SECOND QUARTER REPORT FOR 2002

30TH JUNE 2002

GROUP

Saipem

Approved by the Board of Directors
at the meeting held on 30th July 2002

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The quarterly report is not subject to audit

ECONOMIC AND FINANCIAL DATA

(Million euros)

	Second quarter			First half		
	2001	**2002**	Var. %	2001	**2002**	Var. %
Operating revenue	397	701	76.6	736	1,324	79.9
Operating margin	67	108	61.2	127	208	63.8
Operating income	50	89	78	92	170	84.8
Capital expenditure	77	89	15.6	125	267	113.6

	31st December 2001	**30th June 2002**
Net debt:		
- medium and long term	116	102
- short term	526	561
Total	**642**	**663**

OPERATIONS DATA

	Second quarter			First half		
	2001	**2002**	Var. %	2001	**2002**	Var. %
Offshore Construction						
- subsea pipeline laid (Km)	253	686	171.1	372	1,227	229.8
- structures installed (tons)	33,753	26,500	(21.5)	43,059	34,750	(19.3)
Floating Production						
- production units utilisation (days)	91	91	-	181	181	-
Offshore Drilling						
- metres drilled	29,441	29,242	(0.7)	60,004	53,762	(10.4)
- wells drilled	9	14	55.6	22	25	13.6
Onshore Drilling						
- metres drilled	39,523	85,823	117.1	82,390	152,410	85
- wells drilled	11	29	163.6	26	49	88.5
- estimated average equipment utilisation (%)	71	93		67	89	
Onshore Construction						
- subsea pipeline laid (Km)	60	289	381.7	60	451	651.7
- structures installed (tons)	200	11,450	5,625	420	13,400	3,090.5

OPERATING REVENUE BY BUSINESS SECTOR

(Million euros)

	Second quarter			First half		
	2001	**2002**	Var. %	2001	**2002**	Var. %
Offshore Construction	222	447	103.3	414	847	104.6
Floating Production	5	7	40	9	17	88.9
Offshore Drilling	74	87	17.6	144	169	17.4
Onshore Drilling	41	57	39	74	103	39.2
Onshore Construction	55	103	87.3	95	188	97.9
Total	**397**	**701**		**736**	**1,324**	

OPERATING REVENUE BY GEOGRAPHICAL AREA

(Million euros)

	Second quarter		First half	
GEOGRAPHICAL AREA (*)	2001	**2002**	2001	**2002**
Italy	22	23	49	38
North Sea	83	85	127	174
Rest of Europe	55	247	123	467
Africa	114	126	221	253
Middle East	25	54	40	100
Far East	26	87	34	127
Rest of Asia	21	-	39	17
Americas	51	79	103	148
Total	**397**	**701**	**736**	**1,324**

(*) relates to final destination of services.

CONTRACTS AWARDED TO SAIPEM GROUP

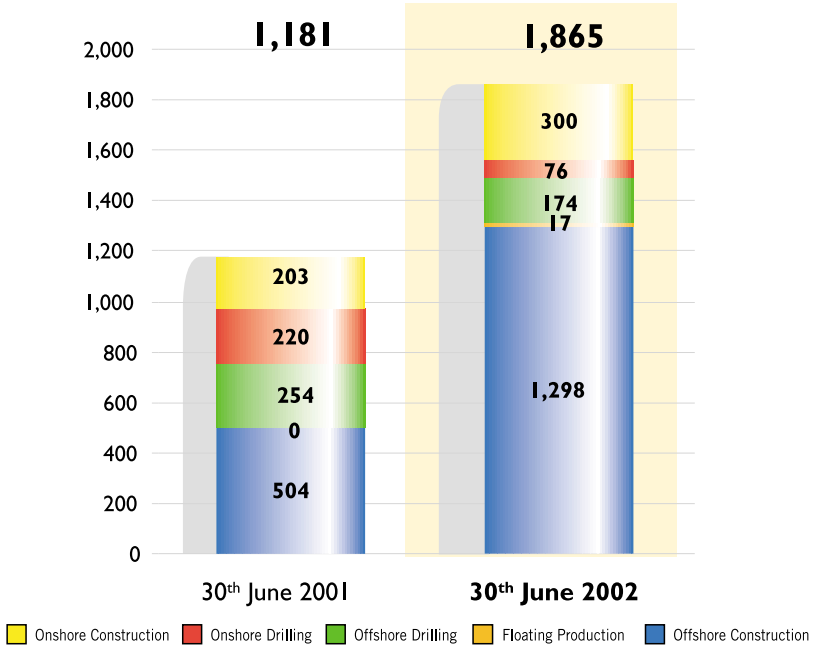
(Million euros)

	Second quarter		First half	
	2001	**2002**	2001	**2002**
Saipem S.p.A.	157	497	405	991
Group Companies	510	511	776	874 (*)
Total	**667**	**1,008**	**1,181**	**1,865**
Offshore Construction	175	925	504	1,298 (*)
Floating Production	-	-	-	17
Offshore Drilling	162	51	254	174
Onshore Drilling	142	9	220	76
Onshore Construction	188	23	203	300
Total	**667**	**1,008**	**1,181**	**1,865** (*)

(*) includes 96 million euros relating to the acquisition of the remaining 50% of European Marine Contractors

CONTRACTS AWARDED TO SAIPEM GROUP

(Million euros)



ORDER BACKLOG

(Million euros)

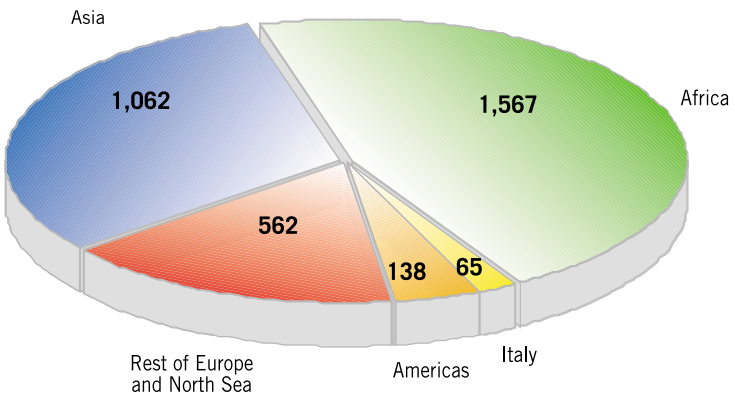
	31st December 2001	**30th June 2002**
Offshore Construction	1,229	1,680
Floating Production	184	184
Offshore Drilling	546	551
Onshore Drilling	317	290
Onshore Construction	577	689
Total	**2,853**	**3,394**

BACKLOG BY GEOGRAPHICAL AREA

(Million euros)

GEOGRAPHICAL AREA	31st December 2001	**30th June 2002**
Italy	21	65
North Sea	204	242
Rest of Europe	576	320
Africa	792	1,567
Asia	1,027	1,062
Americas	233	138
Total	**2,853**	**3,394**

BACKLOG BY GEOGRAPHICAL AREA AT 30TH JUNE 2002



PREPARATION CRITERIA

The financial statements for the period ended 30th June 2002 have been prepared based on the criteria set out by the Companies' and Stock Exchange National Commission ('Commissione Nazionale per le Società e la Borsa – CONSOB) pursuant to regulation 11971 dated 14th May 1999, modified on 6th April 2000 by resolution 12475, and applying the guidelines of the Italian National Board of Professional Accountants and Bookkeepers ('Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri).

The economic information provided in this report refers to the second quarter 2002 as well as the second quarter 2001. Financial data refers to 30th June 2002 and 31st December 2001. The accounting principles adopted are consistent with those used in the preparation of the Consolidated Financial Statements at 31st December 2001. The financial tables have been compiled so as to allow easy comparison with the six-monthly and annual reports.

Unless otherwise indicated, data is expressed in millions of euros.

In accordance with CONSOB regulations, quarterly reports are not subject to audit.

The data provided in this report does not include the effects of the acquisition of the majority stake of Bouygues Offshore, which was completed on 9th July 2002.

ECONOMIC RESULTS

Foreword

As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore Construction sectors and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market trends but also by climatic conditions and project schedules. Consequently, the results from any one particular fiscal period can vary significantly, precluding a direct comparison with the same period in other fiscal years and preventing extrapolation of figures from a single quarter to the entire year.

CONSOLIDATED INCOME STATEMENT

(Million euros)

	Second quarter			First half		
	2001	**2002**	Var. %	2001	**2002**	Var. %
Operating revenue	**397**	**701**	**76.6**	**736**	**1,324**	**79.9**
Other income and revenue	6	5		9	10	
Purchasing, services and other costs	(222)	(424)		(416)	(793)	
Payroll and related costs	(87)	(130)		(157)	(243)	
Gross operating margin	**94**	**152**	**61.7**	**172**	**298**	**73.2**
Amortisation, depreciation and write-downs	(44)	(63)		(80)	(128)	
Operating income	**50**	**89**	**78**	**92**	**170**	**84.8**
Financial costs, net	(9)	(10)		(19)	(20)	
Income before extraordinary items and income taxes	**41**	**79**	**92.7**	**73**	**150**	**105.5**
Extraordinary expenses	(1)	(2)		(1)	(2)	
Income before income taxes	**40**	**77**	**92.5**	**72**	**148**	**105.5**
Income taxes	(10)	(18)		(17)	(35)	
Net income before minority interest	**30**	**59**	**96.6**	**55**	**113**	**105.5**
Minority interest	-	(3)		-	(1)	
Net income for the period	**30**	**56**	**86.7**	**55**	**112**	**103.6**

In line with the annual and six-monthly financial statements, this quarterly report includes the re-classified consolidated income statements by destination of costs.
This reclassification is normally used to analyse the positive and negative income components, which determine the operating margin (i.e. operating income before general and administrative costs) for the various business sectors in which Saipem operates.

OPERATING INCOME AND COSTS BY DESTINATION

(Million euros)

	Second quarter			First half		
	2001	**2002**	Var. %	2001	**2002**	Var. %
Operating revenue	**397**	**701**	**76.6**	**736**	**1,324**	**79.9**
Production costs	(312)	(578)		(579)	(1,089)	
Idle/downtime costs	(13)	(9)		(21)	(18)	
Cost of sales	(6)	(8)		(11)	(14)	
Research and development costs	-	(1)		(1)	(1)	
Other operating income	1	3		3	6	
Operating margin	**67**	**108**	**61.2**	**127**	**208**	**63.8**
General and administrative costs	(17)	(19)		(35)	(38)	
Operating income	**50**	**89**	**78**	**92**	**170**	**84.8**

Second quarter

Operating revenue for the second quarter of 2002 totalled 701 million euros, an increase of 304 million euros versus the second quarter 2001. This increase is due to greater volumes of activity in the Offshore and Onshore Construction sectors.

Production costs amounted to 578 million euros, an increase of approximately 85.3% over the same period in 2001. The increase in costs, in line with the increase in revenue, is attributable to higher material consumption as well as increased utilisation of third party services.

Payroll and related costs amounted to 130 million euros, an increase of approximately 43 million compared to the second quarter 2001. This is attributed mainly to an increase in average employment levels resulting from greater volumes of activity.

Operating margin for the second quarter 2002 amounted to 108 million euros, versus 67 million in the second quarter 2001. This is due to an increase in margins in the Offshore Construction section.

General and administrative costs in the second quarter 2002 amounted to 19 million euros, an increase of 2 million euros versus the second quarter 2001.

First half

Operating revenues for the first half of 2002 amounted to 1,324 million euros, an increase of 588 million euros versus the first half of 2001.
This significant rise in revenue (+ 79.9%), which will be detailed by sector later, is due to the Blue Stream Project, the recovery of the Offshore Construction sector in West Africa and increased operations by Scarabeo 7.

Production costs amounted to 1,089 million euros, an increase of approximately 88.1% versus the same period in 2001. This increase in costs, in line with the increase in revenues, is attributable to higher material consumption as well as increased utilisation of third party services.

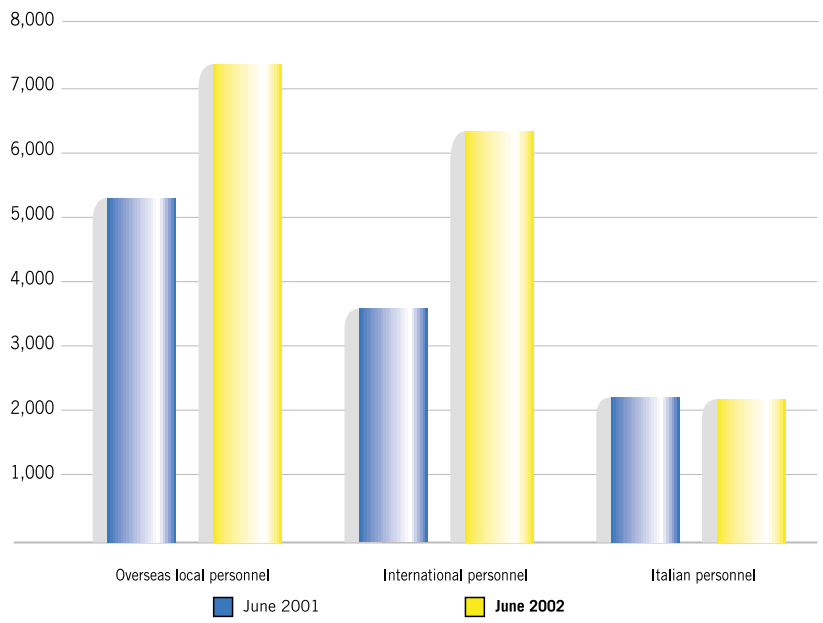
Payroll and related costs, amounting to 243 million euros, increased by 86 million versus the first half in 2001. This is attributed mainly to an increase in average employment levels resulting from greater volumes of activity.

The following table provides comparable data related to average employment levels of both the second quarter and the first half of 2001 and 2002.

EMPLOYMENT SPREAD

	Second quarter		First half	
WORKFORCE	2001	**2002**	2001	**2002**
Overseas local personnel	5,960	7,266	5,283	7,342
International personnel	3,930	6,527	3,590	6,304
Italian personnel	2,285	2,220	2,232	2,217
Total	**12,175**	**16,013**	**11,105**	**15,863**
Offshore Construction	2,737	3,899	2,502	3,819
Floating Production	31	31	32	31
Offshore Drilling	1,282	1,323	1,250	1,331
Onshore Drilling	2,061	2,161	2,032	2,165
Onshore Construction	5,367	7,626	4,593	7,628
Staff	697	973	696	889
Total	**12,175**	**16,013**	**11,105**	**15,863**

EMPLOYMENT SPREAD



CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET

(Million euros)

	31st Dec 2001	**30th June 2002**
Net tangible fixed assets	1,440	1,566
Intangible fixed assets	94	88
Total	1,534	1,654
Financial investments	6	7
Non-current assets	**1,540**	**1,661**
Working capital	350	351
Provision for contingencies	(66)	(77)
Net current assets	**284**	**274**
Employee termination benefits	**(24)**	**(24)**
Capital employed, net	**1,800**	**1,911**
Shareholders' equity	**1,156**	**1,200**
Minority interest in net equity	**2**	**48**
Net debt	**642**	**663**
Cover	**1,800**	**1,911**

CAPITAL EXPENDITURE

(Million euros)

	Second quarter		First half	
	2001	**2002**	2001	**2002**
Offshore Construction	39	48	62	198
Floating Production	4	1	4	3
Offshore Drilling	2	15	8	25
Onshore Drilling	11	20	19	31
Onshore Construction	17	2	27	5
Saipem offices, branches, etc.	4	3	5	5
Total	**77**	**89**	**125**	**267**

During the first half of 2002, capital expenditure in tangible and intangible assets amounted to 267 million euros (125 in the first half 2001) and focused mainly on strengthening the Offshore Construction Fleet, through the acquisition of the remaining 50% of European Marine Contractors (for 139 million euros) and the remaining 50% of SaiClo Luxembourg (for 30 million euros) from Clough, in addition to upgrading the Onshore and Offshore Drilling rigs for new contracts in Saudi Arabia and Libya.

NET DEBT

Net debt at 30th June 2002 amounted to 663 million euros, versus 642 million euros at 31st December 2001. The increase of minority interest in net equity (46 million euros), the sale of tangible assets (7 million euros), the increase in provisions for contingencies (11 million euros) and the cash flow generated during the period (240 million euros) have only partially managed to compensate for: capital expenditure in tangible and intangible fixed assets and company acquisitions during the first half of 2002 (267 million euros); the distribution of shareholders' dividends (56 million euros); and a net working capital increase of 1 million euros. This resulted in a net debt increase of 21 million euros.
In the second quarter 2002, net financial debt fell by 36 million euros from 699 million euros at 31st March 2002 to 663 million euros at 30th June 2002.

The net financial position at 30th June 2002 comprises short-term debt of 561 million euros (526 million at 31st December 2001) and medium/long-term debt of 102 million euros (116 million at 31st December 2001).

ORDER PORTFOLIO

During the first half of 2002, Saipem was awarded new orders totalling 1,769 million euros (1,181 million in the same period 2001), of which 1,393 million euros apply to the Offshore sectors (Construction, Drilling and Floating Production). Moreover, following the acquisition of the remaining 50% of European Marine Contractors, the order backlog increased by a further 96 million euros, entirely in the Offshore Construction sector.

The most significant orders awarded include:

Offshore Construction:
- The NC41 EPIC (Engineering. Procurement, Installation, Construction) Project, on behalf of Agip Gas BV, for the construction and installation of a platform in Libya;
- The Peciko Phase 4 Project, on behalf of TotalFinaElf, for the installation of two platforms and the laying of six subsea pipelines in Indonesia;
- The Goldeneye Project, on behalf of Shell, for the laying of two subsea pipelines in the British sector of the North Sea;
- The Nini & Cecile EPIC Project, on behalf of Dong, for the installation of two platforms in the Danish sector of the North Sea.

Offshore Drilling:
- The three-year charter of the jack-up Perro Negro 3 in Iran, on behalf of Agip Iran;
- The one-year charter of the semi-submersible platform Scarabeo 4 in Nigeria, on behalf of NAOC;
- The one-year charter of the jack-up Perro Negro 5 in Nigeria, on behalf of Belbop;
- The nine-month charter of the semi-submersible platform Scarabeo 3 in Congo, on behalf of Agip Recherches Congo.

Onshore Drilling:
- The two-year charter, plus the option for a further two, of three rigs in Italy, on behalf of the Agip Division of Eni;
- The one-year charter of a rig in Venezuela, on behalf of Lasmo.

Onshore Construction:
- The ROD EPC Project in Algeria, on behalf of Sonatrach/Bhp Biliton, for the construction of an oil treatment plant and associated facilities;
- The Obiafu/Obrikom EPC Project in Nigeria, on behalf of NAOC, for the expansion of a gas plant and the construction of a flow station;
- The Ghazal & Tinat Project in Saudi Arabia, on behalf of Aramco, for the laying of pipelines of various lengths and diameters.

The backlog at the end of June 2002 reached a record level of 3,394 million euros (2,853 million euros at 31st December 2001).

MANAGEMENT EXPECTATIONS

Saipem before the acquisition of Bouygues Offshore
The excellent results achieved in the first two quarters, together with the substantial order backlog and the distinguishing capability of the Group to operate in particularly challenging environments (deep waters and remote areas) reinforce expectations for 2002, to repeat the record results of 2001, with potential for further improvement.

Saipem after the acquisition of Bouygues Offshore
The acquisition of Bouygues Offshore, which will have an immediate positive effect in terms of cash flow, will result in a slight reduction in the net income if compared to the forecast Saipem stand-alone figure; this is due to the goodwill amortisation and the financial expenses connected with the capital invested.

ADDITIONAL INFORMATION

Blue Stream Project

On 3rd June 2002, the pipelay vessel Saipem 7000 successfully completed the laying of the second sea line. Testing and commissioning activities for the two sea lines will conclude by the end of September and December respectively.

With regard to the recognition of amounts due to Saipem, relating to extra costs incurred as a result of the delayed commencement of activities on the first sea line, caused by temporary failure in obtaining construction permits, negotiations with the Client have been successfully closed on certain issues, while they are progressing on others. The results at 30th June 2002 include only those amounts that have already been settled with the client.

Saipem 10000

On 14th May 2002, the drillship Saipem 10000 resumed operations in Angolan waters at depths of up to 1,500 metres. Activities off the West African coast are expected to continue until November 2002. Then, once the vessel's capacity to operate in waters of up to 3,000 metres is fully restored, the vessel will be transferred to Brazil.

EVENTS SUBSEQUENT TO SECOND QUARTER END

Bouygues Offshore

On 9th July 2002, Saipem, having received approval by the European Community Antitrust Authority, completed the acquisition, from Bouygues Construction, of 50.8% of Bouygues Offshore, the leading French provider of engineering services to the oil & gas industry. The agreed price of 60.08 euro per share sets the value of the company at approximately 1 billion euros.

Bouygues Offshore, a company listed on the Paris and New York Stock Exchanges, is the leader in the design, construction, installation and management of onshore and offshore oil & gas production facilities. Other activities include maintenance services, construction of port facilities and LNG supply. Bouygues Offshore's main geographical areas of activity are Europe and Africa. It has approximately 2,500 engineers within its workforce.

Having obtained all relevant clearances from the Regulatory Bodies of the French and US stock markets, Saipem today launched a public purchase offer in cash for the remaining Bouygues Offshore shares held by the public, at the same share price as that paid to Bouygues Construction for its majority stake. The public purchase offers launched in France and the US will close on 6th September 2002.

This transaction is the largest cross-border acquisition in Europe in the oil & gas services sector.

The combination of Saipem's recognised construction capabilities, based on its technologically advanced fleet, and Bouygues Offshore's powerful engineering and project management capabilities, will result in the creation a world leader specialising in the execution of turn-key projects for the oil industry. Saipem, through this acquisition, will have a superior competitive positioning in the provision of EPIC services (Engineering, Procurement, Installation and Construction) for the oil industry, focusing on activities in particularly challenging environments, such as ultra-deep waters and remote areas.

The group will comprise six business units: three units, namely Maintenance Modification & Operation, LNG and Onshore Construction will be based in Paris, where Group engineering, procurement and project management competencies for EPIC contracts will also be located. The remaining three units: Offshore, Drilling and Leased FPSO will be based in Milan, along with Group technical services and the special projects task force.

The new structure will enhance the existing competencies and capabilities and promote integration, whilst maintaining clear lines of responsibility.

ANALYSIS BY BUSINESS SECTOR

OFFSHORE CONSTRUCTION

(Million euros)

	Second quarter		First half	
	2001	**2002**	2001	**2002**
Operating Revenues	222	447	414	847
Operating expenses, net of cost of materials	(132)	(292)	(251)	(533)
Cost of materials	(41)	(56)	(72)	(119)
Depreciation and amortisation	(20)	(32)	(34)	(68)
Contribution from operations (*)	29	67	57	127
New orders awarded	175	925	504	1,298 (**)

(*) Operating income before general and administrative expenses

(**) Includes 96 million euros, relating to the acquisition of the remaining 50% of European Marine Contractors

The backlog at 30th June 2002 amounted to 1,680 million euros, of which 467 million are to be realised in the second half of 2002.

- Operating revenues for the first half of 2002 exceeded by 433 million euros those of the same period 2001 (+105%), on account of the Blue Stream project and increased activities in West Africa and the Far East.

- Contribution from operations during the first half of 2002 amounted to 127 million euros, equal to 15% of revenues, versus 57 million euros, equal to 13.8% of revenues for the same period in 2001. Improved profitability is attributable to increased utilisation of vessels and higher returns on projects currently under execution.

FLOATING PRODUCTION

(Million euros)

	Second quarter		First half	
	2001	**2002**	2001	**2002**
Operating revenues	5	7	9	17
Operating expenses	(1)	(1)	(2)	(3)
Depreciation and amortisation	(3)	(4)	(5)	(9)
Contribution from operations (*)	1	2	2	5
New orders awarded	-	-	-	17

(*) Operating income before general and administrative expenses

The backlog at 30th June 2002 amounted to 184 million euros, of which 19 million are to be realised in the second half of 2002.

- In the first half of 2002, operating revenues and associated profitability increased as a result of operations carried out by the new floating production unit FPSO-Jamestown. Contribution from operations during the first half of 2002 amounted to 5 million euros, equal to 29% of revenues, versus 2 million euros, equal to 22% of revenues for the same period in 2001.

- The production vessels FPSO–Firenze and FPSO–Jamestown have been in continuous operation since the beginning of the year.

OFFSHORE DRILLING

(Million euros)

	Second quarter		First half	
	2001	**2002**	2001	**2002**
Operating revenues	74	87	144	169
Operating expenses	(35)	(53)	(72)	(100)
Depreciation and amortisation	(11)	(11)	(21)	(22)
Contribution from operations (*)	28	23	51	47
New orders awarded	162	51	254	174

(*) Operating income before general and administrative expenses

The backlog at 30th June 2002 amounted to 551 million euros, of which 151 million are to be realised in the second half of 2002.

- Operating revenues for the first half of the year showed a 17% increase versus the same period of 2001, mainly due to the operations of the semi-submersible platform Scarabeo 7, which underwent upgrading works during the first quarter of the previous year.

- Contribution from operations decreased by 4 million euros versus the first half of 2001, with a margin on revenue declining from 35% to 28%. The reduction in profitability is attributable to the downtime and reduced-rate for Saipem 10000.

- Vessel utilisation was as follows:

Vessel	days under contract	
Semi-submersible platform Scarabeo 3	181	
Semi-submersible platform Scarabeo 4	166	a
Semi-submersible platform Scarabeo 5	181	
Semi-submersible platform Scarabeo 6	181	
Semi-submersible platform Scarabeo 7	170	a
Drillship Saipem 10000	136	b
Jack-up Perro Negro 2	80	c
Jack-up Perro Negro 3	181	
Jack-up Perro Negro 4	181	
Jack-up Perro Negro 5	176	a

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

b = the residual 45 days comprise: 28 days not covered by the "loss of hire" insurance policy and 17 days for completion of repair works.

c = for the remaining days (to 181), the vessel was upgraded in readiness for a new contract in Saudi Arabia.

ONSHORE DRILLING

(Million euros)

	Second quarter		First half	
	2001	**2002**	2001	**2002**
Operating revenues	41	57	74	103
Operating expenses	(31)	(44)	(55)	(79)
Depreciation and amortisation	(5)	(7)	(9)	(13)
Contribution from operations (*)	5	6	10	11
New orders awarded	142	9	220	76

(*) Operating income before general and administrative expenses

The backlog at 30th June 2002 amounted to 290 million euros, of which 92 are to be realised in the second half of 2002.

- Operating revenues for the first half of 2002 were 39% higher than those for the same period in 2001, mainly due to the full utilisation of the eight rigs in Saudi Arabia and those located in Kazakhstan.

- Contribution from operations increased by 1 million euros versus the same period in 2001, with a decrease from 13.5% to 10.7% as a percentage of revenues. This was mainly attributable to costs associated with the commissioning of the latest two rigs in Saudi Arabia and to higher amortisation linked to capital expended for the execution of new contracts.

- Average utilisation of onshore rigs in the first half of 2002 reached 89% (67% in the same period 2001) as follows: 15 in Peru, 3 in Italy, 3 in Nigeria, 2 in Algeria, 1 in Egypt, 2 in Kazakhstan, 1 in Russia and 8 in Saudi Arabia.
  In addition, 8 third-party rigs were operated in Peru and 1 in Kazakhstan by the joint-company SaiPar.
  Finally, 5 rigs owned jointly with third parties operated as follows: 1 in Italy, 1 in Venezuela and 3 in Kazakhstan.

ONSHORE CONSTRUCTION

(Million euros)

	Second quarter		First half	
	2001	**2002**	2001	**2002**
Operating Revenues	55	103	95	188
Operating expenses, net of cost of materials	(33)	(67)	(57)	(120)
Cost of materials	(14)	(19)	(23)	(37)
Depreciation and amortisation	(4)	(7)	(8)	(13)
Contribution from operations (*)	4	10	7	18
New orders awarded	188	23	203	300

(*) Operating income before general and administrative expenses

The backlog at 30th June 2002 amounted to 689 million euros, of which 298 million are to be realised in the second half of 2002.

- In the first half of 2002, operating activities in Kazakhstan and Saudi Arabia allowed to achieve revenues exceeding by 93 million euros (+98%) those for the same period 2001.

- Contribution from operations for the first half of 2002 amounted to 18 million euros, 9.6% of revenues, versus 7 million euros, equal to 7.4% of revenues for the same period 2001. The improvement in profitability can be attributed to the execution of complex projects in challenging areas where the Group has a competitive advantage.