

PRESS RELEASE – 30TH JULY 2003 SECOND QUARTER REPORT AT 30TH JUNE 2003

Today, the Board of Directors of Saipem S.p.A. has reviewed the Saipem Group consolidated financial statements at 30th June 2003 (not subject to audit).

Second Quarter

Figures inclusive of Saipem s.a. results (ex Bouygues Offshore)

Revenues totalled € 1,065 million.

Operating Income amounted to € 79 million.

Net Income amounted to € 54 million.

Cash flow (net income plus depreciation and amortisation) amounted to € 118 million.

Figures not inclusive of Saipem s.a. results

Revenues totalled € 656 million (701 million in the second quarter 2002).

Operating Income amounted to € 58 million (89 million in the second quarter 2002).

Net Income amounted to € 39 million (58 million in the second quarter 2002).

Cash flow amounted to € 86 million (121 million in the second quarter 2002).

First Half

Figures inclusive of Saipem s.a. results (ex Bouygues Offshore)

Revenues totalled € 1,868 million.

Operating Income amounted to € 138 million.

Net Income amounted to € 90 million.

Cash flow amounted to € 219 million.

Figures not inclusive of Saipem s.a. results

Revenues totalled € 1,132 million (1,324 million in the first half 2002).

Operating Income amounted to € 103 million (170 million in the first half 2002).

Net Income amounted to € 70 million (112 million in the first half 2002).

Cash flow amounted to € 164 million (240 million in the first half 2002).

As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore Construction sectors, L.N.G. (Liquefied Natural Gas), and, to a lesser extent, in the Drilling, Leased FPSO and M.M.O. (Maintenance, Modification and Operation) sectors, are not consistent over time, as they are not only influenced by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

Investments in the second quarter 2003 amounted to € 133 million (267 million in the same period 2002) and consisted mainly of the following: the completion of the conversion of the vessel Maxita into the new field development vessel Saipem 3000; completion of upgrading works on the semi-submersible drilling platform Scarabeo 5 to enable it to execute a contract in Norway; the conversion of the FPSO (floating production storage and offloading) unit "Mystras", due to operate in the Okono/Okpoho oil field in Nigeria.

Net financial debt at 30th June 2003 amounted to € 1,084 million, a decrease of € 164 million versus 31st December 2002. The decrease in net debt is attributable to the cash flow generated during the year in addition to a particularly favourable trend in working capital.

New contracts and backlog

In the first half 2003, Saipem was awarded new contracts totalling 2,530 million euros (1,865 million euros in the same period 2002), of which 1,839 million euros were in the Offshore sectors (Construction, Drilling and Leased FPSO). In particular, new contracts awarded to Saipem s.a. during the first half 2003 amounted to 1,391 million euros, of which 1,056 million euros were in the Offshore Construction sector.

The most significant orders awarded in the second quarter 2003 include:

Offshore Construction:

- on behalf of Elf Petroleum Nigeria Ltd, the EPIC-type 'Amenam II' project in Nigeria, comprising engineering, procurement, construction and installation of a platform and a bridge for the Amenam field;
- on behalf of NNPC(Nigerian National Petroleum Corporation)/Mobil, the EPIC-type 'East Area EPC2 Additional Oil Recovery' project in Nigeria, comprising engineering, procurement, construction and installation of three platforms, in addition to the laying of subsea pipelines;
- on behalf of Conoco Phillips Pipeline Australia Pty Li, the 'Bayu-Darwin Pipeline' project in Australia, comprising engineering, transport and laying of a subsea pipeline;
- on behalf of TotalFinaElf E&P, the EPIC-type 'Dalia' project in Angola, comprising engineering, procurement, construction and assembly of the topsides for the FPSO system due to operate in the Dalia field.

L.N.G.:

- on behalf of the consortium CNOOC/BP, the EPC 'Guandong' project in the People's Republic of China, comprising engineering, procurement, construction and commissioning of a re-gasification terminal.

M.M.O.:

- on behalf of TotalFinaElf, the extension of ongoing contracts in France.

Onshore Drilling:

- On behalf of Maersk Oil Kazakhstan, the one-year lease of the 5843 installation in Kazakhstan.

At end of June 2003, the backlog stood at the record level of € 5,820 million (€ 5,158 million at 31st December 2002).

Management expectations for 2003

The substantial order backlog at the end of 2002 and the positive trend of contract acquisitions in the first half of this year underpin expectations for 2003 of attaining the projected revenues of € 4,000 million.

A phenomenon which is having negative repercussions on Saipem's profitability is the appreciation of the Euro against the US Dollar (Euro/USD ratio: 2002 average: 0.945; first half 2003 average: 1.105; appreciation: 17%), considering that approximately 70% of projected revenues for 2003 are in US Dollars. The effects of the Euro's appreciation are twofold: a reduction in the euro-equivalent contribution from USD-denominated contracts, and a contraction in margins, deriving from euro-denominated costs of approximately 600 million per year, from Milan and Paris operating structures and almost all depreciation and amortisation. The increased competitiveness of US contractors makes it difficult to pass onto clients the effect of the Euro's appreciation. The effects of this phenomenon in 2003 are mitigated by the fact that contracts had been hedged against foreign currency risks at the time of acquisition. The same policy of contract hedging will cause the income from contracts won during the first half 2003, whose execution extends to 2004/2005, to be affected by the Euro appreciation even in the event of a subsequent US Dollar recovery.

In view of the positive trend in new contract acquisitions and encouraging signs from the efficient execution of ongoing projects, in particular the large turnkey contracts, management believes that, in 2003, the Group can maintain the level of results achieved in 2002, although the appreciation of the Euro makes this objective even more challenging.

Estimated capital expenditure is confirmed at approximately € 220 million. This includes capital allocated to the maintenance and upgrade of the fleet and the conversion of a tanker into an FPSO unit due to operate in the Okono/Okpoho field in Nigeria. Project specific investments, originally estimated at € 10 million, will increase following today's award of the "Sakhalin II" contract by Sakhalin Energy Investment Company. The amount for 2003 is still to be quantified.

Forward-looking statements are based on a number of assumptions and expectations that could ultimately prove inaccurate, as they are subject to risks and variables outside the company's control. These include: currency fluctuations, interest rate fluctuations, the level of capital expenditure in the oil and gas industry, as well as other industries, political instability in the Persian Gulf and/or other regions and the strength of the competition. Moreover, contract execution is also subject to variables, such as weather conditions. Actual results could therefore differ materially from the forward-looking statements.

Financial flows

The decrease in net financial debt of € 164 million versus 31st December 2002 was due to the following:

Outflows

- capital expenditure on tangible and intangible fixed assets amounting to € 133 million;
- distribution of dividends of € 63 million;
- purchase of treasury shares for € 10 million.

Inflows

- cash flow (net income plus depreciation and amortisation) of € 219 million;
- decrease in net current assets of € 110 million;
- increase in employee termination benefits of € 2 million;
- sale of tangible assets of € 9 million;
- effect of exchange rate fluctuations of € 30 million.

Additional information

Stock Options

Today, the Board of Directors of Saipem S.p.A. approved the allocation of no. 1,283,500 stock options at the price of € 6.821 per share (i.e. the shares official price average recorded by the Telematic Share Market of the Italian Stock Exchange over the previous month). Stock will be allocated to Saipem Group Executive Managers directly responsible for Group results or holding strategic positions.

Options assigned today can be exercised after three years from today's date and no later

than 30th September 2011 for assignees resident in Italy; assignees resident in France, in compliance with current local regulations, will be able to exercise the stock after four years from date of allocation and no later than 30th September 2010.

Shares for allocation to the Stock Option Scheme will be purchased on the market, as per Ordinary Shareholders' Meeting resolution of 2nd May 2003.

Analysis by business sector

(In the following tables, data pertaining to Saipem s.a., ex Bouygues Offshore, can be found under the caption "Bos")

Offshore Construction:

Second Quarter	(million euros)			
	Saipem (**)	Saipem "stand alone"	Bos	Saipem Consolidated
	2002	2003	2003	2003
Operating revenues	444	361	251	612
Operating expenses, net of cost of materials	(292)	(219)	(196)	(415)
Cost of materials	(56)	(86)	(25)	(111)
Depreciation and amortisation	(29)	(21)	(5)	(26)
Contribution from operations (*)	67	35	25	60
Bos goodwill amortisation				(5)
Contribution from operations, net				55
New orders awarded	922	279	654	933

First Half	(million euros)			
	Saipem (**)	Saipem "stand alone"	Bos	Saipem Consolidated
	2002	2003	2003	2003
Operating revenues	841	607	426	1,033
Operating expenses, net of cost of materials	(533)	(368)	(336)	(704)
Cost of materials	(119)	(139)	(38)	(177)
Depreciation and amortisation	(62)	(39)	(8)	(47)
Contribution from operations (*)	127	61	44	105
Depreciation of purchase cost allocated to Bos equipment				(11)
Contribution from operations, net				94
New orders awarded	1,292	572	1,056	1,628

(*) Operating Income before general and administrative expenses

(**) not inclusive of L.N.G. sector reclassified data

The backlog at 30th June 2003 amounted to € 3,871 million, of which € 1,330 million are to be realised in the second half 2003.

Saipem “stand alone”

- Revenues in first half 2003 amounted to € 607 million, a 28% decrease versus the same period 2002, due to the fact that 2002 had been positively affected by the Blue Stream project. EPIC (Engineering, Procurement, Installation, Construction) type projects, currently ongoing in North and West Africa have reached full-scale operations, thereby generating significantly higher revenue levels when compared to the previous quarter.
- Contribution from operations in the first half 2003 amounted to € 61 million, equal to 10% of revenues, versus € 127 million, equal to 15% of revenues in the same period 2002. This decrease in profitability is related to the greater incidence of EPIC type projects, which, not being in the installation and construction phase, resulted in a lower utilisation of vessels.

Saipem s.a./ consolidated

- Operating revenues generated by Saipem s.a. in the first half 2003 amounted to € 426 million and are attributable to full-scale operations for ongoing projects in West Africa. Contribution from operations amounted to € 44 million, with profitability at 10.3% of revenues. Consequently, profitability at consolidated level, inclusive of goodwill amortisation, amounted to 9.1% of revenues.

Onshore Construction:

Second Quarter	(million euros)			
	Saipem	Saipem "stand alone"	Bos (**)	Saipem Consolidated
	2002	2003	2003	2003
Operating revenues	103	140	65	205
Operating expenses, net of cost of materials	(67)	(81)	(55)	(136)
Cost of materials	(19)	(38)	(6)	(44)
Depreciation and amortisation	(7)	(6)	(1)	(7)
Contribution from operations (*)	10	15	3	18
Bos goodwill amortisation				(2)
Contribution from operations, net				16
New orders awarded	23	109	23	132

First Half	(million euros)			
	Saipem	Saipem "stand alone"	Bos (**)	Saipem Consolidated
	2002	2003	2003	2003
Operating revenues	188	254	129	383
Operating expenses, net of cost of materials	(120)	(143)	(101)	(244)
Cost of materials	(37)	(69)	(16)	(85)
Depreciation and amortisation	(13)	(14)	(3)	(17)
Contribution from operations (*)	18	28	9	37
Bos goodwill amortisation				(4)
Contribution from operations, net				33
New orders awarded	300	303	23	326

(*) Operating income before general and administrative expenses

(**) Includes data previously classified by Bos as Chemical & Refining

Order backlog at 30th June 2003 amounted to € 599 million, of which € 378 million are to be realised in the second half 2003.

Saipem "stand alone"

- Full-scale operations on projects in Kazakhstan, Saudi Arabia and North Africa allowed the company to achieve, in the first half 2003, revenues € 66 million greater (+35%) than those for the same period 2002.
- Contribution from operations, in the first half 2003, amounted to € 28 million, equal to 11% of revenues, versus € 18 million, equal to 9.6% of revenues for the same period 2002. The increased profitability validates the focus placed on complex projects in challenging areas, where the Group maintains a competitive advantage over local operators.

Saipem s.a./ consolidated

- Operating revenues generated by Saipem s.a. in the first half 2003 amounted to € 129 million and are attributable to projects in North Africa and Russia. Contribution from operations, amounting to € 9 million, was affected by costs deriving from particularly intense commercial activity, whose results are expected to show in the forthcoming months. Consequently, consolidated profitability, inclusive of goodwill amortisation, stood at 8.6% of revenues.

Liquefied Natural Gas (L.N.G.):

Second Quarter	(million euros)			
	Saipem (**)	Saipem "stand alone"	Bos (***)	Saipem Consolidated
	2002	2003	2003	2003
Operating revenues	3	2	48	50
Operating expenses	–	–	(40)	(40)
Depreciation and amortisation	(3)	(2)	–	(2)
Contribution from operations (*)	–	–	8	8
Bos goodwill amortisation				(2)
Contribution from operations, net				6
New orders awarded	3	2	208	210

First Half	(million euros)			
	Saipem (**)	Saipem "stand alone"	Bos (***)	Saipem Consolidated
	2002	2003	2003	2003
Operating revenues	6	4	93	97
Operating expenses	–	–	(76)	(76)
Depreciation and amortisation	(6)	(4)	(1)	(5)
Contribution from operations (*)	–	–	16	16
Bos goodwill amortisation				(4)
Contribution from operations, net				12
New orders awarded	6	4	209	213

(*) *Operating income before general and administrative expenses*

(**) *Data previously included under Offshore Construction*

(***) *Includes data previously classified by Bos as 'River & Maritime'*

The backlog at 30th June 2003 amounted to € 366 million, of which € 117 million are to be realised in the second half 2003.

- Operations in India, Spain and Santo Domingo enabled the company to achieve revenues of € 97 million in the first half 2003.
- Consolidated contribution from operations, in the first half 2003, amounted to € 12 million, net of goodwill amortisation, with profitability equal to 12.4% of revenues.

Maintenance, Modification & Operation (M.M.O.):

Second Quarter	(million euros)	
	Bos	Saipem Consolidated
	2003	2003
Operating revenues	45	45
Operating expenses	(43)	(43)
Depreciation and amortisation	–	–
Contribution from operations (*)	2	2
Bos goodwill amortisation		(1)
Contribution from operations, net		1
New orders awarded	52	52

First Half	(million euros)	
	Bos	Saipem Consolidated
	2003	2003
Operating revenues	88	88
Operating expenses	(83)	(83)
Depreciation and amortisation	(1)	(1)
Contribution from operations (*)	4	4
Bos goodwill amortisation		(2)
Contribution from operations, net		2
New orders awarded	103	103

(*) *Operating income before general and administrative expenses*

The backlog at 30th June 2003 amounted to € 76 million, of which € 46 million are to be realised in the second half 2003.

- Operational activities, carried out mainly in France and West Africa, enabled revenues for the first half 2003 to total € 88 million with profitability, after goodwill amortisation, of 2.3%.

Offshore Drilling:

	(million euros)			
	Second Quarter		First Half	
	2002	2003	2002	2003
Operating revenues	87	92	169	153
Operating expenses	(53)	(63)	(100)	(99)
Depreciation and amortisation	(11)	(9)	(22)	(17)
Contribution from operations (*)	23	20	47	37
New orders awarded	51	26	174	200

(*) *Operating income before general and administrative expenses*

The backlog at 30th June 2003 amounted to € 597 million, of which € 116 million are to be realised in the second half 2003.

- Operating revenues for the first half 2003 showed a reduction of 9.5% versus the same period 2002, mainly due to maintenance and upgrading works carried out on the semi-submersible platforms Scarabeo 3, Scarabeo 5 and Scarabeo 7, resulting in the temporary suspension of operational activities, which were only partially compensated by the full-scale operations of the drill ship Saipem 10000 and the jack-up Perro Negro 2.
- Contribution from operations in the first half 2003 decreased by € 10 million versus the first quarter 2002, with a margin on revenue declining from 27.8% to 24.2%. The reduction in profitability is attributable to the aforementioned maintenance and upgrading works.
- Vessel utilisation was as follows:

<i>Vessel</i>	<i>days under contract</i>	
Semi-submersible platform Scarabeo 3	108	a
Semi-submersible platform Scarabeo 4	169	a
Semi-submersible platform Scarabeo 5	44	b
Semi-submersible platform Scarabeo 6	155	a
Semi-submersible platform Scarabeo 7	140	c
Drillship Saipem 10000	181	
Jack-up Perro Negro 2	181	
Jack-up Perro Negro 3	173	a
Jack-up Perro Negro 4	181	
Jack-up Perro Negro 5	181	

a = for the remaining days (to 181) the vessel underwent structural repairs.

b = the vessel underwent upgrading works in readiness for a new contract in Norway.

c = the vessel underwent upgrading works in readiness for a new contract in Nigeria.

Onshore Drilling:

	(million euros)			
	Second Quarter		First Half	
	2002	2003	2002	2003
Operating revenues	57	51	103	97
Operating expenses	(44)	(39)	(79)	(73)
Depreciation and amortisation	(7)	(5)	(13)	(11)
Contribution from operations (*)	6	7	11	13
New orders awarded	9	26	76	49

(*) *Operating income before general and administrative expenses*

The backlog at 30th June 2003 amounted to € 147 million, of which € 67 million are to be realised in the second half 2003.

- Operating revenues for the first half 2003 show a 6% decrease versus those of the same period 2002, mainly attributable to reduced activities in South America.
- Contribution from operations in the first half 2003 increased by € 2 million versus the same period last year, with a margin on revenues rising from 10.7% to 13.4%. This increase in profitability is mainly attributable to a recovery in efficiency by the rigs operating in Saudi Arabia.
- Average utilisation of rigs reached 84% (89% in the first half 2002); rigs were located as follows: 10 in Peru, 3 in Italy, 3 in Nigeria, 2 in Algeria, 1 in Egypt, 1 in Kazakhstan, 1 in Russia and 8 in Saudi Arabia.
In addition, 5 third-party rigs were deployed in Peru and 1 in Kazakhstan by the joint-venture company SaiPar.
Finally, 3 rigs owned jointly with third parties operated as follows: 1 in Italy, 1 in Venezuela and 1 in Kazakhstan.

Leased FPSO:

	(million euros)			
	Second Quarter		First Half	
	2002	2003	2002	2003
Operating revenues	7	10	17	17
Operating expenses	(1)	(4)	(3)	(6)
Depreciation and amortisation	(4)	(4)	(9)	(7)
Contribution from operations (*)	2	2	5	4
New orders awarded	–	10	17	11

(*) *Operating income before general and administrative expenses*

The backlog at 30th June 2003 amounted to € 164 million, of which € 23 million are to be realised in the second half 2003.

- In the first half 2003, operating revenues were in line with those of the same period 2002. Contribution from operations amounted to € 4 million, equal to 23.5% of revenues, versus € 5 million, equal to 29.4% of revenues for the first half 2002.
- The production units FPSO–Firenze and FPSO–Jamestown have been in continuous operation since the beginning of the year.

Attachments:

- Reclassified Consolidated Balance Sheet and Reclassified Consolidated Income Statements by nature and destination of costs.

San Donato Milanese, 30th July 2003

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euros)

	31 st December 2002	30 th June 2003
Net tangible fixed assets	1,708	1,691
Net intangible fixed assets	<u>906</u>	<u>872</u>
	2,614	2,563
- Offshore Construction	1,202	1,156
- Onshore Construction	265	247
- LNG	212	204
- MMO	90	85
- Offshore Drilling	621	632
- Onshore Drilling	129	118
- Leased FPSO	46	73
- Other	49	48
Financial investments	24	21
Non-current assets	2,638	2,584
Working capital	67	(40)
Provision for contingencies	<u>(132)</u>	<u>(125)</u>
Net current assets	(65)	(165)
Employee termination benefits	(26)	(28)
CAPITAL EMPLOYED	<u>2,547</u>	<u>2,391</u>
Net equity	1,275	1,288
Minority interest in net equity	24	19
Net debt	1,248	1,084
COVER	<u>2,547</u>	<u>2,391</u>
SHARES ISSUED AND OUTSTANDING	440,697,000	440,697,000

**RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
NATURE OF COSTS**

(million euros)

Second Quarter	Saipem 2002	Saipem "stand alone" 2003	Bos 2003	Saipem Consolidated 2003
Operating revenues	701	656	409	1,065
Other revenues and income	5	3	-	3
Purchases, services and other costs	(424)	(445)	(299)	(744)
Payroll and related costs	(130)	(109)	(72)	(181)
GROSS OPERATING INCOME	152	105	38	143
Amortisation, depreciation and write-downs	(63)	(47)	(7)	(54)
Bos Goodwill amortisation	-	-	-	(10)
OPERATING INCOME	89	58	31	79
Financial income (expenses), net	(10)	(7)	1	(13) (a)
Income from investments	-	1	5	6
INCOME BEFORE EXTRAORDINARY ITEMS & INCOME TAXES	79	52	37	72
Extraordinary expenses, net	(2)	-	-	-
INCOME BEFORE INCOME TAXES	77	52	37	72
Income taxes	(18)	(13)	(7)	(18) (b)
NET INCOME BEFORE MINORITY INTEREST	59	39	30	54
Minority interest	(3)	-	-	-
NET INCOME	<u>56</u>	<u>39</u>	<u>30</u>	<u>54</u>
CASH FLOW (Net income + Depreciation and amortisation)	<u>119</u>	<u>86</u>	<u>37</u>	<u>118</u>

(a) Includes expenses of € 7 million due to interest on debt resulting from Saipem s.a.'s acquisition.

(b) Includes a positive amount of € 2 million due to tax effect on financial expenses, as per (a) above.

**RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
NATURE OF COSTS**

(million euros)

First Half	Saipem	Saipem "stand alone"	Bos	Saipem Consolidated
	2002	2003	2003	2003
Operating revenues	1,324	1,132	736	1,868
Other revenues and income	10	4	–	4
Purchases, services and other costs	(793)	(727)	(523)	(1,250)
Payroll and related costs	(243)	(212)	(143)	(355)
GROSS OPERATING INCOME	298	197	70	267
Amortisation, depreciation and write-downs	(128)	(94)	(14)	(108)
Bos Goodwill amortisation	–	–	–	(21)
OPERATING INCOME	170	103	56	138
Financial income (expenses), net	(20)	(12)	1	(26) (a)
Income from investments	–	1	7	8
INCOME BEFORE EXTRAORDINARY ITEMS & INCOME TAXES	150	92	64	120
Extraordinary expenses, net	(2)	–	–	–
INCOME BEFORE INCOME TAXES	148	92	64	120
Income taxes	(35)	(22)	(13)	(30) (b)
NET INCOME BEFORE MINORITY INTEREST	113	70	51	90
Minority interest	(1)	–	–	–
NET INCOME	<u>112</u>	<u>70</u>	<u>51</u>	<u>90</u>
CASH FLOW	<u>240</u>	<u>164</u>	<u>65</u>	<u>219</u>
(Net income + Depreciation and amortisation)				

(a) Includes expenses of € 15 million due to interest on debt resulting from Saipem s.a.'s acquisition.

(b) Includes a positive amount of € 5 million due to tax effect on financial expenses, as per (a) above.

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS BY DESTINATION OF COSTS

(million euros)

Second Quarter	Saipem 2002	Saipem "stand alone" 2003	Bos 2003	Saipem Consolidated 2003	
Operating revenues	701	656	409	1,065	
Production costs	(578)	(554)	(349)	(913)	(a)
Idle costs	(9)	(19)	(7)	(26)	
Selling expenses	(8)	(5)	(14)	(19)	
Research and development costs	(1)	–	(1)	(1)	
Other operating income, net	3	1	–	1	
CONTRIBUTION FROM OPERATIONS	108	79	38	107	
General and administrative expenses	(19)	(21)	(7)	(28)	
OPERATING INCOME	89	58	31	79	
Financial income (expenses), net	(10)	(7)	1	(13)	(b)
Income from investments	–	1	5	6	
INCOME BEFORE EXTRAORDINARY ITEMS & INCOME TAXES	79	52	37	72	
Extraordinary expenses, net	(2)	–	–	–	
INCOME BEFORE INCOME TAXES	77	52	37	72	
Income taxes	(18)	(13)	(7)	(18)	(c)
NET INCOME BEFORE MINORITY INTEREST	59	39	30	54	
Minority interest	(3)	–	–	–	
NET INCOME	<u>56</u>	<u>39</u>	<u>30</u>	<u>54</u>	
CASH FLOW (Net income + Depreciation and amortisation)	<u>119</u>	<u>86</u>	<u>37</u>	<u>118</u>	

(a) Includes Saipem s.a. goodwill amortisation of 10 million euros.

(b) Includes expenses of € 7 million due to interest on debt resulting from Saipem s.a.'s acquisition.

(c) Includes a positive amount of € 2 million due to tax effect on financial expenses, as per (b) above.

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS BY DESTINATION OF COSTS

(million euros)

First Half	Saipem 2002	Saipem "stand alone" 2003	Bos 2003	Saipem Consolidated 2003	
Operating revenues	1,324	1,132	736	1,868	
Production costs	(1,089)	(944)	(628)	(1,593)	(a)
Idle costs	(18)	(33)	(8)	(41)	
Selling expenses	(14)	(12)	(24)	(36)	
Research and development costs	(1)	(1)	(3)	(4)	
Other operating income, net	6	1	–	1	
CONTRIBUTION FROM OPERATIONS	208	143	73	195	
General and administrative expenses	(38)	(40)	(17)	(57)	
OPERATING INCOME	170	103	56	138	
Financial income (expenses), net	(20)	(12)	1	(26)	(b)
Income from investments	–	1	7	8	
INCOME BEFORE EXTRAORDINARY ITEMS & INCOME TAXES	150	92	64	120	
Extraordinary expenses, net	(2)	–	–	–	
INCOME BEFORE INCOME TAXES	148	92	64	120	
Income taxes	(35)	(22)	(13)	(30)	(c)
NET INCOME BEFORE MINORITY INTEREST	113	70	51	90	
Minority interest	(1)	–	–	–	
NET INCOME	<u>112</u>	<u>70</u>	<u>51</u>	<u>90</u>	
CASH FLOW (Net income + Depreciation and amortisation)	<u>240</u>	<u>164</u>	<u>65</u>	<u>219</u>	

(a) Includes Saipem s.a. goodwill amortisation of 21 million euros.

(b) Includes expenses of € 15 million due to interest on debt resulting from Saipem s.a.'s acquisition.

(c) Includes a positive amount of € 5 million due to tax effect on financial expenses, as per (b) above.