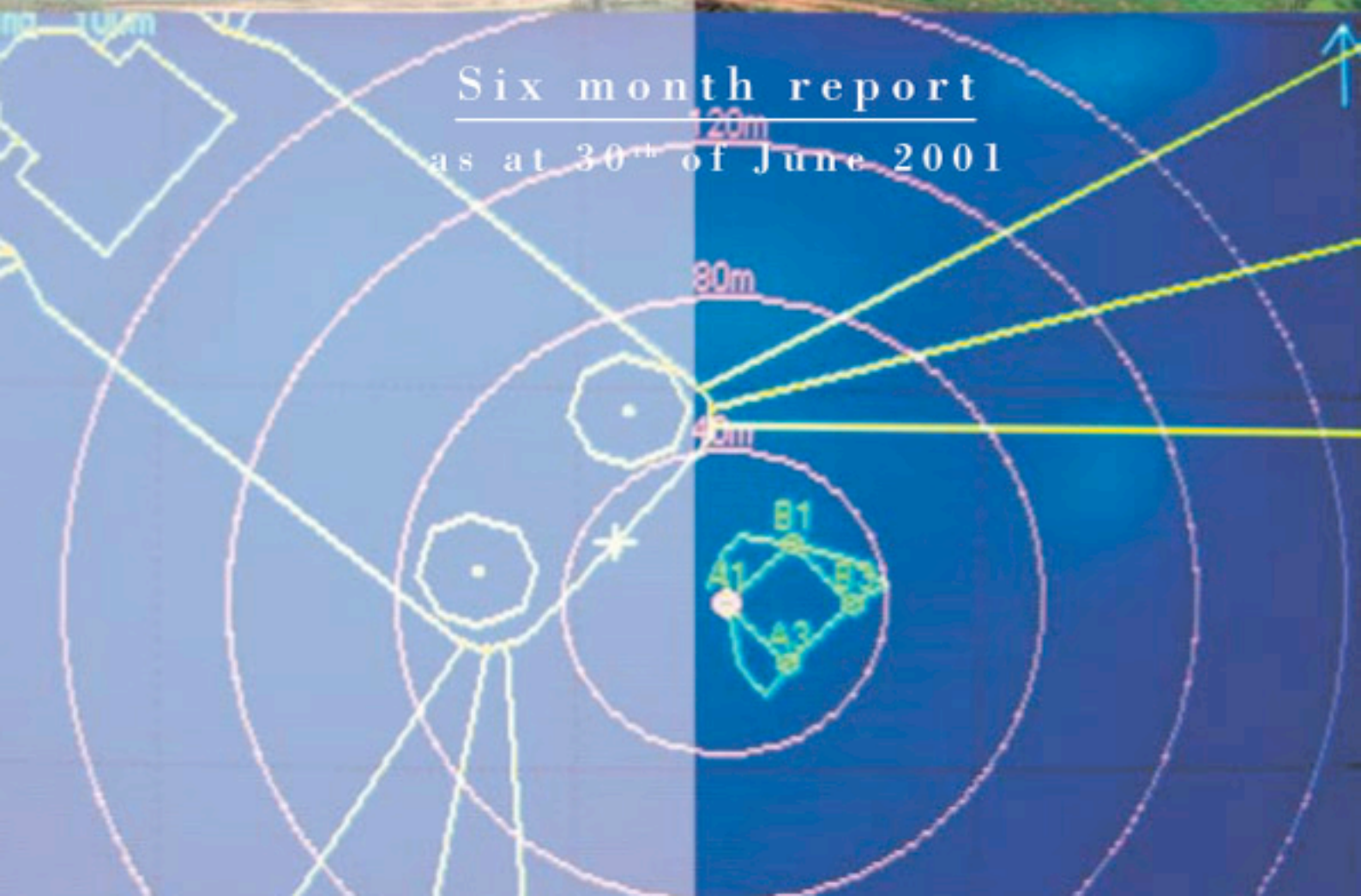




GROUP

Saipem

Six month report
as at 30th of June 2001



Compiled following the Board of Director's meeting held on 10th of September 2001

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S I X M O N T H R E P O R T A S A T 3 0 ^{t h} O F J U N E 2 0 0 1



Saipem

■ Saipem is present in the following countries:

Europe: France, Italy, Luxembourg, Netherland, Norway, Portugal, Switzerland, Turkey, United Kingdom

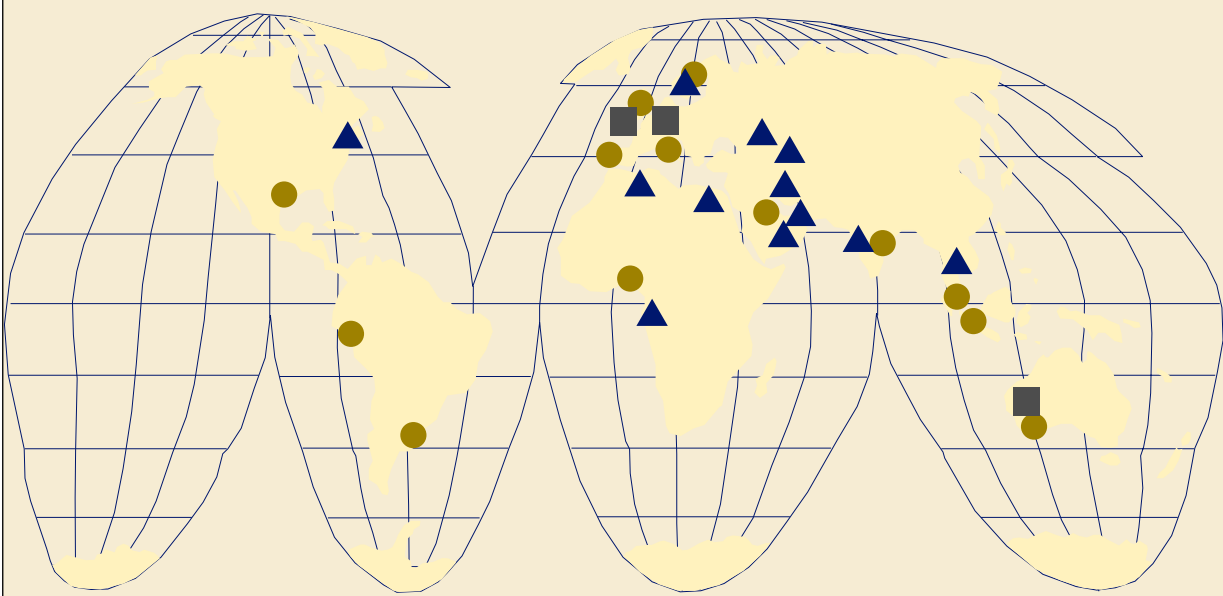
Americas: Argentina, Brazil, Peru, U.S.A.

C.S.I.: Georgia, Kazakhstan, Russia

Africa: Algeria, Angola, Congo, Egypt, Gabon, Libya, Nigeria, Sudan

Middle East: Abu Dhabi, Dubai, Iran, Oman, Qatar, Saudi Arabia, Sharjah

Far East and Oceania: Australia, India, Indonesia, Malaysia, Singapore, Thailand



- Subsidiaries
- Joint Venture Companies
- ▲ Branches

SIX MONTH RESULTS

The results achieved by Saipem for the first six months of 2001 have confirmed and accentuated the signs of recovery, which had manifested themselves in some sectors during the second half of 2000.

The complete involvement of the Blue Stream project, the first signs of recovery in critical areas such as West Africa and the North Sea and the utilisation of the new Offshore Drilling vessels have resulted in revenues, as highlighted in the reclassified balance sheet, of 736 million euros (543 million euros for the same period in 2000) and net income of 55 million euros (9 million euros for the same period in 2000).

Whilst remembering the non linearity over time, of revenue volumes produced and the profitability attributed to them, in the Construction and to a lesser extent the Drilling sectors, the consistency of the backlog, the positive market conditions and the results arising from the first six months, based on current information, allow us to foresee revenues and operating income for the 2001 fiscal year, much higher than those for the 2000 fiscal year.

The following important events took place during the first six months:

- The completion of the technologically advanced vessel for the development of under water fields (Field Development Ship) by Saibos Construções Marítimas, jointly owned and managed with Bouygues Offshore;
- The agreement for the purchase from third parties of 50% of SaiClo Luxembourg (Saipem owned the other 50%), owners of the multi-utility vessel Maxita. Formalisation of the purchase will occur as soon as the Canyon Express project has been completed, which is expected to be in the first quarter of 2002;
- The purchase from Snamprogetti of the remaining 50% of the shareholding in Sasp Offshore Engineering S.p.A. and Sasp Offshore Engineering UK Ltd.;
- The constitution, in London, of Saipem Energy International Ltd., with the objective of reinforcing the engineering expertise in the North Atlantic;
- Of the important events which occurred during the six months, it should be remembered that on 16th of April 2001, the Saipem 10000 drill ship, drilled to a record depth of 2,791 metres in Gabon, on behalf of Total Fina Elf;

and also, in July, the purchase of the engineering companies of Moss Maritime, whose head office is in Oslo, and Petro-Marine, present in Houston and New Orleans.

In conclusion, the recently completed investment programme gave the Group technologically advanced vessels, and this, together with a flexible and multi-local organisation, has permitted it to benefit from the market recovery. The reinforcement of the engineering expertise, through both organic growth as well as purchases of new Companies, will allow the Group to become even more competitive as a turnkey contractor, especially in the Offshore Construction sector.

- (1) Resigned as from 7th of May 2001.
- (2) Co-opted as Director in replacement of Giancarlo Mazzone during the Board of Directors' Meeting held on 7th of May 2001.
- (3) Appointed by the Shareholders' meeting of 4th of May 2001.
- (4) Resigned as from 4th of May 2001.
- (5) Appointed by the Shareholders' meeting of 4th of May 2001.



Pietro Franco Tali
Chairman & C.E.O.



Hugh O'Donnell
Managing Director & C.O.O.

DIRECTORS

Chairman & Chief Executive Officer
Entrusted with all of the powers necessary for the ordinary and extra-ordinary administration of the Company's business operations, with the exception of actions specifically limited by Italian law or by the Company's Statute
Pietro Franco Tali

Managing Director
Chief Operating Officer

Responsible for the operative and commercial activities of the Company's operations
Hugh O'Donnell

Managing Director
Chief Financial Officer

Responsible for the administration, finance and control of the Company
Giancarlo Mazzone (1)

Directors

Franco Bruni
Stefano Cao
Paolo Andrea Colombo
Carlo Grande (2)
Roberto Jaquinto
Marco Mangiagalli
Marco Reboa

BOARD OF STATUTORY AUDITORS

Chairman
Gaetano Troina
Statutory Auditors
Aldo Sanchini
Giorgio Viva

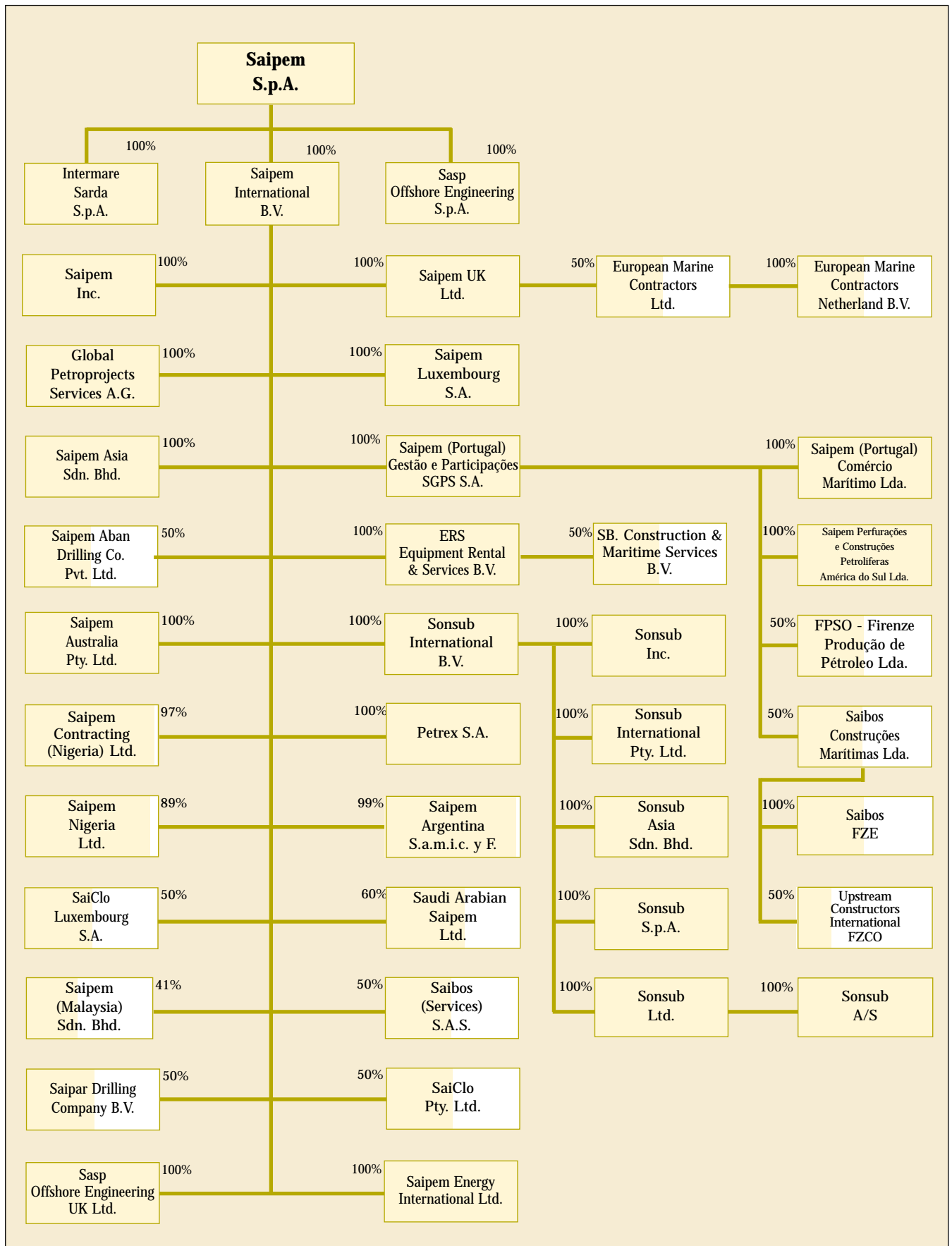
Alternate Statutory Auditors

Bruno Maier
Luigi Braitto (3)
Giovanni Battista Fregoso (4)

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A. (5)

SAIPEM GROUP STRUCTURE



REPORT OF THE DIRECTORS



Saipem

SAIPEM S.p.A. SHARE PERFORMANCE

During the first six months of 2001, the Saipem ordinary shares registered an increase of 8.1% on the Milan Stock Exchange, from 5.93 euros at the end of 2000 to 6.41 euros at the end of June 2001.

The growth over the six month period follows a 65.2% increase during 2000 and was due to the expected benefits by the Oil Service Companies following a recovery of the market resulting from higher crude oil prices.

Due to these expectations, the Saipem share price, listed at December 2000 prices until February 2001, recorded a constant growth rate for the remainder of the first half, further increasing during the first weeks of July to reach a record level of 7.60 euros per share.

Approximately 132 million shares were traded during the six months, versus the 219 million for the first half of 2000, for a total value of 893 million euros, versus 1,009 million euros for the first six months of 2000.

The six month performance by the savings shares, which represent only a small amount in respect of the ordinary shares, was in line with those of the ordinary shares.

The volume of shares traded on the Paris Stock Exchange was relatively modest, with share prices being in line with those recorded on the Milan Stock Exchange.

On the 7th of September 2001, the Milan Stock Exchange S.p.A. advised that as from 24th of September 2001, Saipem ordinary shares would be listed in the MIB 30 index.

Share prices on the Milan Stock Exchange (amounts in euro currency)

	1997	1998	1999	2000	First half 2001
Ordinary shares					
maximum	5.59	6.08	4.34	7.19	7.60
minimum	3.61	3.11	2.94	3.21	5.82
average	4.50	4.51	3.79	5.43	6.80
year-end	4.82	3.60	3.59	5.93	6.41
Savings shares					
maximum	3.96	6.06	4.30	7.19	7.49
minimum	1.91	3.19	3.30	3.30	5.72
average	2.87	4.33	3.77	5.43	6.76
year-end	3.96	3.59	3.50	5.80	6.52

OPERATING REVIEW



*Mediterranean Sea, Castoro Otto.
View from the bridge.*

NEW CONTRACTS AND BACKLOG

Contracts awarded to the Saipem Group for the first half of 2001

	First half 2000		First half 2001	
	Amount	%	Amount	%
Saipem S.p.A.	248	45%	405	34%
Other Group companies	307	55%	776	66%
Total	555	100%	1,181	100%
Offshore Construction	337	61%	504	43%
Offshore Drilling and Floating Production	63	11%	254	21%
Onshore Drilling	124	22%	220	19%
Onshore Construction	31	6%	203	17%
Total	555	100%	1,181	100%
Italy	4	1%	25	2%
Abroad	551	99%	1,156	98%
Total	555	100%	1,181	100%
Eni Group	67	12%	115	10%
Third parties	488	88%	1,066	90%
Total	555	100%	1,181	100%

The Group companies were awarded new contracts for a total value of 1,181 million euros (555 million euros for the first half of 2000).

Of the total contracts awarded, 43% related to Offshore Construction activities, 21% to Offshore Drilling and Floating Production, 19% to Onshore Drilling and 17% to Onshore Construction. Foreign contracts represented 98% of the total and contracts acquired from the Eni Group of companies represented 10% of the total. Finally, orders awarded to Saipem S.p.A. represented 34% of the total.

Saipem Group – Backlog at 30th of June 2001

	30 th of June 2000		30 th of June 2001	
	Amount	%	Amount	%
Saipem S.p.A.	2,024	78%	2,026	67%
Other Group companies	577	22%	1,009	33%
Total	2,601	100%	3,035	100%
Offshore Construction	1,492	57%	1,362	45%
Offshore Drilling and Floating Production	575	22%	683	23%
Onshore Drilling	129	5%	273	9%
Onshore Construction	130	5%	717	23%
Infrastructure	275	11%	-	-
Total	2,601	100%	3,035	100%
Italy	484	19%	61	2%
Abroad	2,117	81%	2,974	98%
Total	2,601	100%	3,035	100%
Eni Group	590	23%	520	17%
Third parties	2,011	77%	2,515	83%
Total	2,601	100%	3,035	100%

The backlog at 30th of June 2001 reached the record amount of 3,035 million euros, which represented a 17% increase in respect of the end of the previous fiscal year. It should be remembered that the end of June 2000 figures included an amount of 275 million euros (infrastructure sector) relative to the shareholding held by Saipem in the Cepav Uno Consortium, for the construction of the high speed Milan – Bologna rail link, sold to other consortia in October 2000, as it was no longer considered to be a part of strategic activities.

As for the sector breakdown, 45% is attributable to Offshore Construction activities, 23% to Offshore Drilling and Floating Production, 9% to Onshore Drilling and 23% to Onshore Construction. Saipem S.p.A. has 67% of the overall backlog of orders. Orders to be executed outside of Italy amount to 98%, whilst orders awarded by Companies of the Eni Group represent 17% of the total. Third party orders include amounts relative to the Blue Stream project.

CAPITAL EXPENDITURE

Group capital expenditure in tangible and intangible assets for the first six months of 2001 amounted to 125 million euros (of which 71 million euros relative to Saipem S.p.A.) compared to the 146 million (21 million euros relative to Saipem S.p.A.) for the corresponding period in 2000.

Capital expenditure for the period include those for the readiness of the vessels and structures necessary for the execution of important projects such as: Blue Stream (Russia – Turkey) and the Karachaganak Development in Kazakhstan, as well as completion of the construction of a new technologically advanced vessel for under water development (Field Development Ship).

The following table provides a breakdown of capital expenditure:

	First half 2000	(Millions of euros) First half 2001
Saipem S.p.A.	21	71
Other Group companies	125	54
Total	146	125
Offshore Construction	26	62
Offshore Drilling and Floating Production	104	12
Offshore Drilling	7	19
Onshore Construction	1	27
Others	8	5
Total	146	125

Capital expenditure relative to individual activities are described in the following paragraphs. "Others" capital expenditure refer to Group offices and mainly relate to the ongoing creation of an integrated Group information system.

Analysing the individual sectors:

OFFSHORE CONSTRUCTION

	30 th of June 2000	31 st of December 2000	30 th of June 2001
Pipelines laid (km)			
- Italy	-	73	134
- Abroad	136	203	238
Total km	136	276	372
Structures installed (tons)			
- Italy	5,025	17,793	1,847
- Abroad	10,775	39,294	41,212
Total tons	15,800	57,087	43,059

General information

The Group is one of the world leaders in the historical activities of **Offshore Construction**, comprising the laying of large diameter sealines and the installation of platforms, as well as the high technology segment relative to deep water activities, due to its technologically advanced vessels.

Amongst the latter, the foremost for its special characteristics, is Saipem 7000, equipped with a dynamic positioning capability, a lifting capacity of 14,000 tons and the possibility of laying sealines in ultra-deep waters with a "J" lay system. The vessel, used in trials and testing activities for the Blue Stream project, has also completed several installations in the North Sea. Other technologically advanced and highly sophisticated equipment, such as remote controlled under water vehicles, will also be used in the Blue Stream project.

Companies active in the Offshore Construction sector, in addition to the parent company are: Saipem UK., Saipem Inc., European Marine Contractors (jointly owned and managed with Brown & Root), Saibos Construções Marítimas (jointly owned and managed with la Bouygues Offshore, which completed the construction of a special Field Development Ship for the development of deep water fields (Field Development Ship), Saipem Malaysia, Saipem Asia, Saipem Luxembourg, Saipem (Portugal) Comércio Marítimo, Sonsub, SaiClo (jointly owned and managed with the Australian company, Clough), Sasp Offshore Engineering, Intermare Sarda and Saipem Energy.

Market overview

Signs of a recovery, previously indicated during the second half of 2000, were accentuated in the first half of 2001.

The geographical areas which showed a greater dynamism, were; the Gulf of Mexico and the Far East, as well as an increase in platform installation activities in West Africa and the laying of sealines in the North Sea.

New orders

The most significant contracts awarded for the period were:

- the EPIC (Engineering, Procurement, Installation and Construction) contract on behalf of Conoco in Indonesia. The Dry Gas Fields (ADGF) project in Indonesia, for detailed engineering, supply of materials, construction, installation and commissioning of an export pipeline system, infield flowlines and an underwater control system. The project also comprises the installation of three anchoring buoys. The contract was awarded to Saipem Malaysia Sdn Bhd;
- the Lan Tay Lan Do project in Vietnam on behalf of BP/Amoco, for the laying of a pipeline. The contract was awarded to European Marine Contractors Ltd.;
- the Grane project in the Norwegian sector of the North Sea on behalf of Norsk Hydro for the laying of two sealines. The contract was awarded to European Marine Contractors Ltd.;
- the Beatrice project in the English sector of the North Sea on behalf of Talisman Energy (UK) Ltd for the substitution of a sealine. The contract was awarded to European Marine Contractors Ltd.;
- the assigning of change orders on behalf of the Blue Stream Pipeline Company.

Capital expenditure

The most significant investments in the Offshore Construction sector were:

- the completion of the Field Development Ship by Saibos, a company jointly owned and managed by Saipem and Bouygues Offshore. This is an advanced "multipurpose" vessel, with dynamic positioning, capable of laying small diameter sealines in ultra deep waters using the "J-lay" system equipped to assist under water installations;
- the continuation of investments in the Blue Stream project, both in Offshore activities as well as Onshore support;
- the continuation of research activities for the development of technologically advanced equipment for use in deep waters.

Offshore Construction vessels at 30th of June 2001

Saipem S.p.A.

S 45 Launch barge for structures up to 20,000 tons.

Subsidiaries

Saipem 7000 Semi-submersible DP Derrick vessel for lifting structures, up to a maximum of 14,000 tons and equipped with a "J-lay" system capable of laying pipe in ultra deep-waters to a depth of up to 3,000 metres.

Pearl Marine Derrick ship for lifting structures of up to 2,200 tons.

Crawler Derrick lay barge; suitable for laying pipe up to 60" diameter and lifting structures up to a maximum of 540 tons.

Castoro II Derrick lay barge; suitable for laying pipe up to 60" diameter and lifting structures up to a maximum of 1,000 tons.

Castoro XI Heavy duty cargo barge.

Castoro 9 Launch cargo barge for platforms up to 5,000 tons.

S 42 Launch cargo barge for platforms up to 8,000 tons.

S 44 Launch cargo barge for platforms up to 30,000 tons.

Lifter 1 Barge with a sheer leg crane capable of lifting up to 1,400 tons.

Companies jointly owned and managed with third parties

FDS An advanced "multi-purpose" vessel, with dynamic positioning, equipped to lay small diameter pipes in deep waters with a "J lay" system whilst operating in a support capacity for under water installations.

Castoro 3 Light weight cargo barge.

Castoro Sei Semi-submersible pipe lay vessel for large diameter pipes at depths of up to 1,000 metres.

Castoro Otto Monohull derrick lay ship suitable for laying pipes up to 60" diameter and lifting structures to a maximum of 2,200 tons.

Castoro 10 Trench barge for pipes up to 60" diameter and for laying pipes in shallow waters.

Bar 420 (Semac 1) Semi-submersible pipe lay vessel for large diameter pipes in deep waters.

Bar 331 Trench barge for pipes up to 60" diameter.

Bar Protector Multi-purpose, dynamically positioned, dive support vessel.

Maxita Multi-purpose monohull DP crane vessel for the installation of under water structures, small diameter rigid or flexible pipe and under water cables.

Saibos 230 Work barge, with a light lifting equipped for the laying of pipe up to 20" diameter.

Saibos 931 Launch barge for jackets up to 4,000 tons.

SB 103 Lightweight cargo barge.

OFFSHORE DRILLING AND FLOATING PRODUCTION

	30 th of June 2000	31 st of December 2000	30 th of June 2001
Metres drilled			
- Italy	-	6,647	-
- Abroad	38,075	89,425	60,004
Total mt	38,075	96,072	60,004
Wells drilled			
- Italy	-	4	-
- Abroad	27	46	22
Total	27	50	22

General information

In the **Offshore Drilling and Floating Production** sector, the Group operates in Italy, Northern Europe - particularly off the Norwegian coast, West Africa, North Africa and India.

In April, Saipem 10000 drilled in 2,791 metres of deep water in the Judy 1 well located off the Gabon coastline. At this time, this was the deepest well ever drilled. In addition to Saipem 10000, the semi-submersible vessels of Scarabeo 5 and Scarabeo 7 are also equipped to operate in deep waters. In this sector, in addition to the parent company; Saipem Nigeria presides over the strategic area of West Africa from its base in Lagos; Petrex operates in South America and Saipem (Portugal) Comércio Marítimo Ltd. manages the drill ships.

In the Floating production sector, FPSO - Firenze Producao de Petróleo (jointly owned and managed with Single Buoy Moorings) operates with a floating production system in the Aquila field, on behalf of the Agip Division of Eni in the South Adriatic sea.

Market overview

The level of activity in the **Offshore Drilling** sector during the first six months of 2001, confirmed the noticeable recovery recorded in 2000. The operating rates for the Offshore vessels reached approximately 90%. The "ultra-deepwater" vessel segment, capable of operating at water depths exceeding 1,500 metres, reached complete utilisation last year and the rates for this type of vessel grew significantly. The overall prospects for the segment during the second half of 2001 are particularly positive, with an activity level expected to reach the record levels achieved in 2000.

The **Floating Production System** market, connected with the development of reserves, showed initial signs of a recovery, despite suffering from the continual delays in commencing projects.

New orders

The most significant contracts awarded for the period were:

- a three year charter of the Perro Negro 2 jack up in Saudi Arabia on behalf of Saudi Aramco. The contract was awarded to Saudi Arabian Saipem Ltd.;
- the year long charter of the semi-submersible platform, Scarabeo 5 in Norway on behalf of Norsk Hydro. The contract was awarded to Saipem S.p.A.;
- the year long charter, with a 2 year option, of an Offshore package plant in Libya on behalf of Total Fina Elf. The contract was awarded to Saipem S.p.A.;
- the six month charter of the semi-submersible platform, Scarabeo 6 in Norway on behalf of Norsk Hydro. The contract was awarded to Saipem S.p.A.;
- the year long charter of the Perro Negro 5 jack up in Nigeria on behalf of Belbop. The contract was awarded to Saipem S.p.A.;
- the four month charter of the semi-submersible platform, Scarabeo 7 in Nigeria on behalf of Total Fina Elf. The contract was awarded to Saipem S.p.A.; and
- the year long charter of Perro Negro 4 in Egypt on behalf of Petrobel. The contract was awarded to Saipem S.p.A.

Capital expenditure

Investments made in the Offshore Drilling and Floating Production activities were in respect of:

- the completion of works to the semi-submersible platform, Scarabeo 7, in order to render it compatible to work at depths of up to 1,500 metres;
- the purchase of an oil tanker, to be converted to a floating production system (FPSO). The purchase was made together with SBM.

Utilisation of equipment

Vessel type	Days under contract
Semi-submersible platform Scarabeo 3 (*)	181
Semi-submersible platform Scarabeo 4 (*)	181
Semi-submersible platform Scarabeo 5 (**)	181
Semi-submersible platform Scarabeo 6 (*)	181
Semi-submersible platform Scarabeo 7 (*)	111 (a)
Drillship Saipem 10000 (*)	181
Jack up Perro Negro 2 (*)	181
Jack up Perro Negro 3 (*)	51 (b)
Jack up Perro Negro 4 (*)	181
Jack up Perro Negro 5 (*)	181
FPSO – Firenze (***)	181

(a) For the remaining to 181 days the vessel underwent upgrading activities in order to render it capable of working at depths of up to 1,500 metres off the coast of West Africa. During this period, the client paid a reduced tariff.

(b) For the remaining to 181 days the vessel underwent structural repairs.

(*) Equipment owned by subsidiary companies.

(**) Equipment leased by Saipem S.p.A..

(***) Equipment owned by jointly owned and managed companies.

ONSHORE DRILLING

	30 th of June 2000	31 st of December 2000	30 th of June 2001
Metres drilled			
- Italy	5,846	16,536	12,087
- Abroad	61,398	130,050	70,303
Total mt	67,244	146,586	82,390
Wells drilled			
- Italy	2	4	3
- Abroad	22	40	23
Total	24	44	26

General information

The **Onshore Drilling** activities of the Group are located in Italy, Algeria, Egypt, Nigeria, Kazakhstan, Peru, Argentina and Saudi Arabia, in addition to the parent company, also with Saipem Nigeria, Petrex, SaiPar (jointly owned and managed with Parker Drilling Co. in Kazakhstan), SaiFor (jointly owned and managed with Enafor, which is destined to operate in Algeria), Saudi Arabian Saipem, Saipem Perfurações e Construções Petrolíferas América Do Sul. In a joint venture with Trevi S.p.A., Saipem S.p.A., through SaiTre, also carries out "slim cheap drilling" using advanced and innovative technology.

Market overview

Over the last six months, **Onshore Drilling** activities confirmed the recovery, which commenced in 2000 in all the main geographic areas, with particular reference to South America. Signs from the Middle East indicate that this area is becoming increasingly more important, both for the high potential of the reserves as well as the possibility of being granted long term contracts with substantial rates.

New orders

The most significant contracts awarded for the period were:

- the charter for three years, with an option of a further year, of seven drilling units in Saudi Arabia on behalf of Saudi Aramco. The contract was awarded to Saudi Arabian Saipem Ltd.;
- the charter for 27 months of a drilling unit in Algeria on behalf of Broken Hill Properties. The contract was awarded to Saipem S.p.A.

Capital expenditure

Investments carried out in the Onshore Drilling sector almost completely refer to the preparation of more than one drilling rig to be used in Saudi Arabia on behalf of Aramco, the purchase of equipment for new contracts in Val Padana and in Kazakhstan.

Utilisation of equipments

The Onshore drilling activities were performed through the utilisation of 27 drilling rigs owned by Saipem Group Companies of which:

14 are located in Peru, 3 in Nigeria, 3 in Algeria, 1 in Saudi Arabia, 1 in Egypt and 1 in Kazakhstan.

Nr. 8 third parties drilling rigs were utilised in Peru.

Whilst the following rigs were utilised in Kazakhstan:

1 drilling rig owned by the joint venture S. AG/Nabors.

1 drilling rig owned by joint company SaiPar.

2 drilling rigs owned by Parker and supplied to the joint venture SaiPar.

O N S H O R E C O N S T R U C T I O N

	30 th of June 2000	31 st of December 2000	30 th of June 2001
Pipelines laid (km)			
- Italy	-	-	-
- Abroad	415	483	60
Total km	415	483	60
Industrial plants (tons.)			
- Italy	-	-	-
- Abroad	9,782	13,000	420
Total tons	9,782	13,000	420

General information

In the **Onshore Construction** sector, the Group has consolidated its presence over the years through the realisation of critical projects, such as the laying of large diameter pipelines and the realisation of petrochemical plants in harsh conditions.

The area in which the Group consistently operates are the Arabian Peninsula and Nigeria; the Group is also currently involved in projects in Kazakhstan and Algeria, whilst they are finalising important projects in Sudan and Thailand.

The operating companies in this area, in addition to the parent company (either singly or together with other international operators) are; Saipem Contracting Nigeria, Saudi Arabian Saipem, Saipem Malaysia, Saipem Asia and Saipem Argentina.

Market overview

The level of Onshore Construction activity for the six month period was substantially low, despite the commencement of important projects which will sharply develop over the second half of the year.

Central Asia, the Middle East and West Africa have been the more dynamic areas of the Onshore pipeline Construction segment.

Saudi Arabia and South East Asia were the two main areas of activity for plant construction (refineries and petrochemical).

New orders

The most significant contracts awarded for the period were:

- the Sales gas to Yanbu trough AY – 1 Conversion for the re-conversion of the existing East/West pipeline from an oil line to a gas line, in Saudi Arabia, on behalf of Saudi Aramco. The works comprise procurement of materials, construction, pre-commissioning and assisting in the start-up of the gas system. The contract was awarded to Saudi Arabian Saipem Ltd.;
- the Harad Light Crude Increment II project in Saudi Arabia on behalf of Snamprogetti, which comprises civil, mechanical, electro-strumental works and the construction of the Harad plant. The project also foresees the installation of equipment in the existing water injection plant and the laying of three lines. The contract was awarded to Saudi Arabian Saipem Ltd.

Capital expenditure

Investments in the Onshore Construction sector continued in respect of readying vehicles and the structures necessary for the execution of the Karachaganak project in Kazakhstan; the other investments relate to the replacement and upgrading of vehicles and equipment necessary for the realisation of newly awarded contracts.

MANAGEMENT EXPECTATIONS OF OPERATIONS

The projects included in the orders backlog at the end of June 2001, the execution of which is programmed for the second half of the year, are expected to develop revenues totalling 990 million euros: of which, 571 million refer to Offshore Construction, 169 million to Offshore Drilling and Floating Production, 68 million to Onshore Drilling and 182 million to Onshore Construction.

During the course of the first six months, Construction and Offshore Drilling activities showed a significant increase both in terms of volumes as well as margins, versus the corresponding period for 2000.

The progress during the second half of the year of the Blue Stream project, the commencement of activities by the FDS in the Offshore Construction sector; the commencement of renegotiated rates on more remunerative contracts for Offshore Drilling sector; the expected increase in the use of Onshore Drilling equipment and the complete operability of the Karachaganak project in Kazakhstan for Onshore Construction sector allow us, in view of current information for the 2001 fiscal year, to foresee revenues and operating income well in excess of that for the 2000 fiscal year.

RESEARCH AND DEVELOPMENT

The first six months of 2001 saw the conclusion of the main Research and Development activities connected with the Blue Stream project, whilst projects for the improvement of processes, activities aimed at the transfer of technologies to the production lines in order to improve the competitive position of the Group, are continuing or have commenced. At the same time, the development of special solutions for highly sophisticated areas of the market, with a greater technological content, is continuing.

Projects undertaken for the six months involved the use of financial resources totalling 2.8 million euros, of which, 0.6 million euros were expensed to the income statement and 2.2 million euros were capitalised for the realisation of prototypes, thereby increasing the tangible assets.

Significant projects carried out for the period were as follows:

Pipe laying technology

The installation of specific technologies on Saipem 7000, which were developed for the Blue Stream project, have been completed. The most important result was the development of the non intrusive *buckle detection* system for use in sea lines. The system uses radio waves combined with the elaboration of reflected signals in order to diagnose any permanent deformation of sea-lines and has shown that this system can be used for other uses.

Welding technologies

The welding processes were critically re-analysed and a study into an innovative welding process was begun, in order to greatly improve productivity.

At the same time, a short term study was launched into improving the actual "S" and "J" sea line laying systems.

Technologies for supporting operations

Simultaneously, two new projects for the realisation of equipment relative to *shore approach* operations, especially critical in remote areas, were launched. The projects will involve the realisation of two prototypes, a linear winch of the modular type and a radio controlled trench digging machine for the laying of pipes.

Subsea intervention systems

Sonsub worked towards the completion of two important subsea intervention systems for the Blue Stream project: a trench digging machine capable of operating at depths of up to 2,200 metres and a pipe recovery system for those being laid.

A joint project between Saipem, Agip and Total Fina Elf for the study of a new remote controlled vehicle (AUV) has been commenced.

Development of deep water fields

Technological investigation activities, mainly by SASP, are continuing and the second phase of the Pipe-in-pipe project has commenced, relative to the definition of a solution for the realisation of under water sealines for hot liquids, guaranteeing a continuous flow. The project is aimed at enriching offers by Saipem, in a sector where the use of technology is fundamental in order to maintain a competitive advantage.

Drilling

A "Riser Management System" was installed on Saipem 10000 and will operate as an innovative advisory system for the dynamic positioning, by using the drilling riser as a reference.

A further project is under way, involving the transfer of dynamic vessel positioning technology, to the Saipem fleet of construction and drilling vessels, thereby equipping them with an innovative instrument which will greatly improve the safety of operations; the system reduces the dependency upon geographic positioning systems by using the tube or riser as a reference and behaving as a class 3 system. The project is being financed by Eni research foundation.

The Saipem 10000 drillship was selected to experiment the use of a new “Green DP” system, which is equipped with a special control algorithm to reduce consumption.

Various

A final configuration was developed for the “Knowledge management” system hardware, which will be directly supplied by the *various* users in the area of activity and will allow diffusion of the knowledge of *best practices* within the Group.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT



A technician on board Saipem 7000.

Saipem continued improving and implementing the HSE (Health, Safety and Environment) and Quality system over the first six months of 2001. The quality was certified according to the 1994 ISO 9001 Standard.

These activities also comprised the integration of the Quality functions with HSE, thereby creating improved conditions in order to respond to the increasing needs of the market relative to quality, safety and environmental aspects.

At the beginning of 2001, the new version of the ISO 9000 International Regulations (called Vision 2000) was officially issued by ISO, which over the last fifteen years has become the sole World Standard utilised by the largest clients as a contractual requirement for Quality.

Saipem's objective is to obtain an "up-grade" certificate of its Quality System, according to the ISO 9000 standards, prior to the end of 2002. This objective will result in the intensification of Quality improvement activities according to its own five developmental lines:

- changing from a functional approach to a processional approach to business;
- the extension of Quality training activities to all levels through the creation of a decentralised facility in Romania;
- the consolidation of Audit System activities to operational companies and the commencement of the same activities at a "Corporate" level;
- the introduction of a client satisfaction monitoring system; and
- the commencement of a quality cost management system per specific project.

The first phase of these activities (February – June 2001) involved the elaboration of a Saipem model in terms of the classification of Quality costs by "cause", the planning of a cost information supply system and the defining of a reporting system (Tableau de Board).

As for activities carried out in the HSE area; they involved the entire company structure, particularly the operating construction sites and especially:

- the implementation and upgrading of Saipem fleet documentation;
- the continuation of activities relative to obtaining ISM (International Safety Management) certification for the whole Saipem fleet, following the granting of this certificate to Scarabeo 5;
- the continuation of environmental monitoring activities such as:
 - monitoring internal combustion engine emissions by analytical measurements;
 - evaluating the acoustic emissions from offshore fields;
 - evaluating the acoustic effect of Onshore Drilling rigs upon the environment in the vicinity of urban centres; and
 - investigations into updating the information of the effects of video terminals upon the people using them.

These activities allowed comparison of the atmospheric emission levels and the acoustic emissions by Drilling rigs, with legal requirements, as well as the identification and the progressive adoption of correctional measures for personnel working at video terminals as required by law.

Other significant activities were also carried out during the six months, such as:

- activation of the Strategic Health Plan (SHP), indicating both the direct and indirect medical costs for the Group;
- application training programmes for Offshore personnel;
- the commencement of safety activities in the areas of maintenance and the selection and management of sub-contractors;
- widening of the HSE activities in Bucharest, Romania through, research, selection and training of new resources for new operational projects; and
- the updating of Corporate Governance.

The ever increasing importance that the company is placing upon the QHSE themes, has been confirmed by a trend for the first six months of 2001, which were in line with Group accident levels for 2000. The formal and informal recognition of the safety measures implemented in various projects received from clients, bears witness to the commitment by the Saipem Group in this area.

HUMAN RESOURCES



Samsun, Turkey.

Quadruple joint pre-fabrication yard for the Blue Stream project.

The various business activities carried out by the Saipem Group confer two important aspects upon human resources:

- adaptability, in order that activities can be performed either with the Group's own personnel, external temporary personnel or through sub-contractors;
- flexibility, as the global needs for human resources change according to the type of contracts to be carried out.

As a result, it is difficult to estimate the constant proportional headcount to annual turnover. In addition, the seasonal variability of our work volume and our reliance on international labour and/or Italian personnel with temporary contracts, render the average year headcount ratios more significant than the end of year headcount.

This having been said, the Group employed an average of 11,105 people in the first six months of 2001 (9,998 for the same period in 2000) of whom, 4,343 were employed by Saipem S.p.A., (2,657 for the same period in 2000).

	First half 2000	First half 2001
Saipem S.p.A. (*)	2,657	4,343
Other Group Companies	7,341	6,762
Total	9,998	11,105
Offshore Construction	2,084	2,502
Offshore Drilling and Floating Production	1,038	1,282
Onshore Drilling	1,573	2,032
Onshore Construction	4,624	4,593
Infrastructure	12	-
Staff	667	696
Total (**)	9,998	11,105
Italian personnel	2,402	2,232
International personnel	7,596	8,873
Italian - permanent personnel	2,199	2,048
Italian - temporary personnel	203	184
Total	2,402	2,232

(*) including all joint venture personnel in proportion to the stake in the venture.

(**) including all consolidated companies; for those companies consolidated using the proportional method, a proportion equivalent to the consolidated percentage was used.

The increase in the average number of people employed for the first six months of 2001 can be attributed to an increase in the volume of activities and the specific requirements of each contract for the period, resulting in an increase, mainly of international personnel (+ 16.8%).

Following a greater focus upon the international market, the Italian market has become less critical.

Trade Unions:

- the initial phase of the reorganisation process has been concluded, with the re-employment of personnel, temporarily laid off (CIGS) and who were re-employed following a professional re-qualification process, whilst the solidarity contract for 216 personnel in the Drilling sectors was extended;
- the renewal of the contract provides for the training of resources aimed at their re-allocation in the foreign market or in more important positions in the Italian market;
- the terms and payment conditions of the CCNL contract for maritime personnel employed on technologically advanced vessels was renewed, whilst negotiations for renewal of the terms and payment conditions for Master Captains and Chief Engineer Captains are continuing;
- preliminary negotiations were commenced for the renewal of the CCNL Energy contract, which expires on 31st of December 2001, whilst talks are continuing with Trade Union leaders in respect of the application of a new classification system which will commence as from 1st of January 2002.

In respect of training, emphasis was placed upon the valuation and development of human resources, concentrating investments on the capacity and professionalism with greater value added for the company and more coherent with Saipem's business needs.

On one hand, the offer of personalised and flexible training and on the other, the continuation of the internationalisation process of human resources, aimed at the development of a complete and versatile figure.

Greater attention was placed on organising processes and on decentralise organisation activities/functions in "core" business activities with a higher added value.

With this in mind, on one hand, the Company Document System was constantly maintained in order to create an uniform method and managing Group policies, whilst on the other, audit activities were performed in order to verify the correct use by the single Operating Companies.

I N F O R M A T I O N S Y S T E M

The new personnel information system became fully operational in June for both Saipem S.p.A. as well as Global PetroProjects Services AG (ex Saipem Services AG), which will supply integrated and transversal information regarding the main management processes and the development of human resources, to be shared.

As for the development of the applications system, the IBIS project continued to be consolidated and was spread to the main subsidiary companies and branches. Implementation of the Project Control (PS) and the Management Control (CO) modules were completed. Development of the “Material Tracking” and “Worksite Information Activities ” systems are at an advanced stage and will complete the SAP procurement module to be integrated with EPIC project activities.

A Business Intelligence system project, aimed at supplying analyses and reports to assist the decision making process and the initial phase of an E-Procurement project, aimed at optimising relationships with suppliers and increasing efficiency levels of the procurement process have been started in order to best exploit the evolution of Information Technology systems.

COMMENTS ON THE FINANCIAL AND ECONOMIC RESULTS

RESULTS OF OPERATIONS

Saipem Group – Reclassified income statement

	First half 2000	First half 2001	Variation
			(Millions of euros)
Operating revenues	543	736	35.5%
Other income and revenues	4	9	
Purchases, services and other costs	(322)	(416)	
Payroll and related costs	(135)	(157)	
Gross operating income	90	172	91.1%
Amortisation, depreciation and write downs	(62)	(80)	
Operating income	28	92	228.6%
Financial expenses, net	(15)	(19)	
Income before extraordinary items and income taxes	13	73	461.5%
Extraordinary expenses, net	-	(1)	
Income before income taxes	13	72	453.8%
Income taxes	(4)	(17)	
Net income for the period	9	55	511.1%

The **operating revenues** for the six month period were 736 million euros, an increase of 193 million euros (+35.5%) in respect of those for the same period in 2000.

The significant increase in income, as detailed in the analyses of the various sectors of activity, can be ascribed to the complete operability of the Blue Stream project, the recovery of the Offshore Construction sector in the Gulf of Mexico and West Africa and the coming into operation by the new ultra deep water drillship Saipem 10000 and the semi-submersible platform Scarabeo 7.

Amortisation of tangible and intangible assets amounted to 80 million euros with a 29% increase in respect of the corresponding period for 2000 (62 million), mainly due to the completion of vessel construction works during the same period for the previous fiscal year. No write-down of any type was necessary during this six month period. **Operating income** therefore reached 92 million euros, more than twice the amount for the first six months of 2000.

The increase in average net debt recorded for the period, was mainly connected to new capital expenditure, which resulted in an increase of financial expenses, net to 19 million euros, in respect of 15 million for the first six months of 2000.

During the course of the first six months of 2001, extraordinary expenses of 1 million euros were incurred, relative to the early retirement of personnel.

Following an increase in revenues and an improved profitability from contracts, the **gross operating income** also improved in respect of the same period for 2000, of 82 million euros (91.1%).

Income before income taxes, was therefore 72 million euros, more than four times higher than for the same period in 2000.

Income taxes were 17 million euros, an increase of 13 million in respect of the first six months of 2000; this increase can be ascribed to a higher income base and the taxes paid by the Saipem S.p.A. foreign branches. As a result, **net income for the period** was 55 million euros, more than five times the amount for the same period in 2000.

Operating income and cost by destination

	First half 2000	First half 2001	Variation
	(Millions of euros)		
Operating revenues	543	736	35.5%
Production costs	(446)	(579)	
Idle costs	(26)	(21)	
Selling expenses	(9)	(11)	
Research and development costs	(1)	(1)	
Other operating income, net	1	3	
Contribution from operations	62	127	104.8%
General and administrative expenses	(34)	(35)	
Operating income	28	92	228.6%

Operating revenues, as previously advised, rose by 35.5% to 736 million euros.

Revenues by companies forming part of the Eni Group amounted to 123 million euros, representing 16.7% of the total (first six months of 2000: 79 million euros equal to 14.5%).

Foreign income represents 93.3% (first six months of 2000: 87.8%).

Production costs, which include direct contract costs and the depreciation and amortisation of the equipments and used tools, amounted to 579 million euros (446 million for the first six months of 2000), which is connected to an increase in activity volumes.

Idle costs, which can be ascribed to periods during which the vessels were non operational, fell, mainly due to a greater use of Offshore Construction in respect of the same period for 2000.

Selling expenses grew by 2 million euros in respect of the first six months of 2000, following an intense commercial campaign developed over the period, whilst research and development costs remain unchanged.

Other operating income, net for the first six months of 2001 reached 3 million euros.

Contribution from operations, more than doubled in respect of the same period for 2000, reaching 127 million euros.

General and administrative expenses, comprising amortisation of the SAP modules, which had been used since the beginning of the year, increased by 1 million euros in respect of the same period for 2000, therefore, **operating income**, as previously advised, was more than two times higher.

Analysis of results achieved by major sectors:

Offshore Construction

	First half 2000	First half 2001
	(Millions of euros)	
Operating revenues	208	414
Operating expenses net of cost of materials	(133)	(251)
Cost of materials	(41)	(72)
Depreciation and amortisation	(27)	(34)
Contribution from operations (*)	7	57

(*) Operating income before general and administrative expenses

Results for the first six months of 2001 were 414 million euros, double the volume of that for the same period in 2000, mainly due to the Blue Stream project and a greater volume of activity in West Africa and the Gulf of Mexico.

Contribution from operations for the first six months of 2001 amounted to 57 million euros, equal to 13.8% of operating revenue, in respect of 7 million euros, equal to 3.4% of revenue for the first six months of 2000.

Offshore Drilling and Floating Production

	(Millions of euros)	
	First half 2000	First half 2001
Operating revenues	110	153
Operating expenses, net of cost of materials	(60)	(74)
Depreciation and amortisation	(18)	(26)
Contribution from operations (*)	32	53

(*) Operating income before general and administrative expenses

Operating revenues for the first six months of 2001 rose by 39% in respect of the same period for 2000, mainly due to operations carried out by the new ultra deep water drillships: Saipem 10000 and Scarabeo 7.

Contribution from operations for the six months rose by 21 million euros in respect of the first six months for 2000, with an incidence on operating revenues which increased from 29% to 35%, due to the combined effect of a greater use of the vessels and higher charter rates for the vessels.

Onshore Drilling

	(Millions of euros)	
	First half 2000	First half 2001
Operating revenues	61	74
Operating expenses, net of cost of materials	(44)	(55)
Depreciation and amortisation	(6)	(9)
Contribution from operations (*)	11	10

(*) Operating income before general and administrative expenses

Operating revenues for the first six months of 2001 were 21% higher than that for the first six months of 2000, mainly due to the effect of contracts acquired in Saudi Arabia and Kazakhstan.

Contribution from operations fell by 1 million euros in respect of the same period for 2000, falling from 18% to 13.5% of operating revenue, mainly due to higher depreciation connected with capital expenditure realised for the execution of new contracts.

Onshore Construction

	(Millions of euros)	
	First half 2000	First half 2001
Operating revenues	164	95
Operating expenses, net of cost of materials	(113)	(57)
Cost of materials	(32)	(23)
Depreciation and amortisation	(7)	(8)
Contribution from operations (*)	12	7

(*) Operating income before general and administrative expenses

Operating revenues and contribution from operations for the first six months of 2001 mainly derive from the conclusion of various projects which were operative during the same period of 2000.

It is expected that operational activities, relative to important projects to be realised in Kazakhstan and Saudi Arabia, will have a positive effect upon volumes and margins as from the second half of 2001.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

Saipem Group – Reclassified consolidated balance sheet

	31.12.2000	(Millions of euros) 30.06.2001
Net tangible fixed assets	1,338	1,403
Net intangible fixed assets	32	31
	1,370	1,434
- Offshore Construction	551	590
- Offshore Drilling and Floating Production	660	650
- Onshore Drilling	62	72
- Onshore Construction	62	85
- Others	35	37
Financial investments	5	6
Non-current assets	1,375	1,440
Net current assets	239	210
Employees' termination pay	(23)	(23)
Net capital employed	1,591	1,627
Shareholders' equity	1,011	1,050
Net debt	580	577
Cover	1,591	1,627

Non current assets reached 1,440 million euros at 30th of June 2001, an increase of 65 million in respect of the end of 2000. The increase mainly referred to tangible fixed assets and was associated with capital expenditure in the Onshore and Offshore Construction activities, relative to the completion of construction of the technologically advanced under water development vessel (Field Development Ship) and the equipment and structures necessary for the execution of important projects, amongst which, the Blue Stream project in Russia and Turkey and the Karachaganak Development in Kazakhstan.

Net current assets fell for the period, by 29 million euros, from 239 million at the end of 2000 to 210 million at the end of June 2001, mainly due to a contraction of the net working capital.

Consequently, **net capital employed** rose by 36 million euros, reaching 1,627 million euros at 30th of June 2001, in respect of 1,591 at the end of 2000.

Shareholder's equity rose by 39 million euros, to 1,050 million euros at 30th June 2001, in respect of 1,011 million at the end of 2000. The increase derives from income for the period and the accounting effect of conversion of assets and liabilities stated in values other than euros, net of dividends distributed by the holding, which amounted to 27 million euros.

The increase in the Group shareholder's equity, greater than the growth of net capital employed, resulted in a reduction of **net debt**, which at 30th of June 2001 was 577 million euros, in respect of 580 million at the end of 2000.

Net financial debt

	31-12-2000	(Millions of euros) 30-06-2001
Payable toward banks due after one year	5	4
Payable toward other providers of finance due after one year	108	124
Net medium/long term financial debt	113	128
Bank and post office accounts, Eni Group finance companies	(124)	(146)
Cash on hand and cash equivalents	(2)	(3)
Other receivables due within one year	(45)	(40)
Payable towards banks due within one year	139	131
Payable towards other providers of finance due within one year	497	504
Payable towards associated companies due within one year	2	3
Net short term financial debt	467	449
Net financial debt	580	577

Saipem Group- Reclassified statement of cash flow and change in net debt

Year 2000	First half 2000	(Millions of euros) First half 2001
80 Net income before minority interest	9	55
<i>Adjustments to reconcile cash generated from operating income before changes in working capital</i>		
127 Depreciation, amortisation and other non-monetary items	65	80
(1) Gain on disposal of assets	(1)	(2)
77 Dividends, interest extraordinary income/expenses and income taxes	11	31
283 Cash generated from operating income before changes in working capital	84	164
121 Changes in working capital related to operations	(73)	53
(136) Dividends, interest, extraordinary income/expenses and income taxes received (paid) during the year	(22)	(31)
268 Net cash flow from operating activities	(11)	186
(231) Capital expenditures	(146)	(125)
- Investments in shareholding	-	(2)
3 Disposals	1	7
(22) Other investments and disposals	(1)	(8)
18 Free cash flow	(157)	58
21 Investments and disposal related to financing activities	19	6
22 Changes in financial debt	168	(18)
(23) Changes in net equity	(23)	(27)
1 Effect of changes in consolidation and exchange differences relating to cash	-	4
39 Net cash flow for the period	7	23
18 Free Cash Flow	(157)	58
(23) Changes in share capital and premium reserve net of dividends paid	(23)	(27)
(9) Exchange differences on net debt and other changes	(7)	(28)
(14) Change in net debt	(187)	3

The **cash generated from operating income before changes in working capital** (164 million euros) associated with a decrease in working capital of (53 million euros) allowed the generation of **net cash flow from operating activities** of 186 million euros, after taxes paid, dividends and interest of 31 million euros.

These financial resources were absorbed by capital expenditure totalling 128 million euros which consequently generated a **free cash flow** of 58 million euros.

Changes in net equity was negative for 27 million euros following the payment of dividends. The above detailed changes in net equity and the accounting effect on net debt resulting from the conversion of financial liabilities from other monies to euros (28 million euros), together generated a decrease in net debt of 3 million euros.

In particular:

The **cash generated from operating income before changes in working capital** (+164 million euros) consists of net income for the period of 55 million adjusted for: depreciation, amortisation and write downs of fixed assets (+80 million euros); the use of provision for doubtful debts (-1 million euros); variations to provisions for expenses (+1 million euros); from net capital gains on disposals (-2 million euros); from dividends received from a foreign subsidiary (-1 million euros); extraordinary expenses for early retirements (+1 million euros); income taxes and interest (+31 million euros).

The decrease in working capital related to operations (+53 million euros) is mainly attributable to activities associated with the Blue Stream project.

Capital expenditure amounted to 125 million euros, and was mainly associated with Offshore Drilling and Construction equipment.

The change in net equity (-27 million euros) relates exclusively to the payment of dividends to the shareholders on the 2000 results.

OTHER INFORMATION

SUBSEQUENT EVENTS

Orders awarded

The Group was awarded new contracts during July and August 2001 for a total of 433 million euros, of which, 189 million refer to the Offshore Construction sector, 174 million to Floating Production, 62 million to Onshore Drilling and 8 million to Onshore Construction.

The most significant contracts awarded were:

Offshore Construction

- an EPIC (Engineering, Procurement, Installation, Construction) project, Kizomba, in Angola on behalf of Exxon, for the laying of flowlines; the installation of risers, minor lines and umbilicals to a depth of 1,000/1,250 metres, through the use of the new technologically advanced multi-purpose vessel, the FDS (Field Development Ship). The project was awarded to Saibos.
- the Penguin project, in England on behalf of Shell, for engineering and procurement activities and the laying of a pipeline. The contract was awarded to European Marine Contractors Ltd.

Floating Production

- the EPIC project for the development of the Okono & Okpoho reserves offshore Nigeria on behalf of Agip Energy. The contract provided for the supply, installation and management of the two FPSO (Floating Production Storage and Offloading System): the first is destined to be used during the initial field development phase, for an 18 month period and the second, which is larger and has a greater production capacity, for the full time production for a period of 7 years. The contract was awarded to a 50/50 joint venture between Saipem and SBM (Single Buoy Moorings).

Onshore Drilling

- the charter of three drilling rigs for 36 months in Peru, on behalf of Pluspetrol Argentina SA. The contract was awarded to a joint venture between the subsidiaries of Petrex SA and SCPC Lda.
- the charter of six drilling rigs for 36 months in Peru on behalf of Perez Companac del Perú SA. The contract was awarded to a joint venture between the subsidiaries of Petrex SA and SCPC Lda.

Acquisition of new shareholding

In July, Saipem acquired 100% of Moss Maritime, a Norwegian company specialised in engineering, planning of floating production and treatment of oil systems and of vessels for the transport of natural liquefied gas. This acquisition will allow Saipem to significantly reinforce its engineering capabilities, especially in floating production systems with surface well heads, due to technology which was developed, tested and is exclusive to Moss Maritime.

Also in July, Saipem completed the purchase of another engineering company, Petro-Marine, with head office in Houston and New Orleans and which operates in the strategic area of the Gulf of Mexico.

Following these acquisitions, resulting from a total investment of 75 million euros, Saipem has significantly increased its capacity to offer the Offshore Construction sector integrated solutions for engineering, the supply of materials and construction and installation.

MANAGEMENT INCENTIVE SCHEME FOR 2000

On 27th of July 2001, the Board of Directors, in view of the powers granted to them at the extraordinary shareholders' meeting, held on 4th of May 2001, resolved to execute a 2000 incentive plan and to increase the share capital to a maximum of 247,500 shares, to be freely assigned, ex art. 2349 of the Civil Code, to Saipem S.p.A. managers, subsidiary company managers, branches and subsidiaries which service the Saipem Group and which reached the stated objectives.

The increase was effected through the use of a corresponding amount set aside in the balance sheet.

Subscription to the shares will be freely offered during the month subsequent to the completion of the third year of work as a manager.

STOCK OPTIONS PLAN

In conformation with the current stock option plan, Saipem S.p.A. share capital was increased, following approval by the extraordinary shareholder's meeting held on 4th of May 2001, by 1,000,000 ordinary shares with a nominal value of 1 euro, to be offered at a price of 6.498 euros to managers who are directly responsible for Group results.

The options can be exercised:

- up to 50% of the total from 1st of August 2001 to 31st of July 2005, conditional upon the official average arithmetic price of the ordinary Saipem S.p.A. shares on the Stock Exchange recorded for 20 continuous trading days during the period from 25th of October 2000/31st of July 2001 are equal to or higher than 7.00 euros;
- up to 100% as from 1st of August 2001 to 31st of July 2005 on condition that the arithmetic average of the official ordinary Saipem S.p.A. shares on the Stock Exchange for 20 continuous trading days from 1st of August 2001/31st of July 2002 are equal to or higher than 7.50 euros.

During the period from 20th of April 2001 – 18th of May 2001 (20 continuous trading days of the Stock Exchange), the average official arithmetic price of the Saipem S.p.A. shares on the Stock Exchange was 7.020 euros.

Conditions had therefore been reached whereby the assignees with 50% of the shares (500,000) could exercise their rights.

RELATED PARTY TRANSACTIONS

As required by the “Commissione Nazionale per le Società e la Borsa” (The National Commission for Corporations and the Stock Exchange) regulations No. 97001754 dated 20th of February 1997 and No. 98015375 dated 27th of February 1998, we provide below a list of principle transactions with related parties.

Saipem S.p.A. is a company controlled by Eni S.p.A. The transactions entered into by Saipem S.p.A., and all of the consolidated Saipem Group companies, with related parties, essentially reflect the supply of services, the trading of materials, and the receipt and use of financial instruments, with other companies controlled and related to Eni S.p.A. These operations are an integral part of the ordinary day-to-day business and are executed at market conditions. That is, at prices, which would have applied between independent parties.

All the transactions entered into have been executed for the mutual benefit of the companies involved.

The table below shows the value of transactions, commercial, financial or of any other nature, entered into with related parties. The analysis by company has been based on the principle of the materiality of the transaction in relation to total company transactions. The transactions not analysed due to their non-materiality are summarised according to the following categories:

- Eni S.p.A. subsidiary companies
- Eni S.p.A. associated companies

Commercial and other transactions

Name	30 th of June 2001		First half 2001			
	Receivables	Payables	Costs		Revenue	
			Materials	Services	Services	Other
Agip Division of Eni S.p.A.	31	11	-	-	67	-
Eni S.p.A.	-	1	-	-	-	-
Snam S.p.A.	3	1	-	-	-	-
Snamprogetti S.p.A.	2	4	-	-	1	-
Agip Recherches Congo SA	22	1	-	-	44	-
N.a.e. Ltd.	1	-	-	-	-	-
Naoc - Nigerian Agip Oil Co. Ltd.	18	-	-	-	11	-
Agip Petroli S.p.A.	-	4	5	-	-	-
Padana Assicurazioni S.p.A.	37	28	-	10	-	-
Finas Company Ltd.	1	1	-	-	-	-
Servizi Turistici Grantour S.p.A.	-	3	-	-	-	-
Sieco S.p.A.	-	3	-	2	-	-
Agip (Nigeria) Plc	-	-	-	1	-	-
Enidata S.p.A.	-	5	-	5	-	-
Eni S.p.A. subsidiary companies	3	12	-	-	-	-
Eni S.p.A. associated companies	2	-	-	-	118	-
Total	120	74	5	18	241	-

Saipem S.p.A., and all of the consolidated Saipem Group companies, provide services, to the Eni Group of companies, primarily in the Onshore Construction and in the Onshore and Offshore Drilling sectors, both in Italy and abroad. During the first six months of 2001 operating revenues from the Eni Group of companies amounted to 123 million euros to which correspond, on the basis of normal contractual payment terms, receivables of 115 million euros as of the 30th of June 2001.

In addition, of the revenues realised by the companies associated with Eni, 117 million euros realised by the “Blue Stream Pipeline Company BV,” have been included.

Financial transactions

Denomination	30 th June 2001			(Millions of euros)	
	Receivables	Payables	Obligations	First half 2001 Charges	Income
Enifin S.p.A.	50	207	1,066	13	1
Enibank International Bank Ltd.	1	108	46	3	-
Eni Coordination Center	6	240	-	7	-
Sofid S.p.A.	1	-	-	-	-
Serleasing S.p.A.	-	31	-	1	-
Total	58	586	1,112	24	1

Enifin S.p.A., a company entirely owned by Eni S.p.A., provides financial services to the Eni companies. In accordance with a specific agreement between Saipem and Enifin, the latter provides financial services to the Italian companies of the Saipem Group, consisting of loans, deposits and financial instruments for the hedging of foreign exchange risks.

EURO

Saipem S.p.A. carries out a significant part of its activities within Member States of the European Union and the European Monetary Union will almost certainly influence these activities. In the context of the re-engineering of its information applications, some time ago the Saipem Group commenced transformation of the accounting systems of those companies which operate in countries within the European Monetary Union and the conversion of their systems into euros. Within this programme, in August 2001, Saipem S.p.A. completed the conversion of its accounting and operational systems to euros. The costs sustained to 30th of June 2001 for the conversion of the accounting and operational systems of the Saipem Group amounted to approximately 933 thousand euros; whilst the total cost is expected to be approximately 1.3 million euros.

CONSOLIDATED FINANCIAL
STATEMENTS AS AT 30TH OF JUNE 2001



Saipem

BALANCE SHEET

	30-6-2000	31-12-2000	(Millions of euros) 30-6-2001
ASSETS			
Share capital to be received	-	-	-
Non-current assets:			
- Intangible assets	34	32	31
- Tangible assets	1,316	1,338	1,403
- Financial fixed assets	5	5	6
Total non-current assets	1,355	1,375	1,440
Current assets:			
- Inventories	174	133	153
- Accounts receivable	759	803	726
- Cash	93	126	149
Total current assets	1,026	1,062	1,028
Prepayments and accrued income	109	148	201
TOTAL ASSETS	2,490	2,585	2,669

	30-6-2000	31-12-2000	(Millions of euros) 30-6-2001
LIABILITIES			
Shareholders' equity:			
- Share capital	227	227	440
Share premium reserve	291	291	60
- Revaluation reserve as per Law No 413 dated 30.12.1991	2	2	2
- Legal reserve	23	23	46
- Other reserves:	59	50	61
- <i>Reserve for exchange rate differences</i>	59	50	61
- Retained earnings	339	338	386
- Net income for the period	9	80	55
Total Group shareholders' equity	950	1,011	1,050
Minority interest in net equity	-	-	-
Total	950	1,011	1,050
Provision for contingencies	60	49	55
Employees' termination pay	23	23	23
Accounts payable	1,400	1,408	1,387
Accrued expenses and deferred income	57	94	154
TOTAL LIABILITIES	2,490	2,585	2,669
GUARANTEES AND OTHER MEMORANDUM AND CONTINGENCY ACCOUNTS			
Guarantees given on behalf of:	518	752	792
- subsidiary companies	281	489	512
- associated companies	220	107	269
- parent companies	6	6	6
- others	11	150	5
Guarantees given to third parties on behalf of the Parent Company	485	797	707
Collateral given on behalf of:			
- subsidiary companies	83	59	38
Other memorandum and contingency accounts:			
- commitments	864	1,332	1,367
TOTAL	1,950	2,940	2,904

STATEMENTS OF INCOME

	First half 2000	2000	(Millions of euros) First half 2001
Revenues:			
Turnover	547	1,370	725
Variation to contract work in progress	(4)	(60)	11
Increase in internal work capitalised under fixed assets	9	30	4
Other revenues and income	7	21	9
Total	559	1,361	749
Operating expenses:			
Raw materials, consumables and supplies	100	218	115
Services	175	448	265
Use of third party assets	40	122	36
Payroll and related costs	139	290	158
Amortisation, depreciation and write downs	62	137	80
Variation in raw materials, supplies and consumables	7	(9)	(4)
Other provisions	4	13	4
Other operating costs	4	9	3
Total	531	1,228	657
Difference between revenues and operating expenses	28	133	92
Financial income and expenses			
Income from investments	-	11	1
Other financial income	54	80	53
Interest and other financial expenses	69	119	73
Total	(15)	(28)	(19)
Adjustment to financial asset values	-	-	-
Extraordinary income and expenses	-	-	(1)
Income before income taxes	13	105	72
Income taxes	4	25	17
Net income for the period	9	80	55

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS



Saipem

STATEMENT OF CASH FLOW

(Millions of euros)

Year 2000	First half 2000	First half 2001
80	9	55
132	62	80
3	-	(1)
(9)	2	1
1	1	-
(1)	(1)	(2)
(3)	-	(1)
(6)	(1)	(7)
61	8	21
	-	1
25	4	17
283	84	164
(increase) decrease:		
51	11	(15)
(61)	(14)	87
(58)	(61)	(46)
138	(29)	6
51	20	21
404	11	217
3	-	1
(41)	1	1
(54)	(7)	(16)
(16)	-	(1)
(24)	(16)	(20)
(4)	-	-
	-	4
268	(11)	186
Investments:		
(14)	(9)	(6)
(217)	(137)	(119)
	-	(2)
(22)	1	(8)
(12)	(3)	(5)
(265)	(148)	(140)
Disposals:		
3	1	7
33	20	11
36	21	18
(229)	(127)	(122)
- Additions to short term financial debts	-	6
5	-	15
- Payment of short term financial debts	-	(21)
(10)	-	(11)
27	168	(7)
(23)	(23)	(27)
(1)	145	(45)
- Effect of change in consolidation area	1	1
- Effect of change in consolidation area –cash for/from co.'s sold/purchased	(2)	-
- Net effect of changes in consolidation area	(1)	1
1	-	3
39	6	23
87	87	126
126	93	149

BASIS OF PREPARATION

The consolidated financial statements as of and for the period ended 30th of June 2001 have been prepared in accordance with Regulation No. 11971/1999 approved by the "Commissione Nazionale per le Società e la Borsa" (National Commission for Companies and the Stock Exchange) and amended by Resolution No 12475 of 6th of April 2000. Consob notice No. DAC/28034 of 12th of April 2000 has been complied with. These statements have been further integrated, in order to provide more accurate information, through the following statements:

- Consolidated reclassified balance sheet, according to a financial analysis;
- Consolidated reclassified profit and loss account.

The consolidated financial statements comprise the half-yearly financial statements of Saipem S.p.A. and also the Italian and foreign subsidiaries over which Saipem S.p.A. exerts direct and indirect control. This control is held by way of majority holdings of voting rights or sufficient voting rights to exert a dominant influence at a general shareholders' meeting. Those subsidiaries, which are held as joint ventures, are also stated using the proportionate method.

Companies held exclusively for subsequent sale, those in liquidation and minor investments of immaterial size have been excluded from the consolidation.

The consolidation principles adopted are consistent with those of the prior period.

Listed in the following tables are the subsidiaries and associates of Saipem S.p.A. according to article 2359 of the Civil Code. They include a summary by location (in Italy and abroad) and details on the consolidation methods or valuation criteria used, together with details of any changes in areas of consolidation which occurred during the period. The last paragraph of article 39 of legislative decree No. 127 dated 9th of April 1991 was taken into account when preparing the list of companies.

Significant post balance sheet events are disclosed in the Report of the Directors.

In accordance with Consob, circular letter No. 97001574 dated 20th of February 1997, Reconta Ernst & Young S.p.A. has appointed to perform a limited review of the financial statements of the parent company, Saipem S.p.A., and the consolidated half-year financial statements for the three years 2001-2003.

In reference to the parent company Saipem S.p.A. the financial statements is also included as foreseen by art, 81, comma 2, letter, b) of the aforementioned Consob regulations.

CONSOLIDATION AREA

Companies consolidated using the full consolidated method				
Company	Registered office	Currency	Capital stock	% holding by the Group
Parent company:				
Saipem S.p.A.	S. Donato Mil.se (MI)	Euro	440,237,300	-
Subsidiaries				
In Italy				
Intermare Sarda S.p.A.	Tortoli (NU)	Euro	6,708,000	100
SASP Offshore Engineering S.p.A.	S. Donato Mil.se (MI)	Euro	2,550,000	100
Abroad				
Saipem International BV	Amsterdam	Euro	172,444,000	100

Companies consolidated using the full consolidated method

Company	Registered office	Currency	Capital stock	% holding by the Group
Indirectly related companies:				
Abroad				
Saipem International BV:				
Saipem (Portugal) Gestão de Participações SGPS S.A.	Funchal	Euro	49,900,000	100
Saipem Luxembourg S.A.	Luxembourg	Luf.	125,962,250	100
Sonsub International B.V.	Amsterdam	Euro	9,076,000	100
Saipem Australia Pty. Ltd.	Sydney	\$ Aus.	17,661,000	100
Petrex S.A.	Iquitos	N.Soles	12,027,690	100
Saipem (Asia) Sdn Bhd	Kuala Lumpur	Ring.M.	8,116,500	100
Saipem U.K. Ltd.	London	L.St.	6,470,000	100
Global Petroprojects Services AG	Zurigo	Fr.Sv.	5,000,000	100
Saipem Inc.	Houston	Usd.	1,000,000	100
ERS Equipment Rental & Services B.V.	Amsterdam	Euro	90,760	100
Saipem Contracting (Nigeria) Ltd.	Lagos	Naira	567,000,000	97
Saipem (Nigeria) Ltd.	Lagos	Naira	259,200,000	89
Saudi Arabian Saipem Ltd.	Al-Khobar	Riyal	5,000,000	60
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur	Ring M.	1,033,500	41
Saipem Argentina S.a.m.i.c. y F.	Buenos Aires	Pesos	6,000	99
SASP Offshore Engineering U.K. Ltd.	London	L.St.	500,000	100
Saipem Energy International Limited	London	L.St.	2,000,000	100
Saipem (Portugal) Gestão de Participações SGPS S.A.				
Saipem (Portugal) Comércio Marítimo Lda	Funchal	Euro	299,278,738	100
Saipem Perfurações e Construções Petrolíferas				
América do Sul Lda	Funchal	Euro	224,459	100
Sonsub International B.V.:				
Sonsub Inc.	Delaware	Usd.	43,333,333	100
Sonsub International Pty Ltd.	Sydney	\$ Aus.	6,600	100
Sonsub Ltd.	Aberdeen	L.St.	5,901,028	100
Sonsub S.p.A.	Venice	Euro	884,000	100
Sonsub Asia Sdn Bhd	Kuala Lumpur	Ring M.	1,900,000	100
Sonsub Ltd.:				
Sonsub A/S	Oslo	Nok	1,769,000	100

Companies consolidated using the proportionate method

Company	Registered office	Currency	Capital stock	% holding by the Group
Indirectly related companies:				
Saipem UK Ltd.:				
European Marine Contractors Ltd.	London	L.St.	14,000,000	50
Saipem International BV:				
Saibos (Services) S.A.S.	Parigi	Euro	38,125	50
SaiClo Pty. Ltd.	Perth	\$ Aus	5,000,000	50
Saipem Aban Drilling Co. Pvt Ltd	Madras	Rs	50,000,000	50
SaiClo Luxembourg S.A.	Luxembourg	Luf.	6,000,000	50
Saipar Dilling Company B.V.	Amsterdam	Euro	20,000	50
Saipem (Portugal) Gestão de Participações SGPS S.A.:				
Saibos Construções Marítimas Lda	Funchal	Euro	55,102,104	50
FPSO Firenze Produção de Petróleo Lda	Funchal	Euro	7,451,968	50
ERS Equipment Rental & Services B.V.:				
SB Construction and Maritime Services B.V.	Amsterdam	Euro	18,152	50
Other consolidated companies:				
European Marine Contractors Ltd:				
European Marine Contractors LLC	Wilmington	Usd.	1,000	50
European Marine Contractors Netherlands BV	Rotterdam	Euro	20,000	50
Saibos Construções Marítimas Lda:				
Saibos FZE	Dubai	Dirhams	1,000,000	100
Upstream Constructors International FZCO	Jebel Ali	Dirhams	600,000	50

Companies accounted for using the equity method

Company	Registered office	Currency	Capital stock	% holding by the Group
Indirect shareholdings:				
Saipem International BV:				
P.T. Saipem Indonesia (*)	Jakarta	Usd.	1,250,000	100
Saifor S.p.A.(*)	Hassi Messaoud	DA	35,000,000	50
Saibos do Brasil Lda. (**)	Rio de Janeiro	R\$	1,000,000	50

(*) company of an irrelevant size

(**) inactive during the first six months of 2001

Companies accounted for using the cost method

Company	Registered office	Currency	Capital stock	% holding by the Group
Direct shareholdings:				
Consorzio SaiTre	S. Donato Mil.se (MI)	Euro	51,646	51
Savico Società consortile a r.l. (*)	Cagliari	Euro	10,200	51
Consorzio SAPRO	Pescara	Euro	10,329	51
Directly related companies:				
Consorzio SI	S. Donato Mil.se (MI)	Lit.	50,000,000	50
Consorzio U.S.G. (*)	Parma	Lit.	50,000,000	40
APIBI Società Consortile a r.l. (*)	S. Donato Mil.se (MI)	Lit.	20,000,000	36
Farsura Saipem (*)	Milan	Lit.	1,750,000	35
Queiroz Petro S.A.	Rio de Janeiro	R\$	1,511,484	33

(*) in liquidation

Variations to the area of consolidation in respect of the period ended 31st of December 2000, were as follows:

- following constitution the company Saipem Energy International Limited was included in the consolidation using the full consolidation;
- the remaining 50% of the shareholding in SASP Offshore Engineering S.p.A. and Sasp Offshore Engineering UK Ltd. respectively held by Snamprogetti S.p.A. and Snamprogetti International BV were acquired during the six months. These companies were consolidated during the six months using the global integration method in respect of the proportionate method used at 31st of December 2000;
- following significant increases in activities, Saipar Drilling Company BV, was consolidated using the proportionate integration method in respect of the equity method used at 31st of December 2000;
- the Consorzio Sage, which was in liquidation at 31st of December 2000, completed the liquidation process during the six months.

It should be noted that Saipem Services AG was renamed in Global PetroProjects Services AG;

In respect of the situation at 30th of June 2000, the following variations occurred:

- the newly incorporated company Upstream Constructors International FZCO entered in the consolidation area and consolidated using the proportional method;
- the AKJAIK Drilling Company J.S.C., which was in liquidation at 31st of December 1999, completed the liquidation process during 2000.

The six monthly financial statements of consolidated companies, have been amended, where necessary, to comply with the accounting principals of Saipem S.p.A.

The amounts in the financial statements have been stated in millions of euros. Consequently, items with a value equal to zero or with a value less than this, have been excluded.

PRINCIPLES OF CONSOLIDATION, ACCOUNTING AND VALUATION CRITERIA

The principles of consolidation, accounting and valuation criteria applied are those used for the preparation of the end of year consolidated financial statements at 31st of December 2000 and those for 30th of June 2001.

The financial statements of foreign companies have been translated into euros, using the following exchange rates:

Currency	Exchange rate at 30.06.2001	Average exchange rate
US Dollar	0.848	0.898
Saudi Riyal	3.18	3.36
Australian Dollar	1.67	1.72
Pound sterling	0.60	0.62
Malaysian Ringgit	3.22	3.41
Nigerian Naira	92.16	97.64
Indian rupee	40.52	42.20
Swiss franc	1.52	1.53

DETAILS OF THE FINANCIAL STATEMENTS CAPTIONS

BALANCE SHEET - ASSETS

NON CURRENT ASSETS

Intangible assets

Intangible assets amounted to 31 million euros at 30th of June 2001, a net decrease of 1 million euros in respect of 31st of December 2000. Non-current intangible assets of 23 million euros refer to Saipem S.p.A., whilst the remaining 8 million euros refer to other Group companies.

The following table sets out principal movements for the last six months:

	Start up and capital costs	Industrial patents and similar rights	Goodwill	Differences on consolidation	Assets under development and payments on account	Others	(Millions of euros) Total
Historical cost							
Balance at 31.12.2000	10	34	2	6	9	21	82
Acquisitions	-	1	-	3	2		6
Exchange rate differences and other variations	-	-	1	-	-	-	1
Balance at 30.06.2001	10	35	3	9	11	21	89
Accumulated amortisation							
Balance at 31.12.2000	7	19	2	3	-	19	50
Amortisation	1	6	-	1	-	-	8
Balance at 30.06.2001	8	25	2	4	-	19	58
Net book value	2	10	1	5	11	2	31

The acquisitions for the period refer principally to the costs incurred in acquiring the remaining 50% of the subsidiary Sasp Offshore Engineering S.p.A.

Tangible assets

Tangible assets to 30th of June 2001 amounted to 1,403 million euros, a net increase of 65 million euros in respect of 31st of December 2000.

Principal movements for the period were as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	(Millions of euros) Total
Historical cost						
Balance at 31.12.2000	63	1,989	257	33	106	2,448
Movements:						
- Acquisitions	17	43	28	-	31	119
- Transfers	-	1	-	1	(2)	-
- Disposals	-	(11)	-	-	-	(11)
- Exchange rate differences and other variations	4	23	6	1	9	43
Balance at 30.06.2001	84	2,045	291	35	144	2,599
Accumulated depreciation						
Balance at 31.12.2000	25	858	200	27	-	1,110
Movements:						
- Depreciation	4	57	10	1	-	72
- Disposals	-	(6)	-	-	-	(6)
- Exchange rate differences and other variations	1	14	4	1	-	20
Balance at 30.06.2001	30	923	214	29	-	1,196
Net book value	54	1,122	77	6	144	1,403
Revaluation on assets held at 30.06.2001	3	23	15	-	-	41
Net revaluation value of assets held at 30.06.2001	1	-	-	-	-	1

Acquisitions for the six month period amount to 119 million euros and mainly relate to the completion of equipment and structures necessary for the execution of important projects such as Blue Stream (24 million euros), the Karachaganak Development in Kazakhstan (27 million euros) and the completion of works of the technologically advanced vessel for under water development, the Field Development Ship (18 million euros).

Certain tangible fixed assets were revalued in previous years, in accordance with specific monetary revaluations legislation. The net value of these revaluations at 30th of June 2001 was 1 million euros.

The fixed assets include freely transferable assets of 5 million euros and leased assets of 21 million euros. The latter comprise leasing contracts for the use of a deep sea drilling vessel (Scarabeo 5).

Financial fixed assets

Financial fixed assets amounted to 6 million euros at 30th of June 2001, an increase of 1 million euros in respect of 31st of December 2000.

Movements for the period were as follows:

	Costs	Adjustments	(Millions of euros) Total
Financial fixed assets			
Opening balance:			
- Associated companies	1	-	1
- Other companies	5	(1)	4
	6	(1)	5
Movements:			
Acquisitions			
- Other companies	2	-	2
- Variation to consolidation area			
- Associated companies	(1)	-	(1)
Closing balance:			
- Associated companies	-	-	-
- Other companies	7	(1)	6
Total	7	(1)	6

The increase for the six months amounted to 1 million euros can be attributed to the increase in share capital of Sieco S.p.A. for 2 million euros and in a decrease due to the full consolidation method of SASP Offshore Engineering UK Ltd, previously consolidated using the equity method.

CURRENT ASSETS

Inventories

Inventories amounted to 153 million euros at 30th of June 2001, an increase of 20 million euros in respect of 31st of December 2000. Movements for the first six months have been set out below:

	Raw materials and consumables	Contract work in progress	(Millions of euros) Total
Opening balance:			
- Original value (a)	88	48	136
- Provision for write downs (b)	(3)	-	(3)
- Net value	85	48	133
Movements:			
Original value:			
- Operating variations	4	11	15
- Exchange rate differences and other variations	4	1	5
Total (c)	8	12	20
Closing balance:			
- Original value (d=a+c)	96	60	156
- Provision for write downs	(3)	-	(3)
- Net carrying value	93	60	153

The increase in inventories can be attributed to an increase in operating activities, commented upon in the Report of the Directors.

Accounts receivable

Accounts receivable amounted to 726 million euros at 30th of June 2001, a decrease of 77 million euros in respect of 31st of December 2000. Movements for the first six months have been set out below:

	(Millions of euros)
	Total
Opening balance:	
- Original value (a)	838
- Provision for write downs (b)	(35)
- Net value	803
Movements:	
Original value:	
- Operating variations	(93)
- Exchange rate differences	13
- Changes in consolidation area	2
Total (c)	(78)
Provision for write downs:	
- (Allocations)/Utilisation	1
- Exchange rate differences	-
Total (d)	1
Closing balance:	
- Original value (e=a+c)	760
- Provision for write downs (f=b+d)	(34)
- Net value (g=e+f)	726

During the six month period, the parent company factored receivables, without recourse, in respect of the Agip Division of Eni, for a total of approximately 20 million of euros.

Receivables include trade receivables other receivables, Eni Group receivables, subsidiaries company receivables and associated company receivables as follows:

	31.12.2000	(Millions of euros) 30.06.2001
Trade receivables	464	464
Other receivables	249	234
Associated companies receivables	16	19
Eni Group receivables	71	7
Subsidiary companies receivables	3	2
Total	803	726

Total receivables from Eni Group companies amounted to 89 million euros, including 9 million relating to financial receivables. There are no accounts receivable due after five years.

Cash and equivalents

Amounted to 149 million euros at 30th of June 2001, an increase of 2 million euros in respect of 31st of December 2000, and comprise temporary liquid funds directly correlated to the bank overdraft generated by treasury operations at a Group level.

PREPAYMENTS AND ACCRUED INCOME

Amounted to 201 million euros at 30th of June 2001, an increase of 53 million euros in respect of 31st of December 2000, and include costs not related to the period, on contracts taken out to hedge foreign currency risks by the parent company and two foreign subsidiaries (108 million euros); costs to be incurred in future periods (54 million euros), insurance premiums not related to the period (38 million euros) and deferred tax assets (1 million euros).

BALANCE SHEET - LIABILITIES

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to 1,050 million euros at 30th of June 2001, an increase of 39 million euros in respect of 31st of December 2000.

In accordance with the resolutions approved at the Saipem S.p.A. extraordinary shareholders' meeting held on 4th of May 2001, the Saipem S.p.A. share capital was converted to euros by which the nominal value per share was converted from Lire 1,000 per share to 1 euro per share for ordinary and savings shares, through the utilisation of pre-constituted reserves.

The following table indicate movements in net consolidated shareholders' equity, the reconciliation between the net equity, the results of Saipem S.p.A. and the net equity and results of the Group for the period.

Reconciliation of statutory net income for the period and shareholders' equity to consolidated net income and shareholders' equity for the period

	Share holders' equity	Net income for the period
	(Millions of euros)	
As reported in statutory financial statements	624	17
-Differences between book value and shareholders' equity, including results for the period, of consolidated subsidiaries	543	40
- Consolidation adjustments for:		
- Unrealised inter-company profit elimination	(111)	7
- Elimination of tax effects by nature	6	(1)
- Other adjustments	(12)	(8)
Total shareholders' equity	1,050	55
Minority interests in capital and reserves	-	-
Group shareholders' equity	1,050	55

Movements in consolidated shareholders' equity during the year to 31st of December 2000 and the six months closed at 30th of June 2001

	Share capital	Share premium reserve	Reval. reserve	Legal reserve	Other reserves	Retained earnings	Net income for the period	Total
	(Millions of euros)							
Balance at 31.12.1999	227	291	2	22	57	293	69	961
Distributed dividends	-	-	-	-	-	-	(23)	(23)
Retained earnings for 1999	-	-	-	1	-	45	(46)	-
Exchange rate differences and other variations	-	-	-	-	(7)	-	-	(7)
Net income for the year	-	-	-	-	-	-	80	80
Balance at 31.12.2000	227	291	2	23	50	338	80	1,011
Distributed dividends	-	-	-	-	-	-	(27)	(27)
Retained earnings for 2000	-	-	-	2	-	51	(53)	-
Increase in the nominal value of Saipem S.p.A.share from Lit. 1.000 to 1 euro (Lit. 1,936.27)	213	(231)	-	21	-	(3)	-	-
Exchange rate differences and other variations	-	-	-	-	11	-	-	11
Net income for the period	-	-	-	-	-	-	55	55
Balance at 30.06.2001	440	60	2	46	61	386	55	1,050

PROVISION FOR CONTINGENCIES

Provision for contingencies amounted to 55 million euros at 30th of June 2001, an increase, of 6 million euros in respect of 31st of December 2000.

The changes and composition are as follows:

Variations to provision for contingencies

	Severance pay and similar provisions	Income taxes	Other provisions for contingencies				Other	Total
			Periodic maintenance	Losses on long term contracts	Provision for other risks and charges	Provision for losses in associated and other companies		
Balance at 31.12.2000	9	16	14	2	4	3	1	49
Movements:								
Allocations	2	7	3	1	-	-	-	13
Utilisation	-	(3)	(2)	(3)	-	-	-	(8)
Exchange rate differences and other variations	1	-	-	-	-	-	-	1
Balance at 30.06.2001	12	20	15	-	4	3	1	55

The severance pay and similar provisions amounted to 12 million euros, an increase of 3 million euros in respect of the previous year and includes amounts due to foreign personnel to whom a different law to that used in Italy applies.

The periodic maintenance reserve shows an increase of 1 million euros due to the allocations made by a foreign subsidiary, in order to carry out programmed maintenance on some vessels.

The income taxes provision totalled to 20 million euros and refers to provisions made in relation to disputes with local tax authorities where there is a significant risk element and taking into consideration the relative tax laws. Based on internal valuations, assisted by local consultants, the reserve, in it's entirety is believed to be sufficient to cover potential expenses deriving from the definition of current disputes.

EMPLOYEES' TERMINATION PAY

Amounted to 23 million euros at 30th of June 2001, variations are set out below:

	(Millions of euros)
	Total
Opening balance	23
Variations during the period:	
- Allocations	2
- Utilisation	(2)
Closing balance	23

PAYABLES

Amounted to 1,387 million euros at 30th of June 2001, a decrease of 21 million euros in respect of 31st of December 2000. Movements for the period are shown below:

	(Millions of euros)
	Total
Opening balance	1,408
Movements for the period:	
- Operative changes	(59)
- Changes on consolidation area	2
- Exchange rate differences and other variations	36
Closing balance	1,387

These items may be broken down as follows:

	Value at 31.12.2000	Value at 30.06.2001
	(Millions of euros)	
Due to other financial institutions	605	628
Accounts payable to supplier	355	372
Advances	136	136
Due to banks	144	135
Amounts payable to taxation authorities	30	25
Amounts payable to personnel	-	24
Amounts payable to consolidated companies (not consolidated portion)	-	15
Social security charges payable	5	4
Amounts payable to associated companies	6	3
Amounts payable to parent companies	3	3
Other amounts payable	124	42
Total	1,408	1,387

Amounts payable to Eni Group companies amounted to 650 million euros.

As at 30th of June 2001, there are no payables which fall due after a term in excess of five years.

Amounts due to banks secured by collateral amounted to 38 million euros at 30th of June 2001. This amount relates to a credit facility, which at 30th of June 2001 had already been used by a foreign subsidiary for up to 35 million euros, and which is secured by a lien on the shares of the company, as well as a loan granted to an Italian subsidiary secured by way of a special privilege over the assets, object of the financing.

ACCRUED EXPENSES AND DEFERRED INCOME

Amounted to 154 million euros at 30th of June 2001, an increase of 60 million euros in respect of 31st of December 2000, and mainly relate to adjustments to revenue for long term contracts in accordance with the accruals concept, made on the basis of the amounts contractually matured for 136 million euros and portions of interest on current contracts and leases.

GUARANTEES AND OTHER MEMORANDUM AND CONTINGENCY ACCOUNTS

Amounted to 2,904 million euros at 30th of June 2001 (2,940 million euros at 31st of December 2000).

Guarantees

Amounted to 1,499 million euros and mainly relate to guarantees issued by banks on behalf of parent company, subsidiaries and associated companies for tender execution, retention money and credit lines facilities.

Collateral

This caption amounts to 38 million euros and relate to the constitution of a pledge over shares of a foreign subsidiary as collateral for the realisation of an investment plan of 35 million euros and to special privileges over tangible assets granted by an Italian subsidiary as security for financing received of 3 million euros.

Other memorandum and contingency accounts

Amounted to 1,367 million euros and mainly refer to commitments on hedging contracts. Details are as follows:

	Value at 31.12.2000	(Millions of euros) Value at 30.06.2001
- Purchase of foreign currency	257	141
- Sale of foreign currency	963	1,079
- Options to sell foreign currency	103	147
- Options to buy foreign currency	9	-
Total	1,332	1,367

Derivative contracts have been issued in order to reduce exposure to market risks connected with the fluctuation in exchange rates between the various currencies in which foreign contracts are expressed, therefore, the company does not hold derivative contracts for negotiation.

Obligations on cover contracts towards the Eni Group finance companies amount to 1,112 million euros (1,293 million euros at 31.12.2000).

Off-balance sheet commitments

Parent company has agreed to fulfil contractual obligations entered into by subsidiary and associated companies where they fail to fulfil contractual obligations themselves, as well as pay for any damages suffered as a result of any failure to meet these obligations. These commitments guarantee to cover contracts to a value of 3,025 million euros (2,459 million euros at 31st of December 2000).

STATEMENT OF INCOME

TURNOVER

Amounted to 725 million euros, an increase of 178 million euros in respect of the first half 2000. A breakdown of the turnover per sector of activity is set out below:

Activity	(Millions of euros)	
	First half 2000	First half 2001
Offshore Construction	208	405
Offshore Drilling and Floating Production	110	153
Onshore Construction	168	93
Onshore Drilling	61	74
Total turnover	547	725

The turnover per geographical area is as follows:

Geographical Area (*)	(Millions of euros)	
	First half 2000	First half 2001
Italy	67	51
North Sea	91	127
Rest of Europe	41	123
Africa	109	219
Middle and Far East	125	111
Americas	114	94
Total	547	725

(*) Based on final destination of services

Revenues for the six months from the Eni Group companies amounted to 123 million euros (79 million euros for the first half 2000).

Variation to contract work in progress

Variations to contract work in progress during the first half 2001, showed an increase of 11 million euros (a decrease of 4 million euros over the first half of 2000) and mainly refer to Onshore and Offshore Construction.

Increase in internal work, capitalised under fixed assets

Amounted to 4 million euros and relate to the capitalisation of costs for internal work incurred during the period and mainly relates to increases in tangible assets.

Other revenues and income

Amounted to 9 million euros, an increase of 2 million euros in respect of the first half 2000, and are set out below:

	(Millions of euros)	
	First half 2000	First half 2001
Utilisation of provisions for contingencies	-	2
Gains on the sale of tangible fixed assets	1	2
Income from damage compensation	1	1
Income on transactions with personnel	1	-
Others	4	4
Total	7	9

OPERATING EXPENSES

Raw materials, consumables and supplies

Amounted to 115 million euros, an increase of 15 million euros in respect of the first half 2000, and comprise costs for the purchase of raw materials used in operating activities as well as consumables and supplies (6 million euros were purchased from Eni Group companies).

Services

Amounted to 265 million euros, an increase of 90 million euros in respect of the first half 2000.

The costs related to sub-contracting, engineering and management work, insurance, transport, consulting and technical services, sales, maintenance, postal and telegraphic services, personnel and other general services (including 19 million euros in respect of Eni Group companies).

Service costs include brokerage fees of 2 million euros (unchanged in respect of the first half 2000), sustained during the first half 2001.

Use of third party assets

Amounted to 36 million euros, a decrease of 4 million euros in respect of the first half 2000.

These costs relate to leasing instalments, renewal of vessels, motor vehicles and aircraft, land and buildings, as well as costs for licences and patents (2 million euros in respect of Eni Group companies).

Payroll and related costs

Amounted to 158 million euros, an increase of 19 million euros in respect of the first half 2000.

This amount includes salaries and wages, employees' termination indemnities, vacations accrued but not yet taken and social security contributions in accordance with current labour contracts and legislation. The average number of employees is shown in the section "Human Resources".

Amortisation, depreciation and write downs

Amounted to 80 million euros, an increase of 18 million euros in respect of the first half 2000.

They include the amortisation and depreciation, during the period, of intangible and tangible fixed assets amounting to 8 million euros and 72 million euros, respectively.

Variations in raw materials, supplies and consumables

Resulted in a positive variation amounting to 4 million euros which, essentially relates to spare parts and consumables for internal use rather than for resale.

Other provisions

Amounted to 4 million euros (unchanged in respect of the first half 2000) and refer to charges made by foreign subsidiaries to the fund for periodic maintenance of vessels for 3 million euros and by a foreign subsidiary to the losses on long term contracts provision for 1 million euros.

Other operating costs

Amounted to 3 million euros, a decrease of 1 million euros in respect of the first half 2000, and refer to:

	First half 2000	(Millions of euros) First half 2001
Taxation and customs duties	2	2
Other indirect taxation	2	1
Total	4	3

FINANCIAL INCOME AND EXPENSES

Income from investments

Amounted to 1 million euros (no corresponding amount for the first half 2000), and refer exclusively to dividends received by a foreign subsidiary.

Other financial income

Amounted to 53 million euros, a decrease of 1 million euros in respect of the first half 2000, and refer to:

	First half 2000	(Millions of euros) First half 2001
- Exchange rate gains	53	46
- Interest income on bank deposits and current accounts	1	2
- Interest income on receivable by not consolidated subsidiaries	-	2
- Interest income from associated companies	-	1
- Interest income from others	-	1
- Interest income on tax credits	-	1
Total	54	53

Interest and other financial expenses

Amounted to 73 million euros, an increase of 4 million euros in respect of the first half 2000, and refer to:

	First half 2000	(Millions of euros) First half 2001
- Exchange rate losses	49	43
- Interest due to Eni Group financing companies	12	15
- Expenses on contracts for hedging of exchange risk	-	9
- Interest expenses and other charges due to banks	7	6
- Interest expenses due to others	1	-
Total	69	73

EXTRAORDINARY INCOME AND EXPENSES

Expenses

Amounted to 1 million euros and refer entirely to expenses sustained by the parent company for leaving incentives.

INCOME TAXES

Amounted to 17 million euros, an increase of 13 million euros in respect of the first half 2000, and can be partially attributed to an increase in income and partially to a taxation provision amount of 7 million euros, in respect of disputes with the financial administration on foreign countries.

NET INCOME FOR THE PERIOD

Net income for the first half 2001 amounted to 55 million euros, an increase of 46 million euros in respect of the first half 2000 and refers entirely to the Group.

RECLASSIFIED BALANCE SHEET

	30-06-2000	31-12-2000	(Millions of euros) 30-06-2001
Fixed assets	1,316	1,338	1,403
Intangible assets	34	32	31
Net tangible and intangible assets	1,350	1,370	1,434
- Offshore Construction	530	551	590
- Offshore Drilling and Floating Production	660	660	650
- Onshore Drilling	62	62	72
- Onshore Construction	65	62	85
- Others	33	35	37
Financial investments	5	5	6
Non-current assets (a)	1,355	1,375	1,440
Inventories	174	133	153
Current assets	821	888	887
Current liabilities	(564)	(733)	(775)
Provision for contingencies	(60)	(49)	(55)
Net current assets (b)	371	239	210
Employees' termination pay (c)	(23)	(23)	(23)
NET CURRENT ASSETS (d=a+b-c)	1,703	1,591	1,627
Group shareholders' equity (e)	950	1,011	1,050
Minority interest in net equity (f)	-	-	-
Net financial debt – medium and long term	62	113	128
Net financial debt – short term	691	467	449
Net debt (g)	753	580	577
COVER (h = e + f + g)	1,703	1,591	1,627

RECLASSIFIED INCOME STATEMENT

	First half 2000	2000	(Millions of euros) First half 2001
BY NATURE OF COST			
Operating revenues	543	1,310	736
Other income and revenue	4	16	9
Purchases, services and other costs	(322)	(776)	(416)
Payroll and related costs	(135)	(281)	(157)
Gross operating income (a)	90	269	172
Amortisation, depreciation and write downs (b)	(62)	(136)	(80)
Operating income (c=a-b)	28	133	92
Net financial expenses (d)	(15)	(39)	(20)
Net income from investments (e)	-	11	1
Income before extraordinary items and tax (f= c - d + e)	13	105	73
Extraordinary costs (g)	-	-	(1)
Income before income tax (h = f - g)	13	105	72
Income before income tax (i)	(4)	(25)	(17)
Net income for the period (l = h - i)	9	80	55
Income for the period attributable to third parties (m)	-	-	-
Group net income for the period (n = l - m)	9	80	55

RECLASSIFIED INCOME STATEMENT

	First half 2000	2000	(Millions of euros) First half 2001
BY DESTINATION OF COSTS			
Operating revenues	543	1,310	736
Production costs	(446)	(1,051)	(579)
Idle costs	(26)	(40)	(21)
Selling expenses	(9)	(20)	(11)
Research and development costs	(1)	(1)	(1)
Other operating income, net	1	2	3
Contribution from operations	62	200	127
General and administrative expenses	(34)	(67)	(35)
Operating income	28	133	92
Financial expenses, net	(15)	(39)	(20)
Income from investments, net	-	11	1
Income before extraordinary costs and tax	13	105	73
Extraordinary costs	-	-	(1)
Income taxes	13	105	72
Income taxes	(4)	(25)	(17)
Income for the period	9	80	55
Income for the period attributable to third parties	-	-	-
Group net income for the period	9	80	55

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



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AUDITORS' REPORT ON THE REVIEW OF THE MANAGEMENT REPORT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 OF SAIPEM S.p.A. (Translation from the original Italian version)

To the Shareholders of
Saipem S.p.A.

1. We have performed the review of the Management Report of Saipem S.p.A. as of and for the six-month period ended June 30, 2001, represented by the statements of Interim Consolidated Balance Sheet and Interim Consolidated Statement of Income and related Notes. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussions and analyses of the consolidated operations of Saipem S.p.A., solely for the purpose of evaluating its consistency with the above mentioned statements and related Notes.
2. Our review was conducted in accordance with auditing standards governing review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. A review consists mainly of obtaining relevant information with respect to the data included in the statements identified in paragraph 1 of this report and on evaluating the consistency of the accounting principles applied through discussions with appropriate members of management, and performing analytical reviews of the financial data presented in such statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures for the verification tests of account balances of assets and liabilities. Consequently, the scope of work for a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. We do not, therefore, express an audit opinion on the statements identified in paragraph 1 of this report and related Notes of Saipem S.p.A. as of and for the six month period ended June 30, 2001 as done in connection with reporting on full scope audit of the annual consolidated financial statements of Saipem S.p.A.

Reconta Ernst & Young S.p.A.
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Iscritta al Tribunale di Roma n. 1.041.741



3. Concerning the consolidated comparative data as of and for the year ended December 31, 2000 and for the six month period ended June 30, 2000 that have been presented for comparative purposes in the accompanying Management Report, reference should be made to the audit and review reports issued by other auditors on April 11, 2001 and on September 8, 2000, respectively.
4. As a result of our review, we did not become aware of any significant modifications that should be made to the statements and related Notes identified in paragraph 1 of this report, in order for them to be in conformity with the criteria for the presentation of the semi-annual interim Management Report, stated by art. 81 of CONSOB regulations as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

Milan, September 19, 2001

Reconta Ernst & Young S.p.A.

Signed by: Pietro Carena



Saipem

*Limited liability company
with registered office in San Donato Milanese (MI)
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Publications

*Six month report as at 30th of June 2001 (in English)
Relazione semestrale al 30 giugno 2001 (in Italian)
prepared in accordance with D. Lgs. 9th of April 1991, n. 127
Second quarter report for 2001 (in English)
Relazione trimestrale al 30 giugno 2001 (in Italian)
First quarter report for 2001 (in English)
Relazione trimestrale al 31 marzo 2001 (in Italian)
Financial Report as at 31st of December 2000 (in English)
Bilancio al 31 dicembre 2000 (in Italian)
redatto ai sensi del D. Lgs. 9 aprile 1991, n. 127
Six month report as at 30th of June 2000 (in English)
Relazione semestrale al 30 giugno 2000 (in Italian)
prepared in accordance with D. Lgs. 9th of April 1991, n. 127
Health, Safety and Environment Report 2000 (in Italian and in English)*

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