Saipem

Six-monthly report at June 30, 2007

MISSION STATEMENT

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

We entrust our competent and multi-local teams to provide sustainable development for our company and the communities in which we operate

OUR CORE VALUES

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

Countries in which Saipem operates

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

AMERICAS
Argentina, Brazil, Canada, Dominican Republic, Ecuador, Mexico, Peru, United States, Venezuela

CSI
Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan

AFRICA
Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Ivory Coast, Libya, Morocco, Nigeria, Tunisia

MIDDLE EAST
Iran, Kuwait, Oman, Pakistan, Qatar, Saudi Arabia, United Arab Emirates

FAR EAST AND OCEANIA
Australia, China, India, Indonesia, Malaysia, Singapore, Thailand

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INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

Saipem is a subsidiary of Eni SpA

Eni Saipem

Six-monthly report at June 30, 2007

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Approved by the Board of Directors at their meeting of September 19, 2007

Interim results

In the first half of 2007, the Saipem Group achieved better than expected results, which have exceeded those of the first half of 2006

In particular

Revenues amounted to €4,735 million (€3,095 million in the first half of 2006)

Operating income amounted to €409 million (€244 million in the first half of 2006)

Net income amounted to €268 million (€162 million in the first half of 2006)

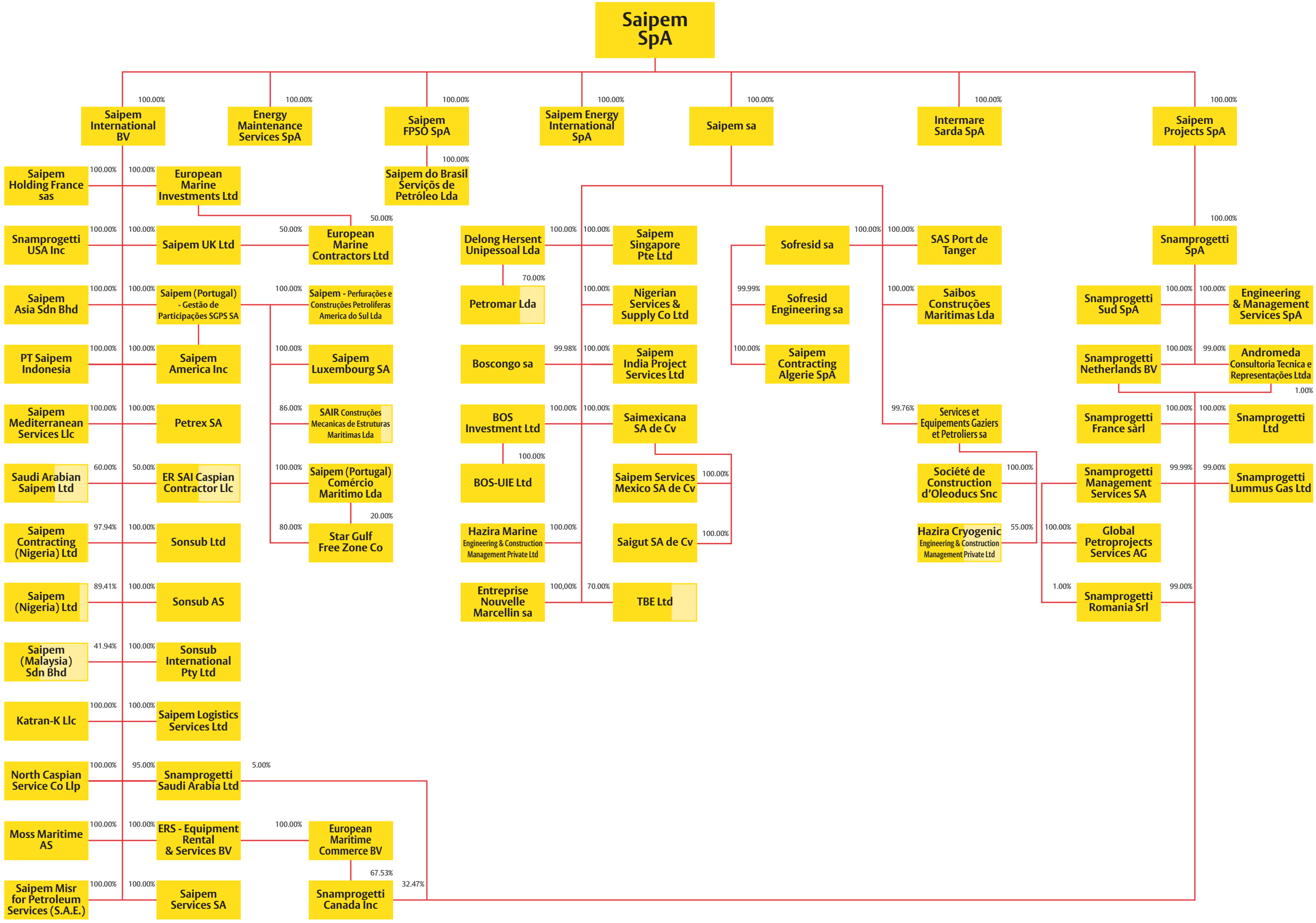
Cash flow (net income plus depreciation and amortisation) amounted to €407 million (€265 million in the first half of 2006)

The Offshore sector accounted for approximately 36% of revenues and 48% of the overall operating profit; this underpins Saipem's competitive positioning in terms of both excellence and efficiency that the Group has achieved in this sector; the Onshore sector accounted for 56% of revenues and 31% of the overall operating profit and the Drilling sectors generated 8% of revenues and 21% of the overall operating profit

Following the distribution of dividends and the capital expended during the first half of the year, net debt stood at €1,584 million (€1,532 million at June 30, 2006)

The following events were of particular importance:
- the Group was awarded new contracts amounting to €4,947 million;
- works were completed on the conversion of the tanker Margaux into an FPSO unit named Cidade de Vitoria, which will operate in Brazil on the Golfinho 2 field on behalf of Petrobras;
- investment continued on the construction of the new semi-submersible platform Scarabeo 8;
- investment started on the new ultra-deep water drillship Saipem 12000 and a new pipe lay vessel;
- investment continued on the strengthening of the operating bases/yards in Nigeria and Kazakhstan, areas that are expected to experience strong market development in the medium term

Results in the first half of the year confirm that the industrial model chosen by the Saipem Group, based on a strong technologically-advanced fleet in addition to distinctive engineering and project management expertise and long-standing local presence, affords the Group a competitive edge both for the supply of specialised services and the execution of turnkey projects in frontier areas



The diagram only includes companies consolidated using the full consolidation method

Saipem Group structure
(main companies)

Directors' Report

Saipem SpA share performance

During the first half of 2007 the value of Saipem SpA ordinary shares, quoted on the Milan Stock Exchange, increased by 26% (the S&P MIB index grew by 1.2% during the same period), from €19.71 at end of 2006 to €25.13 at June 30, 2007.

On May 22, 2007, Shareholders received a dividend of €0.29 per share, over 52% higher than that paid in the previous year (€0.19 per share).

Throughout the first half of the year, the sector in which Saipem operates continued to enjoy high levels of activity, benefiting from the ever-increasing spending by oil companies. In this positive market scenario, Saipem completed the integration of Snamprogetti and launched important investments which will enable it to be have the expertise and competencies required to seize the opportunities in a market which is expected to be buoyant also in the medium-term. The share price during the first half was characterised by almost constant growth, reaching an all-time high at the end of June of €25.13.

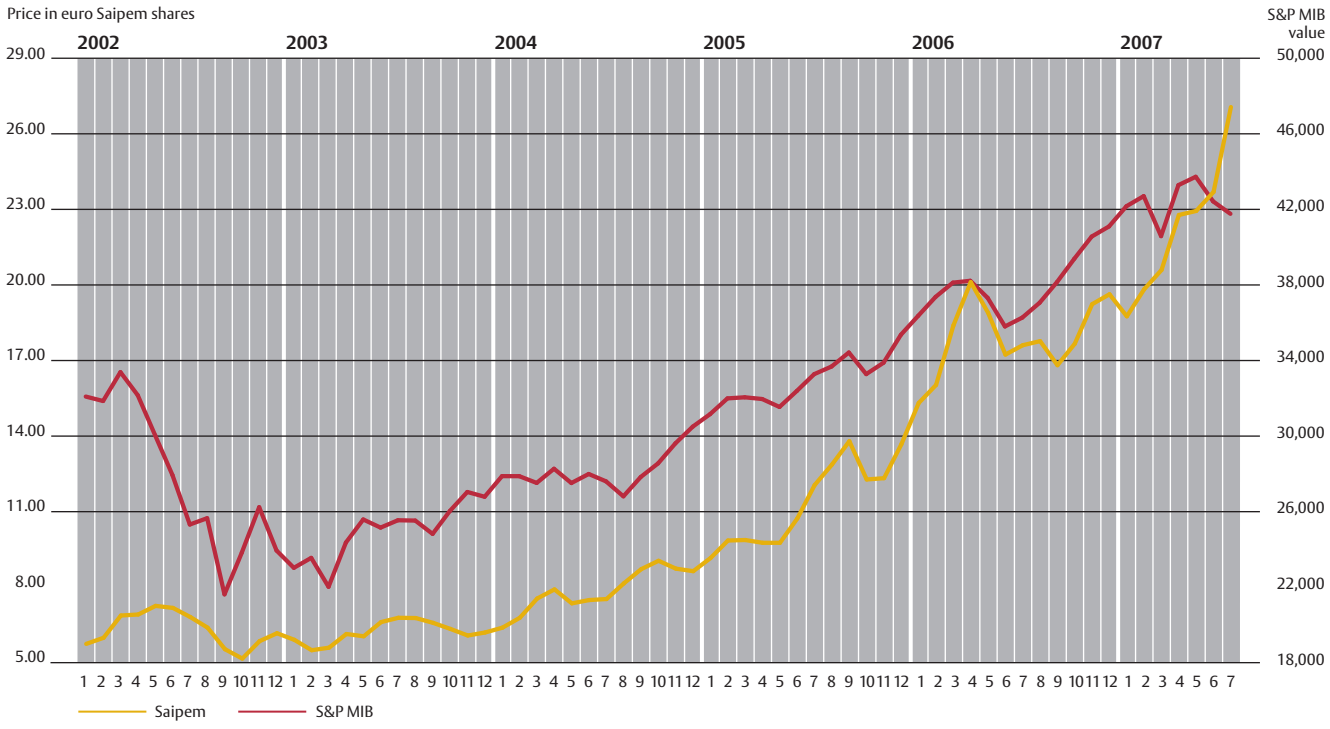
The Company's market capitalisation at the end of the first half was in excess of €11 billion, versus €7.8 billion at the end of June 2006.

Share liquidity showed a slight decrease versus the same period 2006, with a total trade of shares over the first half of the year of approximately 522 million (approximately 548 million in the first half of 2006); however the total value of shares traded exceeded €11 billion, an increase in excess of 15% versus the first half of 2006 (€9.6 billion).

Savings shares representing a very limited number when compared to ordinary shares, recorded a 16.7% increase in value, rising from €19.62 at the end of 2006 to €25.5 at June 30, 2007. The dividend distributed in 2007 related to savings shares amounted to €0.32 per share (€0.22 in 2006, a 45% increase).

Share prices on the Milan Stock Exchange (€)	2003	2004	2005	2006	**First half 2007**
Ordinary shares:					
- maximum	7.31	9.42	14.34	21.14	**25.13**
- minimum	5.24	6.16	8.69	13.79	**18.32**
- average	6.30	7.93	11.40	17.85	**21.43**
- period end	6.46	8.86	13.79	19.71	**25.13**
Savings shares:					
- maximum	7.48	9.45	15.52	21.50	**25.50**
- minimum	5.80	6.60	8.74	14.42	**19.01**
- average	6.71	8.14	11.95	18.24	**21.87**
- period end	6.98	8.74	15.00	19.62	**25.50**

Saipem and S&P MIB - Average monthly prices January 2002-July 2007



Glossary

FINANCIAL TERMS

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

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

Leverage: the degree to which the company is utilising borrowed money. It is the ratio between net financial debt and shareholders' equity inclusive of minority interest.

ROACE Return on average capital employed: the ratio between net income before minority interest plus after-tax net financial expenses deriving from net financial debt, over average net capital employed.

OPERATIONAL TERMS

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

Bundles: bundles of cables.

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

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

Conventional waters: depth of up to 500 metres.

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

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

Deep waters: depths of over 500 metres.

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

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

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

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

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

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

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

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

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

and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.

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

Topside: portion of platform above the jacket.

Trenching: burying of offshore or onshore pipelines.

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

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

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

Vacuum: second stage of oil distillation.

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

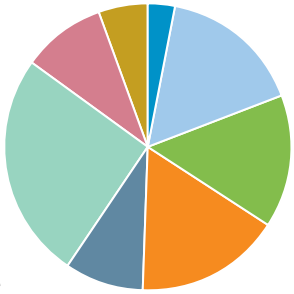
Workover: major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

Operating review

NEW CONTRACTS AND BACKLOG

New contracts awarded to the Saipem Group during the first half of 2007 amounted to €4,947 million (€5,782 million in the first half of 2006).
56% of all contracts awarded were in the Onshore sector, 38% in the Offshore sector, 3% in the Offshore Drilling sector and 3% in the Onshore Drilling sector.
New contracts to be carried out outside Italy make up 97%, and contracts awarded by Eni Group companies represented 11% of the overall figure. Finally, orders awarded to the Parent Company Saipem SpA amounted to 16% of the overall total.
The backlog of the Saipem Group at June 30, 2007 stands at a record level of €13,302 million.

New contracts by geographical area
(€ million)



164 Italy
797 Rest of Europe
732 Russia*
816 Saudi Arabia
443 Rest of Asia
1,254 North Africa
477 West Africa
264 Americas

(*) Russia includes Kazakhstan and Azerbaijan.

Saipem Group - Contracts awarded to the Saipem Group in the first half of 2007

Year 2006		(€ million)	First half 2006		**First half 2007**	
Amount	%		Amount	%	Amount	%
2,807	26	Saipem SpA	1,071	19	**808**	**16**
8,155	74	Group companies	4,711	81	**4,139**	**84**
10,962	**100**	**Total**	**5,782**	**100**	**4,947**	**100**
3,653	34	Offshore	1,814	32	**1,881**	**38**
4,471	43	Onshore	2,969	51	**2,773**	**56**
2,230	20	Offshore Drilling	923	16	**144**	**3**
338	3	Onshore Drilling	76	1	**149**	**3**
10,962	**100**	**Total**	**5,782**	**100**	**4,947**	**100**
918	8	Italy	685	12	**164**	**3**
10,044	92	Abroad	5,097	88	**4,783**	**97**
10,962	**100**	**Total**	**5,782**	**100**	**4,947**	**100**
2,573	23	Eni Group	1,269	22	**555**	**11**
8,389	77	Third parties	4,513	78	**4,392**	**89**
10,962	**100**	**Total**	**5,782**	**100**	**4,947**	**100**

Breakdown of activities by sector is as follows: 48% in the Onshore sector, 33% in the Offshore sector, 16% in Offshore Drilling and 3% in the Onshore Drilling sector. 93% of all orders are on behalf of overseas clients, whilst orders from Eni Group companies represent 20% of the overall backlog. Finally, the Parent Company, Saipem SpA accounts for 25% of the total order backlog.

Backlog by geographical area
(€ million)

897 Italy
1,910 Rest of Europe
809 Russia*
2,129 Saudi Arabia
1,889 Rest of Asia
1,811 North Africa
2,850 West Africa
1,007 Americas

(*) Russia includes Kazakhstan and Azerbaijan.

Saipem Group - Order backlog at June 30, 2007

Dec. 31, 2006		(€ million)	June 30, 2006		**June 30, 2007**	
Amount	%		Amount	%	Amount	%
2,916	22	Saipem SpA	1,622	13	**3,259**	**25**
10,174	78	Group companies	10,711	87	**10,043**	**75**
13,090	**100**	**Total**	**12,333**	**100**	**13,302**	**100**
4,182	32	Offshore	4,097	33	**4,340**	**33**
6,285	48	Onshore	6,848	56	**6,394**	**48**
2,247	17	Offshore Drilling	1,132	9	**2,188**	**16**
376	3	Onshore Drilling	256	2	**380**	**3**
13,090	**100**	**Total**	**12,333**	**100**	**13,302**	**100**
1,280	10	Italy	1,539	12	**897**	**7**
11,810	90	Abroad	10,794	88	**12,405**	**93**
13,090	**100**	**Total**	**12,333**	**100**	**13,302**	**100**
2,602	20	Eni Group	1,691	14	**2,693**	**20**
10,488	80	Third parties	10,642	86	**10,609**	**80**
13,090	**100**	**Total**	**12,333**	**100**	**13,302**	**100**

CAPITAL EXPENDITURE

Investments in the first half of 2007 amounted to €521 million, versus €231 million in the first half of 2006. These consisted of: maintenance, upgrading and expansion of the existing asset base, including works on the construction of the new semi-submersible platform Scarabeo 8, a new pipe lay vessel and the new ultra-deep water drillship Saipem 12000 (€331 million); investments in vessels and equipment for specific projects, mainly in Saudi Arabia and preparatory works on Scarabeo 6 for operations in Egypt (€45 million); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (€28 million); conversion of two tankers into FPSO units, due to operate respectively on Petrobras' Golfinho 2 field in Brazil and for Sonangol P&P in Angola (€117 million). The following table provides a breakdown of capital expenditure:

Capital expenditure

Year 2006	(€ million)	First half 2006	**First half 2007**
58	Saipem SpA	20	**46**
556	Group companies	211	**475**
614	**Total**	**231**	**521**
405	Offshore	186	**229**
70	Onshore	17	**55**
102	Offshore Drilling	20	**165**
37	Onshore Drilling	8	**72**
614	**Total**	**231**	**521**
9	Acquisition of company interests	-	**-**
391	Technical	140	**404**
214	FPSO	91	**117**
614	**Total**	**231**	**521**

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

OFFSHORE

General overview

The Saipem Group possesses a strong, technologically advanced and highly-versatile fleet in addition to a comprehensive spread of sector-leading engineering and project management expertise.
These unique capabilities and competences, together with a long-standing presence in strategic frontier markets comprise an industrial model that is particularly well suited to EPIC (Engineering, Procurement, Installation and Construction) projects.
Amongst the semi-submersible fleet equipped with the most advanced state-of-the-art technologies, the vessel most worthy of note is Saipem 7000 thanks to its dynamic positioning system, 14,000-tonne lifting capacity and its capability to lay subsea pipelines in ultra-deep waters using the 'J-lay' system, which can handle a suspended load of up to 1,450 tonnes during pipelay operations. Other vessels include Castoro Sei, capable of laying large diameter subsea pipelines; the Field Development Ship (FDS), a special purpose vessel used in the development of deep-water fields, equipped with a dynamic positioning system and a 600-tonne lifting capacity crane, in addition to a vertical pipelaying system able to work in water depths of up to 2,000 metres and the vessel Saipem 3000, capable of laying flexible pipelines and installing umbilicals and mooring systems in deep waters and installing subsea structures of up to 2,200 tonnes.
Saipem also boasts a strong position in the subsea market, operating highly sophisticated and technologically advanced vehicles, such as subsea ROVs (Remotely Operated Vehicles), i.e. purposely-equipped robots, able to carry out complex deep-water pipeline interventions.
Furthermore, Saipem's strengthening of its design expertise in the floating production sector and its ability to manage turnkey projects, enabled the Group to successfully market itself as a new operator in the Leased FPSO sector, with a fleet comprising of FPSO-Mystras. FPSO-Firenze is no longer in operation.

Market conditions

During the first half of 2007, revenues generated by companies providing offshore services grew further when compared to the same period 2006, which had already recorded strong growth. The sector continues to experience a very positive trend: following significant investment programmes launched in 2006, new vessels are to be built, underpinning widespread expectations of further prolonged growth.
The subsea development segment has enjoyed a particularly positive trend. Deep-water SURF (Subsea, Umbilicals, Risers and Flowlines) operations have soared in West Africa, the area that is consolidating its role as a global leader, followed by the Gulf of Mexico and Brazil. This market expansion has also involved shallow-water subsea developments, the North Sea in particular.
The lifting sector is also experiencing a strong market trend, specifically the medium-heavy lifting capacity segments in Asia-Pacific and the Middle East.
The FPSO sector continues its rapid expansion. In the first half of 2007, new units ware installed in Brazil, the Gulf of Mexico, Asia-Pacific and the North Sea; this type of activity is expected to grow at a sustained pace in the short-term, especially in Asia-Pacific. The world-wide backlog for new FPSOs has been increasing since 2006 and, at the end of June 2007, has reached record levels, unprecedented across this industry. The increase in orders has resulted in a steep rise in the number of shipyards that are either building new units

or converting existing vessels. Amongst these is the Dubai shipyard, whose role is one of ever-increasing strategic importance.
Conversely, the pipelaying sector is experiencing a downward trend, especially in Asia-Pacific and the North Sea.

New contracts

The most important contracts awarded to the Saipem Group during the first half of 2007 were:
- on behalf of Medgaz, an EPIC-type project, comprising installation of a subsea pipeline system which will enable the transportation of natural gas from Algeria to Spain under the Mediterranean Sea;
- on behalf of Eni Australia, the EPIC-type project Blacktip, in Australia, comprising engineering, procurement, construction, installation and commissioning of production platforms and the associated subsea pipeline system for transporting oil & gas to the onshore terminal;
- on behalf of BG Tunisia Ltd, a project in Tunisia, comprising procurement, installation and commissioning of a subsea pipeline connecting the Hasdrubal field, approximately 350 kilometres south-east of Tunis, to the onshore terminal;
- on behalf of Agip KCO, as part of the experimental phase of the Kashagan field development in the Caspian Sea, a contract comprising early work activities for the hook-up and commissioning of offshore facilities;
- on behalf of Cabinda Gulf Oil Co Ltd, an EPIC-type project in Angola, comprising engineering, procurement, transport and installation of two subsea pipelines in the Mafumeira field, located in Block 0 off the Angolan coast;
- on behalf of Cabinda Gulf Oil Co Ltd, the Malongo Oil Export contract in Angola, comprising project management, engineering, transport and installation of a subsea pipeline;
- on behalf of Petrobel, the Denise Pliocene contract in Egypt, comprising engineering, project management, transport and installation of a pipeline connecting the El Gamil gas processing plant to an existing platform located in the Denise Pliocene gas field;
- on behalf of BP Norge AS, a project in the Norwegian sector of the North Sea, comprising transport and installation of a jacket, mooring facilities and a three-tier deck that will house all production plant and associated structures for the Valhall field.

Capital expenditure

The most significant investments in this sector include:
- capital expenditure on the new pipe lay vessel due to start operations in the second quarter 2010;
- the continuation of construction works on the new yard in Soyo, Angola, due to be used for the fabrication of structures and modules for ongoing projects;
- the completion of the conversion of the tanker Margaux into an FPSO unit, named Cidade de Vitoria, which will operate offshore Brazil on the Petrobras field Golfinho 2;
- the conversion of the tanker Magdaleine into an FPSO unit;
- upgrading and maintenance works on the fleet's main vessels.

Work performed

Activities in the first half of 2007 consisted in the laying of 228 kilometres of pipelines and the installation of 70,586 tonnes of plant and equipment.
Main projects were as follows.

In the north part of the Adriatic Sea, various interconnecting gas pipelines, linking existing platforms, were laid as part of the **Campagna Mare** project on behalf of Eni Exploration & Production.

In Libya, operation and maintenance services were provided on the EPIC project **NC41 Platform (Sabratha)**, completed in December 2005 on behalf of Eni Gas BV, that comprised the project management, and the fabrication of the jacket, accommodation deck and flare stack. The contract was carried out by a consortium comprising Saipem SpA (leader) and Hyundai Heavy Industries.

In the Mediterranean Sea, Saipem also carried out the following works:
- in 2006 was completed the first phase of the **Gupco Sealine** project in Egypt on behalf of Gupco that comprising the installation of new pipeline systems for oil export, utilising the derrick lay barge Crawler. During the second half of the year, Phase II of the project was completed, comprising the installation of risers, spools and various pipelines, utilising the derrick lay barge Castoro II;
- detail engineering and procurement activities, as well as fabrication works continued on the EPIC-type project **West Delta Deep Concession Phase IV**, on behalf of Burullus Gas Co, in Egypt, comprising design, engineering, procurement, construction, installation and commissioning of subsea systems for the development of eight new wells on the production fields Scarab/Saffron and Simiam. This contract, for the development of a gas field in deep waters, is the first of its kind to be awarded to Saipem;
- detail engineering and procurement activities were initiated on the EPIC-type **Medgaz** project, on behalf of Medgaz, comprising the installation of a subsea pipeline system which will enable the transportation of natural gas from Algeria to Spain under the Mediterranean Sea;
- preparatory activities and vessel mobilisation have begun for the **Denise Pliocene** project on behalf of Petrobel in Egypt, comprising engineering, project management, transport and installation of a pipeline connecting the El Gamil gas processing plant with an existing platform located on the Denise Pliocene gas field;
- preparatory activities got underway for the **Hasdrubal** project on behalf of BG Tunisia Ltd, in Tunisia, comprising procurement, installation and commissioning of a subsea pipeline connecting the Hasdrubal field, approximately 350 kilometres south-east of Tunis, to an onshore terminal.

In the Far East Saipem carried out the following projects:
- operations were completed on the **Sakhalin II Pipelines** project, in Russia, on behalf of Sakhalin Energy Investment Co Ltd (SEIC), comprising engineering, procurement, installation and construction of a pipeline system connecting the Lunskoye and Piltun-Astkhskoye platforms to the island of Sakhalin; works were performed by the semi-submersible pipelay vessel Semac 1 and the trench barge Castoro 10; following hand-over of the pipelines to the Client in 2006, flowline tie-in operations were carried out, whilst the final phase of subsea works and pre-commissioning activities are currently ongoing;
- the **Sakhalin II Topsides** project was successfully completed, in Russia, on behalf of Samsung Heavy Industries. It comprised the transport and installation of topsides for the Lunskoye and Piltun-Astkhskoye B platforms, the latter being the largest platform ever installed using the float-over method by the derrick pipelay ship Castoro Otto;
- following the installation of two platforms in 2006 utilising the derrick pipelay ship Castoro Otto, in the first half of 2007, offshore works were completed on two EPIC-type contracts as part of the **Tangguh LNG Project** in Indonesia on behalf of BP Berau Ltd, comprising engineering, procurement, construction and installation of two platforms and two subsea pipelines;
- pipelaying operations were completed on the **Thai Oil** project on behalf of Thai Oil Public Co Ltd; this EPIC-type contract comprised the construction of oil offloading facilities for the Sri Racha refinery in the Gulf of Siam. The contract comprised engineering, procurement, construction, installation and commissioning of a buoy mooring system, a subsea pipeline and associated shore facilities;
- engineering and procurement activities are currently ongoing on the EPIC-type **Taishung/Tungshiao/Tatan pipeline** project on behalf of Chinese Petroleum Corp, off the Taiwanese coast, comprising

engineering, part of the procurement scope, laying, testing and pre-commissioning for a pipeline supplied by the Client;
- laying operations were completed, utilising the semi-submersible pipelay vessel Semac 1; these relate to the **PTT-TTM New Gasline** project on behalf of PTT Public Co Ltd, in Thailand, comprising engineering, transport, installation, pre-commissioning and commissioning of a pipeline supplied by the Client;
- the derrick pipelay ship Castoro Otto is currently carrying out installation works, whilst pipelaying operations are being carried out by the trench barge Castoro 10; these works relate to the **Bumi, Bulan & Suriya** project on behalf of Kencana HL Sdn Bhd, in Malaysia, comprising transport and installation of three wellhead platforms, the laying of three pipelines and installation of a gas compression module onto an existing platform; engineering activities are currently ongoing;
- on behalf of Offshore Oil Engineering Co Ltd, works were completed on the **Wenchang Oil Field Development** project, in China, which comprised the installation of two pipelines.

In West Africa, Saipem carried out the following works:
- in Nigeria, installation of the jacket of the **Amenam 2** platform was successfully completed in 2005 on behalf of Elf Petroleum Nigeria Ltd; fabrication and installation of the deck as well as the interconnecting bridge between the new platform and an existing platform were completed in 2006 utilising the float-over method and the derrick crane vessel Saipem 3000. In the first half of 2007, hook-up completion and commissioning works were successfully completed. This EPIC-type project was carried out in joint venture with Technip-Coflexip;
- topside installations have been completed whilst commissioning is progressing for the EPIC-type **Dalia** project on behalf of Total Exploration & Production Angola, in Angola, comprising engineering, procurement, construction and assembly of the topsides for the FPSO system due to operate on the Dalia field. The contract was awarded in joint venture with Technip-Coflexip, Stolt Offshore and the Korean companies Samsung HI and DSME;
- installation of risers, spools and jumpers completed the EPIC-type **Rosa Surf** project on behalf of Total Exploration & Production Angola, in Angola, which comprised engineering, procurement, construction, installation and commissioning of subsea pipelines, umbilicals and risers at water depths of approximately 1,400 metres. These works, which will facilitate the tie-back of the Rosa field to the Girassol FPSO, were carried out by the dynamically-positioned pipelay vessels Saibos FDS and Saipem 3000;
- installation and deep-water pipelaying operations were completed by the pipelay vessels Saibos FDS, as part of the EPIC-type contract **AKPO** in Nigeria on behalf of Total Upstream Nigeria Ltd, comprising engineering, procurement, construction, installation and commissioning of subsea pipelines, umbilicals and risers, in addition to the construction of an oil offloading system, the installation of an FPSO mooring system and the laying of a gas pipeline between the FPSO and the Amenam AMP2 platform;
- engineering, procurement and construction activities are progressing as part of the EPIC-type **Awa Paloukou** project, on behalf of Eni Congo SA, in Congo, comprising engineering, procurement, construction, transport, installation, hook-up and pre-commissioning of the platform, in addition to the laying of an interconnecting pipeline linking the platform to the Djeno terminal;
- engineering, procurement and construction activities are continuing as part of the **Ikalou South Fields Development** project, on behalf of Eni Congo SA, in Congo, comprising installation of two platforms, Ikalou & Ikalou South, and various flowlines and cabling connecting the newly-installed pipelines to the existing system;
- pipelaying operations for a pipeline and an umbilical have started as part of the EPIC-type **Marimba** project, for the development of the Marimba oil field on behalf of Esso Exploration Angola Ltd, in Block 15 off the coast of Angola. The contract comprises engineering, procurement, construction and installation of subsea pipelines at water depths of approximately 1,200 metres, linking the Marimba field to the existing facilities of the Kizomba A field;
- engineering, procurement and construction activities are ongoing on the EPIC-type **Block 17 Gas Gathering System** project, on behalf of Total Exploration & Production Angola Ltd, in Angola, comprising engineering, procurement, construction, transport, installation and pre-commissioning of a subsea pipeline, umbilical and associated facilities aimed at developing an interconnection between the Dalia and Girassol fields;
- fabrication and offshore works have started, utilising the work barge Saibos 230, as part of the EPIC-type

FARM project on behalf of Cabinda Gulf Oil Co Ltd, in Angola, comprising the construction of 10 flare stacks and the modification of the gas combustion and discharge systems of 14 platforms in Block 0, which are located off the coast of Cabinda province;
- project management, engineering and procurement activities were launched on the EPIC-type **Mafumeira** project on behalf of Cabinda Gulf Oil Co Ltd, in Angola, comprising engineering, procurement, transport and installation of two subsea pipelines in the Mafumeira field, located in Block 0 off the Angolan coast;
- project management and installation engineering activities were launched on the EPC-type **Malongo Oil Export** project on behalf of Cabinda Gulf Oil Co Ltd in Angola, comprising project management, engineering, transport and installation of a pipeline;
- project management, detail engineering and procurement activities started on the EPIC-type **Olowi** project on behalf of CNR International (Olowi) in Gabon, for the development of the Olowi field in Gabon, comprising engineering, procurement, construction and installation of three wellhead towers, three platforms and associated umbilicals.

In the North Sea, Saipem carried out the following works utilising the vessels Castoro Sei and/or Bar Protector:
- the **Tweedsmuir** project on behalf of Talisman Energy UK, in the British sector of the North Sea, comprising the laying of a pipeline and a pipe-in-pipe flowline for a piggy-backed gas pipeline;
- the EPIC-type **Tweedsmuir Subsea** project, on behalf of Talisman Energy UK, in the British sector of the North Sea, comprising engineering, procurement, installation and commissioning of various subsea structures;
- the **Halfdan Northeast Phase 3** project, on behalf of Maersk Olie og Gas AS, in Denmark, comprising construction engineering, procurement, construction, testing and commissioning of two jackets, one deck and an interconnecting gangway;
- the **Columba E Water Injection** project, on behalf of Canadian Natural Resources, in the British sector of the North Sea, comprising installation, trenching and tie-in of an umbilical connecting the Columba E well to the topsides on the Ninian South platform.

Again in the North Sea, Saipem continued preparatory works for installation and various other operations, for which the vessel Saipem 7000 will be utilised in the second half of the year, on the following projects:
- the **Frigg and MCP-01 Decommissioning** project on behalf of AKOP (Aker Kvaerner Offshore Partners), comprising the removal and transport of a jacket and seven platforms from the Frigg and MCP-01 gas fields;
- the EPIC-type **Dunbar** project, on behalf of Total Exploration & Production UK in the British sector of the North Sea, comprising the replacement of an interconnecting pipeline and spools linking the Dunbar and Alwyn platforms.

On behalf of AIOC (Azerbaijan International Operating Co), activities involving the construction, transport and installation of various structures continued as part of the development of the **Azeri-Chirag-Gunashli** field, comprising three separate contracts and involving the construction of six jackets, three templates and associated piles in addition to transport and installation of five drilling templates, four drilling platforms and two production platforms.

In Kazakhstan, on behalf of Agip KCO, as part of the programme for the development of the Kashagan field in the Kazakhi waters of the Caspian Sea:
- engineering and procurement activities have progressed, onshore pipelaying operations have been completed whilst offshore laying operations are currently being carried out by new purpose-built vessels, as part of the **Kashagan Trunkline and Production Flowlines** project. The contract comprises engineering, procurement of materials, coating, laying and commissioning of pipelines, fibreoptic cables and umbilicals. The pipe is to be supplied by the Client;
- following the winter break, installation operations resumed utilising the new construction barge Ersai 1 and other support vessels as part of the **Kashagan Piles and Flares** project. The contract comprises construction, assembly, transport and installation of piles and flares in addition to sixteen barges to accommodate plant modules; the scope of works also includes the procurement, fabrication and installation of associated mooring and protection structures;
- preparatory works, engineering and procurement activities were started as part of the **Kashagan Hook Up and Commissioning** project, on behalf of Agip KCO.

On behalf of Pemex Exploracion y Produccion, activities are ongoing on the **Ku-Maloob-Zaap** project, comprising the transport and installation of six platforms as part of the development of the Ku-Maloob-Zaap oil field in Campeche Bay, Mexico.

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

The **FPSO Mystras** operated continuously throughout the whole first half of the year in Nigeria on the Okono/Okpoho fields, at water depths ranging from 60 to 130 metres.

Moreover, during the first half of 2007, **maintenance operations** progressed on behalf of Eni Exploration & Production on their oil and gas production plants in Italy.

Offshore fleet at June 30, 2007

Saipem 7000	Semi-submersible pipelay and dynamically positioned derrick vessel capable of lifting structures of up to 14,000 tonnes and of 'J-laying' pipelines at depths of up to 3,000 metres.
Saibos FDS	Multi-purpose mono-hull dynamically positioned crane and pipelay (J-lay) vessel utilised for the development of deepwater fields at depths of up to 2,100 metres, capable of launching 22" diameter pipe in 'J-lay' configuration and lifting structures of up to 600 tonnes.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipe at depths of up to 1,000 metres.
Castoro Otto	Mono-hull derrick pipelay ship capable of laying pipes of up to 60" diameter and lifting structures of up to 2,200 tonnes.
Saipem 3000	Mono-hull, self-propelled D.P. derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and lifting structures of up to 2,200 tonnes.
Bar Protector	Dynamically positioned dive support vessel used for deep-water diving operations and works on platforms.
Semac 1 (Bar 420)	Semi-submersible pipelay vessel capable of laying large diameter pipes in deep waters.
Castoro II	Derrick lay barge capable of laying pipe of up to 60" diameter and lifting structures of up to 1,000 tonnes.
Castoro 10	Trench barge capable of burying pipes of up to 60" diameter and laying pipes in shallow waters.
Castoro 12	Shallow-water pipelay barge, capable of laying pipe up to 40" diameter in waters of up to 1.4 metres.
Bos 355	Derrick lay barge capable of laying pipe up to 45" diameter and lifting structures of up to 600 tonnes.
Crawler	Derrick lay barge capable of laying pipe up to 60" diameter and lifting structures of up to 540 tonnes.
Saipem Trenching Barge	Post-trenching and back-filling barge for up to 40" diameter pipes in ultra-shallow waters (1.4 metres).
Saibos 230	Work barge equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1	Technical pontoon equipped with two crawler cranes, capable of carrying out installations whilst grounded on the seabed. The lifting capacities of the two crawler cranes are 300 and 1,600 tonnes respectively.
Ersai 2	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Castoro 9	Cargo barge.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
S42	Cargo barge.
S44	Launch cargo barge, for structures of up to 30,000 tonnes.
S45	Launch cargo barge, for structures of up to 20,000 tonnes.
Bos 600	Launch cargo barge, for structures of up to 30,000 tonnes.
Saibos 103	Lightweight cargo barge.
FPSO - Mystras	FPSO unit producing up to 60,000 barrels a day.
FPSO - Cidade de Vitoria	FPSO unit producing up to 100,000 barrels a day.

ONSHORE

General overview

The Group's strengths in the Onshore sector are its construction capabilities allied to its engineering and project management competencies, which allow the Group to focus on challenging projects such as the laying of large diameter pipelines and the construction of upstream plants in difficult environments. Saipem enjoys a position of primacy at the high-end of the market for the provision of engineering, procurement, project management and construction services to the oil & gas industry, with a strong bias towards particularly challenging activities in deep waters and remote areas, with significant technological competence.

The regions in which the Group has a long-term presence, and operates consistently are the Arabian Peninsula, Nigeria, Russia and Algeria. The Group is also engaged in Kazakhstan, where it operates in joint venture with another international contractor. Moreover, the Group operates in Oman and France.

Over the last few years, the Saipem Group has strengthened its presence in the LNG sector, focusing mainly in the Mediterranean Sea, in addition to two particularly challenging and demanding projects currently underway in India and China. Additionally, two new projects are starting up in the United States and Mexico.

The Saipem Group has also recently started operating in the maintenance sector, which completes the range of services offered to oil companies. Saipem currently provides services mainly in Western Europe and Russia, in petrochemical plants and refineries, and in West Africa in upstream oil infrastructures.

Market conditions

In the first half of 2007, global spending in the Onshore sector (upstream, transport and downstream) has continued to grow, boosted by ever-increasing energy demand and consistently high oil & gas prices. The onshore market is expected to experience an extremely positive phase in the short-term, although, in forthcoming years, and despite high levels of investment, growth may not be as strong as in recent years.

The significant rise in energy demand has resulted in an ever-increasing call for engineering and construction services, and consequently for materials and equipments.

This led to significant price rises and delays in delivery schedules, whose effects are beginning to manifest themselves in terms of postponement or cancellation of major projects (the Exxon Palm GTL project in Qatar, investment reduction in Canada, deferment of refinery projects in the UAE, the US and Indonesia).

Finally, there is growing political instability in certain countries key to the energy and investment standpoint, namely Nigeria and Venezuela. A further deterioration may lead to a slow-down or cancellation of large projects in these countries.

Main areas of investment in the forthcoming years are the Middle East, Africa, the Caspian region and Russia. New fields will be developed in geographical areas that pose ever-increasing technological and production challenges, namely oil sands in Canada, Venezuela and the Arctic regions.

Growing quantities of natural gas will be transported over ever-increasing distances, either via pipeline or in the form of LNG. New and ever-larger LNG production installations will be built in the Middle East, West Africa and Australia. Simultaneously, an increasing number of

LNG regassification plants are planned close to the main markets of Europe, the United States and Asia. Strong growth in investments in regassification terminals will also have a positive impact on the infrastructure sector (maritime works). Constant and strong growth is also expected in the long-distance pipeline sector, which can transport oil and natural gas from the most remote areas (Alaska, Canada, Russia, countries in Central Asia, West Africa and the Middle East) to end-consumers in industrialised countries, mostly in Europe and the United States.
New world-scale petrochemical, chemical and gas-related plants (methanol, fertilisers, etc.) are due to be built in areas where natural gas is cheap (the Middle East, North and West Africa, Latin America) and/or there is a strong rise in demand (China, South-East Asia).
The refinery sector will continue to thrive as a result of sustained demand, the absence of spare capacity, the progressively low-grade crudes available in the market and new, stringent regulations being imposed on oil by-products, especially in the most developed countries. Investments will focus on modernisation and expansion projects as well as the construction of new plants due to turn out export products. These types of refineries are planned in areas that are of interest to Saipem, namely the Middle East, North Africa, Asia and Latin America.

New contracts

The most significant contracts awarded to the Group during the first half of 2007 include:
- on behalf of Sonatrach, an EPC-type contract for the engineering, procurement and construction of a crude oil treatment and stabilisation plant (UBTS, Unité de Traitement du Brut et de sa Stabilisation), comprising three trains, one maintenance unit, four stocking units and a pipeline for transporting oil, water and gas;
- on behalf of Saudi Aramco, an EPC-type project in Saudi Arabia, for the expansion of the Qurayyah plant, which forms part of the Khurais field facilities, located 250 kilometres south-west of Dhahran, and is used to treat seawater for subsequent well injection;
- on behalf of Saudi Aramco, an EPC-type project in Saudi Arabia, comprising engineering, procurement, construction, installation and commissioning of pumping stations which inject water from the Qurayyah treatment plant into the Khurais field. The contract was awarded to the 50-50 joint venture comprising Saipem and the Canadian company SNC-Lavalin;
- on behalf of Scogat, the Trans Tunisia Pipeline contract, in Tunisia, comprising engineering, procurement, construction and commissioning of two new gas compression stations in addition to the expansion of existing compression facilities;
- on behalf of Sakhalin Energy Ltd, additional works as part of the Sakhalin II project, comprising the laying of onshore pipelines, installation of compression and pumping stations and a terminal;
- on behalf of Engro Chemical Pakistan Ltd (ECPL), in Pakistan, the project for the supply of technology licenses, engineering, procurement and supervisory activities relating to the construction of a plant for the production of ammonia and urea, inclusive of all service infrastructures; the plant will be located in Daharki, approximately 450 kilometres north-east of Karachi;
- on behalf of Persian Gulf Star Oil Co (NIOEC), the EPC-type contract for the construction of a new refinery in Bandar Abbas;
- on behalf of Cabinda Gulf Oil Co Ltd, the EPC-type Malongo Base contract in Angola, comprising engineering, procurement, construction and pre-commissioning of a pipeline and associated facilities.

Capital expenditure

Capital expenditure in the Onshore sector focused mainly on the acquisition and upgrading of plant and equipment necessary for the execution of the projects Gbaran in Nigeria and Khurais in Saudi Arabia. Moreover, preparatory activities have started for the machinery and equipment required to carry out projects awarded to the Group during the first half of the year.

Work performed

Onshore activities during the first half of the year comprised of the laying of 238 kilometres of pipe of various diameters and installation of 85,094 tonnes of equipment.
The most significant works are detailed below by geographical area.

In Saudi Arabia, on behalf of Saudi Aramco:
- activities are ongoing on the **EWG-1** project, for the oil to gas conversion of the East-West pipeline which will service the industrial area of Yanbu. The project comprises operations to purge the pipeline of oil, and the construction, installation and commissioning of new sections of pipeline and associated infrastructure;

- activities are progressing on two EPC-type projects, **Khurais and Ghawar**, in Saudi Arabia, both comprising engineering, procurement, construction and commissioning of a pipeline injecting sea-water into the oil fields of the same name;
- activities are progressing on the **Khursaniyah** project, comprising engineering, procurement and construction of a gas-oil separation plant. The contract, originally on a 'cost plus' basis and converted into a turnkey project, includes the construction of two gas-oil separation trains in addition to a series of production infrastructure facilities;
- activities are progressing on the **Qurayyah Seawater Treatment Plant** project, comprising the expansion of the plant and injection of seawater into the oil fields to support oil production operations. The contract, originally on a 'cost plus' basis, was converted into a turnkey project during the first half of the year;
- activities are progressing on the **Khurais Utilities and WIPS** project, which forms part of the programme for the development of the Khurais complex, comprises engineering, procurement, construction, installation and commissioning of pumping stations, which inject water from the Qurayyah treatment plant into the Khurais field. The contract, originally on a 'cost plus' basis, was converted into a turnkey project during the first half of the year;
- activities are progressing on the **Khurais Crude Facilities** project for the construction of a gas-oil separation plant (GOSP) as part of the development of the Khurais oil field in Saudi Arabia, situated approximately 180 kilometres north-east of Rijadh. The contract comprises engineering, procurement and construction of four gas-oil separation trains in addition to production infrastructure;
- construction is progressing on the **Hawiyah** project, comprising the construction of a gas treatment plant, which feeds an LNG recovery unit.

In the United Arab Emirates:
- on behalf of Gasco, operations progressed on the EPC-type **Ruwais** project, comprising the construction of a fractionation train and the expansion of associated facilities, including the construction of a new loading dock and new refrigerated tanks;
- on behalf of Abu Dhabi Co for Onshore Oil Operation, the **Bu Hasa Facilities Development** project for the construction of an oil-gas separation plant was completed.

In Qatar:
- on behalf of Qatofin, works are ongoing for the construction of a polyethylene plant;
- on behalf of Qatar Shell Ltd, engineering and procurement activities are progressing on the EPC-type **Pearl Gas To Liquids (GTL)** project in Qatar, for the construction of a waste water treatment plant in the industrial city of Ras Laffan. The contract was awarded in consortium with the company Al Jaber and the joint venture comprising Saipem and OTV.

In Nigeria:
- on behalf of NAOC, the phase for the engineering and site survey is currently ongoing as part of the EPC-type **OB/OB Revamping** project in Nigeria, comprising engineering, procurement, break-up, disassembly, construction and commissioning of new and existing facilities at the Obiafu/Obrikom gas treatment plant. The contract was awarded in consortium with Desicon Engineering Ltd;
- on behalf of Shell Petroleum Development Co of Nigeria Ltd, the **Soku Debottlenecking** project was completed; its scope of works comprised engineering, procurement and construction of a pipeline;
- on behalf of Nigerian Lng in Nigeria, the **GTS 2/4 Slug Catcher** project was completed; it comprised the construction of a slug catcher and a pressure control unit, in addition to inspection and testing of the plant on Bonny Island. The contract was carried out in consortium with Valland International Nigeria Ltd;
- on behalf of ChevronTexaco, works are ongoing on the EPC-type **Escravos** project. The plant will comprise of two parallel trains and will utilise Haldor Topsøe technology for the reforming units and Sasol technology for the synthesis units; the contract is being carried out in a 50-50 joint venture with the American company KBR;
- on behalf of Shell Petroleum Development Co of Nigeria, engineering and site mobilisation were completed on the EPC-type **Gbaran** project, in Nigeria, comprising engineering, procurement and laying of pipelines, flowlines and composite fibre optic and high voltage electrical cables. The contract was won in consortium with Desicon Engineering Ltd;
- on behalf of Shell Petroleum Development Co of Nigeria, construction works have progressed on the EPC-type **Gbaran Logistic Base** project, in Nigeria, comprising engineering, procurement, construction and commissioning of the logistics base for the Gbaran field. The contract was won in consortium with Desicon Engineering Ltd.

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

In France, on behalf of Gaz de France, construction of the terminal is progressing as part of the **Fos Caveaou** project, comprising engineering, procurement and construction of all facilities for a regassification terminal, including three storage tanks and maritime works.

In Belgium, activities have continued on the **Zeebrugge** project, comprising engineering, procurement and construction of facilities for the extension of a regassification terminal, including a storage tank and regassification structures.

In the Principality of Monaco, the installation phase is nearing completion for the **Monaco Port** project entailing the construction of various large structures to be installed in the port of Monaco.

In Russia, installation activities for the **Sakhalin II** project on behalf of Sakhalin Energy Ltd are ongoing. The project comprises offshore and onshore pipelay operations and installation of compression and pumping stations, in addition to a terminal. During the first half of the year, the originally turnkey contract was transformed into a cost-plus contract.

In China, on behalf of the consortium CNOOC/BP and other Chinese partners, the construction of a regassification terminal has continued as part of the **Guangdong** project.

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

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

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

In the United States, operations relating to the **Freeport** project are progressing on behalf of Freeport LNG Development LP; the project comprises engineering and procurement of tanks for an LNG regassification terminal on the Quintana island in Texas.

In Mexico, installation is continuing on the **Costa Azul** project on behalf of BVT LNG, comprising the construction of infrastructure for the mooring and dry-docking of tankers.

In Peru, the construction of maritime infrastructure is ongoing as part of the **Melchiorita Lng** project on behalf of Perù Lng, comprising the construction of a regassification terminal at Pampa Melchiorita, 200 kilometres south of Lima; the contract was acquired in joint venture with Constructora Norberto Odebrecht and in consortium with Jan de Nul NV.

In the first half 2007, **plant maintenance** activities have progressed in Europe and in West Africa on behalf of TotalFinaElf. Also, activities on behalf of Caspian Pipeline Consortium are ongoing in Russia and Kazakhstan.

OFFSHORE DRILLING

General overview

The Group operated in the Offshore Drilling sector in West and North Africa, the Gulf of Suez, the Persian Gulf, Norway, Peru and India.
Amongst the Group's fleet, the following vessels are of particular interest: Saipem 10000, capable of working at depths of up to 3,000 metres using its dynamic positioning system; Scarabeo 7, a semi-submersible vessel capable of operating at depths of up to 1,500 metres and Scarabeo 5, a fourth generation semi-submersible vessel, capable of working at depths of over 1,800 metres and drilling to a depth of 9,000 metres.
In addition to Saipem SpA, other Group companies operating in this sector are: Saipem (Nigeria) Ltd, with headquarters in Lagos, presiding over the strategic area of West Africa; Petrex SA, operating in South America; Saipem Misr for Petroleum Services (S.A.E.) operating in Egypt, Saudi Arabian Saipem Ltd operating in the Persian Gulf and Saipem (Portugal) Comércio Marítimo Lda which manages all drillships, apart from Scarabeo 5, managed directly by Saipem SpA and Perro Negro 4, owned by the newly-incorporated Egyptian company Saipem Misr for Petroleum Services (S.A.E.).
Also active in this sector is Saipem America Inc, supporting operations by providing its remotely operated vehicles (ROVs).

Market conditions

The Offshore Drilling market continues to experience a phase of particularly strong growth; utilisation rates continue to be exceptionally high – close to 100% in many geographical areas – and day-rates have plateaued at record levels.
The only downturn in utilisation rates is in the jack-up sector in the Gulf of Mexico, partly affected by new regulations and adverse environmental conditions. Jack-up day-rates are on the downturn across the globe, when compared to the highs achieved in 2006, due mainly to the construction of new installations. In particular, the start of operations in the next few months of more than thirty jack-ups (equal to nearly 10% of the world's current fleet) has generated an overall climate of expectation, which leads oil companies to only award short-term contracts.
Construction of new vessels has also reached record levels in the semi-submersible and drillship sectors; however, this has not affected day-rates, which remain high in the Gulf of Mexico and the North Sea, whilst they are increasing further in Brazil for semi-submersibles and in West Africa for drillships.

New contracts

The most significant contracts awarded to the Group during the period include:
- on behalf of Total Exploration & Production Angola, the one-year charter, following the exercise of their first option, of the drillship Saipem 10000 to carry out drilling operations in Angola;
- on behalf of IEOC (International Egyptian Oil Co), the one-year charter of the semi-submersible platform Scarabeo 4 in Egypt;
- on behalf of Statoil, the six-month charter of the semi-submersible platform Scarabeo 5 in Norway;
- on behalf of Compagnie des Pétroles Total sa, following the exercise of their second option, the six-month charter of the Packaged 5820 installation in Libya.

Capital expenditure

The most significant items of capital expenditure within the Offshore Drilling sector were:

- expenditure on the construction of the new semi-submersible platform Scarabeo 8, which will operate in Norway on behalf of Eni Norge;
- expenditure on the ultra-deep water drillship Saipem 12000;
- investments on the construction of the new Tender Assisted Rig TAD-1, which will operate in Congo on behalf of Eni Congo;
- upgrading works to the semi-submersible platform Scarabeo 6 to enable it to carry out a project in Egypt on behalf of Burullus Gas Co;
- investments made on the fleet, to ensure compliance with international regulations and to customise vessels to client-specific requirements.

Work performed

Activities in the first half of 2007 consisted of the drilling of 27 wells, totalling 67,174 metres drilled.

The deep-water drillship **Saipem 10000** continued operations on behalf of Total Exploration & Production Angola, as part of a two-year contract, which has been extended for a further 12 months.

The semi-submersible platform **Scarabeo 3** performed drilling operations off the Nigerian coast on behalf of Addax Petroleum, as part of a contract that has been extended until April 2008.

The semi-submersible platform **Scarabeo 4** operated off the Tunisian coast on behalf of Eni Tunisia in January, before being transferred to Libya where it begun operations on behalf of IEOC as part of a contract that has been extended until August 2008.

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

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

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

The jack-up **Perro Negro 2** continued drilling activities in the Persian Gulf on behalf of Saudi Aramco.

The jack-up **Perro Negro 3** continued to perform drilling and workover operations off the coast of India on behalf of GSPC (Gujarat State Petroleum Co), as part of a contract due to end in December 2007.

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

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

The **Packaged 5820** installation continued operations in Libyan waters on behalf of Compagnie des Pétroles Total sa, as part of a contract, for which one of the six-month options was exercised.

In Congo, workover and maintenance works continued on the fixed platforms owned by Eni Congo SA as part of a contract that was renewed for a further three years.

In Peru, two rigs, leased on behalf of Petrotech, performed 78 workover and pulling operations, whilst a tender assisted rig, leased on behalf of BPZ, performed a heavy workover operation and commenced the drilling of a second well.

Vessel utilisation

Vessel utilisation in the first half of 2007 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	181
Semi-submersible platform Scarabeo 4	168 (a)
Semi-submersible platform Scarabeo 5 (*)	181
Semi-submersible platform Scarabeo 6	161 (b)
Semi-submersible platform Scarabeo 7	181
Drillship Saipem 10000	181
Jack-up Perro Negro 2	118 (a)
Jack-up Perro Negro 3	181
Jack-up Perro Negro 4	181
Jack-up Perro Negro 5	181

(*) Leased by Saipem SpA.
(a) For the remaining days (to 181), the vessel underwent class reinstatement works.
(b) For the remaining days (to 181), the vessel underwent upgrading works in readiness for a new contract.

ONSHORE DRILLING

General overview

In the Onshore Drilling sector, the Group operates in Italy, Algeria, Egypt, Saudi Arabia, Georgia, Kazakhstan, Turkmenistan, Ecuador, Peru and Venezuela through the Parent Company as well as Petrex SA, Saudi Arabian Saipem, Sadco (an Indian company jointly owned and managed with the Indian company Aban Drilling Co) and SaiPar (jointly owned and managed with Parker Drilling Co operating in Kazakhstan).

Market conditions

The Onshore Drilling market is still benefiting from the current positive trend in the oil & gas sector, with ever-increasing levels of activity in all main geographical areas.
In terms of global spending, all of the main international markets have shown further growth versus the record levels of 2006. Specifically, in the areas where the Saipem Group operates, North Africa, the Middle East and South America, continue to record sustained operations: in North Africa and the Middle East, the strongest countries are Algeria, Egypt and Saudi Arabia, while in South America and despite the mainly political problems, activities remain buoyant in all major countries.
Partially reversing this growth trend is the United States, where activities are stable when compared to the high levels recorded last year.

New contracts

The most significant contracts awarded to the Group include:
- on behalf of PDVSA, the charter of seven rigs each of one-year duration and the charter of three rigs of a two-year duration in Venezuela;
- on behalf of Eni Exploration & Production, the one-year charter of two rigs in Italy;
- on behalf of British Gas, the one-year charter of a new rig in Algeria;
- on behalf of OilTechnogroup, the one-year charter of a rig in Kazakhstan.

Capital expenditure

Capital expenditure in the Onshore Drilling sector included:
- ongoing investment for the construction of a new rig due to operate in Venezuela as part of a five-year contract on behalf of PDVSA;
- ongoing investment for the construction of two new rigs due to operate in Algeria on behalf of British Gas and in Saudi Arabia on behalf of Enirepsa;
- the launch of investment activities for the construction of a new rig due to operate in Venezuela as part of a five-year contract on behalf of PDVSA;
- upgrading and improvement works to rigs and installations, necessary to ensure continuous operational efficiency.

Work performed

Activities comprised the drilling of 138 wells, totalling 345,504 metres drilled.

In **Italy**, onshore drilling operations were performed on behalf of Eni Exploration & Production, utilising two deep-reach drilling and workover rigs.
In particular:
- one deep-reach drilling rig continued to perform workover operations in the province of Milan as part of a contract due to end in July 2007;
- having completed workover operations in the province of Messina, Sicily, one medium/deep-reach drilling rig was transferred to Caltanissetta, Sicily, where it is currently drilling one well on behalf of EniMed.

Nine rigs have been operating in **Saudi Arabia**: eight rigs as part of a three-year contract with an option of an additional year, on behalf of Saudi Aramco. The ninth continued drilling operations as part of a three-year contract on behalf of Enirepsa.

Five medium/deep-reach rigs are currently operating in **Algeria**. Specifically:
- one rig is operating on behalf of Repsol as part of a contract for the drilling of four wells;
- one drilling rig is operating on behalf of First Calgary Petroleum as part of a contract that was extended until March 2009;
- one rig completed drilling operations on behalf of Petrocanada in April 2007 and has started operations on behalf of Groupement Sonatrach Agip, as part of a two-year contract;
- one rig is operating on behalf of Groupement Sonatrach Agip as part of a contract for the drilling of three wells plus the option of a further four wells;
- one rig completed drilling operations on behalf of ConocoPhillips in March 2007 and has started operations on behalf of Repsol, as part of a one-year contract.

In **Egypt**, an innovative installation continued drilling operations on behalf of Agiba, as part of an eighteen-month contract.

In **South America**:
- a deep-reach drilling rig drilled two wells on behalf of Pluspetrol in the area of Teniente Lopez (Peru);
- a drilling rig drilled one exploration well and performed a heavy workover on behalf of Pluspetrol in Block 8 of the Amazon Forest (Peru);
- a rig performed drilling operations on eighteen exploration wells on behalf of Petrobras Peru in the Talara area (Peru);
- a rig drilled twelve exploration wells on behalf of Petrobras in the Talara area (Peru);
- two rigs drilled sixteen wells on behalf of PDVSA in the Bare area (Venezuela);
- two rigs drilled ten exploration wells on behalf of PDVSA in the areas of Morichal and Maturin (Venezuela);
- a new deep-reach drilling rig started operations on a well on behalf of PDVSA in the Maturin area (Venezuela);
- a rig drilled one well and started operations on a second well on behalf of Agip Oil Ecuador in the Villano Field (Ecuador);
- a new-concept hydraulic installation drilled twelve exploration wells on behalf of Eni Dación BV and on behalf of PDVSA in the Dación area (Venezuela);
- a rig drilled five wells on behalf of PDVSA in the Anaco area (Venezuela).

With regard to onshore workover and pulling operations:
- nineteen pulling and workover operations were carried out in the Trompetero area (Peru) on behalf of Pluspetrol;
- a total of thirty pulling and workover operations were carried out in the area of Teniente Lopez (Peru) on behalf of Pluspetrol;
- three hundred and thirty seven pulling and workover operations were carried out in the Talara area (Peru) on behalf of Petrobras and Interoil.

In **Kazakhstan**, workover operations continued on behalf of Karachaganak Petroleum Operating (KPO) in the province of Uralsk. In the first half of 2007, three rigs were utilised: one chartered from the local company Kazburgas and two owned by the US company Parker. One medium/deep-reach rig continued drilling operations in the Uralsk province on

behalf of Zhaikmunai Llp as part of a contract due to end in August 2010.

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

In **Georgia**, a medium/deep-reach rig completed drilling operations of the third and last well, as per contract. It then transferred to Kazakhstan, where it started operations on behalf of Zhaikmunai Llp, as part of a contract due to end in December 2009.

In **Turkmenistan**, a deep-reach drilling rig completed operations on behalf of Burren Petroleum and is in route to Kazakhstan where it will perform drilling operations as part of a twelve-month contract on behalf of OilTechnogroup.

Utilisation of equipment

Onshore drilling activities resulted in an average rig utilisation of 97% (92% in the first half of 2006). The geographical breakdown is as follows: 13 rigs operated in Peru, 10 in Venezuela, 9 in Saudi Arabia, 5 in Algeria, 2 in Italy, 1 in Egypt, 1 in Kazakhstan and 1 in Ecuador. Additionally, 5 third-party rigs have been operating in Peru, 3 third-party rigs operated in joint venture with SaiPar and 2 third-party rigs in Kazakhstan.

Financial and economic results

As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore sectors, and, to a lesser extent, in the Drilling 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.

RESULTS OF OPERATIONS

Saipem Group - Income statement

Year 2006	(€ million)	First half 2006	**2007**	% Ch.
7,517	**Operating revenues**	**3,095**	**4,735**	**53.0**
9	Other revenues and income	4	**5**	
(5,533)	Purchases, services and other costs	(2,229)	**(3,520)**	
(1,164)	Payroll and related costs	(523)	**(672)**	
829	**Gross operating profit**	**347**	**548**	**57.9**
(230)	Amortisation, depreciation and write-downs	(103)	**(139)**	
599	**Operating profit**	**244**	**409**	**67.6**
(100)	Net financial expenses	(40)	**(57)**	
45	Income from investments	24	**28**	
544	**Profit before income taxes**	**228**	**380**	**66.7**
(157)	Income taxes	(64)	**(111)**	
387	**Net profit before minority interest**	**164**	**269**	**64.0**
(3)	Minority interest	(2)	**(1)**	
384	**Net profit**	**162**	**268**	**65.4**

Operating revenues for the first half of 2007 amounted to €4,735 million, an increase of €1,640 million versus the first half of 2006, mainly due to greater volumes generated in the Onshore and Offshore sectors.

Gross operating profit amounted to €548 million, a 57.9% increase versus the same period 2006. Depreciation and amortisation of tangible and intangible assets amounted to €139 million.

Operating profit for the first half of 2007 stood at €409 million, a €165 million increase versus the first half of 2006, as analysed hereafter under the various Business Units.
Net financial expenses increased by €17 million versus the first half of 2006, due mainly to greater average debt associated with investments made during the period and the distribution of dividends.
Income from investments amounted to €28 million, an increase of €4 million over the first half the previous year.

Profit before income taxes stood at €380 million, a 66.7% increase versus the first half of 2006.
Income taxes amounted to €111 million, an increase of €47 million versus the same period the previous year, due to an increase in taxable income and a tax rate rising from 28% in the first half of 2006 to 29% in the first half of 2007.
Net profit reached €268 million, an increase of 65.4% versus the first half of 2006.

Operating profit and costs by destination

Year		First half		
2006	(€ million)	2006	**2007**	% Ch.
7,517	**Operating revenues**	**3,095**	**4,735**	**53.0**
(6,549)	Production costs	(2,685)	**(4,135)**	
(61)	Idle costs	(31)	**(22)**	
(109)	Selling expenses	(47)	**(59)**	
(23)	Research and development costs	(8)	**(13)**	
(1)	Other operating profit (expenses)	-	**(2)**	
774	**Contribution from operations**	**324**	**504**	**55.6**
(175)	General and administrative expenses	(80)	**(95)**	
599	**Operating profit**	**244**	**409**	**67.6**

In the first half of 2007, the Saipem Group achieved operating revenues of €4,735 million, an increase of €1,640 million versus the same period the previous year.
Production costs, which include direct costs of sales and depreciation of vessels and equipment, amounted to €4,135 million (€2,685 million in the first half of 2006), an increase of 54%, in line with the increase in operations.
Idle/downtime costs fell by €9 million.
Selling expenses of €59 million show a €12 million increase versus the same period the previous year, mainly due to the positive trend experienced by all reference markets.
Research and development costs rose by €5 million.
Contribution from operations show a significant increase, 55.6%, reaching €504 million, with profit levels at 10.6%, in line with those for the first half of 2006.
General and administrative expenses amounted to €95 million, an increase of €15 million versus the first half of 2006, due mainly to the consolidation of Snamprogetti over the whole first half of the year.
Analysis by business sector:

Offshore

Year		First half	
2006	(€ million)	2006	**2007**
3,192	Revenues	1,438	**1,723**
(2,784)	Selling expenses	(1,265)	**(1,453)**
(108)	Depreciation and amortisation	(43)	**(73)**
300	Operating profit	130	**197**

Revenues for the first half of 2007 amounted to €1,723 million, representing a 19.8% increase compared to the same period 2006, which is mainly due to higher levels of activity in West Africa, the Far East and the Gulf of Mexico.
Selling expenses, amounting to €1,453 million, increased by 14.9% in line with the rise in volumes during the period.
Depreciation and amortisation rose by €30 million versus the first half of 2006, due to the full-scale operations of projects that required project-specific equipment.
Operating profit for the period amounted to €197 million, equal to 11.4% of revenues, versus €130 million, equal to 9% of revenues in the first half of 2006. This increase in margin is attributable to improved contractual conditions and strong operational performance.

Onshore

Year 2006	(€ million)	First half 2006	**First half 2007**
3,700	Revenues	1,366	**2,664**
(3,487)	Selling expenses	(1,284)	**(2,515)**
(49)	Depreciation and amortisation	(25)	**(24)**
164	Operating profit	57	**125**

Revenues in the first half of 2007 amounted to €2,664 million, a 95% increase versus the same period 2006; this increase is partly due to the fact that Snamprogetti is consolidated from the second quarter 2006.
The rise in volumes resulted in selling expenses increasing by 95.9%. Conversely, depreciation and amortisation fell by €1 million.
Operating profit in the first half of 2007 amounted to €125 million, versus €57 million in the same period the previous year, with margins rising from 4.2% in the first half of 2006 to 4.7% in the first half of 2007. This increase in margin is attributed to improved operational efficiency and contractual rates.

Offshore Drilling

Year 2006	(€ million)	First half 2006	**First half 2007**
365	Revenues	173	**203**
(209)	Selling expenses	(103)	**(108)**
(53)	Depreciation and amortisation	(26)	**(30)**
103	Operating profit	44	**65**

Revenues for the first half of 2007 amounted to €203 million, a 17.3% increase versus the same period 2006, due to increased activities by the jack-up Perro Negro 4, the semi-submersible platform Scarabeo 5 and higher contractual rates.
Selling expenses increased slightly when compared to the first half the previous year, in line with the increase in volumes experienced during the period.
Depreciation and amortisation rose by €4 million versus the first half of 2006, due to the full-scale operations of vessels, which had undergone preparatory works in 2006.
Operating profit in the first half of 2007 amounted to €65 million, versus €44 million in the same period 2006, with margins rising from 25.4% to 32%. This growth both absolute and in terms of profitability is due to higher margins on rates and increased utilisation of rigs.

Onshore Drilling

Year 2006	(€ million)	First half 2006	**First half 2007**
260	Revenues	118	**145**
(208)	Selling expenses	(96)	**(111)**
(20)	Depreciation and amortisation	(9)	**(12)**
32	Operating profit	13	**22**

Revenues for the first half of 2007 amounted to €145 million, a 22.9% increase versus the first half of 2006, due mainly to increased activity in North Africa and South America.
The rise in volumes resulted in selling expenses increasing by 15.6% versus the same period the previous year.

Operating profit in the first half of 2007 amounted to €22 million, versus €13 million in the first half of 2006, with margins rising from 11% to 15.2%. This increase both absolute and in terms of profitability is due to higher margins on rates and increased utilisation of rigs.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

Saipem Group - Reclassified consolidated balance sheet[1]

The reclassified consolidated balance sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria which consider the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing.

Management believes that the reclassified consolidated balance sheet provides useful information in assisting investors to assess the capital structure and to analyse its sources of funds and investments in fixed assets and working capital.

June 30, 2006	(€ million)	Dec. 31, 2006	**June 30, 2007**
2,117	Net tangible assets	2,345	**2,650**
842	Net intangible assets	849	**805**
2,959		**3,194**	**3,455**
1,575	*- Offshore*	*1,720*	***1,874***
578	*- Onshore*	*603*	***514***
722	*- Offshore Drilling*	*776*	***913***
84	*- Onshore Drilling*	*95*	***154***
147	Financial investments	153	**141**
3,106	**Non-current assets**	**3,347**	**3,596**
(103)	**Net current assets**	**(176)**	**(242)**
-	**Net assets available for disposal and associated net financial debt**	**-**	**128**
(159)	Employee termination indemnities	(169)	**(153)**
2,844	**Capital employed**	**3,002**	**3,329**
1,309	Saipem shareholders' equity	1,581	**1,740**
3	Minority interest	4	**5**
1,532	Net debt	1,417	**1,584**
2,844	**Cover**	**3,002**	**3,329**
441,410,900	**Shares issued and outstanding**	**441,410,900**	**441,410,900**

(1) Restatement to the statutory scheme is provided under the section 'Restatement of reclassified balance sheet and income statement to IAS/IFRS schemes' on page 55.

Management uses the reclassified consolidated balance sheet to calculate key ratios such as return on capital employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage) intended to evaluate whether Saipem's financing structure is sound and well-balanced.
Non-current assets at June 30, 2007 stood at €3,596 million, an increase of €249 million versus December 31, 2006. This increase is attributed to the combination of investments in plant and equipment of €521 million, depreciation and amortisation of €139 million, the amount posted to 'net assets available for disposals and associated net financial debt' of €119 million, disposals of €3 million and the translation effect on financial statements in foreign currencies and other variations of €11 million.

Net current assets decreased by €66 million, going from minus €176 million at December 31, 2006 to minus €242 million at June 30, 2007.

Employee termination indemnities amounted to €153 million, a decrease of €16 million versus December 31, 2006. This decrease is due to the amount posted to 'net assets available for disposals and associated net financial debt' as well as a different method of accounting for the employment termination fund.

As a result of the above, **capital employed** increased by €327 million, reaching €3,329 million at June 30, 2007, versus €3,002 million at December 31, 2006.

Shareholders' equity, inclusive of minority interest, increased by €160 million, to €1,745 million at June 30, 2007, versus €1,585 million at December 31, 2006. This increase is the result of: net profit for the period of €269 million and the fair value of hedging operations (Interest Rate Swaps) and exchange rates of €20 million only partially offset by dividend distribution (€126 million), variation of treasury shares bought back in order to service the company's incentive schemes (€1 million), the translation effect and other variations (€2 million).

The increase in shareholders' equity only partially offset by the increase in net capital employed, determined an increase in **net debt**, which, at June 30, 2007, stood at €1,584 million, versus €1,417 million at December 31, 2006; a rise of €167 million.

Breakdown of net financial debt

June 30, 2006	(€ million)	Dec. 31, 2006	**June 30, 2007**
-	Current financial receivables for non-operational purposes due after one year	(3)	**(12)**
295	Payables to banks due after one year	543	**479**
322	Payables to other financial institutions due after one year	342	**343**
617	**Net medium/long-term financial debt**	**882**	**810**
(1,271)	Accounts c/o bank, post and Eni Group finance companies	(1,225)	**(1,496)**
(90)	Cash in hand and cash equivalents	(58)	**(14)**
-	Current financial receivables for non-operational purposes due within 90 days	(39)	**(30)**
(4)	Marketable securities	(4)	**-**
(12)	Current financial receivables for non-operational purposes due within one year	(45)	**(58)**
231	Payables to banks due within one year	176	**76**
2,061	Payables to other financial institutions due within one year	1,730	**2,296**
915	**Net short-term financial debt**	**535**	**774**
1,532	**Net financial debt**	**1,417**	**1,584**

Assets/liabilities associated to the fair value of derivatives are detailed under Note 6 'Other assets' and Note 17 'Other current liabilities'. Net financial debt includes assets/liabilities relating to the fair value of IRS.

A breakdown by currency of financial liabilities, amounting to €3,256 million, is provided in Note 14 'Short-term financial liabilities' and Note 18 'Long-term financial liabilities and current portion of long-term debt'.

Saipem Group - Reclassified statement of cash flow and variation in net debt [1]

The reclassified statement of cash flow derives from the statutory statement of cash flow. It allows the creation of a link between changes in cash and cash equivalents (deriving from the statutory cash flows statement) occurring from the beginning of the period to the end of the period and changes in net debt (deriving from the reclassified statement of cash flow) occurring from the beginning of the period to the end of the period. The measure enabling such a link is represented by free cash flow, which is the cash in excess of capital expenditure requirements. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of treasury shares, capital issuance) and the effect of changes in consolidation and of exchange differences; (ii) changes in net debt for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange differences.

Year			First half	
2006	(€ million)		2006	**2007**
384	Group net profit		162	**268**
3	Third party income		2	**1**
	Adjustments to reconcile cash generated from operating profit before changes in working capital:			
253	Depreciation, amortisation and other non-monetary items		87	**107**
(1)	Net gains (losses) on sales of assets		1	**(2)**
187	Dividends, interests, income taxes and other changes		86	**131**
826	**Cash generated from operating profit before variation in working capital**		**338**	**505**
(33)	Variation in working capital relating to operations		(206)	**115**
(190)	Dividends, interests and income taxes received (paid)	(14)	**(137)**	
603	**Net cash flow from operations**		**118**	**483**
(605)	Investments in tangible and intangible fixed assets		(231)	**(521)**
(9)	Investments in acquisition of consolidated companies		-	**-**
9	Disposals		1	**4**
4	Other investments and disposals		6	**-**
2	**Free cash flow**		**(106)**	**(34)**
(35)	Net investments related to financing activities		2	**(19)**
791	Variation in financial debt		903	**406**
(36)	Buy-back of treasury shares		(36)	**(6)**
(82)	Cash flow from capital and reserves		(82)	**(126)**
(195)	Variations in scope of consolidation and exchange rate differentials on cash and equivalents		(197)	**(3)**
445	**NET CASH FLOW**		**484**	**218**
2	**Free cash flow**		**(106)**	**(34)**
(36)	Buy-back of treasury shares		(36)	**(6)**
(82)	Cash flow from capital and reserves		(82)	**(126)**
(289) [2]	Exchange rate differentials and other variation concerning net financial debt		(296)	**(1)**
(405)	**VARIATION IN NET DEBT**		**(520)**	**(167)**

(1) Restatement to the statutory scheme is provided under the section 'Restatement of reclassified balance sheet and income statement to IAS/IFRS schemes' on page 55.
(2) Includes the effects of the acquisition of Snamprogetti, amounting to minus €298 million.

Net cash flow from operations (€483 million), combined with the disposal of assets that are no longer functional to operational requirements, only partially financed net investments in tangible fixed assets generating a negative free cash flow of €34 million.

Cash flow from share capital and reserves showed a negative balance of €126 million, as a result of the payment of dividends; the buy-back of treasury shares for allocation to the management incentive schemes, generated a negative cash flow of €6 million; the effect

on net financial debt, deriving from the translation of financial statements in foreign currencies, and other variations showed a negative balance of €1 million. Therefore, net financial debt increased by €167 million. In particular:

Cash generated from operating profit before variation in working capital (€505 million) derives from:

- net profit of €269 million, inclusive of third party income of €1 million;
- depreciation and amortisation (€139 million); conversely, a variation in employee termination indemnities had a negative effect (€5 million) as well as a negative variation in provisions for contingencies (€12 million) and a negative net appreciations (€15 million);
- net losses (gains) on sales of assets had a negative effect (€2 million);
- net financial expenses (€20 million) and income taxes (€111 million).

The decrease in working capital related to operations (€115 million) is attributed to the dynamics of financial flows of projects under execution.

Dividends, interest and income tax paid in the first half of 2007 (€137 million) comprise mainly of interest payments and financial expenses and payment of taxes.

Investments in tangible and intangible assets amounted to €521 million. Details of investments by sector are as follows: Offshore (€229 million), Offshore Drilling (€165 million), Onshore Drilling (€72 million) and Onshore (€55 million). Additional information concerning capital expenditure can be found in the 'Operating Review' section at the beginning of this report.

Cash flow generated by disposals amounted to €4 million.

Research and development

During the first half of 2007, innovation technology activities were implemented as planned, allocating the development of technologies and new initiatives among the three Saipem hubs: Saipem SpA, Saipem sa and Snamprogetti SpA, each responsible for the development of asset technology, offshore technology and onshore technology.

Asset technology

During the first half of 2007, works progressed on a new pipelay vessel, identifying the main technical systems and subsystems for launch and production facilities.
Meanwhile, the department continued its support of the Kashagan project in respect of trenching; improvements were made to the technologies used, specifically with regard to trenching in critical conditions.
Also, studies are continuing on the development of new equipment to be used in ultra-deep water operations and welding.
In the Drilling sector, support is ongoing to produce studies and technical expertise for the construction of the new semi-submersible drilling rig Scarabeo 8.
Activities focused on the riser integrity management system, aimed at developing procedures to optimise the operational life of the riser, and a study was carried out to ascertain the maximum drilling depth of the vessel.
The development of the new Knowledge Management initiative, named SAIPENTIA®, is progressing; its aim is to manage all technological know-how by subdividing it into conceptual 'categories' and user input.
Also, studies are being carried out to map out the technological scenario for operations in remote areas, with particular interest being paid to the Arctic region.
Finally, a dedicated initiative was launched with regard to the technological development in the medium-term, with studies and testing sessions focused on critical production sub-processes; in particular the Field Joint Coating (rework of the anticorrosion coating in the weld joint) and trenching. These studies are based mainly on providing solutions that are being patented. In the first half of 2007, eight patent applications were made.

Offshore technology

Studies in the field of offshore technology centred around the project for the development of ultra-deep water architecture and technology. These development lines were supported by Clients' interest and financial contribution.
Main areas of activity included:
- subsea station architecture and associated components for water/oil process separation in deep waters (over 1,500 metres) before pumping to an FPSO;
- feasibility studies for new concept deep-water water/gas/oil process separators to prevent water being pumped back to the FPSO and consequent surface separation;
- new flowline and riser architectures, their numeric simulation and associated methods of fabrication and installation;
- thermal insulation and anti-corrosion technologies for subsea pipelines in ultra-deep waters.

Activities are also progressing on the development of offshore LNG systems, both in terms of production and terminal facilities. The development of terminal facilities focused on floating systems, while other studies centred on permit application and the preparation of tenders and bids.

The conceptual development for LNG offshore production (LNG FPSO) has progressed, with studies on the optimisation of process and production systems. Activities progressed in the sector of renewable energy sources, with ongoing studies to determine the feasibility of harnessing wave energy and sea currents, in addition to projects relating to offshore wind farm systems, focusing specifically on their support structures and installation methods in order to minimise costs.
Finally, Saipem is also carrying out research studies in the field of CO_2 management, partially financed by public bodies and in conjunction with industrial and academic partners.

Onshore technology

Snamprogetti continued its efforts at improving proprietary technologies which have already been marketed, optimising partner/supplier technologies in support of its EPC activities and developing new proprietary technologies.
In the first half of 2007, main results included:

- following the conclusion of trials on the demo plant in Freeport (Texas - USA) for the 'SNOW' technology - production of monomer styrene, developed jointly with Dow Chemical Co, a 'technology book' was prepared, containing all technological know-how. A new study was launched on a second-generation catalytic system, in addition to a new information gathering exercise of the reference market through seminar presentations and visits to potential Clients. Also, other applications for this technology are under evaluation in order to convert the larger molecules in high quality benzene components;
- with regard to the technology for the production of high-octane components, a new liquid dispenser inside the reactor was developed. Its first industrial application, for which a patent request is pending, will enable the expansion and revamp of the existing ETBE unit of Eni R&M at the Milazzo refinery;
- jumbo-plant outline plans have been drawn up; these are very sought after by the market for the synthetic processes of methanol and ammonia/urea.

Moreover, the following programmes reached completion on behalf of Eni:

- high-pressure long-distance transportation (TAP) of large quantities of natural gas in onshore and deep-water subsea pipelines. The three-year testing programme was successfully completed at the pilot plant of Perdasdefogu (Sardinia), including final trials on blast simulation and pipe breakages;
- following the new strategic direction involving Snamprogetti's technology department and encouraging trials results for the EST (Eni Slurry Technology) at the Eni Refining & Marketing demo plant in Taranto, Eni purchased from Snamprogetti the residual industrial property rights for this innovative technology. Snamprogetti will continue to lend its full support to its future development and a possible first industrial unit, through a new service contract.

Quality Assurance, Health, Safety, the Environment and Sustainability

Quality

In the first half of 2007, Saipem continued to focus on ensuring the quality management of its complex projects. Main objectives were achieved both in terms of quality control of operations and Quality Assurance implementation at Group companies.
During the first part of the year, activities related to monitoring the satisfaction of major clients and gathering their feedback progressed. Specifically on the following projects: Azeri-Chirag-Gunashli on behalf of AIOC (British Petroleum), Taishung-Tungshiao-Tatan on behalf of Chinese Petroleum Corporation, Kashagan on behalf of Agip KCO, Rosa Lirio and Akpo on behalf of Total, Erha and Sable on behalf of ExxonMobil, Sakhalin II both the Offshore and Onshore parts on behalf of SEIC (Shell).
Positive results were achieved in the implementation and certification of Quality Assurance Management Systems at Group companies, in particular Petrex SA in Peru, Petromar Lda in Angola and ERS BV in the Netherlands. Moreover, ISO 9001:2000 certification was attained for the first time by Saipem Mediterranean Services in Croatia and Saipem Singapore.
Moreover, the first six months of 2007 saw renewed commitment of the entire department towards:

- the Saipem-Snamprogetti integration process, progressing in terms of procedures and systems to maximise mutual expertise and potential;
- the consolidation of instruments for design control and validation, and the launch of integrated methods for design review of onshore activities;
- lending support, during the project phase, for the internal development of new assets;
- the consolidation of dedicated IT systems for specific areas and disciplines, aimed at sharing know-how and lessons learnt throughout the Group;
- new training programme for Saipem's personnel and subcontractors concerning Quality Assurance and management;
- lending support for the implementation of internal improvement projects to be applied to operational processes on offshore EPIC projects;
- lending support to the new Post Order Services department to audit and control external transport and expediting/inspection agencies;
- monitoring, at Group level, of all management criteria for setting measuring tools in construction yards, and on the various construction and drilling vessels;
- application of new suppliers and subcontractors monitoring systems with a view to segmenting and vetting suppliers and services;
- development of methods to evaluate internal customers' satisfaction in terms of assets and identify areas of improvement;
- consolidation of tools and methods to monitor and measure Quality Assurance management processes and analyse reference trends.

Health

In the first half of 2007, Saipem's MED department confirmed its commitment to maintaining and improving its Health and Safety Standards. Several medical-scientific initiatives were undertaken, namely:

- roll-out, implementation and monitoring of the development of the Health Risk Assessment (HRA) software, which can identify biological, chemical, physical, ergonomic, climatic and psycho-social risks associated with an operational unit or department;
- implementation and monitoring of Medicines Management, a programme that monitors the inventory, consumption and expiry of medicines;

- creation of Health related webpages, within the company's intranet, to inform and train employees. The department has prepared country-specific data sheets containing information on limitations and recommendations of a medical and sanitary nature.

To guarantee that the health of employees with chronic cardio-vascular conditions is constantly monitored and provide assistance in emergency cases, a tele-cardiology system was implemented at strategic operating sites, which enables the local doctor to obtain advice and support 24*7 from the cardiology centre of excellence in Milan.

During the first half of 2007, modifications and new activities within the department have required a review of corporate standards related to health management. New health activities have been launched in support of sustainable development; for instance, cooperation with the hospital in Atyrau, Kazakhstan, resulting in improved A&E performance; cooperation with the Rijeka local hospital resulted in the upgrade of the maternity department.

In order to strengthen the anti-malaria programme, efforts have intensified to find innovative and effective new approaches that can be integrated with 'institutional' ones (training and information programmes). Open discussions, which were launched in 2007, have helped reduce the number of malaria cases at all Saipem sites where the danger of infection exists.

Monitoring of epidemics at global level was carried out with the support of the world's major medical organisations and ensured that the management was informed about the outbreak or evolution of infectious diseases, through periodical IT medical bulletins.

The corporate service 'Phone a Doctor' responding to medical emergencies was extended to operational sites and our travelling colleagues in Snamprogetti.

Monitoring of Health Performance Indicators (HPI) continues: the attainment of these targets has become a tool to monitor medical and operational staff.

'Internal Health audits' are an integral part of the Health management system, as they ensure the constant monitoring and improvement of health related activities.

Safety

Safety is now on the agenda for every kind of activity that Saipem undertakes throughout the world. Saipem recognises that employees are the main asset of the Group and that looking after their well-being is paramount in every respect.

The company continues to test innovative concepts to improve safety results in work environments.

Despite the substantial efforts being made in this field, a significant number of accidents occurred, some of which were serious.

In the first half of 2007, 94 accidents occurred, with three Saipem employees losing their lives.

To reverse this trend, values of safety at work should be instilled into every single unit of our very diversified and multicultural workforce. This process can only be effected if adequately supported by clear and positive safety leadership by all operations managers.

Saipem decided to invest in the creation of a training programme aimed at helping operational managers to develop their own leadership skills in terms of safety. This training programme comprises specific workshops and the distribution of innovative tools to establish safety leaders and promote safe and injury-free workplaces. This was achieved after a long and intense research effort by a dedicated taskforce, identified in cooperation with Eni Corporate University, and training will be launched in the autumn of 2007.

This project, alongside other support activities detailed in the 2007 safety programme, aims at achieving the ambitious target of being the safest oil & gas contractor in the world by 2010.
The target Saipem set itself in 2007 is a 15% reduction in the number of accidents. The target for 2010 is a 50% reduction versus the number recorded in 2006.
In the first half of 2007, data show a positive trend which should enable the achievement of the 15% target reduction. The LTI frequency rate for the first half of 2007 was 0.71, a 14.9% improvement on the first half of 2006 and in line with the target set for 2007. The Total Frequency Rate (TRIF) was 2.54, a slight downturn versus 2006 (8.54%) and 27% higher than the set target. These statistics are monitored quarterly, so that action can be taken promptly whenever necessary.
It is worth pointing out that Saipem also monitors the performance of leading indicators, i.e. the number of activities that allow for the implementation of effective safety measures and the prevention of accidents.

The Environment

In the first half of 2007, Saipem continued to strengthen its commitment to protecting the environment. The ever-more stringent environmental requirements imposed by international conventions and the authorities of individual countries convinced Saipem to improve its internal structure, by creating a dedicated department, ENVIR (Environment SpA), dealing with environmental issues and to minimise the potential impact of operations. This effort will be promoted, by improving the support provided to the operational lines as well as asset interface with regard to matters concerning the fleet, increasing the number of resources experienced in the analysis and monitoring of the environment.
In these first six months, Saipem started a review of its current Environmental Document System to allow project personnel to make use of effective tools to implement the Environmental Management System at operations level.
Monitoring of the fleet continues, to ascertain compliance with the provisions of the new MARPOL 73/78; schedules have been drawn up to carry out the necessary steps to obtain the required certification and equipment. Saipem is also planning a programme of audits based on measures identified and project requirements.
New projects were launched to obtain ISO 14001 certification for the Management System at the following Saipem Group operative companies: Intermare and ERSAI. This process is part of the overall plan at Group level to extend environmental certification at main operative companies.

Sustainability

In the first half of 2007, Saipem completed the preparation of the first Sustainability Report, named 'Saipem Sustainability Report - Our Global Community'. This is the result of the integration of health, safety and environmental reports, which Saipem has been publishing for eight years, as well as a more recent approach to communication on sustainability, which, in the recent past, has focused on countries key to Saipem's operations, through the publication of 'Sustainability Case Studies'. This report aims at providing environmental, social and financial data and information for the whole Group, albeit maintaining and emphasising the socio-economic and environmental peculiarities of the geographical areas of operations.
The preparation of the Sustainability Report involved an all-out effort of data collation and reporting, which involved all operational sites of Saipem and Snamprogetti.
In 2007, the Group sustainability programme was boosted by the identification of specific targets linked to the managerial appraisal scheme. For the first time, the performance of Saipem's managers will involve their commitment to the identification and implementation of sustainability programmes.
At local level, specific sustainability programmes have been scheduled to take place in 2007 in Peru, at the operative company Petrex, in Kazakhstan at the ERSAI base and in the Asia-Pacific region.

Human resources

In the first half of 2007, human resources activities focused on the development and growth of highly-skilled personnel. Saipem invested heavily in initiatives aimed at retaining the most critical resources, by promoting the company's solid image, developing professional competencies and the personal expertise of individual resources.
Development plans were identified for resources deemed critical to the Onshore business, with particular emphasis on the review of the Construction Manager's role as well as the management, development and training of young resources that have been recruited into this Business Unit.
Also, resources with high-level know-how were mapped out in order to evaluate their specific role and professional expertise, so as to identify those who excel professionally in their position.
Meanwhile, work continued on the appraisal of 40 managers of Saipem SpA, Snamprogetti SpA and Saipem sa. Sessions were held involving 25 resources of Saipem SpA and Snamprogetti SpA to ascertain their potential, with a view to their self-development, and addressing critical areas for improvement.
The management performance appraisal system was reviewed so as to form a closer connection with business targets, increase its flexibility, improve the assessment of positive performances and consequently re-align the compensation system.
A trial for the new system was launched in 2007 and involved Italian and international senior managers; this consists of an MBO for line managers, for whom measurable targets can be set, and a performance appraisal system for staff line managers, for whom it is difficult to set quantity related targets.
With regard to recruiting activities, a job market scouting initiative was launched to meet the requirements of the Onshore Business Unit; this has now extended to other Saipem companies in North America, West Africa, Nigeria, the Middle East, the Caspian region and the Far East.
The co-operation with Eni Corporate University aimed to the identification of young graduates is progressing successfully, with scouting taking place at major universities throughout Italy.
Investment is continuing on local content initiatives in Kazakhstan and Angola. The second training cycle for young Kazakhi engineers is about to end. Selection has started for the recruitment, training and development of a new group of engineers to undergo the third and last cycle.
In Angola, six engineers were recruited to take part in a one-year training programme to gain specific skills in FPSO design.
In cooperation with Eni Corporate University, a new First Degree Master was launched on Safety Management in the Oil & Gas Industry at the Aquila University for the academic year 2007-2008. Saipem also takes part, with Eni Corporate University, in funding a Second Degree Master in Subsea Electro-acoustics, in cooperation with the University of Pisa and the Italian Navy, also for the academic year 2007-2008. On both occasions, Saipem will be directly engaged in the selection of candidates to employ in its business units.
The promotion and participation in masters degrees is part of a recruitment strategy that Saipem is pursuing together with the Italian education system, in order to develop specific professional roles required in the oil & gas engineering and construction industry, that are currently lacking in Italy and are only present in the international market.
Training activities focused on the integration with Snamprogetti and, specifically, on a common plan sharing programmes and content. Particular focus was placed on young graduates, ensuring they are provided

with an adequate career path in line with the new business environment, as well as on courses on communication and cultural integration.
Substantial investments in training were made at Saipem UK, Saipem Mediterranean Services, Global Petroprojects Services (GPS) and in Kazakhstan.
The new 'Leadership in Safety' project was launched, in co-operation with Eni Corporate University, aiming at spreading the safety culture throughout the Saipem world. Also with regard to the HSE department, a new First Degree University Master on e-Health was prepared, oriented towards 'Oil and Gas Telemedicine and Telepharmacy', which is being taught through e-learning to an international team of Saipem doctors.
With regard to process engineering, initiatives were carried out to improve the knowledge of application tools.
Very important measures are being taken with regard to management training: the post-assessment course aimed at developing communication skills and human resources management.
Moreover, a General Management Master Degree course specific to Eni and the oil & gas sector will be launched, in cooperation with ECU, Sda Bocconi and the Polytechnic of Milan; the course will last 14 months and will be attended by eight Italian and international young senior managers.
With regard to compensation, during the first half of the year, major extraordinary investments were made in Italian personnel as well as at foreign companies to maintain a high retention level, to counter the exceptional growth in the oil & gas industry and sustained demand for technical and engineering skills in the market.
These investments were focused in certain geographical areas, namely, the United Kingdom and the North Sea, Nigeria, the Caspian region, the Middle East, and in particular, the offshore and drilling business, where these were aimed at retaining the most critical positions and professional expertise of the highest level and greatest potential; salaries were aligned to market rates and variable remuneration was also used extensively.
Also, project related bonuses were increasingly utilised, to promote the successful execution of very complex projects, characterised by techno-operational targets that are increasingly challenging in terms of profitability and environmental conditions. These incentives also ensure the stability of project staff, in a delicate market phase. Often, these were promoted, supported and financed by the Client to ensure the common objective, i.e. the successful conclusion of the project.
The Group annual salary review process was amended to facilitate the information flow to and from foreign subsidiaries and improve alignment with market trends and critical issues at individual companies.
During the first months of 2007, a new project was concluded for the appraisal of managerial positions, whose results have enabled to compare salaries by points scored and collate a benchmark of Saipem's positions against the reference market. In the same period, a parallel project was started and is currently progressing involving a review of middle management positions.
The organisation department focused its activities on completing the integration of Snamprogetti into the Saipem Group, through the rationalisation of organisational microstructures and business processes.
The department carried out an analysis of plant project engineering activities, procurement and construction interfaces. Measures are currently being implemented to adapt organisation, processes and methods used in the various engineering centres to the Group's best practices.
As Snamprogetti was recognised as having a corporate role for the onshore business, the need arose to review their procedures, regulations and methods and re-align them; a whole review of the Document system was launched to deal with the structure as well as the whole document body.
Consistently with the business reorganisation, the Professional Role system was also reviewed to provide all Saipem Group companies with a common language supporting the planning, management and development processes for human resources.
The HR department continued its commitment to optimising the organisational structures at subsidiary companies both in Italy and abroad, reviewing the structure of several companies and consolidating the Saipem model based on decentralisation of the decision-making process and the use, by the various entities, of shared staff and business support services.
The IBIS Continuous Improvement system effectively supported the operational integration of Saipem and Snamprogetti; it also carried out a study for its implementation at GPS. Furthermore, the development of IBIS competencies at Group level is progressing, with the identification of roles, responsibilities and key users, to provide technical support to roll-out and start-up project activities.
The Organisation and IBIS Continuous Improvement departments are contributing to the implementation of the Workload Management System, which will support decision-making processes like the identification of

allocation strategies for projects, planning of resources, resolving potential problems in terms of work overload and/or imbalances, and optimising the use of available resources at Group companies.
The overall workforce of the Saipem Group increased by 5,501 resources on average versus the first half of 2006, due to the acquisition of Snamprogetti and the award of new contracts in Saudi Arabia.
With regard to the review of the Italian personnel qualitative mix, 263 graduates were taken on (107 Saipem and 156 Snamprogetti), 102 of which on a vocational contract; also 146 diploma-qualified personnel were taken on.
During the first half of the year, the following negotiations were concluded with national energy and maritime trade unions:

- the annual production bonus for the years 2006-2007 was agreed with the Unions of the Energy and Oil Sectors, with regard to payables on the bases of profitability and productivity indicators;
- the various parameter scales used by Saipem and Snamprogetti in support of the integration process were standardised;
- in June the national contract of employment for Maritime Captains and Chief Engineering Officers onboard special vessels was renewed for the period 2007-2010, with salary increases for the first two years of 3% per annum;
- negotiations progress with regard to EMS' possible regulations agreement;
- negotiations are currently ongoing on personnel working hours in the offices of San Donato Milanese, Fano, Rome and Vibo Valentia.

In January and February 2007, Saipem sa signed two additional agreements with the Unions: one in respect of the working hours of middle-management and the other relating to Camom Overseas' personnel which were taken on by Saipem sa as of January 1, 2007.
Among PR activities, during the first half Saipem took part in the following important international exhibitions and seminars in the oil & gas sector: Offshore Mediterranean Conference (Ravenna), LNG 15 (Barcelona) and Offshore Technology Conference (Houston).
In terms of technical literature new documents were produced, including monographic sheet on major vessels currently under construction: Scarabeo 8, Saipem TAD and the New Pipelayer.
Finally, a film presenting the Company was created as well as a video illustrating projects and vessels, including those operating in the Caspian Sea.

			First half	
Year 2006		(units)	Average workforce 2006	**Average workforce 2007**
9,410	Offshore		9,359	**9,259**
13,399	Onshore		12,504	**16,269**
1,166	Offshore Drilling		1,138	**1,271**
2,755	Onshore Drilling		2,516	**3,221**
2,433	Staff positions		1,955	**2,953**
29,163	**Total**		**27,472**	**32,973**
5,397	Italian personnel		4,449	**6,431**
23,766	Other nationalities		23,023	**26,542**
29,163	**Total**		**27,472**	**32,973**
4,475	Italian personnel under open-ended contract		3,726	**5,367**
922	Italian personnel under fixed-term contract		723	**1,064**
5,397	**Total**		**4,449**	**6,431**

Dec. 31, 2006		(units)	June 30, 2006	**June 30, 2007**
6,868	Number of engineers		6,558	**7,056**

Information technology

The integration of Snamprogetti in terms of integrated IT systems progressed during the first half of 2007. The IBIS standard model was enhanced by adding significant functions gained from the implementation of Snamprogetti's SAP R/3 module, so as to provide flexible and complete work processes typical to onshore projects using available best practices. Main areas of activity were procurement and project control.
The IT roll-out has been ongoing throughout the first half; it aims at supporting onshore projects won during the first half of 2007, ensuring immediate on-the-job testing of this new solution.
The roll-out of SAP R/3 progressed at Group companies and new project entities, as per IBIS programme. The SAP R/3 system was implemented at the Spanish branch for the Medgaz project and at Saipem Singapore, as well as at Snamprogetti Saudi Arabia; simplified versions of this system were implemented at the branches of SPCM in Australia and Egypt, the branch of Saipem UK in Egypt and Saipem sa's branch in Angola.
The human resources management application (GHRS) was implemented at Snamprogetti, as per IBIS roll-out plan, and also at Saipem Singapore. The FLEXY management system was implemented at additional branches of Saipem SpA.
The IBIS model also includes business applications like Intergraph's SmartPlant Material and SmartPlant Reference Data, dedicated to the management of project materials, and the document management system DAMS, based on Documentum of EMC, that manages all project and asset documentation. DAMS was introduced into application management to ensure continuity of technical and functional support and the roll-out of this application for a growing number of users and managed projects. Also, in respect of IBIS, a new project started that aims at including in DAMS documents pertaining to Saipem 10000, organised around asset management. This project will reach completion in the second half of the year. On SmartPlant Material, detailed analyses were carried out to integrate this application with SAP R/3 and to integrate the various implementations currently operating in Saipem and Snamprogetti.
Main ICT infrastructure integration projects have progressed, with the Group email system project reaching completion and the network access authentication system as well as the main applications having been centralised. From this first half, main Saipem corporate applications (SAP R/3, FLEXY, AMOS) are operating alongside engineering applications and are highly accessible.
Finally, the project for the continuous improvement of ICT safety policies and standards has progressed. The main area under review are measures necessary to meet the requirements set by the AFC office of the Sarbanes Oxley Act in compliance with the General Computer Control methods, both in terms of ICT infrastructure and main corporate applications.

Risk management

Main risks identified and managed by Saipem are the following:

(i) market risks deriving from the exposure to the fluctuations of interest rates, of exchange rates between the euro and the other currencies used by the Company, as well as the volatility of commodity prices;
(ii) the credit risk deriving from the possible default of a counterparty;
(iii) the liquidity risk deriving from the lack of financial resources to face short-term commitments;
(iv) the operational risk deriving from the occurrence of accidents, malfunctioning, failures with injury to persons and damage to the environment affecting operating and financial results;
(v) country risk of operations.

Market risk

Saipem operates worldwide in business sectors that are exposed to market risks resulting from changes in interest rates, exchange rates and price of materials. The risk of fluctuations in prices and financial flows is strictly linked to the nature of this business and can only be partially offset through appropriate risk management policies.
The market risk also includes exchange and interest rate risks.

Risk of price variations and financial flows
Saipem's results are influenced by variations in oil prices, insurance premia and price of raw materials. Furthermore, Saipem's financial flows are exposed to fluctuations in interest and exchange rates.

Exchange rate risk
Saipem is exposed to exchange rate fluctuations because the Group operates in non-euro areas, revenues from operational contracts are denominated in or linked to the US dollar, and because of the time lag between the occurrence of revenues and costs denominated in a currency different from that of the financial statements and their financial realisation. Saipem's strategy to reduce the market risk exposure arising from exchange rate fluctuations by utilising derivatives. Planning and management for this activity is the responsibility of the Treasury Department, which closely monitors the correlation between derivatives and their underlying flows as well as ensuring their correct accounting representation in compliance with the international financial reporting standards.

Interest rate risk
The risk exposure arising from interest rate fluctuations within the Saipem Group is associated mainly with long-term financing with variable rates. To reduce this risk, Interest Rate Swaps (IRS) are entered into, as they also ensure a balanced relation between debt at fixed and variable interest rates.

Credit risk

Credit risk represents Saipem's exposure to incur a loss in the event of non-performance by a counterparty. Credit risk related to the ordinary course of trade activities is managed by the business units and the administration department on the basis of standardised procedures and periodic reporting. As for financial investments and the utilisation of financial instruments, including derivatives, companies adopt the guidelines issued by the Treasury Department of Saipem SpA. At present, Saipem has no significant concentrations at credit risk.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for business activities may not be sufficient to cover commitments. At present, through the management of flexible credit lines suitable with business requirements, Saipem believes it has access to sufficient funding and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.

Operational risks

Saipem's activities present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security in most countries.
Saipem adopted the most stringent standards for the evaluation and management of industrial and environmental risks, complying with the industry best practices. Business units evaluate through specific procedures the related industrial and environmental risks in addition to taking into account the regulatory requirements of the countries where these activities are located. In 2005, Saipem has further strengthened its commitment to HSE activities, the prevention of environmental risks, health and safety.

Country risk

Substantial portions of Saipem's operations are performed in countries outside the EU and North America, certain of which may be politically or economically less stable. Saipem constantly monitors the political, social and economic risk of the approximately 100 countries where it invested or intends to invest. Country risks are mitigated by means of appropriate guidelines for risk management that Saipem defined in its procedure for 'Project Risk Assessment and Management'.

Risk and opportunity and knowledge management

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

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

Additional information

BUY-BACK OF TREASURY SHARES

The Shareholders' Meeting of April 30, 2007 authorised the Board of Directors to buy back up to 2,500,000 treasury shares on the open market, for a total amount not exceeding €60 million, to implement the 2007 stock option scheme.

From January 1 to June 30, 2007, the number of treasury shares purchased amounted to 248,700. On September 19, 2007, the Company held No. 5,366,401 treasury shares.

Period	No. of shares	Average cost (€)	Total cost (€ thousand)	Share capital (%)
Treasury shares bought back				
Year 2003 (from May 2)	2,125,000	6.058	12,873	0.48
Year 2004	1,395,000	7.044	9,826	0.32
Year 2005	3,284,589	10.700	35,146	0.74
Year 2006	1,919,355	18.950	36,371	0.43
Year 2007	848,700	25.950	22,024	0.19
Treasury shares bought back as of September 19, 2007	**9,572,644**	**12.143**	**116,240**	**2.16**
Minus:				
- stock grants	1,354,600			
- stock options	2,851,643			
Treasury shares held as of September 19, 2007	**5,366,401**	**14.846**	**79,680**	**1.22**

The company's share capital on September 19, 2007 amounted to €441,410,900. On the same day, the number of shares in circulation was 436,044,499.

INCENTIVE SCHEMES

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

Stock options

In accordance with Shareholders' Meeting resolution of April 30, 2007 and at the proposal of the Compensation Committee, the Board of Directors approved the implementation of the 2007 Stock Option Plan. This, in line with previous Saipem incentive plans, is an incentive tool aimed at improving the loyalty of executive managers directly responsible for Group results and/or holding strategic positions. Specifically, the plan provides for the allocation of a total of 1,332,500 stock options, equal to 0.3% of Saipem's share capital; these will be assigned to 91 Group executive managers, including the Chairman, the Managing Director and the General Manager of Saipem SpA, who have received 127,500, 61,000 and 30,000 options respectively; the Chairman of Saipem sa, with 61,000 options, and the Managing Director of Snamprogetti SpA with 48,500 options. The stock

purchase price, as determined by the criteria set by the Shareholders' Meeting of April 30, 2007, is €26.521, i.e. the higher price as between the official average share price recorded by the Telematic Stock Market of the Italian Stock Exchange (Borsa Italiana SpA) through the month preceding the date of stock option allocation (today) and the average cost of treasury shares held by the company on the day preceding the date of stock option allocation. Assignees bear the full purchase price, as the plan does not provide for any reductions or concessions. A percentage of allocated options will be exercised as determined by the Board of Directors based on the achievement of the TSR performance of the Saipem share versus its six main international competitors by market capitalisation over the three-year vesting period; individual stock allocations range from 1.5 to 4 times the gross annual remuneration, depending on managerial category; and stock options can be exercised three years after allocation – four years for managers resident in France – for a maximum subsequent period of three years. Allocated stock can be disposed of without restriction; whilst option rights are personal, they cannot be disposed of or transferred.

Audit Committee

The Audit Committee, in compliance with the Board resolution of November 9, 2000, fulfils a preparatory, consultative and propositive role regarding the general management of the company. In compliance with the amendments made to the Code in July 2002, the Committee approved the 'Audit Committee Regulations' on February 25, 2003. In accordance with the Regulations, the Chairman of the Board of Auditors, or an Auditor appointed by the Chairman takes part in the Committee's activities; meetings can be attended by Saipem's Chairman. The Internal Audit Manager (being the person in charge of the Internal Control System) assists the Audit Committee and carries out duties assigned as part of his/her role. The Internal Audit department, reporting to the Chairman, is responsible for the following: (i) assessing the conformity of accounting and non-accounting criteria and principles, the efficiency of administrative procedures and control systems; (ii) ensuring the implementation and updating of the risk assessment, mapping and classification systems for auditing purposes.

The Audit Committee's responsibilities are: (i) assisting the Board of Directors in the following areas: (a) setting guidelines for the internal control system; (b) periodically checking that it is adequate and operates effectively; (c) ensuring that major risks facing the company are suitably identified and properly managed; (ii) evaluates together with the CFO and the external Auditors, the adequacy of accounting principles adopted and their consistency throughout the consolidated financial statements; (iii) assesses together with the external Auditors: (a) accounting principles considered 'critical' for the correct financial and economic representation of Saipem's position; (b) alternative accounting standards provided for by the accounting principles and reviewed with the management, the consequences of the application of said alternative standards and related information in addition to the methods considered preferential by the external auditors; (c) contents of every relevant written exchange between the external auditors and the company's management; (d) issues relating to statutory and consolidated financial statements of major Group companies; (iv) evaluates the work programme prepared by the Internal Audit Manager and receives from the latter reports, al least quarterly, on work performed; (v) evaluates issues raised through Internal Audit reports, communications from the Board of Auditors or individual Auditors, reports and the management letter issued by the external Auditors, the annual report issued by the Guarantor of the Internal Code of Practice, inquiries and studies by third parties; (vi) assesses offers received from external auditing firms for the award of the auditing contract, the work programmes put forward and works carried out by said auditing firms, also in terms of their independence; (vii) verifies independence of the external Auditors; (viii) evaluates requests advanced by departmental managers to utilise the auditing firm appointed to audit the financial statements for non-audit service and presents proposals to the Board of Directors.

The Audit Committee, between January 1 and June 30, 2007, convened four times. It examined the audit programmes issued by the Internal Auditors; it examined and evaluated internal audit activities; met with the Director of the Company Administrative Department, the Chairman of the Board of Statutory Auditors, the partners of the External Auditing firm to examine the main issues pertaining to the 2006 financial statements; it monitored the development of the operating model of the Internal Audit Department; acknowledged Company activities relating to Law Decree 231/2001 particularly those activities relating to compliance, training and the analysis of sensitive processes; studied in-depth the model for the risk analysis and risk management of the Saipem Group; monitored Company activities related to the implementation of accounting processes necessary to

implement the new International Financial Reporting Standards (IFRS); acknowledged the structure of insurance plan at Group level. The Audit Committee reports to the Board of Directors every six months, providing a detailed account of work carried out and the adequacy of the internal control system. The Committee evaluated the proposal to extend the contract of the External Audit Company for the years 2007-2012 and resolved in favour of this motion.

Compensation Committee
The Compensation Committee is responsible for proposing to the Board of Directors incentive schemes for the Company's top management, the annual remuneration of the Chairman and the Managing Director and reviewing the remuneration policy of the Group top management.
In the first half of 2007, the Compensation Committee convened on four occasions and carried out the following: it reviewed the 2007 Group performance and incentive schemes as well as results of the 2006 schemes, in view of the allocation of the annual and deferred monetary incentives to Group senior managers; it proposed the remuneration of the Chairman and the Managing Director; it proposed the 2007 stock option, annual and deferred monetary incentive allocations.

EVENTS SUBSEQUENT TO JUNE 30, 2007

New contract awards

During July and August 2007, new contracts were awarded to the Saipem Group totalling approximately €950 million.
The most important contracts awarded to the Saipem Group include:

Offshore
- on behalf of Enagas SA, the Balearic project in Spain, comprising project management, engineering, transport and installation of two gas transporting pipelines, the first from mainland Spain to Ibiza and the second from Ibiza to Mallorca;
- on behalf of Statoil, the Gjoa project in Norway, comprising installation of two export pipelines;
- on behalf of Eni Tunisia, the EPIC-type project Maamoura in Tunisia, comprising project management, engineering, procurement, construction and installation of a platform.

Onshore
- on behalf of Shell Petroleum Development Co, the EPC-type project Nembe Creek-Cawthorne Channel in Nigeria, comprising construction, installation and commissioning of a pipeline connecting San Bartolomew to the Cawthorne Channel, in addition to the break-down of the existing pipeline and associated facilities. The contract was won in consortium with Desicon Engineering Ltd;
- on behalf of Canaport Lng, the EPC-type Canaport Tank 3 project in Canada, comprising design, engineering, construction and commissioning of a storage tank and all connection facilities to the existing infrastructure, installed as part of a previous project which is currently ongoing. The contract was won in consortium with the Canadian company SNC-Lavalin.

Offshore Drilling
- on behalf of IEOC (International Egyptian Oil Co), the twenty-eight month lease of the semi-submersible platform Scarabeo 4 in Egypt;
- on behalf of Addax Petroleum, the one-year lease extension of the semi-submersible platform Scarabeo 3 in Nigeria.

Onshore Drilling
- on behalf of Saudi Aramco, the three-year charter of five rigs in Saudi Arabia;
- on behalf of Eni Exploration & Production, the two-year charter of a new rig in Italy;
- on behalf of Enirepsa, the one-year charter of a new rig in Saudi Arabia.

MANAGEMENT OUTLOOK

Better than expected results in the first half of 2007, the positive performance of projects under execution and the strong overall market performance underpin management's expectations of a further increase in net profit in 2007, which is now expected to grow by 30% versus 2006, with revenues expected to exceed €9 billion.
This, despite the devaluation of US dollar – the currency in which approximately 70% of revenues are denominated – which has negatively impacted 2007 operating income by approximately €27 million.

The programme for the disposal of non-core assets started effectively in July with the sale (subject to the approval of the relevant antitrust authorities) of the Camom Group, operating in the industrial plant

maintenance sector mainly in France, to Forclum, a French company belonging to the Eiffage Group. The sale price was €47 million plus a share in the 2007 results, capped at €2 million. After the end of the first half of the year, the procedure was started for the sale of the holding in the Danish company Haldor Topsøe AS, which is expected to be finalised in September. For this reason, assets and liabilities pertaining to these companies have been stated in this report as 'available for sale'. Considering that the sale of other non-core assets is due to take place in the second half of this year, the proceeds from this disposal programme are confirmed to be in the region of €700 million, with a pre-tax capital gain amounting to approximately half of that sum.

Investments are progressing as planned and, as previously announced, the total capital expenditure for 2007 is forecast at approximately €1.3 billion. Investments include, besides maintenance and upgrading of the existing asset base, the expansion of facilities in West Africa and Kazakhstan, capex in vessels and equipment for specific projects, the conversion of two FPSO units, the construction of the new pipe lay vessel and two ultra-deep water drilling rigs.

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 areas where the Group operates, and actions by competitors. Moreover, contract execution is also subject to variables outside the company's control, such as weather conditions. Actual results could therefore differ materially from the forward-looking statements.

Restatement of reclassified balance sheet and income statement to IAS/IFRS schemes

Reclassified balance sheet

The only items of the reclassified balance sheet which differ from the IAS/IFRS scheme are those stated in the following table (when not stated otherwise, items comply with the IAS/IFRS scheme).

(€ million)	Dec. 31, 2006		June 30, 2007	
	Partial amounts from IAS/IFRS scheme	Amounts from reclassified scheme	Partial amounts from IAS/IFRS scheme	Amounts from reclassified scheme
A) Net tangible fixed assets		2,345		**2,650**
Note 7 - Property, plant and equipment	*2,345*		***2,650***	
B) Net intangible fixed assets		849		**805**
Note 8 - Intangible fixed assets	*849*		***805***	
C) Financial investments		153		**141**
Note 9 - Investments accounted for with the equity method	*146*		***137***	
Note 10 - Other investments	*9*		***6***	
Recl. from E) - Provisions for losses related to investments	*(2)*		***(2)***	
D) Working capital		-		**(87)**
Note 3 - Trade and other receivables	*3,306*		***3,251***	
Recl. to I) - Financing receivables not related to operations	*(45)*		***(58)***	
Note 4 - Inventories	*1,053*		***1,159***	
Note 5 - Income tax receivables	*228*		***262***	
Note 6 - Other assets	*171*		***141***	
Note 11 - Other financial assets	*40*		***13***	
Recl. to I) - Financing receivables not related to operations	*(3)*		***(12)***	
Note 12 - Deferred tax assets	*47*		***37***	
Note 13 - Other non-current assets	*11*		***32***	
Note 15 - Trade and other payables	*(4,434)*		***(4,607)***	
Note 16 - Current tax liabilities	*(187)*		***(184)***	
Note 17 - Other current liabilities	*(103)*		***(68)***	
Note 21 - Deferred tax liabilities	*(83)*		***(53)***	
Note 22 - Other non-current liabilities	*(1)*		**-**	
E) Provisions for contingencies		(176)		**(155)**
Note 19 - Provisions for contingencies	*(178)*		***(157)***	
Recl. to C) - Provisions for losses related to investments	*2*		***2***	
Net assets available for disposal		-		**128**
F) Employee termination indemnities		(169)		**(153)**
Note 20 - Provisions for employee termination indemnities	*(169)*		***(153)***	
CAPITAL EMPLOYED		**3,002**		**3,329**
G) Net equity		1,581		**1,740**
Note 24 - Saipem shareholders' equity	*1,581*		***1,740***	
H) Minority interest		4		**5**
Note 23 - Minority interest	*4*		***5***	
I) Net debt		1,417		**1,584**
Note 1 - Cash and cash equivalents	*(1,322)*		***(1,540)***	
Note 2 - Other financial assets for trading or available for sale	*(4)*		**-**	
Note 14 - Current financial liabilities	*1,865*		***2,335***	
Note 18 - Long-term debt	*885*		***822***	
Note 18 - Current portion of long-term debt	*41*		***37***	
Recl. from D) - Financing receivables not related to operations (Note 3)	*(45)*		***(22)***	
Recl. from D) - Financing receivables not related to operations (Note 11)	*(3)*		***(48)***	
COVER		**3,002**		**3,329**

Reclassified income statement

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

- revenues related to reimbursements for non-core business services, insurance claims and costs paid by the Client which feature under the IAS/IFRS scheme as 'other revenues and income' are featured under the corresponding entries of the reclassified income statement;
- items 'financial income' and 'financial expenses', which are indicated separately under the IAS/IFRS statement, are stated under the item 'net financial expenses' under the reclassified income statement;
- items 'effect of accounting for using the equity method' and 'other income/(expenses) from investments' which are indicated separately under the IAS/IFRS statement, are stated under the item 'net income from investments' under the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

The reclassified cash flow statement differs from the IAS/IFRS cash flow statement on the following item:

- items 'granting of short-term financial credits' and 'collection and assignment of short-term financial credits' stated separated under 'net cash flow from investments' under the IAS/IFRS statement, are stated under the item 'net investments relating to financing activities' under the reclassified cash flow statement.

All other items are unchanged.

Saipem Group consolidated financial statements at June 30, 2007

Balance sheet

(€ million)

June 30, 2006		Note	Dec. 31, 2006	of which towards related parties	June 30, 2007	of which towards related parties
	ASSETS					
	Current assets					
1,361	Cash and cash equivalents	(1)	1,322	602	1,540	731
4	Marketable securities	(2)	4		-	
2,868	Trade and other receivables	(3)	3,306	650	3,251	618
978	Inventories	(4)	1,053	23	1,159	2
149	Income tax receivables	(5)	228		262	
248	Other current assets	(6)	171	130	141	64
5,608	**Total current assets**		**6,084**		**6,353**	
	NON-CURRENT ASSETS					
2,117	Property, plant and equipment	(7)	2,345		2,650	
842	Intangible assets	(8)	849		805	
140	Investments accounted for using the equity method	(9)	146		137	
9	Other investments	(10)	9		6	
-	Other financial assets	(11)	40	3	13	13
33	Deferred tax assets	(12)	47		37	
19	Other non-current assets	(13)	11		32	
3,160	**Total non-current assets**		**3,447**		**3,680**	
-	Assets held for sale	(42)	-		356	
8,768	**TOTAL ASSETS**		**9,531**		**10,389**	
	LIABILITIES AND SHAREHOLDERS' EQUITY					
	Current liabilities					
2,089	Short-term financial liabilities	(14)	1,865	1,703	2,335	2,158
203	Current portion of long-term debt	(18)	41	3	37	5
3,811	Trade and other payables	(15)	4,434	123	4,607	193
127	Current tax liabilities	(16)	187		184	
274	Other current liabilities	(17)	103	87	68	39
6,504	**Total current liabilities**		**6,630**		**7,231**	
	NON-CURRENT LIABILITIES					
617	Long-term financial liabilities	(18)	885	95	822	82
103	Provisions for contingencies	(19)	178		157	
159	Provisions for employee benefits	(20)	169		153	
69	Deferred tax liabilities	(21)	83		53	
4	Other non-current liabilities	(22)	1		-	
952	**Total non-current liabilities**		**1,316**		**1,185**	
-	Liabilities held for sale	(42)	-		228	
7,456	**TOTAL LIABILITIES**		**7,946**		**8,644**	
	SHAREHOLDERS' EQUITY					
3	Minority interest in net equity	(23)	4		5	
1,309	Saipem's shareholders' equity:	(24)	1,581		1,740	
441	- share capital	(25)	441		441	
55	- share premium reserve	(26)	55		55	
93	- other reserves	(27)	142		188	
644	- retained earnings		632		862	
162	- net profit		384		268	
(86)	Treasury shares	(28)	(73)		(74)	
1,312	**Total Group shareholders' equity**		**1,585**		**1,745**	
8,768	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**		**9,531**		**10,389**	

Income statement

(€ million)

Year 2006		Note	First half 2006	of which towards related parties	First half 2007	of which towards related parties
	REVENUES					
7,517	Turnover	(30)	3,095	295	4,735	475
50	Other revenues and income	(31)	4	2	5	3
7,567	**Total revenues**		**3,099**		**4,740**	
	Operating costs					
(5,574)	Procurement, services and other costs	(32)	(2,229)	(63)	(3,523)	(36)
(1,164)	Payroll and related costs	(33)	(523)		(669)	
(230)	Amortisation, depreciation and write-downs	(34)	(103)		(139)	
(6,968)	**Total operating costs**		**(2,855)**		**(4,331)**	
599	**OPERATING PROFIT**		**244**		**409**	
	Financial income (expenses)					
609	Financial income		37	37	40	13
(709)	Financial expenses		(77)	(65)	(97)	(61)
(100)	**Total financial income (expenses)**	(35)	**(40)**		**(57)**	
	Income (expenses) from investments					
34	Effect of accounting for using the net equity method		21		25	
11	Other income from investments		3		3	
45	**Total income from investments**	(36)	**24**		**28**	
544	**INCOME BEFORE INCOME TAX**		**228**		**380**	
(157)	Income tax	(37)	(64)		(111)	
387	**NET PROFIT**		**164**		**269**	
	Pertaining to:					
384	- Saipem		162		268	
3	- minority interest	(38)	2		1	
	Earnings per share pertaining to Saipem (€ per share)					
0.88	Basic	(39)	0.37		0.62	
0.89	Diluted	(39)	0.37		0.61	

Statements of changes in shareholders' equity

(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares held	Reserve for buy-back of treasury shares	Reserve for cash flow hedge	Reserve for exchange rate differences	Retained earnings	Net income	Treasury shares	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2005	**441**	**49**	**2**	**58**	**-**	**10**	**(51)**	**18**	**899**	**255**	**(51)**	**1,630**	**13**	**1,643**
Net profit 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**384**	**-**	**384**	**3**	**387**
Net profit (expenses) recognised directly in equity														
Variation of the fair value of cash flow hedge derivatives, net of effect of taxations	-	-	-	-	-	-	116	-	-	-	-	116	-	116
Exchange differences from translation of financial statements in foreign currencies	-	-	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**116**	**(19)**	**-**	**-**	**-**	**97**	**-**	**97**
Transactions with Shareholders														
Distributed dividends	-	-	-	-	-	-	-	-	-	(82)	-	(82)	-	(82)
Retained earnings and allocation to legal reserve	-	-	5	7	-	-	-	-	161	(173)	-	-	-	-
Buy-back of treasury shares	-	6	-	-	-	6	-	-	(12)	-	(22)	(22)	-	(22)
Other variations in shareholders' equity														
Effect of acquisition of Snamprogetti	-	-	-	-	-	-	-	-	(442)	-	-	(442)	-	(442)
Reopening of Snamprogetti's reserves	-	-	-	-	-	-	(34)	3	-	-	-	(31)	-	(31)
Changes in Snamprogetti's reserves second quarter	-	-	-	-	-	-	36	(9)	29	-	-	56	-	56
Acquisition of 50% of EMS SpA	-	-	-	-	-	-	-	-	-	-	-	-	(12)	(12)
Cost of stock options/grants	-	-	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Exchange differences from dividend distribution	-	-	-	-	-	-	-	(6)	-	-	-	(6)	-	(6)
Total	**-**	**6**	**5**	**7**	**-**	**6**	**2**	**(12)**	**(267)**	**(255)**	**(22)**	**(530)**	**(12)**	**(542)**
Balance at December 31, 2006	**441**	**55**	**7**	**65**	**-**	**16**	**67**	**(13)**	**632**	**384**	**(73)**	**1,581**	**4**	**1,585**
Net profit first half of 2007	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**268**	**-**	**268**	**1**	**269**
Net profit (expenses) recognised directly in equity														
Variation of the fair value of cash flow hedge derivatives, net of effect of taxations	-	-	-	-	-	-	20	-	-	-	-	20	-	20
Exchange differences from translation of financial statements in foreign currencies	-	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**(5)**	**-**	**-**	**-**	**15**	**-**	**15**
Transactions with Shareholders														
Distributed dividends	-	-	-	-	-	-	-	-	-	(126)	-	(126)	-	(126)
Retained earnings and allocation to legal reserve	-	-	-	7	-	-	-	-	251	(258)	-	-	-	-
Buy-back of treasury shares	-	-	-	-	-	24	-	-	(24)	-	(1)	(1)	-	(1)
Other variations in shareholders' equity														
Cost of stock options/grants	-	-	-	-	-	-	-	-	3	-	-	3	-	3
Exchange differences from dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**7**	**-**	**24**	**-**	**-**	**230**	**(384)**	**(1)**	**(124)**	**-**	**(124)**
Balance at June 30, 2007	**441**	**55**	**7**	**72**	**-**	**40**	**87**	**(18)**	**862**	**268**	**(74)**	**1,740**	**5**	**1,745**

Cash flow statement

(€ million)	First half 2006		First half 2007	
Group net income	162		268	
Minority interest	2		1	
Depreciation and amortisation	103		139	
Write-downs (appreciations)	(21)		(15)	
Net change in provisions for contingencies	(6)		(12)	
Net change in provisions for employee benefits	11		(5)	
Losses from disposals	1		-	
Losses (gains) on financial accounts receivable	-		(1)	
Losses (gains) on accounts receivable in relation to disposables	-		(1)	
(Dividends)	(2)		(4)	
(Interest earned)	(10)		(19)	
Interest paid	10		32	
Unrealized (gains) losses on foreign currency exchange	24		11	
Current and deferred income taxes	64		111	
Operating profit before changes to working capital		338		505
Changes:				
- inventories	(96)		(106)	
- trade and other receivables	(555)		54	
- other assets	(96)		30	
- trade and other payables	358		172	
- other liabilities	183		(35)	
Cash flow from operations		**132**		**620**
Dividends received	32		43	
Interest received	7		26	
Interest paid	(10)		(31)	
Income taxes paid	(43)		(195)	
Income tax refunds and credits	-		21	
Exchange rate differences gained on dividends	-		(1)	
Net cash flow from operations		**118**		**483**
Investments:				
- intangible fixed assets	(2)		(2)	
- tangible fixed assets	(229)		(519)	
- short-term financing loans	(3)		(6)	
- long-term financing loans	-		(43)	
Outflows from investments		(234)		(570)
Disposals:				
- tangible fixed assets	1		4	
- consolidated company holdings	6		-	
- collection and transfer of short-term loans	5		30	
Inflows from disposals		12		34
Net cash flow from investments		**(222)**		**(536)**
Short-term financial loans	841		378	
Long-term financial loans	119		18	
Repayment of short-term debts	(52)		(60)	
Repayment of long-term debts	(5)		(32)	
Increase (decrease) in short-term current account debts	-		102	
Dividends paid	(82)		(126)	
Net cash flow from financing		**821**		**280**
Buy-back of treasury shares		**(36)**		**(6)**
Effect of exchange rate gains and losses		-		4
Effect of changes to the scope of consolidation and other changes		(197)		(7)
Net cash flow		**484**		**218**
Cash available at the beginning of the period		**877**		**1,322**
Cash available at the end of the period		**1,361**		**1,540**

Basis of presentation

These consolidated financial statements of Saipem have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and adopted by the European Commission following the procedure contained in Article 6 of the EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002.
These consolidated financial statements have been prepared by applying the cost method, except for items that under IFRS must be recognised at fair value as described in the evaluation criteria.
These consolidated financial statements include the statutory accounts of Saipem SpA and of all Italian and foreign companies in which Saipem SpA holds the right to directly or indirectly exercise control, determine financial and management decisions and obtain economic and financial benefits. The consolidated financial statements also include, on a line-by-line proportional basis, data of jointly managed companies by way of agreements with the other partners. Companies held exclusively for subsequent sale, those in liquidation and minor investments, if considered immaterial, are excluded from the consolidation. Companies are considered immaterial if they do not exceed two of the following parameters: (i) total assets or liabilities: €3,125 thousand; (ii) total revenues: €6,250 thousand; (iii) average workforce: 50 employees.
Moreover, companies for which the consolidation does not produce significant economic and financial effects are not included in the scope of consolidation. The effects of these exclusions are not material[1].
Subsidiaries excluded from consolidation, joint ventures, affiliated companies and other interests are accounted for as described below under the heading 'Financial fixed assets'.
Consolidated companies, non-consolidated controlled companies, affiliated companies and relevant interests as set forth in Article 126 of Consob Resolution No. 11971 of May 14, 1999 and subsequent addenda, are indicated under the heading 'Scope of Consolidation'.
The consolidated financial statements at June 30, 2007 have been approved by Saipem's Board of Directors on September 19, 2007 and audited under a limited review by PricewaterhouseCoopers SpA. A limited review implies significantly less work as compared to a full audit performed according the standards governing external audits.
If not stated otherwise, amounts of the financial statements and related disclosures are expressed in millions of euro.

Principles of consolidation

Interests in companies included in the scope of consolidation

Fully owned companies are consolidated using the full consolidation method; therefore assets and liabilities, expenses and income relating to fully consolidated companies are wholly incorporated into the consolidated balance sheet; the accounting value of these interests is eliminated against the corresponding fraction of the shareholders' equity of the companies owned.
Companies controlled jointly with third parties are consolidated using the proportional method; therefore the accounting value of interests in these companies is eliminated against the corresponding fraction of the shareholders' equity of the companies owned; assets and liabilities, expenses and income related to consolidated companies are incorporated into the balance sheet proportionally to the interest held.
The shareholders' equity in owned companies is determined by attributing to each item of the balance sheet the current value at the date of acquisition of control. Any positive residual difference is recognised as 'Goodwill'. Negative residual differences are charged against income.
Income or expenses deriving from the disposal of interests in consolidated companies are charged against income, i.e. the difference between the sale price and the corresponding fraction of shareholders' equity sold.
Fractions of shareholders' equity and of net income of minority interest are recognised under specific items in the income statement. Minority interest is determined based on the current value attributed to assets and liabilities at the date of the acquisition of control, excluding any associated goodwill. Dividends, revaluations, write-downs and losses on interests in consolidated companies, in addition to gains and/or income on inter-company disposals of shareholdings in consolidated companies are eliminated.

(1) According to the dispositions of the Framework of international accounting standards, 'information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements'.

Inter-company transactions

Income deriving from inter-company transactions unrealized towards third parties is eliminated. Receivables, payables, revenues and costs, guarantees, commitments and risks between consolidated companies are also eliminated. Inter-company losses are not eliminated, since they reflect an actual decrease in the value of divested assets.

Foreign currency translation

Financial statements of consolidated companies denominated in currencies other than the euro are converted into euros applying: (i) exchange rates prevailing at year-end to assets and liabilities; (ii) the historical exchange rates to equity accounts and (iii) the average rates for the period to profit and loss account (source: Ufficio Italiano Cambi).

Exchange rate differences from the conversion deriving from the application of different exchange rates for assets and liabilities, shareholders' equity and profit and loss account are recognised under the item 'Reserve for exchange rate differences' within shareholders' equity for the portion relating to the Group and under the item 'Minority interest' for the portion related to minority shareholders.

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

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

Currency	Exchange rate at Dec. 31, 2006	Exchange rate at June 30, 2007	2007 average exchange rate
US Dollar	1.317	1.3505	1.32906
UK Pound Sterling	0.6715	0.674	0.674643
Algerian Dinar	93.6974	94.517	94.5193
Angolan Kwanza	105.733	101.246	104.219
Saudi Arabian Riyal	4.93915	5.06528	4.98451
Argentinean Peso	4.04505	4.17173	4.10585
Australian Dollar	1.6691	1.5885	1.64456
Azerbaijan Manat	1.15	1.15664	1.15151
Brazilian Real	2.81333	2.59715	2.71864
Canadian Dollar	1.5281	1.4245	1.50782
Cypriot Lira	0.5782	0.5837	0.580907
Congo Franc cfa	655.957	655.957	655.957
Croatian Kuna	7.3504	7.3035	7.35763
Danish Kroner	7.456	7.4422	7.4512
Egyptian Lira	7.52399	7.69535	7.57261
Indian Rupee	58.2975	55.0153	56.7239
Indonesian Rupee	11,844.4	12,201.8	12,007.3
Kazakhstan Tenghè	167.233	164.731	163.576
Malaysian Ringgit	4.649	4.6626	4.60204
Mexican Peso	14.2937	14.5706	14.5523
Nigerian Naira	169.344	171.919	170.002
Norwegian Kroner	8.238	7.9725	8.13801
Peruvian New Sol	4.20974	4.27771	4.2276
Qatar Riyal	4.79461	4.91634	4.83791
Dominican Republic Peso	44.1154	44.7016	43.5726
Romanian New leu	3.3835	3.134	3.33085
Russian Rouble	34.68	34.807	34.6662
Singaporean Dollar	2.0202	2.0664	2.03137
Swiss Franc	1.6069	1.6553	1.63175
UAE Dirham	4.8371	4.96023	4.88099
Venezuelan Bolivar	2,696.15	2,899.93	2,583.9

Accounting policies

The most significant accounting policies used for the preparation of these consolidated financial statements are shown below.

Current assets

Inventories
Inventories, which differ from contract work-in-progress, are stated at the lower price between the purchase or production price calculated according to the criteria for intangible assets and the market value.
The cost for inventories is determined by applying the weighted-average cost method. As inventories mostly consist of spare parts, the market value thereof is represented by their replacement cost or by their net realizable value, if lower.
Contract work-in-progress relating to long-term contracts is stated on the basis of accrued contractual revenues, agreed with the customers using the percentage of completion method and complying with the principle of prudence.
Given the nature of the contracts and the type of work, the percentage of completion is calculated on the basis of the work performed, being the percentage of costs incurred with respect to the total estimated costs (cost-to-cost method).
Adjustments made for the economic effects of using this method with respect to the revenues invoiced are included under 'work-in-progress' if positive or under 'commercial payables' if negative.
The agreed revenues, where expressed in a foreign currency, are calculated by taking into account the exchange rate fixed by the designated hedge, if any, or alternatively the exchange rate at the end of the period; the same method is used for any costs in a foreign currency.
The valuation of work-in-progress considers all directly related costs, contractual risks and contractual price revisions, where they can be objectively determined.
Modifications to original contracts for additional works, are acknowledged when their realization is likely and can reasonably be quantified. Contract losses are charged entirely to the period in which they are expected.
Bidding costs are expended in the year in which they are incurred.

Current financial assets
Financial assets held for trading and financial assets available for disposal are stated at fair value and the economic effects charged, respectively, to the income statement item 'Financial income/(expenses)' and the balance sheet item 'Other reserves'. The fair value of financial instruments is represented by market quotations or, in their absence, by the value resulting from the adoption of suitable financial valuation models which take into account all the factors adopted by the market operators and the prices obtained in similar actual transactions in the market.
When the conditions for the purchase or sale of financial assets provide for the settlement of the transaction and the delivery of the assets within a given number of days determined by entities controlling the market or by agreements (e.g. purchase of securities on regulated markets), the transaction is entered at the date of settlement.
Receivables are stated at their amortised cost (see above 'Financial fixed assets - Receivables and financial assets to be held to maturity').
Transferred financial assets are eliminated when the transaction, together with the cash flows deriving from it, lead to the substantial transfer of all risks and benefits associated to the property.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly-liquid investments with original maturities of three months or less, which can be easily converted into cash and are subject to a negligible devaluation risk, and bank overdrafts. Bank overdrafts are shown within borrowings on the balance sheet under the 'current liabilities' caption.

Non-current assets

Tangible assets
Tangible assets, including investment properties, are recognised using the cost model and stated at their purchase or production cost, including ancillary costs, which can be directly attributed to them as are required to make the asset ready for use. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price, or production cost, includes the financial expenses incurred that would have theoretically been saved had the investment not been made. The purchase or

production costs are net of government grants that are recorded in a contra asset account when authorised, if all the required conditions have been met.
In the case of current obligations for the dismantling and removal of assets and the reclamation of sites, the carrying value includes, with a corresponding entry to a specific provision, the estimated (discounted) costs to be borne at the moment the asset is retired. Revisions of estimates for these provisions, for the passage of time and for changes in the discount rate are recognised under 'Provisions for contingencies'.
No revaluation is made even in application of specific laws.
Assets carried under financial leasing or concerning arrangements that do not take the legal form of a financial lease, but produce a substantive transfer of risks and rewards of ownership, are recognised at fair value, net of taxes due from the lessor or, if lower, at the amount of future minimum lease payments, and are included within the tangible assets, with a corresponding entry to the financial payable to the lessor, and depreciated using the criteria detailed below. When the renewal is not reasonably certain, assets carried under financial leasing are depreciated over the period of the lease, if shorter than the useful life of the asset.
Tangible assets are depreciated systematically over the duration of their useful life taken as an estimate of the period for which the assets will be used by the company. When the tangible asset comprises more than one significant element with different useful lives, the depreciation is carried out for each component. The amount to be depreciated is represented by the book value reduced by the presumable net realizable value at the end of the useful life, if it is significant and can be reasonably determined. Land is not depreciated, even if bought together with a building. Tangible assets held for sale are not depreciated but are valued at the lower of the book value and fair value less costs of disposal.
Assets that can be used free of charge are depreciated over the shorter of the duration of the concession and the useful life of the asset.
Renewals, improvements and transformations which extend asset lives are capitalised.
The costs for the substitution of identifiable components in complex assets are capitalised and depreciated over their useful life; the residual book value of the component that has been substituted is charged to the profit and loss account. Ordinary maintenance and repair costs are expensed when incurred.
When events occur that lead to a presumable reduction in the book value of tangible assets, their recoverability is checked by comparing their book value with the realizable value, represented by the greater of fair value less costs of disposal and replacement cost.
In the absence of a binding sales agreement, fair value is estimated on the basis of market values, of recent transactions, or of the best available information that shows the proceeds that the company could reasonably expect to collect from the disposal of assets.
Replacement cost is determined by discounting the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, the cash flows deriving from its disposal at the end of its useful life, net of disposal costs. Cash flows are determined on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions. The discounting is carried out at a rate that takes into account the implicit risk in the sectors where the entity operates.
Valuation is carried out for each individual asset or, if the realizable value of individual assets cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, so called cash generating unit. When the reasons for their impairment cease to exist, Saipem reverses previously recorded impairment charges and records an income as asset revaluation in the profit and loss account of the relevant year. This asset revaluation is the lower of the fair value and the book value increased by the amount of previously incurred impairments net of related amortisation that would have been made had the impairment not been made.
Tangible assets destined for specific operating projects, for which no further future use is envisaged due to the peculiarities of the asset itself or the high usage sustained during the execution of the project, are amortised over the duration of the project.

Intangible assets
Intangible assets include assets which lack physical consistence that are identifiable, controlled by the company and able to produce future economic benefits, and goodwill acquired in business combinations. An asset is identifiable to clearly distinguish it from goodwill. This condition is normally met when: (i) the intangible asset can be traced back to a legal or contractual right, or (ii) the asset is separable, i.e. can be sold, transferred, licensed, rented or exchanged, either individually or as an integral part of other assets. An entity controls an asset if it has the power to obtain the future economic benefits deriving from the underlying

resource and to restrict the access of others to those benefits. Intangible assets are stated at cost as determined with the criteria used for tangible assets. No revaluation is made even in application of specific laws.
Intangible assets with a defined useful life are amortised systematically over the duration of their useful life taken as an estimate of the period for which the assets will be used by the company; the recoverability of their book value is checked using the criteria described in the section 'Tangible assets'.
Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying value is checked at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. With reference to goodwill, this check is performed at the level of the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure that included said goodwill. When the carrying amount of the cash generating unit, including goodwill attributed thereto, exceeds the cash generating unit's recoverable amount, the difference is recognised as impairment and it is primarily charged against goodwill up to its amount; any amount in excess is charged on a pro-rata basis against the book value of the assets that form the cash generating unit. Impairment charges against goodwill may not be revalued.

Costs of technological development activities
Costs of technological development activities are capitalised when the company can prove that:
(a) there is the technical capacity to complete the asset and make it available for use or sale;
(b) there is the intention to complete the asset and make it available for use or sale;
(c) it is possible to make the asset available for use or sale;
(d) it can be shown that the asset is able to produce future economic benefits;
(e) technical, financial and other resources are available to complete development of the asset and make the asset available for use or sale;
(f) the cost attributable to the intangible asset can be reasonably determined.

Grants
Grants related to assets are recorded as a reduction of purchase price, or production cost, of the related assets when there is reasonable assurance that all the required conditions attached to them, agreed upon with governmental entities, have been met. Grants not related to capital expenditure are recognised in the profit and loss account.

Financial fixed assets

INVESTMENTS
Investments in subsidiaries excluded from consolidation, joint ventures and affiliates are accounted for using the equity method. If it does not result in a misrepresentation of the company's financial condition and consolidated results, subsidiaries, joint ventures and affiliates excluded from consolidation may be accounted for at cost, adjusted for permanent impairment of value.
When the reasons for their impairment cease to exist, investments accounted for at cost are revalued within the limit of the impairment made and their effects are charged to the profit and loss account item 'Other income (expense) from investments'.
Other investments are recognised at fair value and their effects are included in shareholders' equity under 'Other reserves'. When fair value cannot be reasonably ascertained, investments are accounted for at cost, adjusted for permanent impairment of value; impairment of value may not be revalued.
The risk deriving from losses exceeding shareholders' equity is recognised in a specific provision to the extent the parent company is required to fulfil legal or implicit obligations towards the subsidiary, or to cover its losses.

RECEIVABLES AND FINANCIAL ASSETS TO BE HELD TO MATURITY
Receivables and financial assets that must be held to maturity are stated at cost, represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g. fees to agents or consultants, etc.). The initial carrying value is then corrected to take into account capital repayments, devaluations and amortisation of the difference between the reimbursement value and the initial carrying value; amortisation is carried out on the basis of the effective internal rate of return represented by the rate that equalises, at the moment of the initial revaluation, the current value of expected cash flows to the initial carrying value (so-called amortised cost method). The economic effects of the valuation according to the amortised cost method are charged as 'Financial income (expenses)'.

Financial liabilities

Debt is shown at the amortised cost (see above 'Financial fixed assets - Receivables and financial assets to be held to maturity').

Provisions for contingencies

Provisions for contingencies concern risks and charges of a definite nature and whose existence is certain or probable but for which at year-end the amount or date of occurrence remains uncertain. Pursuant to IAS 37, provisions are made when: (i) there is a current obligation, either legal or implicit, deriving from a past event; (ii) it is probable that the fulfilment of that obligation will be expensive; (iii) the amount of the obligation can be accurately estimated. Provisions are stated at the value that represents the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at year-end. When the financial effect of time is significant and the payment date of the obligations can be reasonably estimated, the provisions are discounted; the increase in the provision linked to the passing of time is charged to the income statement in the item 'Financial income/(expenses)'.

When the liability regards a tangible asset (e.g. site restoration and abandonment), the provision is stated as a contra to the asset to which it refers; the income statement charge is made with the amortisation process.

The costs that the company expects to bear to carry out restructuring plans are recognised in the year in which the company formally defines the plan and the interested parties have developed the reasonable expectation that the restructuring will happen.

The provisions are periodically updated to show the variations of estimates of costs, production times and actuarial rates; the estimate revisions of the provisions are recognised in the same income statement item that had previously held the provision, or, when the liability regards tangible assets (i.e. site restoration and abandonment) as a contra to the assets to which they refer.

In the notes to the financial statements the following potential liabilities are described: (i) possible, but not probable obligations deriving from past events, whose existence will be confirmed only when one or more future events beyond the company's control occur; (ii) current obligations deriving from past events whose amount cannot be reasonably estimated or whose fulfilment will probably not be expensive.

Employee post-employment benefits

Post-employment benefit plans are defined on the basis of plans, even if not formalised, which due to their mechanisms feature defined contribution plans or defined benefit plans. In the first case, the company's obligation, consisting of making payments to the State or to a trust or a fund, is determined on the basis of due contributions, minus any sums already paid.

The liabilities related to defined benefit plan[2], net of any plan assets, are determined on the basis of actuarial assumptions[3] and charged to the relevant year consistently with the employment period required to obtain the benefits; the evaluation of liabilities is made by independent actuaries.

The actuarial gains and losses of defined benefit plans, deriving from a change in the actuarial assumptions used or from a change in the conditions of the plan, are charged to the income statement, in the limits of the share of the discounted profit/loss not charged beforehand, that exceeds the greater of 10% of liabilities and 10% of the fair value of the plan assets (corridor method).

Obligations for long-term benefits are determined by adopting actuarial assumptions; the effect of changes in actuarial assumptions, or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

Treasury shares

Treasury shares are recorded at cost and as a reduction of shareholders' equity. Income following subsequent sales is recorded as an increase (decrease) in shareholders' equity.

Revenues

Revenues from sales of products and services rendered are recognised upon transfer of risks and benefits associated with the property, or upon settlement of the transaction.

The allowances of revenues related to partially rendered services are recognised with respect to the accrued considerations, if it is possible to reasonably determine the state of completion and there are no relevant uncertainties concerning the amounts and the existence of the revenue and related costs; conversely, they are recognised within the limits of the recoverable costs incurred.

(2) Given the uncertainties related to their payment date, employee termination indemnities are considered as a defined benefit plan.

(3) Actuarial assumptions concern, among other things, the following variables: (i) level of future salaries; (ii) employee mortality rate; (iii) employee turnover rate; (iv) share of participants with successors entitled to benefits (e.g. spouses and children); (v) for medical assistance plans, frequency of reimbursement claims and future changes in medical costs; (vi) interest rates.

The revenues related to contract work-in-progress are recognised on the basis of contractual considerations by reference to the stage of completion of a contract, measured on the cost-to-cost basis. Revenues for contract work-in-progress in a foreign currency are recognised at the euro exchange rate on the date the stage of completion of a contract is measured with the customer; this value is adjusted to take into account hedge accounting.
Advances are recognised at the exchange rate on the date of payment.
Requests for additional revenues, deriving from a change in the scope of the work, are included in the total amount of revenues when it is probable that the customer will approve the variation and the relevant amount; claims deriving for instance from additional costs incurred for reasons attributable to the client, are included in the total amount of considerations when it is probable that the counterpart will accept them. Work that has not yet been agreed is recognised at the year-end exchange rate.
Revenues are stated net of returns, discounts, rebates and bonuses, as well as directly related taxation.

Costs

Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.
Operating lease payments are recognised in the profit and loss account over the lifetime of the contract.
Labour costs comprise remuneration paid, provisions made to pension funds, accrued holidays, national insurance and social security contributions, in compliance with national contracts of employment and current legislation.
Labour costs include stock grants and stock options granted to managers from January 1, 2003, consistently with their actual remunerative nature. The cost is determined based on the fair value of the rights awarded to the employee, plus any charges borne by the employer (social contributions and employee termination indemnities); the portion relevant to the year is calculated pro-rata over the period to which the incentive refers (vesting period)[4]. The fair value of stock grants is represented by the current value of the shares at the date of the award, reduced by the current value of dividends expected in the vesting period.
The fair value of stock options is the value of the option calculated with the Black-Scholes method that takes into account the exercise conditions, current price of the shares, expected volatility and the risk-free rate.
The fair value of stock grants and stock option plans for Saipem SpA employees is shown in the item 'Labour costs' and as a contra to 'Other reserves'. The allowance for employee termination indemnities and social contributions calculated on the fair value is recognised in a contra account in the item 'Provisions for contingencies'.
The fair value of stock grant plans for employees of controlled companies is shown at the date of option allocation in the item 'Labour costs' and as a contra to 'Other reserves' and is subsequently recharged to the various companies in a contra account in the item 'Labour costs'.
Costs related to personnel on secondment are charged pro-rata to the companies for which said personnel are working.
The fair value of stock option plans is shown as a contra-entry in the item 'Other reserves'.
The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or, in any case, costs borne for other scientific research activities or technological development, are generally considered current costs and expensed as incurred. These costs are capitalised when they meet the requirements listed under 'Costs of technological development' (please refer to item described above).

Exchange rate differences

Revenues and costs concerning transactions in currencies other than the functional currency are stated at the exchange rate on the date that the transaction is completed.
Monetary assets and liabilities in currencies other than functional currency are converted by applying the end of period exchange rate, and the effect is stated in the profit and loss account. Non-monetary assets and liabilities in currencies other than the functional currency valued at cost are stated at the initial exchange rate; when they are evaluated at fair value, recoverable amount or realizable value, the exchange rate applied is that of the day of recognition.

Dividends

Dividends are recognised at the date of the general shareholders' meeting in which they were declared, except when the sale of shares before the ex-dividend date is certain.

(4) For stock grants, the period between the date of the award and the date of allocation of stock; for stock options, the period between the date of the award and the date on which the option can be exercised.

Income taxes

Current income taxes are determined on the basis of the estimated taxable income; the estimated liability is recognised in the item 'Current tax liabilities'. Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted, or substantively enacted, by the balance sheet date.
Deferred tax assets or liabilities are recognised for temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are recognised when their realization is probable.
Deferred tax assets and liabilities are recorded under non-current assets and liabilities and are offset at single entity level, if referred to offsettable taxes. The balance of the offset, if positive, is recognised in the item 'Deferred tax assets' and if negative in the item 'Deferred tax liabilities'.
When the results of transactions are recognised directly in the shareholders' equity, current taxes, deferred tax assets and liabilities are also charged to the shareholders' equity.

Derivatives

Derivatives are assets and liabilities recognised at their fair value.
Consistently with its business requirements, Saipem classifies derivatives as hedging instruments whenever possible.
Derivatives are classified as hedging instruments when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge is high and is checked periodically. When hedging instruments cover the risk of variation of the fair value of the hedged item (fair value hedge; e.g. hedging of the variability on the fair value of fixed interest rate assets/liabilities), the derivatives are stated at fair value and the effects charged to the income statement; consistently, the hedged items are adjusted to reflect the variability of fair value associated with the hedged risk.
Cash flow hedges cover the cash flow variation risks that may affect the profit and loss account in the future; these risks are usually associated with a balance sheet asset or liability (such as future payables of debts at variable interest rates) or highly probable forecast transactions, for instance project income/costs.
The effective portion of variations in fair value of derivatives, as defined as hedging contracts by IAS 39, are posted to a hedging reserve and are charged as income over the period when the hedge affects the profit and loss account.
The ineffective portion of variations in fair value of derivatives, as well as the entire variations in fair value of those derivatives that have not been defined as hedging contracts by IAS 39, are charged directly to the income statement in the item 'Financial income/(expenses)'.

Interim financial statements

Assets and liabilities on the balance sheet are classified as current and non-current. Items on the profit and loss account are presented by nature.
Statements of cash flow are presented using the indirect method, whereby net profit is adjusted for the effects of transactions of a non-cash nature.
Statements of changes in shareholders' equity present profit and loss for the year and other changes to the shareholders' equity.

Risk management

Main risks identified and managed by Saipem are the following:
(i) market risks deriving from exposure to fluctuations in interest rates, exchange rates between the euro and other currencies used by the company, as well as volatility in commodity prices;
(ii) the credit risk deriving from possible default by a counterparty;
(iii) the liquidity risk deriving from the lack of financial resources to face short-term commitments;
(iv) the operational risk deriving from the occurrence of accidents, malfunction, failures with personal injury and damage to the environment affecting operating and financial results;
(v) country risk of operations.

MARKET RISK

Saipem operates worldwide in business sectors that are exposed to market risks resulting from changes in interest rates, exchange rates and cost of materials. The risk of fluctuations in prices and financial flows is closely linked to the nature of this business and can only be partially offset through appropriate risk management policies.
The market risk also includes exchange and interest rate risks.

Risk of price variations and financial flows
Saipem's results are influenced by variations in oil prices, insurance premia and cost of raw materials. Furthermore, Saipem's financial flows are exposed to fluctuations in interest and exchange rates.

Exchange rate risk
The exchange rate risk derives from the fact that Saipem Group's operations are conducted in currencies other than the euro (particularly the US dollar) and by the time lag existing between the recording of costs and revenues denominated in currencies other than the functional currency and the actual time of the relevant monetary transaction. In compliance with the International Financial Reporting Standards (IFRS), Saipem manages the exchange rate risk by hedging the Group net exposure through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated at fair value by the Treasury Department of Eni SpA (formerly Enifin SpA), on the basis of market prices provided by specialised sources. Planning and management for this activity at Group level is the responsibility of Saipem's Treasury Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the international financial reporting standards. The fair value sensitivity analysis for derivatives held at June 30, 2007, should a sudden negative 10% variation affect currencies other than the euro, amounts to approximately €57 million.

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

CREDIT RISK
Credit risk represents Saipem's exposure to incur a loss in the event of non-performance by a counterparty. Credit risk related to the ordinary course of trade activities is managed by the business units and the administration department on the basis of standardised procedures and periodic reporting. As for financial investments and the utilisation of financial instruments, including derivatives, companies adopt the guidelines issued by the Treasury Department of Saipem SpA. At present, Saipem has no significant concentrations of credit risk.

LIQUIDITY RISK
Liquidity risk is the risk that suitable sources of funding for business activities may not be sufficient to cover commitments. At present, through the management of flexible credit lines suitable with business requirements, Saipem believes it has access to sufficient funding, and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.

OPERATIONAL RISKS
Saipem's activities present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security in most countries.
Saipem has adopted the most stringent standards for the evaluation and management of industrial and environmental risks, complying with industry best practices. Business units evaluate, through specific procedures, the associated industrial and environmental risks in addition to taking into account the regulatory requirements of the countries where these activities are situated. Saipem's values, as indicated in the HSE section of this report, are the prevention of environmental risks and the health and safety of all its employees.

COUNTRY RISK
Substantial portions of Saipem's operations are performed in countries outside the EU and North America, some of which may be politically or economically less stable. Saipem constantly monitors the political, social and economic risk in countries in which it operates or intends to invest. Country risks are mitigated by means of appropriate guidelines for risk management that Saipem defined in its procedure for 'Project Risk Assessment and Management'.

Use of accounting estimates

The application of generally accepted accounting standards in the preparation of these consolidated financial statements requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the underlying circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates, given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Summarised below are the accounting estimates that require more subjective judgment by our management. Such assumptions or estimates regard the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect future results.

CONTRACT WORK IN PROGRESS
The determination of contract work in progress is based on estimated revenues and costs over the lifetime of the contract in the case of long-term contracts, whose appreciation is subject, by its nature, to significant evaluation criteria. Contract work in progress includes extra revenues from additional works following modifications to the original contracts, where their realization is likely, and they can be reasonably quantified. Owing to the ever-increasing volumes generated by EPIC (Engineering, Procurement, Installation and Construction) type projects, which are intrinsically highly complex, large-scale, long-term and involve a high level of unpredictability, the periodic statements include expected additional revenues, even before a formal agreement with the counterpart is reached.

IMPAIRMENT OF ASSETS
Fixed assets and intangible assets are written down whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. The amount of an impairment charge is determined by comparing the book value of an asset with its recoverable amount. The recoverable amount is the greater of fair value, net of disposal costs and value in use, net of disposal costs. The estimated fair value is usually based on the present values of expected future cash flows using assumptions commensurate with the risks involved in the asset group. The expected future cash flows used for impairment reviews are based on judgmental assessments of future production volumes, prices and costs, considering information available at the date of review and are discounted by using a rate related to the activity involved. Goodwill and other intangible assets with indefinite useful life are not amortised but they are checked at least annually to determine whether their carrying amount is recoverable and in any case, when trigger events arise that would lead the entity to assume the value of an asset is impaired. In particular, goodwill impairment is based on the determination of the fair value of each cash generating unit to which goodwill can be attributed on a reasonable and consistent basis. A cash generating unit is the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure, which includes the goodwill itself. If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is less than the amount of impairment, assets of the cash generating unit are impaired on a pro-rata basis for the residual difference.

BUSINESS COMBINATION
Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business at fair value. Any positive residual difference is recognised as 'Goodwill'. Negative residual differences are charged against the profit and loss account. Management uses all available information to make these fair value determinations and, for major business acquisitions, typically engages an outside appraisal firm to assist in the fair value determination of the acquired long-lived assets.

CONTINGENCIES
Saipem makes accruals for contingencies primarily related to employee benefits, litigation and tax issues. Determining appropriate amounts for accrual is a complex estimation process that includes subjective judgements.

EMPLOYEE BENEFITS

Post-retirement benefits resulting from defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions including, among others, discount rates, expected rates of return on any plan assets, expected rates of salary increases, medical cost trend rates, estimated retirement dates, mortality rates.

The significant assumptions used to account for pensions and other post-retirement benefits are determined as follows: (i) discount and inflation rates reflect the rates at which the benefits could be effectively settled, taking into account the duration of the obligation. Indications used in selecting the discount rate include rates of annuity contracts and rates of return on high-quality fixed-income investments (such as government bonds). Inflation rates reflect market conditions observed country by country; (ii) the future salary levels of individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority, promotion and other factors; (iii) healthcare cost trend assumptions reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current healthcare cost trends including healthcare inflation, changes in healthcare utilisation, and changes in health status of the participants; (iv) demographic assumptions such as mortality, disability and turnover reflect the best estimate for these future events for the individual employees involved, based principally on available actuarial data; (v) determination of expected rates of return on assets is made through compound averaging. For each plan, the distribution of investments among bonds, equities and cash and the expected rates of return on bonds, equities and cash are taken into account. A weighted-average rate is then calculated.

Differences between projected and actual costs and between the projected return and the actual return on plan assets routinely occur and are called actuarial gains and losses. Saipem applies the corridor method to amortise its actuarial losses and gains. This method amortises on a pro-rata basis the net cumulative actuarial gains and losses that exceed 10% of the greater of: (i) the present value of the defined benefit obligation and (ii) the fair value of plan assets, over the average expected remaining working lives of the employees participating in the plan.

Additionally, obligations for other long-term benefits are determined by adopting actuarial assumptions; the effect of changes in actuarial assumptions or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

Scope of consolidation at June 30, 2007

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
CONSOLIDATING COMPANY							
Saipem SpA	San Donato Milanese	EUR	441,410,900	Eni SpA Saipem SpA Third parties	42.91 1.34 55.75		
CONTROLLED COMPANIES							
ITALY							
Consorzio Ras - Realizzazioni Attraversamenti Sotterranei (**)	Udine	EUR	10,329	Snamprogetti SpA Third parties	51.00 49.00		E.M.
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00		Co.
Energy Maintenance Services SpA	San Donato Milanese	EUR	9,020,216	Saipem SpA	100.00	100.00	F.C.
Engineering & Management Services SpA	San Donato Milanese	EUR	309,600	Snamprogetti SpA	100.00	100.00	F.C.
Intermare Sarda SpA	Tortolì	EUR	6,708,000	Saipem SpA	100.00	100.00	F.C.
Saipem Energy International SpA	San Donato Milanese	EUR	2,550,000	Saipem SpA	100.00	100.00	F.C.
Saipem FPSO SpA	San Donato Milanese	EUR	884,000	Saipem SpA	100.00	100.00	F.C.
Saipem Projects SpA	San Donato Milanese	EUR	216,500,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti SpA	San Donato Milanese	EUR	103,200,000	Saipem Projects SpA	100.00	100.00	F.C.
Snamprogetti Sud SpA	Vibo Valentia	EUR	5,000,040	Snamprogetti SpA	100.00	100.00	F.C.
ABROAD							
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	231,150,000	Snamprogetti SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Bannorsud - Comercio, Serviços de Consultoria e Investimentos Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) Gestão de Participações SGPS SA	100.00		E.M.
Boscongo sa	Pointe Noire (Congo)	XAF	200,000,000	Saipem sa Third parties	99.98 0.02	100.00	F.C.
BOS Investment Ltd	London (United Kingdom)	GBP	5,000,000	Saipem sa	100.00	100.00	F.C.
BOS-UIE Ltd	London (United Kingdom)	GBP	3,300,000	BOS Investment Ltd	100.00	100.00	F.C.
Camom Gesellschaft fur Instandhaltung und Montagen GmbH (***)	Frankfurt (Germany)	EUR	26,000	Camom sa	100.00	100.00	F.C.
Camom Industrie Instandhaltung GmbH & Co Kg (***)	Spergau (Germany)	EUR	25,565	Camom Gesellschaft fur Instandhaltung und Montagen GmbH	100.00		Co.
Camom Industrie Instandhaltung Verwaltungs GmbH (***)	Spergau (Germany)	EUR	25,565	Camom Gesellschaft fur Instandhaltung und Montagen GmbH	100.00		Co.
Camom sa (***)	Montigny le Bretonneux (France)	EUR	2,897,500	Saipem sa	100.00	100.00	F.C.
CENMC Canada Inc (**)	Montreal (Canada)	CAD	1	Snamprogetti Canada Inc	100.00	100.00	F.C.
Delong Hersent - Estudos, Construções Maritimas e Participações, Unipessoal Lda	Funchal (Portugal)	EUR	5,000	Saipem sa	100.00	100.00	F.C.
Entreprise Nouvelle Marcellin sa	Marseille (France)	EUR	1,018,700	Saipem sa	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.

(*) F.C. = full consolidation, P.C. = proportional consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Up for disposal.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
European Marine Contractors Ltd	London (United Kingdom)	GBP	1,000,000	European Marine Investments Ltd Saipem UK Ltd	50.00 50.00	100.00	F.C.
European Marine Investments Ltd	London (United Kingdom)	USD	20,000,000	Saipem International BV	100.00	100.00	F.C.
European Maritime Commerce BV	Amsterdam (Netherlands)	EUR	18,000	ERS - Equipment Rental & Services BV	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Snamprogetti Management Services SA	100.00	100.00	F.C.
Guangdong Contractor Snc	Montigny le Bretonneux (France)	EUR	1,000	Entreprise Nouvelle Marcellin sa Third parties	60.00 40.00	60.00	P.C.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	100,000	Services et Equipements Gaziers et Petroliers sa Third parties	55.00 45.00	55.00	F.C.
Hazira Marine Engineering & Construction Management Private Ltd	Mumbai (India)	INR	100,000	Saipem sa Sofresid sa	99.99 0.01	100.00	F.C.
Katran-K Llc	Krasnodar (Russian Federation)	RUB	1,603,800	Saipem International BV	100.00	100.00	F.C.
Moss Arctic Offshore AS	Lysaker (Norway)	NOK	100,000	Moss Maritime AS	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime Inc	Houston (USA)	USD	145,000	Moss Maritime AS	100.00	100.00	F.C.
Moss Offshore AS	Lysaker (Norway)	NOK	20,000,000	Moss Maritime AS	100.00	100.00	F.C.
Nigerian Services & Supply Co Ltd	Lagos (Nigeria)	NGN	40,000,000	Saipem sa	100.00	100.00	F.C.
North Caspian Service Co Llp	Almaty (Kazakhstan)	KZT	1,910,000,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Iquitos (Peru)	PEN	100,719,045	Saipem International BV	100.00	100.00	F.C.
Petromar Lda	Luanda (Angola)	USD	357,143	Delong Hersent - Estudos, Construções Maritimas e Participações, Unipessoal Lda Third parties	70.00 30.00	70.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	30,290,000	Saipem International BV	100.00	100.00	F.C.
Sagio - Companhia Angolana de Gestão de Instalações Offshore Lda	Luanda (Angola)	AOA	1,600,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	60.00 40.00		E.M.
Saibos Akogep Snc	Montigny le Bretonneux (France)	EUR	39,000	Saipem sa Third parties	70.00 30.00	70.00	P.C.
Saibos Construções Maritimas Lda	Funchal (Portugal)	EUR	27,551,052	Saipem sa	100.00	100.00	F.C.
Saibos FZE (**)	Dubai (United Arab Emirates)	AED	1,000,000	Saibos Construções Maritimas Lda	100.00	100.00	F.C.
Saigut SA de Cv	Ensenada (Mexico)	MXN	90,050,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saimexicana SA de Cv	Mexico City (Mexico)	MXN	50,000	Saipem sa	100.00	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	1,033,500	Saipem International BV Third parties	41.94 58.06	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89,41	F.C.
Saipem (Portugal) Comércio Marítimo Lda	Funchal (Portugal)	EUR	299,278,738	Saipem (Portugal) Gestão de Participações SGPS SA	100.00	100.00	F.C.
Saipem (Portugal) - Gestão de Participações SGPS Sociedade Unipessoal SA	Funchal (Portugal)	EUR	49,900,000	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	50,000,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina S.a.m.i.c. y F. (**)	Buenos Aires (Argentina)	ARS	150,000	Saipem International BV Third parties	98.77 1.23		E.M.
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd (****)	Sydney (Australia)	AUD	10,661,000	Saipem International BV	100.00		E.M.
Saipem Contracting (Nigeria) Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem Contracting Algerie SpA	Hassi Messaoud (Algeria)	DZD	290,000,000	Sofresid sa	100.00	100.00	F.C.
Saipem do Brasil Serviços de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	14,719,299	Saipem FPSO SpA	100.00	100.00	F.C.
Saipem Engineering Nigeria Ltd	Lagos (Nigeria)	NGN	72,000,000	Saipem International BV Third parties	98.96 1.04		E.M.
Saipem Holding France sas	Montigny le Bretonneux (France)	EUR	40,000	Saipem International BV	100.00	100.00	F.C.
Saipem India Project Services Ltd	Chennai (India)	INR	47,000,000	Saipem sa	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Logistics Services Ltd	Lagos (Nigeria)	NGN	55,000,000	Saipem International BV	100.00	100.00	F.C.
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem (Portugal) Gestão de Participações SGPS SA	100.00	100.00	F.C.
Saipem Mediterranean Services Llc	Rijeka (Croatia)	HRK	1,500,000	Saipem International BV	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV European Maritime Commerce BV	99.92 0.04 0.04	100.00	F.C.
Saipem Perfurações e Construções Petroliferas Lda	Funchal (Portugal)	EUR	224,459	Saipem (Portugal) Gestão de Participações SGPS SA	100.00	100.00	F.C.
Saipem sa	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Mexico City (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Services SA	Bruxelles (Belgium)	EUR	61,500	Saipem International BV ERS - Equipment Rental & Services BV	99.98 0.02	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	25,000	Saipem sa	100.00	100.00	F.C.
Saipem UK Ltd	New Malden (United Kingdom)	GBP	6,470,000	Saipem International BV	100.00	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Saipem Venezuela SA	Caracas (Venezuela)	VEB	20,000,000	Saipem sa Third parties	99.95 0.05		Co.
SAIR Construções Mecanicas de Estruturas Maritimas Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	86.00 14.00	86.00	F.C.
SAS Port de Tanger Unipersonelle	Montigny le Bretonneux (France)	EUR	37,000	Saipem sa	100.00	100.00	F.C.
Saudi Arabian Saipem Ltd	Al Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV Third parties	60.00 40.00	100.00	F.C.
Services et Equipements Gaziers et Petroliers sa	Donges (France)	EUR	38,125	Saipem sa Third parties	99.76 0.24	100.00	F.C.
Shipping and Maritime Services Ltd	Lagos (Nigeria)	NGN	13,000,000	ERS - Equipment Rental & Services BV	100.00		E.M.
Snamprogetti Africa (Nigeria) Ltd	Lagos (Nigeria)	NGN	5,000,000	Snamprogetti Netherlands BV Snamprogetti Management Services SA	99.00 1.00		E.M.
Snamprogetti Canada Inc	Montreal (Canada)	CAD	100,100	European Maritime Commerce BV Snamprogetti Netherlands BV	67.53 32.47	100.00	F.C.
Snamprogetti Engineering BV	Amsterdam (Netherlands)	EUR	18,151	Snamprogetti Netherlands BV	100.00		E.M.
Snamprogetti France sàrl	Paris (France)	EUR	22,867	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Kazakhstan Llp (**)	Almaty (Kazakhstan)	KZT	15,000,000	Snamprogetti Netherlands BV Snamprogetti Management Services SA	99.00 1.00		E.M.
Snamprogetti Ltd	Basingstoke (United Kingdom)	GBP	15,000,000	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV Third parties	99.00 1.00	99.00	F.C.
Snamprogetti Management Services SA	Geneva (Switzerland)	CHF	50,000,000	Snamprogetti Netherlands BV Third parties	99.99 0.01	100.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	92,117,340	Snamprogetti SpA	100.00	100.00	F.C.
Snamprogetti Romania Srl	Bucharest (Romania)	RON	5,034,100	Snamprogetti Netherlands BV Snamprogetti Management Services SA	99.00 1.00	100.00	F.C.
Snamprogetti Saudi Arabia Ltd	Al Khobar (Saudi Arabia)	SAR	100,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Snamprogetti USA Inc	Dover (USA)	USD	2,000	Saipem International BV	100.00	100.00	F.C.
SNC Saipem - Bouygues TP	Monaco (Principality of Monaco)	EUR	10,000	Saipem sa Third parties	70.00 30.00	70.00	P.C.
Société de Construction d'Oleoducs Snc	Montigny le Bretonneux (France)	EUR	39,000	Services et Equipements Gaziers et Petroliers sa Entreprise Nouvelle Marcellin sa	99.90 0.10	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Sofresid Engineering sa	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid sa Third parties	99.99 0.01	100.00	F.C.
Sofresid sa	Montigny le Bretonneux (France)	EUR	8,253,840	Saipem sa	100.00	100.00	F.C.
Sonsub AS	Randaberg (Norway)	NOK	1,882,000	Saipem International BV	100.00	100.00	F.C.
Sonsub International Pty Ltd	Sydney (Australia)	AUD	13,157,570	Saipem International BV	100.00	100.00	F.C.
Sonsub Ltd	Aberdeen (United Kingdom)	GBP	5,901,028	Saipem International BV	100.00	100.00	F.C.
Star Gulf Free Zone Co	Dubai (United Arab Emirates)	AED	500,000	Saipem (Portugal) Gestão de Participações SGPS SA Saipem (Portugal) Comércio Marítimo Lda	80.00 20.00	100.00	F.C.
STTS Snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem sa Third parties	60.00 40.00	60.00	P.C.
Sud Est Cie sa	Aix en Provence (France)	EUR	152,704	Sofresid sa Third parties	99.62 0.38		Co.
TBE Ltd	Damietta (Egypt)	EGP	50,000	Saipem sa Third parties	70.00 30.00	70.00	F.C.
Varisal - Serviços de Consultadoria e Marketing Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) Gestão de Participações SGPS SA	100.00		E.M.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
ASSOCIATED COMPANIES							
ITALY							
ASG Scarl	San Donato Milanese	EUR	50,864	Snamprogetti SpA Third parties	55.41 44.59	55.41	P.C.
Bormida 2005 Scarl (**)	Cesena	EUR	10,000	Snamprogetti SpA Third parties	45.00 55.00		E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Snamprogetti SpA Saipem SpA Third parties	50.10 0.26 49.64	50.36	P.C.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Snamprogetti SpA Saipem SpA Third parties	40.00 12.00 48.00		E.M.
Consorzio Bonifica Aree e Siti Inquinati	Milan	EUR	20,658	Snamprogetti SpA Third parties	50.00 50.00		E.M.
Consorzio Controlli Integrati in Agricoltura (**)	Rome	EUR	51,646	Snamprogetti SpA Third parties	22.50 77.50		E.M.
Consorzio Snamprogetti Abb Lg Chemicals	San Donato Milanese	EUR	50,000	Snamprogetti SpA Third parties	50.00 50.00	50.00	P.C.
Consorzio U.S.G. (**)	Parma	EUR	25,823	Saipem SpA Third parties	40.00 60.00		Co.
ITA - Consorzio Italiano per il Telerilevamento dell'Ambiente e dell'Agricoltura	Rome	EUR	12,395	Snamprogetti SpA Third parties	49.00 51.00		E.M.
Modena Scarl	San Donato Milanese	EUR	400,000	Snamprogetti SpA Third parties	59.33 40.67	59.33	P.C.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Snamprogetti SpA Third parties	53.57 46.43	53.57	P.C.
Rosbos Scrl (**)	Ravenna	EUR	10,400	Saipem sa Third parties	50.00 50.00		E.M.
Rosfin Srl	Ravenna	EUR	9,649,200	Saipem sa Third parties	33.30 66.70		Co.
SP - TKP Fertilizer Srl	San Donato Milanese	EUR	50,000	Snamprogetti SpA Third parties	50.00 50.00	50.00	P.C.
TSKJ Italia Srl	San Donato Milanese	EUR	50,000	Snamprogetti SpA Third parties	25.00 75.00		E.M.
ABROAD							
02 Pearl snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Africa Oil Services sa (**)	Guyancourt (France)	EUR	37,500	Services et Equipements Gaziers et Petroliers sa Third parties	44.90 55.10		E.M.
Ateliers Ferroviaires d'Artix sas	Artix (France)	EUR	80,000	Camom sa Third parties	49.48 50.52		Co.
Barber Moss Ship Management AS	Lysaker (Norway)	NOK	1,000,000	Moss Maritime AS Third parties	50.00 50.00		E.M.
Bonny Project Management Co Ltd	Greenford (United Kingdom)	GBP	1,000	LNG - Serviços e Gestão de Projectos Lda	100.00		E.M.
BOS Shelf Ltd Society	Baku City (Azerbaijan)	AZN	10,000,000	Star Gulf Free Zone Co Third parties	50.00 50.00	50.00	P.C.
Charville - Consultores e Serviços, Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
CMS&A Wll	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	P.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Dalia Floater Angola Snc	Courbevoie (France)	EUR	0.1	Entreprise Nouvelle Marcellin sa Third parties	27.50 72.50	27.50	P.C.
Doris Development Canada Ltd	St. John's (Canada)	CAD	10,000	Doris Engineering sa	100.00		Co.
Doris Engineering sa	Paris (France)	EUR	3,571,440	Sofresid sa Third parties	40.00 60.00		E.M.
Doris USA Inc	Houston (USA)	USD	1,500,000	Doris Engineering sa	100.00		E.M.
Fertlizantes Nitrogenados de Oriente CEC	Caracas (Venezuela)	VEB	9,667,827,216	Snamprogetti Netherlands BV Third parties	20.00 80.00		E.M.
Fertlizantes Nitrogenados de Oriente SA	Caracas (Venezuela)	VEB	286,549	Snamprogetti Netherlands BV Third parties	20.00 80.00		E.M.
Fertlizantes Nitrogenados de Venezuela CEC	Josè - Edo. Anzategui (Venezuela)	VEB	312,214,634,511	Fertlizantes Nitrogenados de Oriente CEC	100.00		Co.
Fertlizantes Nitrogenados de Venezuela Srl	Josè - Edo. Anzategui (Venezuela)	VEB	287,000	Fertlizantes Nitrogenados de Oriente CEC	100.00		Co.
FPSO Firenze Produção de Petròleo, Lda	Funchal (Portugal)	EUR	50,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
FPSO Mystras (Nigeria) Ltd	Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras Produção de Petroleo Lda	100.00	50.00	P.C.
FPSO Mystras - Produção de Petròleo, Lda	Funchal (Portugal)	EUR	50,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
Gaztransport et Technigaz sas	Saint Remy Les Chevreuse (France)	EUR	370,288	Saipem sa Third parties	30.00 70.00		E.M.
Haldor Topsøe AS (***)	Lyngby (Denmark)	DKK	55,000,000	Snamprogetti Management Services SA Third parties	50.00 50.00	50.00	P.C.
Haldor Topsøe Inc USA (***)	Houston (USA)	USD	5,000,000	Haldor Topsøe AS	100.00	50.00	P.C.
Haldor Topsøe India Private Ltd (***)	New Delhi (India)	INR	100,000	Haldor Topsøe Int AS Third parties	99.99 0.01	50.00	P.C.
Haldor Topsøe Int AS (***)	Lyngby (Denmark)	DKK	500,000	Haldor Topsøe AS	100.00	50.00	P.C.
Kazakhoil Bouygues Offshore Sarl	Almaty (Kazakhstan)	KZT	1,000,000	Saipem sa Third parties	50.00 50.00		Co.
Kwanda Suporto Logistico Lda	Luanda (Angola)	AOA	25,510,204	Delong Hersent - Estudos, Construções Maritimas e Participações, Unipessoal Lda Third parties	40.00 60.00		E.M.
Lipardiz - Construção de Estruturas Maritimas, Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
LNG - Serviços e Gestão de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00		E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
Moss Krylov Maritime	St. Petersburg (Russian Federation)	RUB	98,000	Moss Maritime AS Third parties	50.00 50.00		E.M.

(*) F.C. = full consolidation, P.C. = proportional consolidation, E.M. = equity method, Co. = cost method
(***) Up for disposal.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Moss Mosvold II Management Lda	Funchal (Portugal)	EUR	5,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	50.00 50.00		E.M.
Nigetecsa Free Zone Enterprise	Olokola (Nigeria)	USD	40,000	Saipem International BV Third parties	50.00 50.00		E.M.
Offshore Design Engineering Ltd	London (United Kingdom)	GBP	100,000	Saipem sa Doris Engineering	50.00 50.00	50.00	P.C.
PMS - Petrochemicals Maintenance Services GmbH	Leuna (Germany)	EUR	200,000	Camom Gesellschaft fur Instandhaltung und Montagen GmbH Third parties	25.00 75.00		E.M.
RPCO Enterprises Ltd	Nicosia (Cyprus)	CYP	10,000	Snamprogetti Netherlands BV Third parties	50.00 50.00	50.00	P.C.
Saipar Drilling Co BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Saipem Aban Drilling Co Private Ltd	Chennai (India)	INR	50,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Saipem Kharafi National MMO Fz Co	Dubai (United Arab Emirates)	AED	600,000	Saipem International BV Third parties	50.00 50.00		E.M.
Saipem Triune Engineering Private Ltd	New Delhi (India)	INR	200,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
SEA Tank Co sa	Paris (France)	EUR	46,800	Doris Engineering sa Third parties	99.62 0.38		Co.
Servicios de Construçiones Caucedo sa	Santo Domingo (Dominican Republic)	DOP	100,000	Saipem sa Third parties	49.70 50.30	49.70	P.C.
Société pour la Realisation du Port de Tanger Mediterranée	Anjra (Morocco)	EUR	33,000	SAS Port de Tanger Third parties	33.33 66.67	33.33	P.C.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem (Portugal) Gestão de Participações SGPS SA Third parties	50.00 50.00	50.00	P.C.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Snamprogetti France Sarl Third parties	50.00 50.00	50.00	P.C.
SSS-Capital Llc	Moscow (Russian Federation)	RUB	100,000	Starstroi Security Llc Third parties	99.00 1.00		E.M.
Starstroi Llc	Krasnodar (Russian Federation)	RUB	7,699,490	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Starstroi - Sakhalin - Bezopasnost sarl	Yuzhno (Russian Federation)	RUB	300,000	Starstroi Security Llc	100.00		E.M.
Starstroi Security Llc	Krasnodar (Russian Federation)	RUB	300,000	Starstroi Llc	100.00		E.M.
Subcontinental Ammonia Investment Co ApS (***)	Lyngby (Denmark)	DKK	1,000,000	Haldor Topsøe AS	100.00	50.00	P.C.
Sud-Soyo Urban Development Lda	Soyo (Angola)	AOA	20,000,000	Delong Hersent - Estudos, Construções Maritimas e Participações, Unipessoal Lda Third parties	49.00 51.00		E.M.
T.P.C.I. Angola Tecnoprojecto Internacional sa	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00		E.M.
Tchad Cameroon Maintenance BV	Schiedam (Netherlands)	EUR	18,000	Saipem sa Third parties	40.00 60.00		E.M.
Technip-Zachry-Saipem LNG Lp	Houston (USA)	USD	5,000	TZS Llc (NV) TZS Llc (TX)	99.00 1.00	20.00	P.C.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Linda a Velha Oeiras (Portugal)	EUR	700,000	Saipem sa Third parties	42.50 57.50		E.M.

(*) F.C. = full consolidation, P.C. = proportional consolidation, E.M. = equity method, Co. = cost method
(***) Up for disposal.

Company	Registered office	Currency	Share capital	Shareholders	% held	Saipem's consolidation (%)	Method of consolidation or accounting principle (*)
Topsøe Fuel Cell AS (***)	Lyngby (Denmark)	DKK	15,000,000	Haldor Topsøe AS	100.00	50.00	P.C.
TS USAN Snc	Courbevoie (France)	EUR	20,000	Saipem sa Third parties	50.00 50.00		E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Serviços de Engenharia Lda	100.00		E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00		E.M.
TSKJ - Serviços de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00		E.M.
TSKJ - US Llc	Wilmington (USA)	USD	1,000	Snamprogetti USA Inc Third parties	25.00 75.00		E.M.
TSLNG Snc	Courbevoie (France)	EUR	20,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
TSS Dalia Snc	Courbevoie (France)	EUR	0	Saipem sa Third parties	27.50 72.50	27.50	P.C.
TZS Llc (NV)	Reno (USA)	USD	10,000	Saipem America Inc Third parties	20.00 80.00	20.00	P.C.
TZS Llc (TX)	San Antonio (USA)	USD	5,000	Saipem America Inc Third parties	20.00 80.00	20.00	P.C.
Upstream Constructors International Fz Co (**)	Jebel Ali (United Arab Emirates)	AED	600,000	Saibos Construções Maritimas Lda Third parties	50.00 50.00	50.00	P.C.
ZAO Haldor Topsøe (***)	Moscow (Russian Federation)	RUB	3,500,000	Haldor Topsøe AS	100.00	50.00	P.C.

The Saipem Group comprises 183 companies: 82 are consolidated using the full consolidation method, 43 the proportional method; 45 the equity method and 13 the cost method.

(*) F.C. = full consolidation, P.C. = proportional consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Up for disposale.

Variations to the scope of consolidation

Variations to the scope of consolidation, with respect to the consolidated financial statements at December 31, 2006, are detailed hereunder in date order.

New incorporations, disposals, liquidations and changes to the consolidation method:
- on February 21, 2007, the company **Bos Italia Srl**, consolidated using the equity method, was delisted from the Register of Companies;
- on February 21, 2007, the company **Upstream Constructors International Fz Co**, previously consolidated using the proportional method, was put into liquidation;
- on February 21, 2007, the company **Saibos FZE**, previously consolidated using the full consolidation method, was put into liquidation;
- on March 4, 2007, the company **Bormida 2005 Scarl**, previously consolidated using the equity method, was put into liquidation;
- on March 7, 2007, the Angolan company **Sud-Soyo Urban Development Lda** was incorporated and is consolidated using the equity method;
- on March 15, 2007, the French company **TSLNG Snc** was incorporated and is consolidated using the proportional method;
- on March 26, 2007, the company **Société Nouvelle Technigaz sa**, previously consolidated using the full consolidation method, was put into liquidation and delisted from the Register of Companies on June 4, 2007;
- on April 9, 2007, the company **Saipem Argentina S.a.m.i.c. y F.**, previously consolidated using the equity method, was put into liquidation;
- on April 10, 2007, the Nigerian company **Nigetecsa Free Zone Enterprise** was incorporated and is consolidated using the equity method;
- on April 19, 2007, 100% of the share capital in the Portuguese company **Bannorsud - Comercio, Serviços de Consultoria e Investimentos Lda** was purchased from third parties. The company is consolidated using the equity method;
- on April 30, 2007, European Maritime Commerce BV sold the company **CENMC Canada Inc** to Snamprogetti Canada Inc and on the same date it was put into liquidation;
- on June 6, 2007, the French company **TS USAN Snc** was incorporated and is consolidated using the equity method;
- on June 15, 2007, 20% of the share capital in the company **Saigut SA de Cv** was purchased from third parties. At June 30, 2007 the company is fully owned by Saimexicana SA de Cv;
- on June 21, 2007, the company **Africa Oil Services sa**, previously consolidated using the equity method, was put into liquidation;
- on June 30, 2007, the company **Snamprogetti Romania Srl**, previously consolidated using the equity method, was consolidated using the full consolidation method, since it has reached relevant size.

Change of company names or transfer of holdings between group companies, not affecting the scope of consolidation:
- on February 23, 2007, Saipem International BV sold the company **Global Petroprojects Services AG**, consolidated using the full consolidation method, to Snamprogetti Management Services SA;
- on March 20, 2007, Snamprogetti Netherlands BV sold the company **Mangrove Gas Netherlands BV**, consolidated using the proportional method, to Saipem (Portugal) - Gestão de Participações SGPS Sociedade Unipessoal SA;
- on March 28, 2007, Snamprogetti Netherlands BV sold the company **Charville - Consultores e Serviços Lda**, consolidated using the proportional method, to Saipem (Portugal) - Gestão de Participações SGPS Sociedade Unipessoal SA;
- on April 12, 2007, Snamprogetti Netherlands BV sold the company **Southern Gas Constructors Ltd**, consolidated using the proportional method, to Saipem (Portugal) - Gestão de Participações SGPS Sociedade Unipessoal SA;
- on June 4, 2007, the company Société Nouvelle Technigaz sa sold to Saipem sa its holding in **Gaztransport et Technigaz sas**, consolidated using the equity method;
- on June 4, 2007, the company Société Nouvelle Technigaz sa sold to Saipem sa its holding in **STTS Snc**, consolidated using the proportional method;
- on June 4, 2007, the company **TBE Ltd**, consolidated using the full consolidation method, was sold by Société Nouvelle Technigaz sa to Saipem sa;
- on June 5, 2007, the company Snamprogetti Management Services SA sold to Snamprogetti Netherlands BV its holding in **Andromeda Consultoria Tecnica e Representações Ltda**, consolidated using the full consolidation method;

- on June 5, 2007, the company **Snamprogetti Ltd**, consolidated using the full consolidation method, was sold by Snamprogetti Management Services SA to Snamprogetti Netherlands BV;
- on June 5, 2007, the company **Snamprogetti Saudi Arabia Ltd**, consolidated using the full consolidation method, was sold by Snamprogetti Management Services SA to Saipem International BV;
- on June 5, 2007, the company **Snamprogetti USA Inc**, consolidated using the full consolidation method, was sold by Snamprogetti Netherlands BV to Saipem International BV;
- on June 8, 2007, the company Camom sa sold to Entreprise Nouvelle Marcellin sa its holding in **Société de Construction d'Oleoducs Snc**, consolidated using the full consolidation method.

Information required by IAS 31 relating to the financial data of jointly controlled companies consolidated using the proportional method is provided under Note 41.

Variation of functional currency
No variations of functional currency occurred in the first half of 2007.

Notes to the consolidated financial statements

Current activities

1 Cash and cash equivalents

Cash and cash equivalents amounted to €1,540 million (€1,322 million at December 31, 2006), an increase of €218 million versus the previous year, mainly attributable to the Snamprogetti and Saipem sa Groups.
Cash and cash equivalents at the end of June, 55% of which are denominated in euros, 31% in US dollars and 14% in other currencies, earned an average interest rate of 2.61%; €731 million thereof are on deposit with Eni Group financial companies.
Cash and cash equivalents include financial receivables due within 90 days of €30 million.
The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2007 by geographical area (based on the country of domicile of the relevant company) is as follows:

(€ million)	
Italy	491
Rest of Europe	650
CSI	13
Rest of Asia	163
Africa	48
Americas	139
Australia, Oceania and rest of the world	36
Total	**1,540**

Statement of 'Assets and liabilities held for sale' of amounts relating to the Groups of Camom sa and Haldor Topsøe is equal to €53 million.

2 Marketable securities

At June 30, 2007 the company does not hold any marketable securities (€4 million at December 31, 2006).

3 Trade and other receivables

Trade and other receivables of €3,251 million (€3,306 million at December 31, 2006) consist of the following:

(€ million)	Dec. 31, 2006	June 30, 2007
Trade receivables	2,929	2,805
Financing receivables	45	58
Other receivables	332	388
Total	**3,306**	**3,251**

Receivables are recorded net of the allowance for doubtful accounts of €80 million:

(€ million)	Dec. 31, 2006	Increases	Utilisations	Exchange rate differences	Other variations	June 30, 2007
Trade receivables	63	9	-	-	(6)	66
Other receivables	18	-	-	-	(4)	14
Total	**81**	**9**	**-**	**-**	**(10)**	**80**

Trade receivables amounted to €2,805 million, a decrease of €126 million; €259 million of trade receivables are due from Eni and its divisions (€275 million at December 31, 2006).

Trade receivables from related parties are detailed under Note 41.
Trade receivables include advances paid as guarantees of contract work in progress for €67 million (€70 million at December 31, 2006).
Financing receivables of €58 million (€45 million at December 31, 2006) consist mainly of receivables not related to operational activities that Saipem SpA and Snamprogetti SpA hold towards the CEPAV Due Consortium and funds held in time deposit accounts at financial institutions.
Receivables from jointly-controlled companies, with respect to the non-consolidated portion, are as follows:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	86	77
Mangrove Gas Netherlands BV	85	29
Starstroi Security Llc	-	13
CMS&A Wll	88	8
Lipardiz - Construção de Estruturas Maritimas, Lda	7	7
02 Pearl snc	-	6
Saipem Aban Drilling Co Private Ltd	13	5
ASG Scarl	2	2
Charville - Consultores e Serviços, Lda	7	2
TSS Dalia Snc	-	2
RPCO Enterprise Ltd	18	1
FPSO Mystras - Produção de Petròleo, Lda	-	1
Haldor Topsøe AS	3	-
SPF - TKP Omifpro Snc	2	-
FPSO Firenze Produção de Petròleo, Lda	1	-
SP - TKP Fertilizer Srl	1	-
Total	**313**	**153**

Other receivables of €388 million consist of the following:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
Receivables from:		
- insurance companies	8	10
- employees	13	15
- national insurance/social security contributions	1	5
- non-financial public administrations	4	3
- consultants and professionals	-	5
Pre-payments for services	210	233
Receivables from joint ventures	19	23
Brokers and other agents	-	4
Guarantee deposits	7	18
Current bills	16	15
Other receivables	54	57
Total	**332**	**388**

The valuation at fair value of trade and other receivables did not have any significant effect.
Statement of 'Assets and liabilities held for sale' of amounts relating to companies up for disposal is equal to €107 million.

4 Inventories

Inventories of €1,159 million (€1,053 million at December 31, 2006) consist of the following:

	Dec. 31, 2006			June 30, 2007		
(€ million)	Contract work in progress	Other	Total	Contract work in progress	Other	Total
Raw and auxiliary materials and consumables	-	278	278	-	230	230
Contract work in progress	488	-	488	710	-	710
Advances	287	-	287	219	-	219
Total	**775**	**278**	**1.053**	**929**	**230**	**1,159**

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

(€ million)	Dec. 31, 2006	Increases	Utilisations	Other variations	June 30, 2007
Inventories valuation allowance	2	-	-	-	2
	2	**-**	**-**	**-**	**2**

Contract work in progress, amounting to €710 million (€488 million at December 31, 2006) includes sums associated with requests for payment not yet formally accepted by clients, but whose recovery is deemed likely, and reasonably ascertained.
Advances of €219 million refer to sums paid to third party suppliers to purchase materials and services relating to contract work in progress on long-term jobs, and concern Snamprogetti and its subsidiaries.
Statement of 'Assets and liabilities held for sale' of amounts relating to the Groups of Camom sa and Haldor Topsøe has had an effect equal to €72 million.
Work in progress on behalf of related parties is detailed under Note 41.

5 Income tax receivables

Income tax receivables of €262 million (€228 million at December 31, 2006) consist of the following:

(€ million)	Dec. 31, 2006	June 30, 2007
- Italian tax authorities:	93	127
. VAT credits	65	89
. income tax credits	12	33
. other	16	5
- Foreign tax authorities:	135	137
. VAT credits	60	35
. income tax credits	52	48
. other	23	52
Total	**228**	**262**

The increase in income tax receivables of €34 million is mainly due to sums to be received by foreign Group companies from local tax authorities (€34 million).
Statement of 'Assets and liabilities held for sale' of amounts relating to the Groups of Camom sa and Haldor Topsøe has had an effect equal to €2 million.

6 Other assets

Other assets of €141 million (€171 million at December 31, 2006) consist of the following:

(€ million)	Dec. 31, 2006	June 30, 2007
Fair value of non-hedging derivatives	19	(4)
Fair value of cash flow hedge derivatives	84	67
Other assets	68	78
Total	**171**	**141**

At June 30, 2007, the fair value evaluation of derivatives showed gains of €63 million (at December 31, 2006 the fair value evaluation of derivatives showed gains of €103 million).
In-depth analysis of the fair value evaluation of derivative contracts can be found under Note 17 'Other current liabilities'.
Other assets at June 30, 2007 amounted to €78 million, an increase of €10 million versus the previous year and comprised: costs to be incurred in future periods of €45 million (€27 million at December 31, 2006); insurance premia of €4 million (€13 million at December 31, 2006), costs of office leases of €9 million and other assets of €20 million.
Current assets towards related parties are detailed under Note 41.

Non-current assets

7 Property, plant and equipment

Tangible assets amounting to €2,650 million (€2,345 million at December 31, 2006) consist of the following:

(€ million)	Net value at the beginning of the period	Investments	Depreciations	Disposals	Variation to the scope of consolidation	Translation differences	Other variations	Net value at the end of the period	Gross value at end of period	Provisions for amortisation and write-downs
Land	14	-	-	-	-	-	(1)	13	13	-
Buildings	172	8	(9)	-	-	-	(17)	154	307	153
Plant and machinery	1,604	89	(101)	(2)	-	(3)	(38)	1,549	3,368	1,819
Industrial and commercial equipment	67	12	(12)	(2)	-	-	1	66	356	290
Other assets	24	31	(10)	-	-	-	(6)	39	133	94
Assets under construction and payments on account	464	379	-	-	-	(1)	(13)	829	829	-
Total	**2,345**	**519**	**(132)**	**(4)**	**-**	**(4)**	**(74)**	**2,650**	**5,006**	**2,356**

Vessels employed in Offshore and Offshore Drilling activities are included under the caption 'Plant and machinery'.
Capital expenditure made during the period, amounting to €519 million (€600 million at December 31, 2006), was mainly in the Offshore sector (€226 million), Onshore (€51 million), Offshore Drilling (€164 million) and Onshore Drilling (€72 million).
In particular, main items of capital expenditure included:

- works on a new semi-submersible drilling platform, Scarabeo 8, equipped to operate in deep-waters, a new pipelayer and a new ultra-deep water drillship Saipem 12000 (€171 million);
- conversion of a tanker into an FPSO unit due to operate on the Golfinho 2 field in Brazil on behalf of Petrobras (€63 million);
- conversion of a second tanker into an FPSO unit due to operate in the Gimboa field in Angola on behalf of P&P (€54 million);
- investments in vessels and equipment for specific projects, mainly for projects in Saudi Arabia and, with regard to preparatory works on Scarabeo 6, for operations in Egypt (€45 million);

- capex to strengthen the operating bases/yards in Kazakhstan and West Africa (€28 million);
- maintenance and upgrading of the existing asset base (€158 million).

Statement of 'Assets and liabilities held for sale' of amounts relating to the Groups of Camom sa and Haldor Topsøe is equal to €74 million.
Property, plant and equipment include assets carried under finance lease amounting to €35 million and refer mainly to the finance lease contract for the utilisation of the semi-submersible platform Scarabeo 5.
Main depreciation rates used are within the following percentage bands:

(%)	
Buildings	2.50 - 12.50
Plant and machinery	7.00 - 25.00
Industrial and commercial equipment	3.75 - 67.00
Other assets	12.00 - 20.00

Exchange rate differences due to the translation of financial statements prepared in currencies other than euro of €4 million mainly relate to companies whose functional currency is the US dollar.
The gross carrying value of fully depreciated property, plant and equipment that is still in use amount to €97 million (€93 million at December 31, 2006) and concern mainly project-specific equipment which has been fully amortised over the life of the project.
During the first half of the year, no government grants were recorded as a decrease of property, plant and equipment and no financial charges were recorded.
The total commitment on current items of capital expenditure at June 30, 2007 amounted to €1,225 million.

Finance lease
At June 30, 2007, the value of assets carried under finance lease is as follows:

(€ million)

Assets under finance lease	Value at Dec. 31, 2006	Value at June 30, 2007	Charges	Residual leasing charges at June 30, 2007	From 1 to 2 years	From 2 to 5 years	Average rate (%)
Semi-submersible platform Scarabeo 5	37	35	2	5	5	-	4.80
Onshore drilling rigs	2	-	-	-	-	-	-
Total	**39**	**35**	**2**	**5**	**5**	**-**	

The value of the semi-submersible platform Scarabeo 5 includes residual costs, to be amortised, of upgrading and major inspections that have been carried out, which amount to a total of €9 million and €8 million at December 31, 2006 and June 30, 2007, respectively.

8 Intangible assets

Intangible assets of €805 million (€849 million at December 31, 2006) consist of the following:

(€ million)	Net value at the beginning of period	Investments	Amortisations	Variation to the scope of consolidation	Exchange rate differences and other variations	Net value at end of period	Gross value at end of period	Provisions for amortisation and write-downs
Intangible assets with a definite life								
Development costs	5	-	(1)	-	-	4	10	6
Industrial patent rights and intellectual property rights	6	1	(3)	-	(1)	3	90	87
Concessions, licenses and trademarks	1	-	-	-	(1)	-	40	40
Intangible assets in progress and advances	2	1	-	-	-	3	3	-
Other intangible assets	1	-	-	-	-	1	17	16
Intangible assets with an indefinite life								
Goodwill	834	-	(3)	-	(37)	794	794	-
Total	**849**	**2**	**(7)**	**-**	**(39)**	**805**	**954**	**149**

Main items of intangible assets contain the following.

Development costs of €4 million pertain mainly to the implementation of software and equipment to improve ultra-deep water operations (€5 million at December 31, 2006).

Industrial patent rights and intellectual property rights of €3 million consist mainly of costs for the roll-out of SAP modules at subsidiary companies (€6 million at December 31, 2006).

Goodwill of €794 million refers to the difference between the purchase price, inclusive of related charges, and the net equity of Saipem sa (€745 million), Sofresid sa (€21 million), the Moss Maritime Group (€15 million), Snamprogetti SpA (€3 million), Saipem India Project Services Ltd (€2 million), Energy Maintenance Services SpA (€1 million) and Saipem Triune Engineering Private Ltd (€7 million).

Other variations of €41 million relate to the restatement of the caption 'Assets and liabilities held for sale' of the goodwill allocated to the Groups of Camom sa, following the acquisition of the Bouygues Offshore Group and of intangible assets of the Haldor Topsøe Group.

To determine the recoverable amount, goodwill has been allocated to the following cash-generating units:

(€ million)	June 30, 2007
Offshore	423
Onshore	371
Total	**794**

The recoverable amount of cash-generating units is determined based on expected cash flow estimated by using the strategic lines of Saipem's 2007-2010 plan and discounted by using current market rates of the time value of money and the risks specific to the asset and terminal growth rates in line with the inflation level implicit in discount rates.

Main depreciation rates used are within the following percentage bands:

(%)	
Development costs	20.00 - 20.00
Industrial patent rights and intellectual property rights	6.66 - 7.50
Concessions, licenses, trademarks and similar (included in 'Industrial patent rights')	20.00 - 20.00
Other intangible assets	20.00 - 33.00

9 Investments accounted for using the equity method

Investments accounted for using the equity method of €137 million (€146 million at December 31, 2006) consist of the following:

(€ million)	Net value at the beginning of period	Acquisitions and subscriptions	Gains from the valuation of investments using the equity method	Losses from the valuation of investments using the equity method	Deductions for dividends	Variation to the scope of consolidation	Exchange rate differences	Other variations	Net value at end of period	Provisions for write-downs
Investments in controlled companies	2	-	-	-	-	-	-	-	2	-
Investments in associated companies	144	-	26	(1)	(39)	-	-	5	135	-
Total	**146**	**-**	**26**	**(1)**	**(39)**	**-**	**-**	**5**	**137**	**-**

Interests in controlled and associated companies at June 30, 2007 are analysed in detail under the section 'Scope of consolidation'.

Gains on investments accounted for using the equity method of €26 million refer mainly to the companies Gaztransport et Technigaz sas (€21 million) and TSKJ - Serviços de Engenharia Lda (€2 million).

Losses on investments accounted for using the equity method of €1 million refer mainly to Doris Engineering sa.

Deduction for dividends of €39 million refer mainly to Gaztransport et Technigaz sas (€28 million) and TSKJ - Serviços de Engenharia Lda (€7 million).

Other variations include the restatement of the caption 'Assets and liabilities held for sale' (-€1 million) and relate to the company PMS - Petrochemicals Maintenance Services GmbH held by Camom sa.

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

(€ million)	Group interest (%)	Net value at Dec. 31, 2006	Net value at June 30, 2007
Saipem Engineering Nigeria Ltd	98.96	1	1
Snamprogetti Engineering BV	100.00	1	1
Total controlled companies		**2**	**2**
Fertlizantes Nitrogenados de Oriente CEC	20.00	88	91
Gaztransport et Technigaz sas	30.00	29	22
Doris Engineering sa	40.00	9	7
Kwanda Suporto Logistico Lda	40.00	3	4
TSKJ - Serviços de Engenharia Lda	25.00	8	4
Tchad Cameroon Maintenance BV	40.00	2	2
LNG - Serviços e Gestão de Projectos Lda	25.00	2	1
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	42.50	1	1
Starstroi - Security Llc	50.00	1	1
Other minority interest		1	2
Total associated companies		**144**	**135**

Provisions for losses related to investments of €2 million (€2 million at December 31, 2006), included in the provisions for contingencies, relate essentially to Sud Est Cie sa.

10 Other investments

Other investments of €6 million (€9 million at December 31, 2006) consist of the following:

(€ million)	Net value at Dec. 31, 2006	Acquisitions and subscriptions	Revaluations	Impairments	Variation to the scope of consolidation	Exchange rate differences	Other variations	Net value at June 30, 2007	Provisions for write-downs
Investments in associated companies	4	-	-	-	-	-	(1)	3	-
Investments in other companies	5	-	-	-	-	-	(2)	3	-
Total	**9**	**-**	**-**	**-**	**-**	**-**	**(3)**	**6**	**-**

Interests in controlled and associated companies at June 30, 2007 are analysed in detail under the section 'Scope of consolidation'.

The caption 'Investments in associated companies' refers to the company Rosfin Srl (€3 million). The caption 'Investments in other companies' refers to Nagarjuna Fertilisers and Chemicals Ltd (€2 million) and Chambal Fertilisers and Chemicals Ltd (€1 million).

Other changes include the valuation at fair value of Nagarjuna Fertilisers and Chemicals Ltd (€1 million) and the reclassification of the caption 'Assets and liabilities held for sale' of interests held by the Haldor Topsøe Group in Karnaphuli Fertilizer Co Ltd and Chambal Fertilisers and Chemicals Ltd (-€3 million).

11 Other financial assets

Other financial assets of €13 million (€40 million at December 31, 2006) consist of the following:

(€ million)	Dec. 31, 2006	June 30, 2007
Fixed asset financial receivables for operating purposes	37	-
Financial receivables for non-operating purposes (IRS)	3	12
Financial receivables for operating purposes	-	1
Total	**40**	**13**

Non-operating financial receivables concern the valuation of IRS contracts held by Saipem SpA (€12 million).

12 Deferred tax assets

Deferred tax assets amounted to €37 million (€47 million at December 31, 2006). Details of deferred tax assets are provided under Note 21.

13 Other non-current assets

Other non-current assets of €32 million (€11 million at December 31, 2006) consist of the following:

(€ million)	Dec. 31, 2006	June 30, 2007
Trade receivables	-	3
Other receivables	11	29
Total	**11**	**32**

Other receivables refer mainly to amounts paid, in compliance with local regulations, to government bodies to be refunded after a set period (20 years) and receivables from foreign tax authorities.

Current liabilities

14 Short-term financial liabilities

Short-term financial liabilities of €2,335 million (€1,865 million at December 31, 2006) consist of the following:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
Banks	139	76
Other financing institutions	1,726	2,259
Total	**1,865**	**2,335**

The increase in short-term financial liabilities of €470 million is primarily due to increased financial requirements needed to implement the investment programme during the period.
The breakdown of short-term financial liabilities by issuing institution, currency, maturity and average interest rate is as follows:

(€ million)		**Dec. 31, 2006**			**June 30, 2007**		
Issuing entity	Currency	Amount	Interest rate %		Amount	Interest rate %	
			from	to		from	to
Eni SpA	Euro	1,382	2.625	3.159	1,486	4.588	4.913
Eni SpA	US Dollar	4	3.738	-	-	-	-
Eni SpA	Swiss Franc	3	3.188	5.559	16	4.520	5.900
Eni SpA	British Pound Sterling	-	-	-	1	5.535	5.5476
Eni Coordination Center sa	Euro	234	3.303	4.366	453	4.753	5.078
Eni Coordination Center sa	US Dollar	27	5.410	6.473	-	-	-
Eni Coordination Center sa	Norwegian Kroner	1	3.188	-	5	4.288	4.688
Eni Coordination Center sa	Swiss Franc	-	-	-	22	1.708	3.088
Eni Coordination Center sa	Brazilian Real	-	-	-	13	11.438	11.688
Eni Coordination Center sa	British Pound Sterling	24	4.808	-	54	5.535	6.360
Eni Coordination Center sa	Saudi Arabian Ryal	-	-	-	56	6.074	6.347
Eni Coordination Center sa	Nigerian Naira	-	-	-	1	14.500	14.500
Eni Coordination Center sa	Russian Rouble	-	-	-	5	10.750	11.450
Eni International Bank	Saudi Arabian Ryal	28	5.201	-	42	5.012	5.285
Eni Dación BV	US Dollar	-	-	-	3	6.000	6.000
Banque Eni SA	Euro	-	-	-	1	-	-
Third parties	Euro	4	0.153	4.116	58	5.378	5.692
Third parties	US Dollar	92	5.453	6.096	73	6.456	6.467
Third parties	Nigerian Naira	-	-	-	39	14.500	14.500
Third parties	Other	66	variable		7	variable	
Total		**1,865**			**2,335**		

Short-term financial liabilities towards related parties are detailed under Note 41.
The current portion of long-term debt, amounting to €37 million (€41 million at December 31, 2006) are analysed under Note 18 'Long-term financial liabilities'.

15 Trade and other payables

Trade and other payables of €4,607 million (€4,434 million at December 31, 2006) consist of the following:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
Trade payables	2,292	2,562
Advances	1,826	1,683
Other payables	316	362
Total	**4,434**	**4,607**

Trade payables amounted to €2,562 million, an increase of €270 million, due to increased Group activities.
Trade payables to the parent company (Eni SpA and divisions) amounted to €10 million, a decrease of €5 million versus December 31, 2006.
Advances of €1,683 million (€1,826 million at December 31, 2006) comprise mainly of adjustments to revenues from long-term contracts in accordance with the accruals concept, made on the basis of the amounts contractually matured (€1,325 million, €1,259 million at December 31, 2006), advances on contract work in progress in excess of inventories (€104 million) and other advances (€254 million).
Trade payables to related parties are detailed under Note 41.
Payables to jointly controlled companies, with regard to the non-consolidated portion, consist of the following:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
ASG Scarl	32	30
Charville - Consultores e Serviços, Lda	85	29
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	29	17
Rodano Consortile Scarl	12	12
RPCO Enterprises Ltd	22	8
Modena Scarl	4	5
Starstroi Llc	-	5
Haldor Topsøe AS	8	-
SP - TKP Fertilizer Srl	2	-
SPF - TKP Omifpro Snc	1	-
Saipem Aban Drilling Co Private Ltd	16	-
Saipem Triune Engineering Private Ltd	15	-
Total	**226**	**106**

Other payables of €362 million consist of the following:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
Payables due to:		
- employees	76	74
- national insurance/social security contributions	61	37
- insurance companies	26	10
- creditors relating to advances	55	31
- consultants and professionals	5	-
Cautionary deposits	-	2
Other payables	93	208
Total	**316**	**362**

Statement of 'Assets and liabilities held for sale' of amounts relating to the Groups of Camom sa and Haldor Topsøe is equal to €114 million.

16 Current tax liabilities

Current tax liabilities of €184 million (€187 million at December 31, 2006) consist of the following:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
Income tax payables	100	114
Other tax liabilities	87	70
Total	**187**	**184**

Current tax liabilities amounted to €184 million, a decrease of €3 million versus December 31, 2006.
Income tax payables of €114 million consist of amounts payable to Italian tax authorities (€52 million) and foreign tax authorities (€62 million).
The increase in income tax payables of €14 million is due to an increase in taxable income related to greater volumes generated by the Group during the period.
The caption 'Other tax liabilities' refers to VAT payable to local tax authorities (€28 million), withholding taxes (€12 million) and other payables (€30 million).

17 Other current liabilities

Other current liabilities of €68 million (€103 million at December 31, 2006) consist of the following:

(€ million)	Dec. 31, 2006	June 30, 2007
Fair value of non-hedging derivatives	26	2
Fair value of hedging derivatives	52	38
Other current liabilities	25	28
Total	**103**	**68**

The fair value of cash flow hedge derivatives was determined based on valuation models and market parameters in use at the time of printing.
The fair value of cash flow hedge derivatives amounted to €23 million and mainly related to derivatives entered into in order to minimise the market risk exposure arising from exchange rate fluctuations on trade transactions.

(€ million)	Dec. 31, 2006	June 30, 2007
Fair value assets on derivatives	103	63
Fair value liabilities on derivatives	(78)	(40)
Total	**25**	**23**

The fair value of Interest Rate Swaps, amounting to €12 million, is detailed under note 11 'Other financial assets'.
Variations in the fair value of hedging contracts featured under the balance sheet item 'Other reserves' amounted to €15 million in respect of exchange rate hedges and €5 million in respect of interest rate hedges, net of taxation. The fair value of hedging contracts relates mainly to future transactions due to occur within 12 months.
The variation in the net equity reserve, which resulted in adjustments to revenues/costs on specific hedged contracts, had a positive effect on the profit and loss account amounting to €35 million.
The variation in the net equity reserve resulting in adjustments to costs on specific hedged investments, caused an increase in tangible assets amounting to €2 million.
With regard to cash flow hedge contracts, the ineffective portion posted to the profit and loss account amounted to a gain of €1 million for exchange rate hedges and €1 million for IRS contracts.
Commitments on derivatives amounted to €6,951 million (€8,115 million at December 31, 2006) and concern commitments on exchange rates (€6,141 million - fair value of +€21 million), interest rates (€800 million - fair value of +€12 million) and goods (€10 million - fair value of -€1 million).
Other liabilities amounted to €28 million (€25 million at December 31, 2006); and comprise mainly of rent charges (€1 million) and other liabilities (€27 million).
Other current liabilities towards related parties are detailed under Note 41.

Fair value of derivatives by type are provided in the following table:

(€ million)	Fair value assets	Fair value liabilities
1) Derivative contracts qualified for hedge accounting:		
- interest derivatives		
. interest rate swaps	12	-
- currency derivatives (Spot value)		
. purchase	9	33
. sale	58	5
Subtotal	79	38
2) Derivative contracts not qualified for hedge accounting (Spot value):		
- currency derivatives		
. purchase	5	7
. sale	4	1
Subtotal	9	8
3) Derivative contracts (Forward value):		
- currency derivatives		
. purchase	2	8
. sale	(16)	(2)
Subtotal	(14)	(6)
4) Derivative contracts not qualified for hedge accounting:		
- commodities	1	-
Subtotal	1	-
Total	**75**	**40**

The table details the fair value of the spot and forward component of exchange rate hedging contracts, since the Group's hedging policy consists of designating only the spot price of derivatives entered into (i.e. the spot on spot difference), excluding the changes in its interest element.

Non-current liabilities

18 Long-term financial liabilities and current portion of long-term debt

Long-term financial liabilities, inclusive of the current portion of long-term debt, amounted to €859 million (€926 million at December 31, 2006) and consist of the following:

	Dec. 31, 2006			June 30, 2007		
(€ million)	Short-term maturity	Long-term maturity	Total	Short-term maturity	Long-term maturity	Total
Banks	37	543	580	-	479	479
Other financing institutions	4	342	346	37	343	380
Total	**41**	**885**	**926**	**37**	**822**	**859**

Maturity terms are as follows:

(€ million)

Type	Maturity	2008	2009	2010	2011	After
Banks	2007-2014	-	179	200	100	-
Other financing institutions	2007-2014	37	343	-	-	-
Total		**37**	**522**	**200**	**100**	**-**

Long-term debt of €859 million decreased by €67 million, due mainly to the reclassification under the caption 'Assets and liabilities held for sale' of amounts relating to the Group Haldor Topsøe AS (€57 million). Borrowing from banks decreased by €101 million, only partially offset by increased borrowing from other financing institutions of €34 million.
Saipem has financing facilities with Interbanca SpA amounting to €75 million, which require that the company respect certain covenants based on the Saipem Group consolidated financial statements. These conditions were met in full.
Breakdown of long-term financial liabilities, inclusive of the current portion of long-term debt by issuing institution, currency, maturity and average interest rate is as follows:

(€ million)

			Dec. 31, 2006			June 30, 2007		
Issuing entity	Currency	Maturity	Amount	Interest rate %		Amount	Interest rate %	
				from	to		from	to
Sofid SpA	Euro	2007	7	3.900	-	6	4.800	-
Eni International Bank	US Dollar	2007	91	5.473	-	81	5.598	5.610
Third parties	Euro	2007-2010	776	3.072	3.840	530	4.506	4.816
Third parties	US Dollar	2007	31	5.310	6.223	3	5.240	-
Third parties	British Pound Sterling	2007-2011	-	-	-	227	6.053	-
Third parties	Other	2007	21	variable		12	variable	
Total			**926**			**859**		

Long-term financial liabilities towards related parties are detailed under Note 41.
There are no financial liabilities guaranteed by mortgages and liens on fixed assets of consolidated companies or by pledges on securities and fixed deposits.
The market value of long-term debt, including the current portion of long-term debt, amounted to €730 million (€776 million at December 31, 2006) and was calculated by discounting future cash flows using rates within the following bands:

(%)	2006	2007
Euro	3.23-4.13	4.175-4.756
US Dollar	5.16-5.67	4.586-5.364
British Pound Sterling	5.18-5.41	6.249-6.339

Detailed analysis of net financial debt as indicated under the caption 'Financial and economic results' is as follows:

(€ million)	Dec. 31, 2006 Current	Dec. 31, 2006 Non-current	Dec. 31, 2006 Total	June 30, 2007 Current	June 30, 2007 Non-current	June 30, 2007 Total
A. Cash and cash equivalents	1,283	-	1,283	1,510	-	1,510
B. Cash and cash equivalents:						
- current non-operating financial receivables due within 90 days	39	-	39	30	-	30
C. Securities available for sale and held-to-maturity investments	4	-	4	-	-	-
D. Liquidity (A+B+C)	**1,326**	**-**	**1,326**	**1,540**	**-**	**1,540**
E. Financial receivables	45	3	48	58	12	70
F. Current financial liabilities due to banks	139	-	139	76	-	76
G. Non-current financial liabilities due to banks	37	543	580	-	479	479
H. Current financial liabilities due to related parties	1,704	-	1,704	2,158	-	2,158
I. Non-current financial liabilities due to related parties	3	95	98	6	81	87
L. Other current financial liabilities	22	-	22	101	-	101
M. Other non-current financial liabilities	1	247	248	31	262	293
N. Gross financial debt (-E+F+G+H+I+L+M)	**1,861**	**882**	**2,743**	**2,314**	**810**	**3,124**
O. Net financial debt (D-N)	**535**	**882**	**1,417**	**774**	**810**	**1,584**

Net financial debt includes IRS liabilities; however it does not include fair value of derivatives as indicated in Note 6 'Other assets' and Note 17 'Other current liabilities'.
Non-operating financial receivables of €58 million (€45 million at December 31, 2006) consist mainly of amounts to be received by Saipem SpA and Snamprogetti SpA from the CEPAV Due Consortium and financial receivables from fixed-term bank deposits at financial institutions.

19 Provisions for contingencies

Provisions for contingencies of €157 million (€178 million at December 31, 2006) consist of the following:

(€ million)	Opening balance	Provisions	Utilisation	Other variations	Closing balance
December 31, 2006					
Income tax provisions	27	9	-	1	37
Provisions for contractual penalties and disputes	8	2	(2)	1	9
Provisions for losses on investments	2	-	-	-	2
Provisions for redundancy incentives	-	1	-	1	2
Other provisions	62	66	(36)	36	128
Total	**99**	**78**	**(38)**	**39**	**178**
June 30, 2007					
Income tax provisions	37	1	-	(2)	36
Provisions for contractual penalties and disputes	9	-	-	(2)	7
Provisions for losses on investments	2	-	-	-	2
Provisions for redundancy incentives	2	-	-	(2)	-
Other provisions	128	7	(19)	(4)	112
Total	**178**	**8**	**(19)**	**(10)**	**157**

Income tax provisions amounting to €36 million refer entirely to disputes with fiscal authorities in foreign countries that, based on recent assessments, are still pending.
Provisions for contractual penalties and disputes amounted to €7 million and comprised entirely of accruals by a foreign subsidiary to cover a conservative estimate of current disputes.
Provisions for losses on investments amounted to €2 million and represent losses incurred to date in excess of the carrying value of investments and relate to investments held by Saipem sa.
Other provisions stood at €112 million and represented an estimate of expected losses on long-term contracts in the Offshore and Onshore sectors. With respect to the foregoing liabilities, Saipem does not reasonably expect any material additional losses beyond those amounts accrued above.
Other variations include €6 million, resulting from the reclassification under the caption 'Liabilities held for sale' of amounts relating the Camom and Haldor Topsøe Groups.

20 Provisions for employee benefits

Provisions for employee benefits of the Saipem Group concern indemnities upon termination of employment, pension plans with benefits measured in consideration of the employee's annual compensation preceding retirement and other long-term benefits.
Provisions for indemnities upon termination of employment essentially concerned the provisions accrued by Italian companies for employee termination indemnities ('TFR'), regulated by Article 2120 of the Italian Civil Code. The indemnity is paid out as capital and is determined by the total of the provisions set aside, calculated in consideration of the employee's compensation during the service period, and revalued until retirement. Provisions to TFR, considered for the determination of liabilities and costs, are net of the amounts paid to pension funds. Following the becoming effective of the Budget Law for 2007 and related decrees, from January 1, 2007 the TFR entitlement will be allocated to pension funds, to the treasury fund of Inps or, in the case of a company of less than 50 employees, it may remain in the company as in the preceding periods.
Employees had the possibility to choose the allocation of their TFR until June 30, 2007. Therefore, the allocation of the TFR accrued to pension funds or to Inps implies that a relevant portion of the TFR entitlement must be classified as a defined contribution plan, because the company's obligation is entirely represented by the contributions to the pension fund or to Inps. The liability relating to the previous TFR set aside continues to represent a defined benefit plan to be valued by using actuarial assumptions.
The change in the nature of this institution implied to re-determine the value of previous TFR accrued, essentially, following the exclusion from the actuarial calculation of the assumptions related to the wage increases and the review of the financial assumptions. The effect of the change in the valuation of the previous TFR accrued charged to the profit and loss account amounted to €11 million.
Pension funds concern:
- defined benefit plans of foreign companies located, primarily, in France, the United Kingdom and Norway;
- pension provisions and similar obligations for personnel employed abroad, to whom local legislation applies.

Benefits consist of a return on capital determined on the basis of the length of service and the compensation paid in the last year of service or an average annual compensation paid in a determined period preceding retirement.
Liabilities and costs related to the supplementary medical reserve for managers of the Eni Group (FISDE) are calculated on the basis of the contributions paid by the company for retired managers. The deferred monetary incentive plan is an estimate of the variable compensation dependent on company's performance that will be paid out in 2009 to Saipem managers who reach individual defined targets. Jubilee awards are benefits due following the attainment of a minimum period of service and, in Italian companies, consist of remuneration in-kind.

Provisions for employee benefits, amounting to €153 million (€169 million at December 31, 2006), consist of the following:

(€ million)	**Dec. 31, 2006**	**June 30, 2007**
Employee termination indemnities (TFR)	77	67
Pension funds - Italy and abroad	62	55
Supplementary medical reserve (FISDE)	14	14
Deferred monetary incentive schemes	5	6
Jubilee awards	11	11
Total	**169**	**153**

Provisions for employee benefits have been affected by the reclassification, under the caption 'Assets and liabilities held for sale', of amounts relating to Camom sa (€9 million).
Current value of employee long-term benefits consist of the following:

		Pension plans with plan assets				
(€ million)	TFR	Gross liability	Plan assets	Net liability	Other long-term benefits	Total
December 31, 2006						
Current value of benefit obligation at beginning of year	**35**	**72**	**23**	**49**	**12**	**96**
Variation to the scope of consolidation	43	42	33	9	10	62
Current cost	8	23	-	23	5	36
Financial expenses	3	3	-	3	1	7
Expected return on plan assets	-	-	3	(3)	-	(3)
Contributions paid	-	(1)	3	(4)	-	(4)
Actuarial gains (losses)	3	(3)	1	(4)	-	(1)
Benefits paid	(10)	(4)	(1)	(3)	(1)	(14)
Amendments, curtailments and settlements	-	(14)	(14)	-	-	-
Exchange rate differences and other changes	-	(3)	-	(3)	2	(1)
Current value of benefit obligation at end of year	**82**	**115**	**48**	**67**	**29**	**178**
June 30, 2007						
Current value of benefit obligation at beginning of period	**82**	**115**	**48**	**67**	**29**	**178**
Variation to the scope of consolidation	-	-	-	-	-	-
Current cost	4	8	-	8	-	12
Financial expenses	1	3	-	3	1	5
Expected return on plan assets	-	-	2	(2)	-	(2)
Contributions paid	-	-	-	-	-	-
Actuarial gains (losses)	-	-	-	-	-	-
Benefits paid	(7)	(10)	-	(10)	(1)	(18)
Amendments, curtailments and settlements	(11)	-	-	-	-	(11)
Exchange rate differences and other changes	3	(12)	-	(12)	1	(8)
Current value of benefit obligation at end of period	**72**	**104**	**50**	**54**	**30**	**156**

Current value of the obligation relating other long-term benefits of €30 million (€29 million at December 31, 2006) concern primarily FISDE for €14 million (€13 million at December 31, 2006), jubilee awards for €11 million (€11 million at December 31, 2006) and deferred monetary incentive schemes for €5 million (€5 million at December 31, 2006). Other variations of €9 million negative pertain to the reclassification, under the caption 'Assets and liabilities held for sale', of amounts relating to the Camom sa Group.

Reconciliation of net liabilities for long-term benefits recorded in the balance sheets is as follows:

(€ million)	TFR	Pension plans with plan assets (net liability)	Other long-term benefits	Total
December 31, 2006				
Current value of the benefit obligation	**82**	**67**	**29**	**178**
Actuarial gains (losses) not recognised	(5)	(5)	1	(9)
Provisions for employee benefits	**77**	**62**	**30**	**169**
June 30, 2007				
Current value of the benefit obligation	**72**	**54**	**30**	**156**
Actuarial gains (losses) not recognised	(5)	1	1	(3)
Provisions for employee benefits	**67**	**55**	**31**	**153**

Provisions for other long-term benefits of €31 million (€30 million at December 31, 2006) concern primarily FISDE for €14 million, jubilee awards for €11 million and deferred monetary incentive schemes for €6 million (€14 million, €11 million and €5 million at December 31, 2006, respectively).
Costs for long-term employee benefits recorded in the profit and loss account consist of the following:

(€ million)	TFR	Pension plans with assets	Other long-term benefits	Total
Year 2006				
Current cost	8	23	5	36
Financial expenses	3	3	1	7
Expected return on plan assets	-	(2)	-	(2)
Expected return on reimbursement asset	-	1	-	1
Total costs	**11**	**25**	**6**	**42**
First half of 2007				
Current cost	4	8	-	12
Financial expenses	1	3	1	5
Expected return on plan assets	-	-	-	-
Expected return on reimbursement asset	-	-	-	-
Total costs	**5**	**11**	**1**	**17**

Costs for other long-term benefits of €1 million (€6 million at December 31, 2006) relate to deferred monetary incentive schemes.

21 Deferred tax liabilities

Deferred tax liabilities of €53 million (€83 million at December 31, 2006) are net of deferred tax assets for which Saipem possesses the legal right of offset.

(€ million)	Dec. 31, 2006	Additions	Deductions	Exchange rate differences and other variations	June 30, 2007
Deferred tax liabilities	83	12	(8)	(34)	53
Total	**83**	**12**	**(8)**	**(34)**	**53**

Other variations include the negative effect (-€12 million) resulting from the reclassification under the caption 'Assets and liabilities held for sale' of the Haldor Topsøe Group.
Deferred tax liabilities consist of the following:

(€ million)	Dec. 31, 2006	June 30, 2007
Deferred income taxes	(188)	(182)
Deferred income taxes available to be offset	105	129
	(83)	**(53)**
Deferred income taxes not available to be offset	47	37
Net deferred tax assets (liabilities)	**(36)**	**(16)**

The most significant temporary differences giving rise to net deferred tax liabilities are as follows:

(€ million)		Dec. 31, 2006	Additions	Deductions	Exchange rate differences and other variations	June 30, 2007
Deferred tax liabilities:						
- accelerated tax depreciation on fixed assets		(33)	(12)	-	1	(44)
- non distributed reserves held by investments		(38)	-	2	(3)	(39)
- other		(117)	-	6	12	(99)
	(a)	**(188)**	**(12)**	**8**	**10**	**(182)**
Deferred tax assets:						
- accruals for doubtful accounts and provisions for contingencies		14	5	-	(1)	18
- tax loss carry forwards		118	1	(1)	(21)	97
- write-downs of fixed assets and non deductible inventories		4	-	-	-	4
- other		131	39	(19)	3	154
	(b)	**267**	**45**	**(20)**	**(19)**	**273**
Less:						
- write-down of deferred tax assets	(c)	(115)	-	-	8	(107)
	d=(b+c)	**152**	**45**	**(20)**	**(11)**	**166**
Net deferred tax assets (liabilities)	(a+d)	**(36)**	**33**	**(12)**	**(1)**	**(16)**

Write-down of deferred tax assets of €107 million (€115 million at December 31, 2006) comprises mainly of fiscal losses that are not likely to be offset against future income and of temporary differences giving rise to assets which are not likely to be realized.

Fiscal losses

Under Italian fiscal laws, tax losses can be carried forward for up to five subsequent periods, excepting losses suffered in the first three periods of life of the company that can be carried forward without time limit. Tax losses of foreign companies can be carried forward on average for more than five periods and for a considerable part can be carried forward without limit. Tax recovery corresponds to a tax rate of 33% for Italian companies and to an average tax rate of 29% for foreign companies.
Tax losses, amounting to €392 million, relate entirely to foreign companies and can be used in the following periods:

(€ million)	Italian companies	Foreign companies
2008	-	3
2009	-	29
2010	-	12
2011	-	129
Beyond 2011	-	-
Without limit	-	219
Total	**-**	**392**

22 Other non-current liabilities

(€ million)	Dec. 31, 2006	June 30, 2007
Trade and other payables	1	-
Total	**1**	**-**

At June 30, 2007, there are no other non-current liabilities (down from €1 million at December 31, 2006).

Shareholders' equity

23 Minority interest

At June 30, 2007, minority interest amounted to €5 million, an increase of €1 million versus December 31, 2006.
Minority interest in profit and shareholders' equity relate to the following consolidated subsidiaries:

(€ million)	Dec. 31, 2006	June 30, 2007
ER SAI Caspian Contractor Llc	3	3
Other	1	2
Total	**4**	**5**

24 Saipem shareholders' equity

(€ million)	Dec. 31, 2006	June 30, 2007
Share capital	441	441
Share premium reserve	55	55
Legal reserve	65	72
Reserve for buy-back of treasury shares	16	40
Reserve for cash flow hedge	67	87
Reserve for exchange-rate differences	(13)	(18)
Other reserves	7	7
Retained earnings	632	862
Net profit for the period	384	268
Treasury shares	(73)	(74)
Total	**1,581**	**1,740**

25 Share capital

At June 30, 2007, the fully paid-up share capital of Saipem SpA amounted to €441 million, corresponding to 441,410,900 shares with a nominal value of €1 each, of which 441,251,799 are ordinary shares and 159,101 are savings shares.
On April 30, 2007, the Annual General Meeting of Saipem's Shareholders approved a dividend distribution of €0.29 per ordinary share and €0.32 per savings share, with the exclusion of treasury shares. The cash dividend was made available for payment from May 24, 2007 and the ex-dividend date was May 21, 2007.

26 Share premium reserve

At June 30, 2007, the share premium reserve amounted to €55 million, unchanged from December 31, 2006.

27 Other reserves

At June 30, 2007, other reserves amounted to €188 million (€142 million al December 31, 2006) and consist of the following items.

Legal reserve
At June 30, 2007, the legal reserve of Saipem SpA stood at €72 million and represents the portion of profits accrued as per Article 2430 of the Italian Civil Code that cannot be distributed as dividends. The legal reserve increased by €7 million versus December 31, 2006, following the allocation to this reserve of 5% of the 2006 net profit.

Reserve for cash flow hedge
This reserve amounts to plus €87 million and relates to the fair value valuation of Interest Rate Swaps and the spot component of hedging contracts in place at June 30, 2007.

Reserve for exchange rate differences
This reserve amounted to minus €18 million and relates to exchange rate differences arising from the translation into euros of those financial statements expressed in a currency other than the euro.

Reserve for the buy-back of treasury shares
This reserve amounted to €40 million, an increase of €24 million versus December 31, 2006.
The increase is due to the allocation of €40 million, by drawing from the 'Retained earnings', as per Shareholders' Meeting resolution of April 30, 2007, which granted the Board of Directors, pursuant to Article 2357, comma 2, of the Italian Civil Code to buy back, over a period of 18 months from date of shareholders' approval, up to No. 2,500,000 treasury shares with a nominal value of €1 each at a price not lower than their nominal value but not higher than 5% of the reference price on the day preceding

each purchase, which shall take place on the Italian market in accordance with the modalities set forth by the Italian Stock Exchange, and for an overall amount not exceeding €60 million.
The decrease is attributed to the buy back, during the first half of the year, of 248,700 treasury shares for a money consideration of €6 million (reclassified under the caption 'Treasury shares'), and the reclassification of €10 million to the caption 'Retained earnings'.

Other reserves
Other reserves, amounting to €7 million, refer to the allocation of part of the 2006 net profit, pursuant to Article 2426, 8-bis of the Italian Civil Code. This caption also comprises the re-valuation reserve set up by Saipem SpA in previous years, amounting to €2 million.

28 Treasury shares

Treasury shares amount to €74 million (€73 million at December 31, 2006) and comprise 5,912,494 ordinary shares in Saipem SpA with a nominal value of €1 each held by Saipem SpA (No. 6,198,088 shares at December 31, 2006).
Treasury shares are for allocation to the 2002-2007 stock option schemes (No. 1,029,400 shares) and stock grant schemes (No. 4,883,094 shares). Operations involving treasury shares during the period were as follows:

	Treasury shares	**Average cost** (€)	**Total cost** (€ million)	**Share capital** (%)
Treasury shares bought back				
Year 2003 (from May 2)	2,125,000	6.058	13	0.48
Year 2004	1,395,000	7.044	10	0.32
Year 2005	3,284,589	10.700	35	0.74
Year 2006	1,919,355	18.950	36	0.43
Year 2007	248,700	23.023	6	0.06
Total	**8,972,644**	**11.139**	**100**	**2.03**
Less treasury shares allocated:				
- as stock grants	615,700			
- as stock options	2,444,450			
Treasury shares held at June 30, 2007	**5,912,494**	**12.472**	**74**	**1.34**

At June 30, 2007, outstanding stock grants totalled 1,029,400 shares and outstanding stock options amounted to 4,883,094 shares.
The price for stock option exercise is set at €6.187 for allocations in 2002 (No. 502,594), at €6.821 for allocations in 2003 (No. 455,000), of €7.594 for allocations in 2004 (No. 1,017,500), of €11.881 for allocations in 2005 (No. 943,000) and of €17.519 for allocations in 2006 (No. 1,965,000).
Further information on stock option and stock grant schemes are provided under Note 33.

Movements in consolidated shareholders' equity

(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares held	Reserve for buy-back of treasury shares	Reserve for cash flow hedge	Reserve for exchange rate differences	Retained earnings	Net profit	Treasury shares	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2005	**441**	**49**	**2**	**58**	**-**	**10**	**(51)**	**18**	**899**	**255**	**(51)**	**1,630**	**13**	**1,643**
Net profit 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**384**	**-**	**384**	**3**	**387**
Net profit (expenses) recognised directly in equity														
Variation of the fair value of cash flow hedge derivatives, net of effect of taxation	-	-	-	-	-	-	116	-	-	-	-	116	-	116
Exchange differences from translation of financial statement in foreign currencies	-	-	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**116**	**(19)**	**-**	**-**	**-**	**97**	**-**	**97**
Transactions with Shareholders														
Distributed dividends	-	-	-	-	-	-	-	-	-	(82)	-	(82)	-	(82)
Retained earnings and allocation to legal reserve	-	-	5	7	-	-	-	-	161	(173)	-	-	-	-
Buy-back of treasury shares	-	6	-	-	-	6	-	-	(12)	-	(22)	(22)	-	(22)
Other variations in shareholders' equity														
Effect of acquisition of Snamprogetti	-	-	-	-	-	-	-	-	(442)	-	-	(442)	-	(442)
Reopening of Snamprogetti's reserves	-	-	-	-	-	-	(34)	3	-	-	-	(31)	-	(31)
Variation in Snamprogetti's reserves second quarter	-	-	-	-	-	-	36	(9)	29	-	-	56	-	56
Acquisition of 50% of EMS SpA	-	-	-	-	-	-	-	-	-	-	-	-	(12)	(12)
Cost of stock options/stock grants	-	-	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Exchange differences arising on dividend distribution	-	-	-	-	-	-	-	(6)	-	-	-	(6)	-	(6)
Total	**-**	**6**	**5**	**7**	**-**	**6**	**2**	**(12)**	**(267)**	**(255)**	**(22)**	**(530)**	**(12)**	**(542)**
Balance at December 31, 2006	**441**	**55**	**7**	**65**	**-**	**16**	**67**	**(13)**	**632**	**384**	**(73)**	**1,581**	**4**	**1,585**
Net profit for the first half of 2007	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**268**	**-**	**268**	**1**	**269**
Net profit (expenses) recognised directly in equity														
Variation of the fair value of cash flow hedge derivatives, net of effect of taxation	-	-	-	-	-	-	20	-	-	-	-	20	-	20
Exchange differences from translation of financial statements in foreign currencies	-	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**(5)**	**-**	**-**	**-**	**15**	**-**	**15**
Transactions with Shareholders														
Distributed dividends	-	-	-	-	-	-	-	-	-	(126)	-	(126)	-	(126)
Retained earnings and allocation to legal reserve	-	-	-	7	-	-	-	-	251	(258)	-	-	-	-
Buy-back of treasury shares	-	-	-	-	-	24	-	-	(24)	-	(1)	(1)	-	(1)
Other variations in shareholders' equity														
Cost of stock options/stock grants	-	-	-	-	-	-	-	-	3	-	-	3	-	3
Exchange differences arising on dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**7**	**-**	**24**	**-**	**-**	**230**	**(384)**	**(1)**	**(124)**	**-**	**(124)**
Balance at June 30, 2007	**441**	**55**	**7**	**72**	**-**	**40**	**87**	**(18)**	**862**	**268**	**(74)**	**1,740**	**5**	**1,745**

Reconciliation of statutory net profit and shareholders' equity to consolidated net profit and shareholders' equity

	Dec. 31, 2005		Dec. 31, 2006		June 30, 2007	
(€ million)	Shareholders' equity	Net profit	Shareholders' equity	Net profit	Shareholders' equity	Net profit
As reported in statutory financial statements	**693**	**121**	**762**	**156**	**738**	**94**
Difference between the equity value and results of consolidated companies and the equity value and result of consolidated companies as accounted for in Saipem SpA financial statements	511	186	394	242	506	174
Consolidation adjustments, net of effects of taxation:						
- difference between cost and underlying value of equity	759	(12)	676	3	811	(2)
- elimination of unrealized intercompany profits	(377)	32	(287)	(33)	(292)	14
- other adjustments	57	(68)	40	19	(18)	(11)
Total shareholders' equity	**1,643**	**259**	**1,585**	**387**	**1,745**	**269**
Minority interest	(13)	(4)	(4)	(3)	(5)	(1)
As reported in the consolidated financial statements	**1,630**	**255**	**1,581**	**384**	**1,740**	**268**

29 Guarantees, commitments and risks

Guarantees

Guarantees of €4,741 million (€4,937 million at December 31, 2006) consist of the following:

	Dec. 31, 2006			June 30, 2007		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associated companies	683	3,754	4,437	688	3,554	4,242
Consolidated companies	38	16	54	37	16	53
Own	-	443	443	-	443	443
Other	3	-	3	3	-	3
Total	**724**	**4,213**	**4,937**	**728**	**4,013**	**4,741**

They mainly comprise guarantees issued by banks for obligations arising from the participation in contract tenders, for the proper execution of work, for liens and credit facilities.

Commitments and contingencies

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

These commitments guarantee the cover for contracts whose overall value amounts to €9,323 million (€8,533 million at December 31, 2006), inclusive of the backlog quota at June 30, 2007 relating to Group companies.

Risk management

Main risks identified and managed by Saipem are the following:

(i) market risks deriving from exposure to fluctuations in interest rates, exchange rates between the euro and other currencies used by the company, as well as volatility in commodity prices;

(ii) the credit risk deriving from possible default by a counterparty;

(iii) the liquidity risk deriving from the lack of financial resources to face short-term commitments;
(iv) the operational risk deriving from the occurrence of accidents, malfunction, failures with personal injury and damage to the environment affecting operating and financial results;
(v) country risk of operations.

The risk management policy of the Saipem Group is detailed under the caption 'Basis of presentation' on page 70.

Additional information concerning financial instruments

The book value of financial instruments and relevant economic effect consisted of the following:

(€ million)	Book value	Income (expense) recognised to income statement	Income (expense) recognised to shareholders' equity
Financial instruments held for trading			
Non-hedging derivatives	(6)	7	-
Receivables and payables and other assets/liabilities valued at amortised cost			-
Trade receivables and other	3,194	-	-
Financial receivables	58	-	-
Trade payables and other	4,607	(25)	-
Financial payables	3,194	(7)	-

Contractual penalties and disputes

Following the acquisition of Snamprogetti, Saipem is party in civil, administrative and legal proceedings associated to its business. Based on information at the company's disposal at time of printing and in consideration of the provisions made for contingencies, Saipem deems that these proceedings and actions will not have significant negative effects on its consolidated balance sheet.
A brief summary of the most important ongoing proceedings is provided hereafter. If not stated otherwise, no allocation has been made against these proceedings, since Saipem deems it unlikely for them to be unsuccessful or because the amount to be allocated is difficult to estimate.

CEPAV (Consorzio Eni per l'Alta Velocità) Due

The arbitration proceedings launched in 2000 by the Consortium against 'Treno ad Alta Velocità' (High Speed Train, hereafter TAV) to receive indemnification for damages for delays allegedly attributable to TAV, are still ongoing. On January 4, 2007 a partial arbitrator's award was issued recognising the right by the Consortium to damages.
Proceedings are currently ongoing to quantify prices and damages. TAV has already demurred at the revocation of the framework contract. In fact, the recent Law Decree 7 of January 31, 2007 – subsequently converted into law – has revoked the framework contract, issued by the Italian Railway company to TAV SpA, for the construction of the Milan-Verona line. Effects of this revocation apply also to the contract that CEPAV Due signed with TAV SpA on October 15, 1991.
Following the publication of the aforementioned decree, the Consortium has launched a second arbitration proceeding aimed at receiving indemnification for damages for items in breach of contract carried out by TAV occurred before the issue of the decree. Damages also include indemnification for damages resulting from the revocation of the framework contract. TAV has rejected all requests for damages and demurred at the revocation of the agreement. At the appeal lodged by the Consortium, on July 12, 2007, the Regional Administrative Court of Law for the Lazio region decreed that:

- the devolution to the European Court of Justice to ascertain if the provisions of Law Decree No. 7 of January 31, 2007 contradict Articles 43, 49 and 56 of the Treaty establishing the European Community;

- suspension, pending the definition of the aforementioned interpretation judgement, of the enforcement of all actions that implement the revocation of the TAV authorisation and the resolution of the CEPAV Due/TAV frame agreement;
- suspension of the enforcement for the request lodged by TAV to refund advances and hand over project documentation;
- suspension of the Interdepartmental Committee for Economic Planning resolution, decreeing that the works for the construction of the high-speed line previously entrusted to CEPAV Due should be carried out by other parties.

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

The Consortium CEPAV Uno (Eni Consortium for high speed trains, comprising Snamprogetti SpA (50.1%); Saipem SpA (0.26%); Consorzio Cooperative Costruzioni - CCC (21.34%); Grandi Lavori - Fincosit (14.15%) and Impresa Pizzarotti & C. (14.15%), first signed a frame agreement with TAV SpA on October 15, 1991; subsequently, on August 3, 2000 an additional act was signed and on June 27, 2003 an addendum for the construction of the high speed/high capacity Milan-Bologna link. The foregoing acts have been countersigned by Eni SpA as guarantor for the Consortium to ensure timely and correctly adherence to all the provisions stated in the frame agreement, the subsequent additional act and addendum as well as any ensuing addenda/modifications. The Consortium has asked for an extension to the completion dates for the works and additional fees (indicated, on November 30, 2005, to be in excess of €800 million).

CEPAV Uno and TAV have tried to find an amicable settlement; however, on March 14, 2006 this attempt failed since the Consortium deemed the arguments put forward by TAV to be unsatisfactory. On April 27, 2006, TAV was served with a request for arbitration, in compliance with contractual agreements. The term for lodging the arbitration is October 30, 2007.

Consorzio TSKJ - SEC inquiries

In June 2004, the US Securities and Exchange Commission approached Eni requesting voluntary assistance, which was immediately granted, to gather documents and other information regarding the TSKJ consortium with regard to the construction, in Nigeria (Bonny Island), of natural gas liquefaction plants. The TSKJ consortium comprises Snamprogetti (25%, Eni 43.54%) and subsidiaries of Halliburton/KBR, Technip and JGC. SEC inquiries focus on improper payments allegedly made by TSKJ to public officials. Other Authorities have also launched investigations into this matter. Saipem and Snamprogetti are providing SEC and other Authorities with documentation and information at their disposal as well as lending their full support.

Enquires are currently ongoing.

EniPower - Enquiries by the judiciary

The Milanese judiciary has begun an enquiry into contracts that EniPower awarded to ABB, as well as services provided by other companies to EniPower. Snamprogetti SpA (EniPower's engineering and procurement sub-contractor) together with EniPower were served a warning to inform them that they are under investigation, pursuant to Article 25 of Law 231/2001. The penal action is currently pending at the public prosecutor's office in Milan. Preliminary enquiries have been concluded and records lodged. The Company was not included amongst the parties under investigation, whom will be issued with committals for trial.

Revenues

The following is a summary of the main components of 'Revenues'. Additional information about changes in revenues is provided under the caption 'Financial and economic results'.

30 Turnover

Turnover is broken down as follows:

(€ million)	First half 2006	First half 2007
Net sales from operations	2,447	4,225
Changes to contract work in progress	648	510
Total	**3,095**	**4,735**

Turnover by geographical area is as follows:

(€ million)	First half 2006	First half 2007
Italy	279	512
Rest of Europe	468	575
CSI	481	159
Rest of Asia	826	1,979
North Africa	202	263
West Africa	647	800
Americas	192	390
Australia, Oceania and rest of the world	-	57
Total	**3,095**	**4,735**

Information required by IAS 11, paragraphs 39, 40 and 42 is provided by business sector under Note 40.
Turnover from Eni Group companies amounted to €478 million.

31 Other revenues and income

Other revenues and income consist of the following:

(€ million)	First half 2006	First half 2007
Contract penalties and other trade revenues	-	1
Gains on disposal of assets	-	2
Compensation for damages	-	2
Other proceeds	4	-
Total	**4**	**5**

Operating expenses

The following is a summary of the main components of 'Operating expenses'. Additional information about main changes is provided under the caption 'Financial and economic results'.

32 Procurement, services and other costs

Procurement, services and other costs can be broken down as follows:

(€ million)	First half 2006	First half 2007
Raw, ancillary and consumable materials and goods	729	1,221
Services	1,391	2,140
Use of third party assets	105	262
Net provisions for contingencies	(1)	(11)
Other expenses	28	29
less:		
- capitalised direct costs associated with self-constructed assets	(4)	(102)
- variations in inventories	(19)	(16)
Total	**2,229**	**3,523**

Costs of services include agency fees of €12 million (€10 million in the first half of 2006).
Net provisions for contingencies are detailed under Note 19 'Provisions for contingencies'.
Other expenses, amounting to €29 million, comprise mainly of indirect taxes (€7 million), consortium expenses (€5 million) and customs duties (€6 million).
Costs for research and development that do not meet the requirements to be capitalised amounted to €13 million (€4 million in the first half of 2006).
Procurement, services and other costs towards Eni Group companies amounted to €29 million.

33 Payroll and related costs

Payroll and related costs are as follows:

(€ million)	First half 2006	First half 2007
Wages and salaries	404	520
Social security contributions	81	91
Contributions to defined benefit plans	13	12
Employee termination indemnities	-	5
Other costs	31	43
less:		
- capitalised direct costs associated with self-constructed assets	(6)	(2)
Total	**523**	**669**

Costs related to defined benefits plans include gain deriving from the curtailment of the provisions accrued by Italian companies for employee termination indemnities ('TFR') following the changes introduced by the Italian Budget Law for 2007 and related decrees (€11 million). Additional information is provided under Note 20 'Provisions for employee benefits'.

Stock compensation

STOCK GRANTS

At June 30, 2007, 1,029,400 ordinary shares with a nominal value of €1 each are outstanding and concern the 2004 stock grant scheme (572,300 shares with a fair value of €7.224 per share) and the 2005 stock grant scheme (457,100 shares with a fair value of €11.851 per share).

STOCK OPTIONS

With the aim of improving motivation and loyalty of the managers of Saipem SpA and its subsidiaries, as per in Article 2359 of the Italian Civil Code, directly responsible for Group results or holding strategic positions within the Group, Saipem approved stock incentive schemes that provide the allocation of purchase rights of Saipem treasury shares (hereafter 'options'). Stock options give the right to purchase treasury shares (1 option to 1 share ratio) after three years from the date of allocation for managers resident in Italy and after four years for managers resident in France. The purchase price is equal to the shares official price average recorded by the Telematic Stock Market of Borsa Italiana SpA over the month preceding allocation or (from 2003), if greater, the average cost of treasury shares held by the company on the day preceding the date of stock option allocation. The strike price for 2006 stock options was €17.519. Stock option assignees can obtain advances by the Group financial company for the payment of shares acquired on condition that the assignees simultaneously underwrite an irrevocable warrant of sale to the above-mentioned financial company, regarding the shares acquired.

At June 30, 2007, No. 4,883,094 stock options have been allocated for the purchase of No. 4,883,094 shares of Saipem SpA of the nominal value of €1 each.

	Number of shares	**Exercise price** (€)	**Average residual life** (years)	**Fair value** (€) **for assignees resident in Italy**	**Fair value** (€) **for assignees resident in France**
2002 scheme	502,594	6.187	2	n.a.	n.a.
2003 scheme	455,000	6.821	3	1.1928	1.1806
2004 scheme	1,017,500	7.594	5	2.0935	2.0085
2005 scheme	943,000	11.881	6	3.1029	2.9795
2006 scheme	1,965,000	17.519	5	5.7208	6.1427
Total	**4,883,094**				

The fair value of stock options granted in 2002 is not available, as it was not calculated at the time of allocation. The fair value valuation of options granted in 2003, 2004 and 2005 considers the stock options as European until September 30, 2006, August 23, 2007 and July 27, 2008 respectively for assignees resident in Italy and until September 30, 2007, August 23, 2008 and July 27, 2009 for those resident in France; subsequently they are considered American. The fair value was therefore calculated using a combination of the Black, Scholes and Merton method for European options and the Roll, Geske and Whaley method for American options.

The fair value of 2006 stock option rights was calculated based on the trinomial trees method, which considers the stock as American-type call options with dividend entitlement.

The following assumptions were made:

- for assignees resident in Italy:

	2005		**2006**
	European portion	American portion	
Risk-free interest rate (%)	2.490	3.510	4.010
Expected life (years)	3	5	6
Expected volatility (%)	30.120	30.120	28.500
Expected dividends (%)	1.690	1.525	1.300

- for assignees resident in France:

	2005		2006
	European portion	American portion	
Risk-free interest rate (%)	2.634	3.550	4.060
Expected life (years)	4	3	7
Expected volatility (%)	30.750	30.750	28.500
Expected dividends (%)	1.890	0.915	1.300

Average number of employees

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

(€ million)	First half 2006	First half 2007
Senior managers	365	421
Managers	2,537	3,463
White collar	10,639	14,195
Blue collar	13,931	14,735
Seamen	-	159
Total	**27,472**	**32,973**

The average number of employees is calculated using the half-sum of employees at the beginning and the end of the period. The average number of senior managers includes managers employed and operating in foreign countries, whose position is comparable to a senior manager status in Italy.

34 Depreciation, amortisation and impairments

Depreciation, amortisation and impairments consist of the following:

(€ million)	First half 2006	First half 2007
Depreciation and amortisation:		
- tangible assets	99	132
- intangible assets	4	7
Total	**103**	**139**

No impairments were made in the first half of 2007.

35 Financial income (expenses)

Financial income (expenses) consist of the following:

(€ million)	First half 2006	First half 2007
Exchange differences, net	(4)	(15)
Net income (expenses) on derivatives	-	(18)
Net income (expenses) on hedging operations	(2)	13
Financial expenses (net) due to Group's financial companies	(20)	(34)
Net interest due to/from banks	(5)	3
Interest and other financial expenses on debt	(9)	(2)
Other net income (expenses)	-	(4)
Total	**(40)**	**(57)**

36 Income (expenses) from investments

Effects of investments accounted for using the equity method consist of the following:

(€ million)	First half 2006	First half 2007
Income from investments accounted for using the net equity method	21	25
Other income from investments	-	-
Dividends	3	3
Total	**24**	**28**

Income from investments accounted for using the equity method are analysed under Note 9 'Investments accounted for using the equity method'.

37 Income taxes

Income taxes consist of the following:

(€ million)	First half 2006	First half 2007
Current taxes:		
- Italian subsidiaries	14	73
- foreign subsidiaries	36	59
Net deferred taxes:		
- Italian subsidiaries	10	(2)
- foreign subsidiaries	4	(19)
Total	**64**	**111**

Current taxes amounted to €132 million and concern Ires (€59 million), Irap (€14 million) and foreign taxes (€59 million). The effective tax rate is 29.1% (28.7% in 2006) compared with a statutory tax rate of 45.0% (47.7% in 2006), calculated by applying a 33% tax rate (Ires) to profit before income taxes and 4.25% tax rate (Irap) to the net value of production as provided for by Italian laws.

The difference between the statutory and effective tax rate is due to the following factors:

(%)	First half 2006	First half 2007
Statutory tax rate	**47.7**	**45.0**
Items increasing (decreasing) the statutory tax rate:		
- net value of production abroad (Irap)	(11.7)	(8.3)
- lower tax rates for foreign subsidiaries	(7.3)	(7.6)
Total variations	**(19.0)**	**(15.9)**
Effective tax rate	**28.7**	**29.1**

38 Minority interest

Minority interest amounts to €1 million.

39 Earnings per share

Basic earnings per share are calculated by dividing the net income for the year by the weighted-average number of shares issued and outstanding during the same period, excluding treasury shares.

The number of shares outstanding used for the calculation of the basic earnings per share was 435,680,479 and 441,459,752 in 2007 and 2006, respectively.

Diluted earnings per share are calculated by dividing the net income for the period by the weighted-average number of shares issued and outstanding during the period, excluding treasury shares, including shares that could be potentially issued. At June 30, 2007, shares that could be issued potentially concern essentially shares granted under stock grant and stock option schemes. The number of shares outstanding used for the calculation of the diluted earnings per share was 437,818,797 and 441,752,074 in 2006 and 2007, respectively. Reconciliation of the average number shares outstanding used for the calculation of the basic and diluted earning per share is as follows:

		June 30, 2006	June 30, 2007
Average number of shares used for the calculation of the basic earnings per share		**441,459,752**	**435,680,479**
Number of potential shares following stock grant schemes		1,567,800	1,029,400
Number of potential shares following stock option schemes		1,901,669	4,883,094
Number of savings shares convertible into ordinary shares		171,486	159,101
Average number of shares used for the calculation of the diluted earnings per share		**437,818,797**	**441,752,074**
Saipem's net profit	(€ million)	162	268
Basic earnings per share	(€ per share)	0.37	0.62
Diluted earnings per share	(€ per share)	0.37	0.61

40 Information by business sector and geographical area

Information by business sector

(€ million)	Offshore	Onshore	Offshore Drilling	Onshore Drilling	Not allocated	Total
First half of 2006						
Net sales from operations [(a)]	1,826	1,595	248	132	-	3,801
less: intercompany sales	(388)	(229)	(75)	(14)	-	(706)
Net sales to customers	1,438	1,366	173	118	-	3,095
Operating profit	130	57	44	13	-	244
Depreciation, amortisation and write-downs	43	25	26	9	-	103
Net income from investments	3	21	-	-	-	24
Capital expenditure	186	17	20	8	-	231
Investments	16	133	-	-	-	149
Current assets	1,390	2,336	247	136	1,499	5,608
Current liabilities	1,315	2,551	132	78	2,428	6,504
Provisions for contingencies	47	36	-	-	20	103
First half of 2007						
Net sales from operations [(a)]	2,467	3,077	285	162	-	5,991
less: intercompany sales	(744)	(413)	(82)	(17)	-	(1,256)
Net sales to customers	1,723	2,664	203	145	-	4,735
Operating profit	197	125	65	22	-	409
Depreciation, amortisation and write-downs	73	24	30	12	-	139
Net income from investments	1	27	-	-	-	28
Capital expenditure	229	55	165	72	-	521
Investments	15	128	-	-	-	143
Current assets	1,671	2,497	191	140	1,854	6,353
Current liabilities	1,445	2,983	145	82	2,576	7,231
Provisions for contingencies	17	98	-	-	42	157

(a) Before elimination of intersegment sales.

Intersegment sales are conducted on an arm's length basis.
The following table contains information required by IAS 11, paragraphs 39, 40 and 42.

(€ million)	Offshore	Onshore	Offshore Drilling	Onshore Drilling	Not allocated	Total
Net sales from operations (a)	1,723	2,664	203	145	-	4,735
Variation in provisions for future losses (b)	-	(16)	-	-	-	(16)
Total (a-b)	**1,723**	**2,680**	**203**	**145**	**-**	**4,751**
Advances from clients	96	261	-	-	-	358
Provisions for future losses (c)	13	99	-	-	-	112
Contract work in progress (d)	(253)	(676)	-	-	-	(929)
Deferred income (e)	315	1,010	-	-	-	1,325
Total (c+d+e)	**75**	**433**	**-**	**-**	**-**	**508**

Information by geographical area

Geographical allocation of operations is made difficult by Saipem's specific business, entailing the deployment of a fleet which operates on several projects over a single period. Therefore, not all allocations have been covered.

With regard to tangible and intangible assets as well as capital expenditure, vessels and their related equipment and goodwill were not allocated.

With regard to current assets, inventories related to vessels were not allocated.

(€ million)	Italy	Rest of Europe	CSI	Rest of Asia	North Africa	West Africa	Americas	Not allocated	Total
First half of 2006									
Capital expenditure	1	4	59	-	-	5	5	157	231
Tangible and intangible assets	107	126	155	58	-	94	54	2,365	2,959
Identifiable assets	1,188	902	166	1,040	80	369	267	1,596	5,608
First half of 2007									
Capital expenditure	4	11	21	21	30	28	38	368	521
Tangible and intangible assets	32	15	117	77	2	127	391	2,694	3,455
Identifiable assets	1,191	1,146	510	1,672	194	938	364	338	6,353

41 Transactions with related parties

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

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

- Eni subsidiary companies;
- Eni associated companies.

Trade and other transactions

Trade transactions at June 30, 2006 consist of the following:

(€ million)

	June 30, 2006			First half 2006			
				Costs		Revenues	
Company	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Eni SpA	83	7	-	-	4	5	-
Eni SpA Exploration & Production Division	51	2	-	1	-	70	-
Eni SpA Gas & Power Division	12	-	-	-	-	5	-
Eni SpA Refining & Marketing Division	61	22	-	1	-	5	-
Agip Energy & Natural Resources (Nigeria) Ltd	8	-	-	-	-	11	-
Agip Fuel SpA	-	-	-	-	1	-	-
Agip Karachaganak BV	1	-	-	-	-	1	-
Agip Oil Ecuador BV	1	-	-	-	-	1	-
Albacom SpA	-	-	-	-	4	-	-
Eni Algeria Exploration BV	1	-	-	-	-	2	-
Eni Congo SA	12	-	-	-	-	12	-
Eni Corporate University SpA	-	1	-	-	1	-	-
Eni Dación BV	-	-	-	-	-	1	-
Eni Gas BV	10	-	-	-	-	-	-
Eni Iran BV	12	2	-	-	-	9	-
Eni Mediterranea Idrocarburi SpA	5	1	-	-	-	7	-
EniPower SpA	20	8	-	-	-	-	-
EniServizi SpA	-	8	-	1	17	-	-
EniTecnologie SpA	-	1	-	-	1	-	-
Eni UK Ltd	-	-	-	-	-	1	-
GreenStream BV	2	-	-	-	-	1	-
Ieoc Exploration BV	5	-	-	-	-	11	-
Ieoc Production BV	1	-	-	-	-	2	-
Naoc - Nigerian Agip Oil Co Ltd	102	17	-	-	-	22	-
Nigerian Agip Exploration Ltd	1	-	-	-	-	-	-
Padana Assicurazioni SpA	5	18	-	3	12	-	2
Polimeri Europa SpA	20	10	-	-	12	4	-
Praoil Oleodotti Italiani SpA	1	-	-	-	-	1	-
Raffineria di Gela SpA	15	1	-	-	-	1	-
Serfactoring SpA	-	21	-	-	-	-	-
Servizi Porto Marghera - Scrl	1	-	-	-	-	-	-
Snam Rete Gas SpA	21	19	-	-	-	2	-
Società EniPower Ferrara Srl	17	6	-	-	-	-	-
Société pour la Construction du Gazoduc Transtunisien SA - Scogat SA	3	-	-	-	-	3	-
Sofid SpA	-	2	-	-	5	-	-
Stoccaggi Gas Italia SpA	8	-	-	-	-	11	-
Syndial SpA	96	4	-	-	-	44	-
Eni associated companies	48	-	-	-	-	63	-
Total transactions with related parties	**623**	**150**	**-**	**6**	**57**	**295**	**2**
Total	**2,879**	**3,811**	**-**	**2,229**	**2,229**	**3,095**	**4**
Incidence (%)	**21.6**	**3.9**	**-**	**0.3**	**2.6**	**9.5**	**50.0**

Trade transactions at June 30, 2007 consist of the following:

(€ million)

	June 30, 2007			First half 2007			
				Costs		Revenues	
Company	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Eni SpA	66	8	3,128	-	4	-	-
Eni SpA Exploration & Production Division	81	1	-	1	-	106	1
Eni SpA Gas & Power Division	12	-	-	-	-	7	-
Eni SpA Refining & Marketing Division	100	45	-	1	1	59	-
Agip Energy & Natural Resources (Nigeria) Ltd	9	-	-	-	-	11	-
AgipFuel SpA	-	1	-	-	2	-	-
Agip Karachaganak BV	2	-	-	-	-	2	-
Agip Oil Ecuador BV	2	-	-	-	-	4	-
Ecofuel SpA	1	-	-	-	-	-	-
Eni Algeria Production BV	1	-	-	-	-	2	-
Eni Australia BV	2	8	-	-	-	2	-
Eni Congo SA	68	2	-	-	-	67	-
Eni Corporate University SpA	-	3	-	-	2	-	-
Eni Gas BV	-	-	39	-	-	-	-
Eni Iran BV	10	2	-	-	-	7	-
Eni Mediterranea Idrocarburi SpA	9	-	-	-	-	12	-
Eni North Africa BV	1	-	-	-	-	1	-
EniPower Ferrara Srl	6	4	4	-	-	5	-
EniPower Mantova SpA	1	-	-	-	-	1	-
EniPower SpA	20	5	1	-	-	9	-
EniServizi SpA	1	19	-	-	20	1	-
Eni Tunisia BV	-	-	-	-	-	5	-
GreenStream BV	2	-	-	-	-	3	-
Ieoc Exploration BV	8	-	-	-	-	13	-
Ieoc Production BV	2	-	-	-	-	3	-
Naoc - Nigerian Agip Oil Co Ltd	61	15	-	-	-	12	-
Padana Assicurazioni SpA	5	10	-	-	2	-	-
Polimeri Europa SpA	19	3	-	-	-	24	2
Praoil Oleodotti Italiani SpA	1	-	-	-	-	1	-
Raffineria di Gela SpA	6	1	-	-	-	4	-
Serfactoring SpA	-	28	-	-	-	-	-
Snam Rete Gas SpA	16	18	16	-	-	17	-
Société pour la Construction du Gazoduc Transtunisien SA - Scogat SA	47	15	-	-	-	43	-
Sofid SpA	-	2	-	-	3	-	-
Stoccaggi Gas Italia SpA	4	-	-	-	-	12	-
Syndial SpA	54	3	2	-	-	41	-
Eni associated companies	1	-	-	-	-	1	-
Total transactions with related parties	**618**	**193**	**3,190**	**2**	**34**	**475**	**3**
Total	**2,805**	**2,562**	**4,741**	**1,221**	**2,140**	**4,735**	**5**
Incidence (%)	**22.0**	**7.5**	**67.3**	**0.1**	**1.6**	**10.0**	**60.0**

Totals in the table include the sub-captions 'trade receivables', 'trade payables', 'costs for raw, ancillary and consumable materials, and goods' and 'costs for services' detailed under Notes 3, 15 and 32 respectively.
The Saipem Group provides services to Eni Group companies in all sectors in which it operates both in Italy and abroad. Revenues from Eni associated companies amount to €1 million and relate to Agiba Petrol Co, while trade and other receivables from Eni associated companies amount to €1 million and relate to InAgip doo.

Other transactions consist of the following:

(€ million)	June 30, 2006			June 30, 2007		
	Other receivables	Other payables	Contract work in progress	Other receivables	Other payables	Contract work in progress
Eni SpA	-	-	-	60	39	-
Eni SpA Gas & Power Division	-	-	3	-	-	-
Agip Energy and Natural Resources (Nigeria) Ltd	-	-	-	1	-	-
GreenStream BV	-	-	4	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	-	16	-	-	-	-
Padana Assicurazioni SpA	2	-	-	1	-	-
Polimeri Europa SpA	-	-	-	-	-	2
Raffineria di Gela SpA	-	-	2	-	-	-
Sofid SpA	-	-	-	2	-	-
Total transactions with related parties	**2**	**16**	**9**	**64**	**39**	**2**
Total	**112**	**158**	**475**	**141**	**68**	**710**
Incidence (%)	**1.8**	**10.1**	**1.9**	**45.4**	**57.4**	**0.3**

Financial transactions

Financial transactions at June 30, 2006 consist of the following:

(€ million)

Company	June 30, 2006			First half 2006	
	Receivables	Payables	Guarantees	Expenses	Income
Eni Coordination Center SA	-	438	-	5	4
Eni International Bank Ltd	-	34	166	1	1
Enifin SpA	1	1,638	7,959	59	33
Serleasing SpA	-	8	-	-	-
Sofid SpA	-	1	-	-	-
Total transactions with related parties	**1**	**2,119**	**8,125**	**65**	**38**

Financial transactions at June 30, 2007 consist of the following:

(€ million)

Company	June 30, 2007			First half 2007	
	Receivables	Payables	Guarantees	Expenses	Income
Eni SpA	12	1,503	6,696	46	8
Banque Eni SA	-	1	-	-	-
Eni Coordination Center SA	-	609	-	10	4
Eni Dación BV	-	3	-	-	-
Eni International Bank Ltd	-	123	36	5	1
Sofid SpA	1	6	-	-	
Total transactions with related parties	**13**	**2,245**	**6,732**	**61**	**13**

A specific agreement between Saipem and the treasury department of Eni SpA (formerly Enifin SpA) provides that Eni SpA supplies financial services to the Italian companies of the Saipem Group, consisting of loans, deposits and financial instruments for the hedging of foreign exchange and interest rate risks.
The impact of financial transactions and positions with related parties consists of the following:

	June 30, 2006			June 30, 2007		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Current financial liabilities	2,089	1,935	92.6	2,335	2,158	92.4
Long-term debt and current portion of long-term debt	820	184	22.4	859	87	10.1

	First half 2006			First half 2007		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Financial income	37	37	100.0	40	13	32.5
Financial expenses	77	65	84.4	97	61	62.9

Main financial flows with related parties consist of the following:

(€ million)	**June 30, 2006**	**June 30, 2007**
Revenues and income	297	478
Costs and expenses	(63)	(36)
Financial income (expenses)	(27)	(48)
Variation in trade payables and receivables	(278)	(102)
Net cash flow from operations	**(71)**	**292**
Variation in financial payables and receivables	923	(434)
Net cash flow from financial operations	**923**	**(434)**
Total cash flow to related parties	**852**	**(142)**

The impact of financial flows with related parties consists of the following:

	June 30, 2006			June 30, 2007		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Cash flow from operations	118	(71)	(60.2)	483	292	60.5
Cash flow used in investing activities	(222)	-	-	(536)	-	-
Cash flow used in financing activities	821	852	103.8	280	(142)	(50.7)

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

(€ million)	**June 30, 2007**
Net working capital	(5)
Total assets	1,070
Total liabilities	766
Revenues	586
Operating costs	553
Operating profit	33
Net profit	24

42 Assets and liabilities held for sale

Assets and liabilities held for sale amount to €356 million and €228 million respectively and are part of the programme for the disposal of non-core assets. Specifically they concern the sale of the Camom Group, which operates in France in the segment of maintenance services of industrial plants, and the Haldor Topsøe Group, which operates in the segments of catalyst engineering and process technologies.

The financial analysis of assets up for disposal is as follows:

(€ million)	Camom Group	Haldor Topsøe	Total
Current assets			
Cash in hand and cash equivalents	3	50	53
Receivables	57	50	107
Inventories	8	64	72
Income tax receivables	2	-	2
	70	**164**	**234**
Non-current assets			
Property, plant and equipment	4	70	74
Intangible assets	39	2	41
Investments accounted for using the equity method	1	2	3
Other financial assets	-	1	1
Deferred tax assets	3	-	3
	47	**75**	**122**
Total assets held for sale	**117**	**239**	**356**
Current liabilities			
Short-term financial liabilities	-	5	5
Trade and other payables	29	85	114
Current tax liabilities	8	-	8
Other current liabilities	1	-	1
	38	**90**	**128**
Non-current liabilities			
Long-term financial liabilities	-	57	57
Provisions for contingencies	1	5	6
Provisions for employee benefits	9	-	9
Deferred tax liabilities	-	12	12
Other non-current liabilities	16	-	16
	26	**74**	**100**
Total liabilities held for sale	**64**	**164**	**228**

Additional information is provided under the caption 'Management outlook' on page 53.

43 Significant non-recurring events and operations

In the first half of 2007, non-recurring events concerned gains deriving from the curtailment of the provisions accrued by Italian companies for employee termination indemnities ('TFR') following the changes introduced by Italian Budget Law for 2007 and related decrees (€11 million). Additional information is provided under Note 20 'Provisions for employee benefits'.
In the first half of 2006 no significant not recurrent events and/or operations were reported.

44 Positions or transactions deriving from atypical and/or unusual operations

In the first half of 2006 and 2007, no positions or transactions deriving from atypical and/or unusual operations were reported.

Independent Auditors' Report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2007 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

To the Shareholders of
Saipem SpA

1. We have performed a limited review of the consolidated interim financial statements consisting of balance sheet, income statement, statement of changes in shareholders' equity and cash flows (hereinafter "accounting statements") and related explanatory and supplementary notes included in the interim financial reporting of Saipem SpA for the period ended 30 June 2007. The interim financial reporting is the responsibility of Saipem SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.

2. Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution no. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

3. Regarding the comparative data of the consolidated financial statements and of the interim financial reporting of the prior year presented in the accounting statements, reference should be made to our reports dated respectively 13 April 2007 and 2 October 2006.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

PRICEWATERHOUSECOOPERS

4. Based on our limited review, no significant changes or adjustments came to our attention that should be made to the consolidated accounting statements and related explanatory and supplementary notes, identified in paragraph 1 of this report, in order to make them consistent with the International Accounting Standard IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of CONSOB Regulation approved by Resolution no. 11971 of 14 May 1999 and subsequent amendments and integrations.

Milan, 27 September 2007

PricewaterhouseCoopers SpA

Signed by

Andrea Alessandri
(Partner)

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

(2)

Società per Azioni
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Publications
Financial Report at December 31 (in English)
Bilancio al 31 dicembre (in Italian)
Report on the First, the Second and the Third Quarter
(in Italian and English)
Six-monthly report at June 30 (in Italian and English)

Sustainability Report (in Italian and English)

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