions with related parties'.
The fair value of trade and other receivables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

3 Inventories

Inventories of € 2,215 million (€ 1,353 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Raw and auxiliary materials and consumables	471	520
Work in progress	882	1,695
Total	**1,353**	**2,215**

Inventories are stated net of the valuation allowance of €8 million.

(€ million)	Dec. 31, 2011	Additions	Deductions	Other changes	June 30, 2012
Inventories valuation allowance	9	3	(4)	-	8
	9	**3**	**(4)**	**-**	**8**

The increase in contract work in progress was due to time lags between actual project progress and the achievement of contractual invoicing milestones, and to the recognition of additional contract revenue that were deemed probable and reasonably estimated.
Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 42 'Segment information, geographical information and construction contracts'.

4 Current tax assets

Current tax assets of € 53 million (€ 78 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Italian tax authorities	6	6
Foreign tax authorities	72	47
Total	**78**	**53**

5 Other current tax assets

Other current tax assets of € 291 million (€ 256 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Italian tax authorities	40	61
Foreign tax authorities	216	230
Total	**256**	**291**

6 Other current assets

Other current assets of € 271 million (€ 498 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Fair value of non-hedging derivatives	50	20
Fair value of hedging derivatives	176	85
Other assets	272	166
Total	**498**	**271**

At June 30, 2012, derivative instruments had a positive fair value of € 105 million (€ 226 million at December 31, 2011).
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, 2012, 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 assets considered in the calculation of the fair value of derivative contracts, broken down by type, are as follows:

	Assets Dec. 31, 2011			Assets June 30, 2012		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	168			74		
. sale	10			11		
Total	178			85		
- forward currency contracts (Forward component)						
. purchase	(3)			1		
. sale	-			(1)		
Total	(3)	2,607	119	-	2,005	441
- forward commodity contracts (Forward component)						
. purchase	1	5		-	-	
Total	1	5	-	-	-	-
Total derivative contracts qualified for hedge accounting	**176**	**2,612**	**119**	**85**	**2,005**	**441**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	49			16		
. sale	-			3		
Total	49			19		
- forward currency contracts (Forward component)						
. purchase	1			1		
. sale	-			-		
Totale	1	1,590	28	1	628	223
- forward commodity contracts (Forward component)						
. sale	-		1	-		-
Total	-	-	1	-	-	-
Total derivative contracts not qualified for hedge accounting	**50**	**1,590**	**29**	**20**	**628**	**223**
Total	**226**	**4,202**	**148**	**105**	**2,623**	**664**

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, 2012 are expected to occur up until 2013.
During the first half of 2012, 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, 2012 was €85 million (€176 million at December 31, 2011). The spot component of fair value movements in these derivatives was €85 million (€178 million at December 31, 2011) and was deferred in a hedging reserve in equity for €71 million (€155 million at December 31, 2011) and recorded as finance income and expenses for €14 million (€23 million at December 31, 2011).
The fair value of derivative liabilities qualified for hedge accounting at June 30, 2012, analysed in Note 18 ‘Other current liabilities’ and Note 23 ‘Other non-current liabilities’, amounted to €259 million (€380 million at December 31, 2011). The spot component of fair value movements in these derivatives was €277 million and was deferred in a hedging reserve in equity for €256 million (€360 million at December 31, 2011) and recorded as revenues and operating expenses for €22 million (€28 million at December 31, 2011), while the forward component, amounting to €19 million, was recognised as finance income and expense (finance income of €8 million at December 31, 2011).
During the period, operating revenues and expenses were adjusted by a net negative amount of €27 million to reflect the effects of hedging. In addition, €4 million was recorded as a decrease in the cost of construction of tangible assets.
Other assets at June 30, 2012 amounted to €166 million, representing a decrease of €106 million compared with December 31, 2011 and consisted mainly of prepayments.
Receivables from related parties are shown in Note 43 ‘Transactions with related parties’.

Non-current assets

7 Property, plant and equipment

Property, plant and equipment amounting to € 8,289 million (€ 8,024 million at December 31, 2011) consisted of the following:

(€ million)	Gross value at Dec. 31, 2011	Accumulated depreciation and impairment at Dec. 31, 2011	Net value at Dec. 31, 2011	Investments	Depreciation	Impairment	Change in the scope of consolidation	Disposals	Currency translation differences	Other changes	Net value at June 30, 2012	Gross value at June 30, 2012	Accumulated depreciation and impairment at June 30, 2012
Property, plant and equipment	11,923	3,899	8,024	543	(319)	(21)	-	(2)	64	-	8,289	12,477	4,188
Total	**11,923**	**3,899**	**8,024**	**543**	**(319)**	**(21)**	**-**	**(2)**	**64**	**-**	**8,289**	**12,477**	**4,188**

Capital expenditure during the first half of 2012 amounted to € 543 million (€ 559 million in the first half of 2011) and related to the following sectors: Offshore E&C (€ 262 million), Offshore Drilling (€ 200 million), Onshore Drilling (€ 64 million) and Onshore E&C (€ 17 million).

The main items of capital expenditure during the year included:

- in the Offshore E&C sector, the continuation of construction and completion works on a new pipelayer, work on the new fabrication yard in Indonesia, the beginning of construction work on a new base in Brazil and the maintenance and upgrading of the existing asset base;
- in the Onshore E&C sector, the purchase of equipment and facilities for a base in Iraq and the maintenance of the existing asset base;
- in the Offshore Drilling sector, completion works on the Scarabeo 8, upgrading works on the Scarabeo 6 to enable it to operate in water depths of up to 1,100 metres, class reinstatement works on the Scarabeo 3, and maintenance and upgrading of the existing asset base;
- in the Onshore Drilling sector, the purchase of a new rig due to operate in Saudi Arabia, completion works on a second rig due to operate in South America, and the upgrading of the existing asset base.

Impairments mainly related to equipment on the Scarabeo 8.

No finance expenses were capitalised during the period (€ 10 million at December 31, 2011).

Exchange rate differences due to the translation of financial statements prepared in currencies other than the euro, amounting to a net gain of € 64 million, mainly related to companies whose functional 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.

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

At June 30, 2012, all property, plant and equipment was free from pledges, mortgages and any other obligations.

The total commitment on current items of capital expenditure at June 30, 2012 amounted to € 169 million (€ 201 million at December 31, 2011), as indicated in the 'Risk management' section included in the 'Operating and Financial Review'.

Finance leases

Saipem currently has no finance leases.

8 Intangible assets

Intangible assets of € 753 million (€ 752 million at December 31, 2011) were as follows:

(€ million)	Gross value at Dec. 31, 2011	Accumulated depreciation and impairment at Dec. 31, 2011	Net value at Dec. 31, 2011	Investments	Depreciation	Impairment	Reversals of writedowns	Disposals	Currency translation differences	Other changes	Net value at June 30, 2012	Gross value at June 30, 2012	Accumulated depreciation and impairment at June 30, 2012
Intangible assets with finite useful lives	155	133	22	5	(5)	-	-	-	-	-	22	161	139
Other intangible assets with indefinite useful lives	730	-	730	-	-	-	-	-	1	-	731	731	-
Total	**885**	**133**	**752**	**5**	**(5)**	**-**	**-**	**-**	**1**	**-**	**753**	**892**	**139**

Goodwill of € 731 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 (€ 16 million) on the date that control was acquired.

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

(milioni di euro)	June 30, 2012
Offshore E&C	415
Onshore E&C	316
Total	**731**

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, 2011 did not change significantly in the period, management believes that an update of the estimated recoverable amounts of the Offshore E&C and Onshore E&C CGUs is not necessary.

9 Investments accounted for using the equity method

Investments accounted for using the equity method of € 114 million (€ 109 million at December 31, 2011) consisted of the following:

(€ 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, 2011											
Investments in subsidiaries	5	-	(4)	-	-	-	(1)	-	-	-	-
Investments in associates	110	-	(1)	16	(1)	(10)	(3)	-	(2)	109	-
Total	**115**	**-**	**(5)**	**16**	**(1)**	**(10)**	**(4)**	**-**	**(2)**	**109**	**-**
June 30, 2012											
Investments in associates	109	-	-	4	-	(1)	-	-	2	114	-
Total	**109**	**-**	**-**	**4**	**-**	**(1)**	**-**	**-**	**2**	**114**	**-**

Investments in subsidiaries and associates at June 30, 2012 are reported in the section 'Scope of consolidation at June 30, 2012'.
Share of profit of investments accounted for using the equity method of € 4 million related mainly to profits recorded by Rosetti Marino SpA (€ 2 million) and profits of other companies accounted for using the equity method (€ 2 million).
Deductions following the distribution of dividends of € 1 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 carrying value at Dec. 31, 2011	Net carrying value at June 30, 2012
Fertilizantes Nitrogenados de Oriente CEC	20.00	68	68
Rosetti Marino SpA	20.00	25	28
Other		16	18
Total associates		**109**	**114**

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 € 8 million (€ 8 million at December 31, 2011).
In October 2010, the Venezuelan company, Fertilizantes Nitrogenados de Oriente CEC, was the subject of an expropriation order. Venezuelan law provides for a procedure for the definition of fair compensation through negotiation.

10 Other investments

The net value of other investments of € 1 million (€ 1 million at December 31, 2011) related to Nagarjuna Fertilizer and Chemicals Ltd, in which the Group has a 0.93% interest.

11 Other financial assets

At June 30, 2012, other long-term financial assets amounted to € 1 million (€ 2 million at December 31, 2011) and related to financing receivables held for non-operating purposes by Sofresid sa.

12 Deferred tax assets

Deferred tax assets of € 88 million (€ 100 million at December 31, 2011) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2011	Additions (Deductions)	Currency translation differences and other changes	June 30, 2012
Deferred tax assets	100	(11)	(1)	88
Total	**100**	**(11)**	**(1)**	**88**

'Currency translation differences and other changes', which amounted to negative € 1 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative € 16 million); (ii) exchange rate losses (positive € 1 million); (iii) the tax effects (positive € 14 million) of fair value changes of derivatives designated as cash flow hedges reported in equity.

13 Other non-current assets

Other non-current assets of € 151 million (€ 146 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Other receivables	15	12
Other non-current assets	131	139
Total	**146**	**151**

Other non-current assets mainly related to prepayments.

Current liabilities

14 Short-term debt

Short-term debt of € 1,438 million (€ 956 million at December 31, 2011) consisted of the following:

(€ million)	Dec. 31, 2011	June 30, 2012
Banks	93	142
Other financial institutions	863	1,296
Total	**956**	**1,438**

Short-term debt increased by € 482 million.

The current portion of long-term debt, amounting to € 801 million (€ 766 million at December 31, 2011), 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, 2011			June 30, 2012		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
Eni SpA	Euro	762	1.770	3.315	1,189	3.315	3.315
Serfactoring SpA	Euro	17	-	-	5	-	-
Eni Finance International SA	Euro	12	1.264	2.264	4	0.619	2.369
Eni Finance International SA	US Dollar	35	0.625	1.915	84	0.896	2.296
Third parties	Euro	21	2.020	2.020	16	1.373	1.373
Third parties	US Dollar	23	0.420	1.695	-	-	-
Third parties	Other	86	variable		140	variable	
Total		**956**			**1,438**		

At June 30, 2012, Saipem had unused lines of credit amounting to € 1,485 million (€ 1,706 million at December 31, 2011). Commission fees on unused lines of credit were not significant.

At June 30, 2012, there were no unfulfilment of terms and conditions or violation of agreements in relation to financing contracts.

Short-term debt to related parties are shown in Note 43 'Transactions with related parties'.

15 Trade and other payables

Trade and other payables of € 5,344 million (€ 5,341 million at December 31, 2011) consisted of the following:

(€ million)	Dec. 31, 2011	June 30, 2012
Trade payables	2,954	3,006
Advances	1,996	1,943
Other payables	391	395
Total	**5,341**	**5,344**

Trade and other payables of € 3,006 million increased by € 52 million versus December 31, 2011.

Advances of € 1,943 million (€ 1,996 million at December 31, 2011), consisted mainly of adjustments to revenues from long-term contracts in accordance with the accruals basis, made on the basis of the amounts contractually owing for € 919 million (€ 1,152 million at December 31, 2011) and advances on contract work in progress received by Saipem SpA and a number of foreign subsidiaries of € 1,024 million (€ 844 million at December 31, 2011).

Trade payables to related parties amounted to € 186 million (€ 246 million at December 31, 2011) and are shown in Note 43 'Transactions with related parties'.

Payables to jointly controlled companies, with regard to the non-consolidated portion, amounted to € 3 million (€ 3 million at December 31, 2011) and related to Petromar Lda and Société pour la Réalisation du Port de Tanger Méditerranée.

Other payables of € 395 million consisted of the following:

(€ million)	Dec. 31, 2011	June 30, 2012
Payables to:		
- employees	146	208
- non-financial governmental entities	1	-
- national insurance/social security contributions	61	28
- insurance companies	5	7
- creditors relating to advances	15	21
- consultants and professionals	2	1
- shareholders	1	-
- Board Directors and Statutory Auditors	1	-
Other payables	159	130
Total	**391**	**395**

Other payables to related parties are shown in Note 43 'Transactions with related parties'.
The fair value of trade and other payables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

16 Income tax payables

Income tax payables of € 292 million (€ 244 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Italian tax authorities	65	66
Foreign tax authorities	179	226
Total	**244**	**292**

17 Other current tax liabilities

Other current tax liabilities of € 109 million (€ 150 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Italian tax authorities	11	5
Foreign tax authorities	139	104
Total	**150**	**109**

18 Other current liabilities

Other current liabilities of € 341 million (€ 506 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Fair value of non-hedging derivatives	121	64
Fair value of hedging derivatives	380	226
Other liabilities	5	51
Total	**506**	**341**

At June 30, 2012, derivative instruments had a negative fair value of € 323 million (€ 501 million at December 31, 2011).

The following table shows the positive and negative fair values of derivative contracts at June 30, 2012.

(€ million)	Dec. 31, 2011	June 30, 2012
Positive fair value of derivative contracts	226	105
Negative fair value of derivative contracts	(501)	(323)
Total	**(275)**	**(218)**

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, 2012, 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 liabilities considered in the calculation of the fair value of derivative contracts, inclusive of the long-term portion analysed in Note 23 'Other non-current liabilities', and broken down by type, are as follows:

	Liabilities Dec. 31, 2011			Liabilities June 30, 2012		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	5			19		
. sale	382			258		
Total	387	-	-	277	-	-
- forward currency contracts (Forward component)						
. purchase	1			(1)		
. sale	(14)			(18)		
Totale	(13)	143	5,004	(19)	606	5,961
- forward commodity contracts (Forward component)						
. purchase	6	-		1	-	
Total	6	27	-	1	6	-
Total derivative contracts qualified for hedge accounting	**380**	**170**	**5,004**	**259**	**612**	**5,961**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	2			8		
. sale	115			54		
Total	117	-	-	62	-	-
- forward currency contracts (Forward component)						
. purchase	1			-		
. sale	2			2		
Total	3	58	2,465	2	758	1,675
- forward commodity contracts (Forward component)						
. purchase	1			-		
. sale	-			-		
Total	1	6	1	-	1	2
Total derivative contracts not qualified for hedge accounting	**121**	**64**	**2,466**	**64**	**759**	**1,677**
Total	**501**	**234**	**7,470**	**323**	**1,371**	**7,638**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 6 'Other current assets' and Note 23 'Other non-current assets'.
Other current liabilities amounted to €51 million (€5 million at December 31, 2011).
Other payables to related parties are shown in Note 43 '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 € 3,808 million (€ 3,342 million at December 31, 2011) and was as follows:

	Dec. 31, 2011			June 30, 2012		
(€ million)	Current portion of long-term debt	Long-term debt	Total	Current portion of long-term debt	Long-term debt	Total
Banks	1	200	201	1	200	201
Other financial institutions	765	2,376	3,141	800	2,807	3,607
Total	**766**	**2,576**	**3,342**	**801**	**3,007**	**3,808**

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

(€ million)

Type	Maturity range	2013	2014	2015	2016	After	Total
Banks	2015	-	-	200	-	-	200
Other financial institutions	2013-2024	374	476	1,230	277	450	2,807
Total							**3,007**

Long-term debt amounted to € 3,007 million, up € 431 million versus December 31, 2011 (€ 2,576 million).

The following table breaks down long-term debt, inclusive of the current portion of long-term debt, by issuing entity and currency and also shows maturities and average interest rates:

(€ million)

			Dec. 31, 2011			June 30, 2012		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2012-2017	653	2.020	4.950	648	1.373	4.950
Eni Finance International SA	Euro	2012-2024	983	1.334	5.970	1,370	0.689	5.970
Eni Finance International SA	US Dollar	2012-2016	1,505	0.795	5.100	1,589	0.746	5.100
Third parties	Euro	2012-2015	201	3.315	3.315	201	3.315	3.315
Total			**3,342**			**3,808**		

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, inclusive of the current portion of long-term debt, amounted to € 3,693 million (€ 3,088 million at December 31, 2011) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2011	2012
Euro	1.31-2.61	0.65-2.12
US Dollar	0.29-1.13	0.25-1.07

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.

Long-term debt to related parties are shown in Note 43 'Transactions with related parties'.

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

	Dec. 31, 2011			June 30, 2012		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,029	-	1,029	1,236	-	1,236
B. Available-for-sale and held-to-maturity securities	-	-	-	-	-	-
C. Liquidity (A+B)	**1,029**	**-**	**1,029**	**1,236**	**-**	**1,236**
D. Financing receivables	**75**	**-**	**75**	**74**	**-**	**74**
E. Short-term bank debt	93	-	93	142	-	142
F. Long-term bank debt	1	200	201	1	200	201
G. Short-term related parties debt	826	-	826	1,282	-	1,282
H. Long-term related parties debt	765	2,376	3,141	800	2,807	3,607
I. Other short-term debt	37	-	37	14	-	14
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**1,722**	**2,576**	**4,298**	**2,239**	**3,007**	**5,246**
N. Net financial position pursuant to Consob communication No. DEM/6064293/2006 (M-C-D)	**618**	**2,576**	**3,194**	**929**	**3,007**	**3,936**
O. Non-current financing receivables	**-**	**2**	**2**	**-**	**1**	**1**
P. Net borrowings (N-O)	**618**	**2,574**	**3,192**	**929**	**3,006**	**3,935**

Net borrowings do not include the fair value of derivative contracts indicated in Note 6 'Other current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'.
Cash and cash equivalents included € 41 million deposited in not available for use accounts, as indicated in Note 1 'Cash and cash equivalents'.

20 Provisions for contingencies

Provisions for contingencies of € 192 million (€ 209 million at December 31, 2011) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2011					
Provisions for taxes	55	18	(10)	1	64
Provisions for contractual penalties and disputes	25	15	(13)	2	29
Provisions for losses of investments	12	-	(1)	(3)	8
Other provisions	72	70	(32)	(2)	108
Total	**164**	**103**	**(56)**	**(2)**	**209**
June 30, 2012					
Provisions for taxes	64	-	(1)	-	63
Provisions for contractual penalties and disputes	29	2	(1)	2	32
Provisions for losses of investments	8	-	-	-	8
Other provisions	108	4	(22)	(1)	89
Total	**209**	**6**	**(24)**	**1**	**192**

The **provisions for taxes** amounted to € 63 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 € 32 million and consisted of accruals made by Saipem SpA and a number of foreign subsidiaries. This represents the best estimate of the amount that may be required to settle current disputes.
The **provisions for losses of investments** amounted to € 8 million and represented losses incurred in excess of the carrying value of investments. The provision related mainly to amounts set aside in connection with an investment held by Saipem sa.
Other provisions amounted to € 89 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 in exceed of those amounts accrued above.

21 Provisions for employee benefits

Provisions for employee benefits at June 30, 2012 amounted to € 210 million (€ 200 million at December 31, 2011).

22 Deferred tax liabilities

Deferred tax liabilities of € 70 million (€ 79 million at December 31, 2011) are shown net of offsettable deferred tax assets of € 143 million.

(€ million)	Dec. 31, 2011	Additions (Deductions)	Currency translation differences and other changes	June 30, 2012
Deferred tax liabilities	79	11	(20)	70
Total	**79**	**11**	**(20)**	**70**

'Currency translation differences and other changes', which amounted to negative € 20 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative € 16 million); (ii) exchange rate differences (positive € 1 million); (iii) the tax effects (negative € 5 million) of fair value changes of derivatives designated as cash flow hedges;

Net deferred tax liabilities consisted of the following:

(€ million)	Dec. 31, 2011	June 30, 2012
Deferred tax liabilities	(207)	(213)
Deferred tax assets available for offset	128	143
	(79)	**(70)**
Deferred tax assets not available for offset	100	88
Net deferred tax assets	**21**	**18**

Tax losses

Tax losses amounted to € 336 million of which a 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 26.4%. Tax losses related entirely to foreign companies and can be used in the following periods:

(€ million)	Foreign subsidiaries
2012	2
2013	6
2014	17
2015	7
2016	52
After 2016	45
Without limit	207
Total	**336**

23 Other non-current liabilities

Other non-current liabilities of € 35 million (€ 2 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Fair value of hedging derivatives	-	33
Trade and other payables	2	2
Total	**2**	**35**

The fair value of hedging derivatives related to foreign exchange risk hedges entered into by Saipem SpA and Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda with the Eni Group, which have maturities ranging from 2013 to 2015.

Shareholders' equity

24 Minority interest

Minority interest at June 30, 2012 amounted to € 134 million (€ 114 million at December 31, 2011) and mainly related to Ersai Caspian Contractor Llc (€ 127 million).

25 Saipem's shareholders' equity

Saipem's shareholders' equity at June 30, 2012, amounting to € 4,819 million can be analysed as follows:

(€ million)	Dec. 31, 2011	June 30, 2012
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	(60)	(170)
Cumulative currency translation differences	(12)	19
Other	7	7
Retained earnings	3,342	3,956
Net profit for the year/period	921	473
Treasury shares	(73)	(50)
Total	**4,709**	**4,819**

Saipem's shareholders' equity at June 30, 2012 included distributable reserves of € 4,319 million (€ 3,817 million at December 31, 2011), some of which are subject to taxation upon distribution.
A deferred tax liability has been recorded in relation to the share of reserves that may potentially be distributed (€ 97 million).

26 Share capital

At June 30, 2012, the share capital of Saipem SpA, fully paid-up, amounted to € 441 million, corresponding to 441,410,900 shares with a nominal value of € 1 each, of which 441,294,101 are ordinary shares and 116,799 savings shares.
On April 27, 2012, Saipem's Shareholders' Meeting approved a dividend distribution of € 0.70 per ordinary share and € 0.73 per savings share, with the exclusion of treasury shares.

27 Share premium reserve

The share premium reserve amounted to € 55 million at June 30, 2012 and was unchanged from December 31, 2011.

28 Other reserves

At June 30, 2012, 'Other reserves' amounted to negative € 56 million (€ 23 million at December 31, 2011) and consisted of the following items.

Legal reserve

At June 30, 2012, the legal reserve stood at € 88 million. This represents the portion of profits of Saipem SpA, 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 showed a negative balance at period end of € 170 million (negative € 60 million at December 31, 2011) which related to the fair value of the spot component of foreign exchange risk hedges and commodity hedges at June 30, 2012.
The cash flow hedge reserve is shown net of tax of € 19 million (€ 7 million at December 31, 2011).

Cumulative currency translation differences

This reserve amounted to € 19 million (negative € 12 million at December 31, 2011) and related to exchange rate differences arising from the translation into euro of financial statements denominated in functional currencies other than euro (mainly the US dollar).

Other reserves

Other reserves amounted to € 7 million and were unchanged from December 31, 2011. They related to the allocation of part of 2009 net profit of Saipem SpA, 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 2,258,947 treasury shares (3,143,472 at December 31, 2011), amounting to € 50 million (€ 73 million at December 31, 2011). These are ordinary shares of Saipem SpA with a nominal value of € 1 each.
Treasury shares are allocated under the 2002-2008 stock option schemes. Operations involving treasury shares during the year were as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury share purchased				
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	7,942,597			
Treasury shares held at June 30, 2012	**2,258,947**	**22.263**	**50**	**0.51**

At June 30, 2012, there were outstanding stock options exercisable to acquire 753,225 shares.
Further information on stock option schemes is provided in Note 35 ‘Payroll and related costs’.

30 Additional information

Supplement to cash flow statement

(€ million)	First half 2011	First half 2012
Analysis of disposals of consolidated subsidiaries and businesses		
Current assets	4	7
Non-current assets	4	-
Net liquidity (net borrowings)	1	8
Current and non-current liabilities	(8)	(16)
Net effect of disposals	**1**	**(1)**
Fair value of interest after control has ceased	-	-
Gain on disposals	-	1
Minority interest	-	-
Total sale price	**1**	**-**
less:		
Cash and cash equivalents	*(1)*	*(8)*
Cash flow from disposals	**-**	**(8)**

Disposals in the first half of 2011 related to the sale to third parties of Starstroi Llc. Disposals in the first half of 2012 related to the sale to third parties of 100% of Star Gulf Free Zone Co, which ultimately resulted in the disposal of Star Gulf Free Zone Co's subsidiary BOS Shelf Ltd, and the sale of 50% of Sairus Llc.

31 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,570 million (€7,175 million at December 31, 2011).

	Dec. 31, 2011			June 30, 2012		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associates	84	-	84	84	-	84
Consolidated companies	497	3,249	3,746	497	3,552	4,049
Own	21	3,324	3,345	21	3,416	3,437
Total	**602**	**6,573**	**7,175**	**602**	**6,968**	**7,570**

Other guarantees issued for associated and consolidated companies of €3,552 million (€3,249 million at December 31, 2011) mainly related to independent guarantees given to third parties relating to bid bonds and performance bonds of €3,505 million.
Guarantees issued to/through related parties amounted to €5,936 million (€5,532 million at December 31, 2011) and are detailed in Note 43 'Transactions with related parties'.

Commitments

Saipem SpA has provided commitments towards customers and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries or associated companies in the event of non-performance and payment of any damages arising from non-performance.
These commitments guarantee contracts, whose overall value amounted to €31,446 million (€29,577 million at December 31, 2011), including work already performed and the backlog of orders at June 30, 2012.

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'.

MARKET 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, 2012 are classified as follows:

	June 30, 2012			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	(44)	-	(44)
Financial assets measured at fair value under the fair value option:				
- investments	1	-	-	1
Net hedging derivative assets (liabilities)	-	(174)	-	(174)
Total	**1**	**(218)**	**-**	**(217)**

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 these will not have significant adverse effects on its consolidated financial statements.
A brief summary of the most important ongoing proceedings is provided hereafter.

CEPAV (Consorzio Eni per l'Alta Velocità) Uno

Saipem has a 50.36% interest in the CEPAV Uno Consortium, which in 1991 entered into an agreement with TAV SpA (**TAV**, now Rete Ferroviaria Italiana SpA - **RFI**) for the construction of the Milan-Bologna high-velocity/high-capacity railway line.
In connection with this project, on June 27, 2003, an addendum was made to the contract between the CEPAV Uno Consortium and the client TAV, which redefined several contract terms and conditions. Subsequently, the Consortium asked the client for an extension to the works completion schedule and a supplementary payment of approximately €800 million, later revised to €1,770 million. The Consortium and TAV sought to reach an amicable settlement, but negotiations were called off on March 14, 2006, when the proposals put forward by TAV were deemed unsatisfactory by the Consortium.
On April 27, 2006, TAV was informed of the application for arbitration, as provided for under the contract terms and conditions. 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 deadline for the Arbitration Panel to file the arbitration award was originally set for December 27, 2011, but was subsequently extended to December 31, 2013 (with a hearing set for March 15, 2012 and interim dates of December 30, 2011 and February 15, 2012 for the parties to file their final briefs and to comment on the findings of the second court-appointed expert). In the meantime, the issue of a partial award limited to certain specific questions is pending.
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. Assuming that this interim award was vitiated, on April 8, 2010, the Consortium challenged it 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 was involved in the construction of natural gas liquefaction facilities at Bonny Island, 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 SpA to Saipem SpA. Snamprogetti SpA was merged into Saipem SpA as of October 1, 2008. As part of the sale of Snamprogetti SpA to Saipem SpA, Eni SpA agreed to indemnify Saipem SpA for potential losses resulting from the investigations into the TSKJ matter, including in connection with its subsidiaries.
The U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DoJ) and other authorities, including the Public Prosecutor's office of Milan, carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials.
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 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 the 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. As mentioned above, Saipem made substantial enhancements to its existing compliance system in the light of the investigations into the TSKJ matter, issuing a procedure containing new anti-corruption guidelines and principles on February 10, 2010. The guidelines enhanced the company's anti-corruption system, which was already 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 against Saipem and Eni. The Milan Public Prosecutor appealed against the decision of the Judge for Preliminary Investigation. 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 latter in fact 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 SpA) and against Saipem SpA as a legal person, as the company that absorbed Snamprogetti. The accusations regard alleged acts of corruption in Nigeria committed up to 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 (as a legal person, as the company that absorbed Snamprogetti) and the five former Snamprogetti SpA employees to stand trial at a hearing scheduled for April 5, 2011. A pre-trial hearing was held on May 10, 2011.
During the hearing of February 2, 2012, the Public Prosecutor, while recognising that the statute of limitations had already expired as regards the physical persons under investigation, raised an objection regarding the unconstitutional nature of Italian law in relation to the statute of limitations, arguing that it contrasted with international law, in particular the OECD convention on international bribery and corruption. At the following hearing held on March 8, 2012, the defendants replied to the objection raised by the Public Prosecutor regarding the unconstitutionality of the 'short statute of limitations' for crimes of international corruption. At the hearing to decide on the admissibility of the objection, which was adjourned to April 5, 2012, the court declared the objection of unconstitutionality raised by the Public Prosecutor during the hearing of February 2, 2012 as unfounded, insofar as it was not pertinent to the proceedings in course.
In view of the Court's decision, the defence asked for the statute of limitations to be applied in relation to the positions of the physical persons under investigation. The Public Prosecutor did not object to this request and the Court dismissed the charges against them, ruling that they had expired under the statute of limitations.

The Court scheduled a hearing on June 12, 2012 for the continuation of proceedings against the legal person of Saipem SpA only. Proceedings were subsequently adjourned pending a new hearing scheduled for July 12, 2012 for the examination of the technical experts appointed by the parties.
During the hearing of July 12, the technical experts called by the defence were examined and cross-examined and filed their reports. The pre-trial and the trial hearing were then declared closed and the Court adjourned proceedings to November 6, 2012 for the hearing of the closing arguments.
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 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. For its part, Saipem, while ready to collaborate fully with the judicial authorities, has received no request to this end.

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 be successfully cleared, since it is the injured party in respect of the illicit conduct under investigation.
Having consulted its lawyers, and in agreement with the Board of Statutory Auditors and the Internal Control Bodies, Saipem, through its Internal Audit function, and also using an external consulting company, quickly undertook an internal audit of the project under investigation.
As a precautionary measure, and in compliance with the contract in force, Saipem suspended the employee under investigation while awaiting further developments.
The audit showed that the Saipem SpA employee in question was not involved in anything worthy of note. The suspension was therefore lifted and the employee has been assigned to other duties.
The Public Prosecutor has ordered the release of the documents seized from the employee in relation to the matter.
On March 2, 2012 Saipem SpA was served a request to extend the preliminary investigations filed by the Public Prosecutor.

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 (now Saipem 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 SpA, 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, with the exception of several parties for whom the statute of limitations applied.
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 was completed and the parties presented their conclusions. Subsequently, at the hearing of September 20, 2011 sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums being ordered. The Court likewise rejected the admission as plaintiffs of the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001.
On December 19, 2011 the grounds for the ruling were filed with the Court Registry.

Fos Cavaou

With reference to the Fos Cavaou ('FOS') project for the construction of the regasification terminal, arbitration proceedings are pending at the International Chamber of Commerce in Paris between the client Société du Terminal Méthanier de Fos Cavaou ('STMFC') and the contractor STS (a French 'société en participation' made up of Saipem sa (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)).

On July 11, 2011, the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, because STMFC refused to extend the deadline.
On January 24, 2012, the secretary's office of the International Arbitration Court of the ICC notified STS of the commencement of arbitration proceedings as requested by STMFC. The brief filed by STMFC in support of its request for arbitration included a demand for payment of approximately € 264 million for damages, penalties for delays and costs for the completion of works ('mise en régie'). Of the total sum demanded, approximately € 142 million is for loss of profit, an item excluded from the contract except for cases of malice or gross negligence. From both a legal and factual perspective, it is extremely difficult to see how STS can be accused of acts of gross negligence or malice that, as STMFC maintains, exceeded the contractual limitation of liability.
STS has filed its defence brief, including a counter claim for damages due to the excessive interference of STMFC in works execution and as payment for extra works not recognised by the client (reserving the right to quantify the amount of such extra works at a later stage in proceedings). The Arbitration Panel has sent the parties the Terms of Reference for the arbitration, setting a deadline of June 29, 2012 for comments. The Paris International Chamber of Commerce are currently agreeing on the schedule for the subsequent stages of the arbitration proceeding together with the parties.

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'.

32 Net sales from operations

Net sales from operations were as follows:

(€ million)	First half 2011	First half 2012
Net sales from operations	5,429	5,593
Change in contract work in progress	592	804
Total	**6,021**	**6,397**

Net sales by geographical area were as follows:

(€ million)	First half 2011	First half 2012
Italy	216	269
Rest of Europe	798	643
CIS	692	549
Middle East	949	1,569
Far East	212	578
North Africa	1,431	834
West Africa and rest of Africa	1,283	1,188
Americas	440	767
Total	**6,021**	**6,397**

Information required by IAS 11 is provided by business sector in Note 42 'Segment information, geographical information and construction contracts'.
Revenues from related parties amounted to € 939 million (€ 996 million in the first half of 2011) and are shown in Note 43 'Transactions with related parties'.

33 Other income and revenues

Other income and revenues were as follows:

(€ million)	First half 2011	First half 2012
Gains on disposal of assets	-	1
Indemnities	4	1
Other	5	4
Total	**9**	**6**

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'.

34 Purchases, services and other costs

Purchases, services and other costs are detailed below:

(€ million)	First half 2011	First half 2012
Production costs - raw, ancillary and consumable materials and goods	1,109	1,391
Production costs - services	2,752	2,589
Operating leases and other	340	410
Net provisions for contingencies	15	(17)
Other expenses	21	26
less:		
- capitalised direct costs associated with self-constructed assets	(12)	(1)
- changes in inventories of raw, ancillary and consumable materials and goods	(41)	(44)
Total	**4,184**	**4,354**

Production costs for services included agency fees of €3 million (€4 million in the first half of 2011).
Net provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
Purchases, services and other costs to related parties amounted to €76 million (€50 million in the first half of 2011) and are shown in Note 43 'Transactions with related parties'.

35 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	First half 2011	First half 2012
Wages and salaries	840	948
less:		
- capitalised direct costs associated with self-constructed assets	(7)	(6)
Total	**833**	**942**

Stock-based compensation

In 2009, Saipem discontinued its managerial incentive program involving the assignment of stock option grants to senior managers of Saipem SpA and its subsidiaries. Neither the general plan conditions nor the other information provided in the consolidated financial statements at December 31, 2011 underwent any significant changes during the period.

STOCK OPTIONS

The following table shows changes in the stock option plans:

	2011			2012		
(€ thousand)	Number of shares	Average strike price	Market price [a]	Number of shares	Average strike price	Market price [a]
Options as of January 1,	**2,338,550**	**23.564**	**88,062**	**1,637,750**	**24.885**	**53,800**
New options granted	-	-	-	-	-	-
(Options exercised during the period)	(566,900)	19.607	19,026	(884,525)	25.019	31,143
(Options expiring during the period)	(133,900)	-	4,919	-	-	-
Options outstanding as of June 30,	**1,637,750**	**24.885**	**53,800**	**753,225**	**24.728**	**26,355**
Of which: exercisable as of June 30,	**1,462,200**	**24.767**	**48,033**	**587,175**	**24.405**	**20,545**

(a) The market price relating to new options granted, options exercised in the period and options expiring 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, 2012, No. 753,225 options had been assigned for the purchase of the same amount of 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	47,000	11.881	1	3.1029	2.9795
2006 plan	37,500	17.519	1	5.7208	6.1427
2007 plan	168,300	26.521	1	8.8966	9.5320
2008 plan	500,425	25.872	2	8.2186	8.7734
Total	**753,225**				

Average number of employees

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

(number)	First half 2011	First half 2012
Senior managers	423	428
Junior managers	4,532	4,576
White collars	17,638	19,674
Blue collars	17,048	16,422
Seamen	300	315
Total	**39,941**	**41,415**

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.

36 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	First half 2011	First half 2012
Depreciation and amortisation:		
- tangible assets	282	319
- intangible assets	6	5
	288	**324**
Impairment:		
- tangible assets	14	21
- intangible assets	-	-
Total	**302**	**345**

37 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	First half 2011	First half 2012
Finance income (expense)		
Finance income	283	155
Finance expense	(366)	(218)
	(83)	**(63)**
Derivatives	16	(17)
Total	**(67)**	**(80)**

Net finance income and expense was as follows:

(€ million)	First half 2011	First half 2012
Exchange gains (losses)	**(41)**	**(6)**
Exchange gains	272	149
Exchange losses	(313)	(155)
Finance income (expense) related to net borrowings	**(43)**	**(57)**
Interest and other income from Group financial companies	1	1
Interest from banks and other financial institutions	9	5
Interest and other expense due to Group financial companies	(39)	(49)
Interest and other expense due to banks and other financial institutions	(14)	(14)
Other finance income (expense)	**1**	**-**
Other finance income from third parties	1	-
Total finance income (expense)	**(83)**	**(63)**

Gains (losses) on derivatives consisted of the following:

(€ million)	First half 2011	First half 2012
Exchange rate derivatives	18	(17)
Interest rate derivatives	(2)	-
Total	**16**	**(17)**

The net loss on derivatives of € 17 million (gain of € 16 million in the first half of 2011) mainly related to the recognition in income of the change in fair value of derivatives that did not qualify for hedge accounting under the IFRS and changes in the value of the forward component of derivatives that qualified for hedge accounting.
Finance income (expense) with related parties are shown in Note 43 ‘Transactions with related parties’.

38 Income (expense) from investments

Effect of accounting using the equity method

The effect of applying the equity method is detailed below:

(€ million)	First half 2011	First half 2012
Share of profit of investments accounted for using the equity method	9	4
Share of losses of investments accounted for using the equity method	(2)	-
Net additions to (deductions from) the provisions for losses for investments accounted for using the equity method	1	-
Total	**8**	**4**

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

Other income (expense) from investments

During the first half of the year a net gain of € 1 million was registered on the sale Star Gulf Free Zone Co.

39 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2011	First half 2012
Current taxes:		
- Italian subsidiaries	47	37
- foreign subsidiaries	123	148
Net deferred taxes:		
- Italian subsidiaries	30	5
- foreign subsidiaries	(17)	9
Total	**183**	**199**

The effective tax rate during the period was 29% (28% in 2011).

(€ million)	First half 2011	First half 2012
Income taxes recognised in consolidated income statement	183	199
Income taxes recognised in statement of comprehensive income	(55)	(19)
Tax on total comprehensive income	**128**	**180**

40 Minority interest

Minority interest's share of profit amounted to € 15 million (€ 31 million in the first half of 2011).

41 Earnings per share

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

The number of ordinary shares outstanding was 439,163,146 and 438,095,377, in 2012 and 2011, 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, 2012, 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 2012 and 2011 was 440,033,170 and 440,064,513 respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		June 30, 2011	June 30, 2012
Average number of shares used for the calculation of the basic earnings per share		**438,095,377**	**439,163,146**
Number of potential shares from stock option plans		1,832,500	753,225
Number of savings shares convertible into ordinary shares		136,636	116,799
Average number of shares used for the calculation of the diluted earnings per share		**440,064,513**	**440,033,170**
Saipem's net profit	(€ million)	438	473
Basic earnings per share	(€ per share)	1.00	1.08
Diluted earnings per share	(€ per share)	0.99	1.08

42 Segment information, geographical information and construction contracts

Information by industry segment

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Unallocated	Total
First half 2011						
Net sales from operations	2,374	2,885	418	344	-	6,021
Operating profit	322	231	115	43	-	711
Amortisation, depreciation and write-downs	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
First half 2012						
Net sales from operations	3,513	3,348	648	417	-	7,926
Operating profit	328	246	139	49	-	762
Amortisation, depreciation and write-downs	131	16	133	65	-	345
Net income from investments	4	1	-	-	-	5
Capital expenditure	265	19	200	64	-	548
Property, plant and equipment	3,993	471	3,655	923	-	9,042
Investments	40	75	-	-	-	115
Current assets	2,157	2,793	454	383	1,608	7,395
Current liabilities	2,074	2,795	451	365	2,640	8,325
Provisions for contingencies	59	64	2	1	66	192

Information by geographical area

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 'Net sales from operations'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
First half 2011									
Investments in tangible and intangible fixed assets	48	1	8	70	7	12	15	400	561
Tangible and intangible assets	360	21	438	378	49	445	637	5,910	8,238
Identifiable assets (current)	283	1,002	609	964	1,362	1,139	468	569	6,396
First half 2012									
Investments in tangible and intangible fixed assets	10	2	5	60	2	4	26	439	548
Tangible and intangible assets	373	21	406	567	46	423	799	6,407	9,042
Identifiable assets (current)	393	1,128	359	2,079	941	996	842	660	7,395

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 caption 'Unallocated'.

Construction contracts

Construction contracts were accounted for in accordance with IAS 11.

(€ million)	First half 2011	First half 2012
Construction contracts - assets	969	1,695
Construction contracts - liabilities	(1,123)	(955)
Construction contracts - net	**(154)**	**740**
Costs and margins (completion percentage)	4,783	6,096
Progress billings	(4,909)	(5,365)
Change in provision for future losses	(28)	9
Construction contracts - net	**(154)**	**740**

43 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 and with a number of entities owned or controlled by the State. These transactions are an integral part of the ordinary course of its business and are carried out on an arm's length basis, i.e. at conditions which would be applied between willing and 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 deemed immaterial are aggregated under the following captions:
- Eni subsidiaries;
- Eni associates;
- other related parties.

Trade and other transactions

Trade and other transactions was as follows:

(€ million)

	Dec. 31, 2011			First half 2011			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Unconsolidated subsidiaries							
Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	-	-	-	-	-	-
Total unconsolidated subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Associated and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta velocità) Due	24	91	84	-	-	-	-
Kwanda Suporto Logistico Lda	54	2	-	-	-	6	-
Gruppo Rosetti Marino SpA	-	-	-	1	-	-	-
Milano-Brescia-Verona Scarl	-	-	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	5	-	-	-	-	1	-
Total associated and jointly controlled companies	**83**	**93**	**84**	**1**	**-**	**7**	**-**
Eni consolidated subsidiaries							
Eni SpA	2	11	5,448	1	4	-	-
Eni SpA Exploration & Production Division	134	-	-	-	-	59	-
Eni SpA Gas & Power Division	1	1	-	-	1	-	-
Eni SpA Refining & Marketing Division	38	-	-	3	1	24	-
Agip Energy & Natural Resources (Nigeria) Ltd	3	-	-	-	-	13	-
Agip Karachaganak BV	2	-	-	-	-	1	-
Agip Oil Ecuador BV	-	-	-	-	-	4	-
Burren Energy Services Ltd	2	-	-	-	-	4	-
Eni Adfin SpA	-	-	-	-	2	-	-
Eni Algeria Production BV	1	-	-	-	-	-	-
Eni Angola Production BV	-	-	-	-	-	34	-
Eni Angola SpA	27	-	-	-	-	16	-
Eni Australia BV	1	-	-	-	-	40	-
Eni Canada Holding Ltd	112	18	-	-	-	165	-
Eni Congo SA	56	-	-	-	-	34	-
Eni Corporate University SpA	-	4	-	-	3	-	-
Eni East Africa SpA	21	-	-	-	-	-	-
Eni Finance USA Inc	51	-	-	-	-	-	-
Eni Insurance Ltd	8	11	-	9	-	6	-
Eni Iraq BV	5	1	-	-	-	30	-
Eni Mediterranea Idrocarburi SpA	1	-	-	-	-	1	-
Eni Muara Bakau BV	-	-	-	1	-	9	-
Eni Norge AS	21	-	-	-	-	1	-
EniPower SpA	1	-	-	-	-	2	-
EniServizi SpA	2	17	-	-	21	-	-
Eni Timor Leste SpA	-	-	-	-	-	7	-
Eni Trading & Shipping SpA	-	-	-	1	-	-	1
Eni Tunisia BV	-	-	-	-	-	1	-
Eni Venezuela BV	1	-	-	-	-	1	-
Naoc - Nigerian Agip Oil Co Ltd	31	-	-	-	-	15	-
Nigerian Agip Exploration Ltd	-	-	-	-	-	1	-
Polimeri Europa France SAS	-	-	-	-	-	1	-
Polimeri Europa SpA	6	-	-	-	-	3	-
Raffineria di Gela SpA	13	-	-	-	-	15	-
Serfactoring SpA	2	70	-	-	-	-	-
Snam Rete Gas SpA	42	-	-	-	-	26	-
Stoccaggi Gas Italia SpA	22	-	-	-	-	9	-
Syndial SpA	21	-	-	-	-	14	-
Tecnomare SpA	1	-	-	-	-	-	-
Other (for transactions not exceeding €500 thousand)	3	2	-	-	-	-	-
Total Eni consolidated subsidiaries	**631**	**135**	**5,448**	**15**	**32**	**536**	**1**

(€ million)

Name	Dec. 31, 2011			First half 2011			
				Costs		Revenues	
	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	127	18	-	-	-	444	-
Total Eni subsidiaries	**758**	**153**	**5,448**	**15**	**32**	**980**	**1**
Eni associated and jointly controlled companies	39	-	-	1	1	9	-
Total Eni companies	**797**	**153**	**5,448**	**16**	**33**	**989**	**1**
Entities controlled or owned by the State	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with related parties	**880**	**246**	**5,532**	**17**	**33**	**996**	**1**
Overall total	**3,504**	**5,341**	**7,175**	**1,109**	**3,092**	**6,021**	**9**
Incidence (%)	**25.11**	**4.61**	**77.10**	**1.53**	**1.07**	**16.54**	**11.11**

Trade transactions as of and for the six-month period ended June 30, 2012 consisted of the following:

(€ million)

Company	June 30, 2012			First half 2012			
				Costs		Revenues	
	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Unconsolidated subsidiaries							
Sagio - Companhia Angolana de Gestão Instalaçao Offshore Lda	-	1	-	-	1	-	-
Total unconsolidated subsidiaries	**-**	**1**	**-**	**-**	**1**	**-**	**-**
Associated and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	10	39	84	-	2	7	-
Kwanda Suporto Logistico Lda	59	3	-	-	-	5	-
Gruppo Rosetti Marino SpA	-	1	-	-	-	-	-
Milano-Brescia-Verona Scarl	-	-	-	-	2	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	8	6	-	-	8	-	-
Total associated and jointly controlled companies	**77**	**49**	**84**	**-**	**12**	**12**	**-**
Eni consolidated subsidiaries							
Eni SpA	2	12	5,852	1	9	-	-
Eni SpA Exploration & Production Division	124	3	-	-	2	30	-
Eni SpA Gas & Power Division	1	1	-	-	1	-	-
Eni SpA Refining & Marketing Division	22	2	-	4	1	16	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	1	-
Agip Oil Ecuador BV	-	-	-	-	-	-	-
Burren Energy Services Ltd	3	-	-	-	-	4	-
Eni Adfin SpA	-	-	-	-	2	-	-
Eni Algeria Production BV	1	-	-	-	-	1	-
Eni Angola SpA	28	-	-	-	-	62	-
Eni Australia Ltd	-	-	-	-	-	-	-
Eni Canada Holding Ltd	111	15	-	-	-	51	-
Eni Congo SA	49	-	-	-	-	44	-
Eni Corporate University SpA	-	3	-	-	2	-	-
Eni East Africa SpA	25	-	-	-	-	62	-
Eni Finance International SA	-	1	-	-	-	-	-
Eni Finance USA Inc	47	-	-	-	-	-	-
Eni Insurance Ltd	14	19	-	-	15	6	-
Eni Iraq BV	2	-	-	-	-	7	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	-	-
Eni Muara Bakau BV	-	-	-	-	-	-	-
Eni Norge AS	27	-	-	-	-	60	-
EniPower SpA	2	-	-	-	-	1	-

(€ million)

	June 30, 2012			First half 2012			
				Costs		Revenues	
Company	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
EniServizi SpA	1	16	-	-	22	-	-
Eni Timor Leste SpA	-	-	-	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	2	-	-	-
Eni Venezuela BV	2	-	-	-	-	1	-
Hindustan Oil Exploration Co Ltd	6	-	-	-	-	6	-
Naoc - Nigerian Agip Oil Co Ltd	27	-	-	-	-	1	-
Nigerian Agip Exploration Ltd	-	-	-	-	-	-	-
Polimeri Europa France SAS	-	-	-	-	-	-	-
Raffineria di Gela SpA	2	-	-	-	-	1	-
Serfactoring SpA	2	46	-	-	1	-	-
Snam Rete Gas SpA	42	-	-	-	-	31	-
Stoccaggi Gas Italia SpA	12	-	-	-	-	8	-
Syndial SpA	14	-	-	-	-	9	-
Tecnomare SpA	3	-	-	-	-	3	-
Versalis SpA (former Polimeri Europa SpA)	3	-	-	-	-	-	-
Other (for transactions not exceeding € 500 thousand)	4	1	-	-	-	-	-
Total Eni consolidated subsidiaries	**579**	**119**	**5,852**	**7**	**55**	**405**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	104	16	-	-	-	471	-
Total Eni subsidiaries	**683**	**135**	**5,852**	**-**	**55**	**876**	**-**
Eni associated and jointly controlled companies	41	-	-	-	-	51	-
Total Eni companies	**724**	**135**	**5,852**	**7**	**55**	**927**	**-**
Entities controlled or owned by the State	**-**	**1**	**-**	**-**	**1**	**-**	**-**
Total transactions with related parties	**801**	**186**	**5,936**	**7**	**69**	**939**	**-**
Overall total	**3,329**	**5,344**	**7,570**	**1,391**	**2,999**	**6,397**	**6**
Incidence (%)	**24.05**	**3.49**	**78.41**	**0.50**	**2.30**	**14.68**	**-**

The figures shown in the tables refer to Note 2 'Trade and other receivables', Note 15 'Trade and other payables', Note 31 'Guarantees, commitments and risks', Note 34 'Purchases, services and other costs ', Note 32 'Net sales from operations' and Note 33 'Other income and revenues'.
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, which amounted to € 51 million, principally included € 49 million from Petrobel Belayim Petroleum Co. Receivables of € 41 million, are due mainly from Petrobel Belayim Petroleum Co (€ 29 million) and from Super Octanos CA (€ 6 million).

	Dec. 31, 2011		June 30, 2012	
(€ million)	Other receivables	Other payables	Other receivables	Other payables
Eni SpA	231	477	95	283
Banque Eni SA	9	10	10	35
Eni Insurance Ltd	-	-	-	6
Eni Trading & Shipping SpA	-	7	-	-
Total transactions with related parties	**240**	**494**	**105**	**324**
Total	**644**	**508**	**422**	**376**
Incidence (%)	**37.27**	**97.24**	**24.88**	**86.17**

Financial transactions

Financial transactions consisted of the following:

(€ million)

	Dec. 31, 2011		First half 2011		
Name	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	1,415	11,568	(20)	-	21
Banque Eni SA	-	274	-	-	(1)
Eni Finance International SA	2,535	-	(19)	1	-
Eni Trading & Shipping SpA	17	-	-	-	-
Total transactions with related parties	**3,967**	**11,842**	**(39)**	**1**	**20**

(1) Shown on the balance sheet under 'Short-term debt' (€ 826 million) and inclusive of the current portion under 'Long-term debt' (€ 3,141 million).

Financial transactions as of and for the six-month period ended June 30, 2012 consisted of the following:

(€ million)

	June 30, 2012		First half 2012		
Name	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	1,837	10,801	(24)	-	(44)
Banque Eni SA	-	736	-	-	28
Eni Finance International SA	3,047	-	(24)	1	-
Serfactoring SpA	5	-	(1)	-	-
Total transactions with related parties	**4,889**	**11,537**	**(49)**	**1**	**(16)**

(1) Shown on the balance sheet under 'Short-term debt' (€ 1,282 million) and inclusive of the current portion under 'Long-term debt' (€ 3,607 million).

As the result of a special agreement between Saipem and the Eni Corporate Finance Unit, Eni SpA provides 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, 2011			June 30, 2012		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	956	826	86.40	1,438	1,282	89.15
Long-term debt (including current portion)	3,342	3,141	93.99	3,808	3,607	94.72

	First half 2011			First half 2012		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	283	1	0.35	155	1	0.65
Finance expense	(366)	(39)	10.66	(218)	(49)	22.48
Derivatives	16	20	125.00	(17)	(16)	94.12

The main cash flows with related parties were as follows:

(€ million)	June 30, 2011	June 30, 2012
Revenues and income	997	939
Costs and expenses	(50)	(76)
Finance income (expenses) and derivatives	(18)	(64)
Change in trade receivables and payables	223	19
Net cash flow from operations	**1,152**	**818**
Change in financial (payables) receivables	139	922
Net cash flow from financing	**139**	**922**
Total cash flows with related parties	**1,291**	**1,740**

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

	June 30, 2011			June 30, 2012		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Net cash flow provided by operating activities	656	1,152	175.61	143	818	572.03
Cash flow used in investing activities	571	-	-	(549)	-	-
Cash flow used in financing activities (*)	(100)	139	(139.00)	599	922	153.92

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

Information on jointly controlled entities

Information relating to jointly controlled entities at June 30, 2012, consolidated using the proportionate method, are as follows:

(€ million)	June 30, 2011	June 30, 2012
Capital employed, net	(142)	(139)
Total assets	469	547
Total current assets	364	453
Total non-current assets	105	94
Total liabilities	485	512
Total current liabilities	461	489
Total non-current liabilities	24	23
Total revenues	399	434
Total operating expenses	395	410
Operating profit	4	24
Net profit (loss) for the period	2	16

44 Significant non-recurring events and operations

No significant non-recurring events or operations took place in the first half of 2012 or in the first half of 2011.

45 Transactions deriving from atypical or unusual transactions

In the first half of 2011 and 2012, there were no transactions deriving from atypical and/or unusual operations.

46 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 Resolution No. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned Pietro Franco Tali and Stefano Goberti 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, 2012 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, 2012 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, 2012:

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 2012 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 30, 2012

Pietro Franco Tali	Stefano Goberti
Deputy Chairman and CEO	Chief Financial Officer

Independent Auditors' Review Report

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

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, 2012, 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 consolidated 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 28, 2012 and on August 4, 2011, 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, 2012 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 2, 2012

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

Headquarters: San Donato Milanese (Milan) - Italy
Via Martiri di Cefalonia, 67
Branches:
Cortemaggiore (Piacenza) - Italy
Via Enrico Mattei, 20

saipem Società per Azioni
Share Capital €441,410,900 fully paid up
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Register No. 00825790157

Information for Shareholders
Saipem SpA, Via Martiri di Cefalonia, 67 - 20097
San Donato Milanese (Milan) - Italy

Relations with institutional investors
and financial analysts
Fax +39-0252054295
e-mail: investor.relations@saipem.com

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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www.saipem.com

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Operator: +39-025201

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www.saipem.com