SECOND QUARTER REPORT FOR 2001

Eni GROUP

Saipem

Approved by the Board of Directors meeting
held on 27th of July 2001

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The quarterly report is not subject to audit

PRINCIPAL ECONOMIC AND FINANCIAL DATA

(Millions of euros)

	Second quarter			First half		
	2000	**2001**	Var. %	2000	**2001**	Var. %
Operating revenues	303	397	31	543	736	35.5
Contribution from operations	37	67	81.1	62	127	104.8
Operating income	20	50		28	92	
Capital expenditure	46	77	67.4	146	125	(14.4)

	31st of December 2000	**30th of June 2001**
Net debt at the end of the period:		
- medium and long term	113	128
- short term	467	449
Total	**580**	**577**

PRINCIPAL OPERATING DATA

	Second quarter			First half		
	2000	**2001**	Var. %	2000	**2001**	Var. %
Offshore Construction						
- pipelines laid (Km)	50	253	406	136	372	173.5
- structures installed (tons)	10,775	33,753	213.3	15,800	43,059	172.5
Offshore Drilling and Floating Production						
- metres drilled	21,304	29,441	38.2	38,075	60,004	57.6
- wells drilled	13	9	(30.8)	27	22	(18.5)
Onshore Drilling						
- metres drilled	31,475	39,523	25.6	67,244	82,390	22.5
- wells drilled	7	11	57.1	24	26	8.3
- estimated average use of plant (%)	57.3	71		62	67	
Onshore Construction						
- pipelines laid (Km)	141	60	(57.4)	415	60	(85.5)
- structures installed (tons)	5,582	200	(96.4)	9,782	420	(95.7)

OPERATING REVENUES BY SECTOR OF ACTIVITY

(Millions of euros)

	Second quarter			First half		
	2000	**2001**	Var. %	2000	**2001**	Var. %
Offshore Construction	123	222	80.5	208	414	99
Offshore Drilling and Floating Production	62	79	27.4	110	153	39.1
Onshore Drilling	31	41	32.3	61	74	21.3
Onshore Construction	87	55	(36.8)	164	95	(42.1)
Total	**303**	**397**		**543**	**736**	

OPERATING REVENUES BY GEOGRAPHICAL AREA

(Millions of euros)

	Second quarter		First half	
GEOGRAPHICAL AREA (*)	2000	**2001**	2000	**2001**
Italy	32	22	63	49
North Sea	57	83	91	127
Rest of Europe	24	55	41	123
Africa	58	114	109	221
Middle and Far East	62	72	125	113
Americas	70	51	114	103
Total	**303**	**397**	**543**	**736**

(*) measured according to final destination of services.

CONTRACTS AWARDED TO THE SAIPEM GROUP

(Millions of euros)

	Second quarter		First half	
	2000	**2001**	2000	**2001**
Saipem S.p.A.	202	157	248	405
Other Group companies	81	510	307	776
Total	**283**	**667**	**555**	**1,181**
Offshore Construction	98	175	337	504
Offshore Drilling and Floating Production	53	162	63	254
Onshore Drilling	109	142	124	220
Onshore Construction	23	188	31	203
Total	**283**	**667**	**555**	**1,181**

BACKLOG

(Millions of euros)

	31st of December 2000	**30th of June 2001**
Offshore Construction	1,312	1,362
Offshore Drilling and Floating Production	582	683
Onshore Drilling	127	273
Onshore Construction	609	717
Total	**2,630**	**3,035**

BASIS OF PREPARATION

The financial statements as of and for the period ended 30th of June 2001 have been prepared in accordance with the criteria established by the "Commissione Nazionale per le Società e la Borsa" CONSOB (National Commission for Companies and the Stock Exchange) regulation No. 11971 dated 14th of May 1999 and modified on 6th of April 2000 by resolution No. 12475.

The economic information provided refers to the second quarter of 2001 and the second quarter of 2000, as well as the first half of 2001 and the first half of 2000. The financial information refers to the 30th of June 2001 and the end of the year 2000. The accounting principles adopted are consistent with those used at the end 31st of December 2000. The financial situation has been prepared in order that the situation may be compared with those in the six monthly and annual reports.

Unles otherwise indicated, the information is expressed in euros.

In accordance with CONSOB regulations, the quarterly report is not subject to audit.

RESULTS OF OPERATIONS

Forward

The volume of work completed and the resultant profit levels, especially in the Offshore and Onshore Construction sectors and to a lesser extent in the Drilling sectors, are not linear over time, and amongst other things, depend upon market trends, climatic factors and the programming of single projects. Consequently, the information from one quarter may significantly vary with that of the same quarter in another year, precluding the simple extrapolation of figures for an entire year.

CONSOLIDATED INCOME STATEMENT

(Millions of euros)

	Second quarter			First half		
	2000	**2001**	Var. %	2000	**2001**	Var. %
Operating revenues	**303**	**397**	**31**	**543**	**736**	**35.5**
Other income and revenues	3	6		4	9	
Purchases, services and other costs	(185)	(222)		(322)	(416)	
Payroll and related costs	(69)	(87)		(135)	(157)	
Gross operating income	**52**	**94**	**80.8**	**90**	**172**	**91.1**
Amortisation, depreciation and write downs	(32)	(44)		(62)	(80)	
Operating income	**20**	**50**	**150**	**28**	**92**	**228.6**
Financial expenses, net	(11)	(9)		(15)	(19)	
Income before extraordinary items and income taxes	**9**	**41**	**355.5**	**13**	**73**	**461.5**
Extraordinary expenses,net	-	(1)		-	(1)	
Income before income taxes	**9**	**40**	**344.4**	**13**	**72**	**453.8**
Income taxes	(3)	(10)		(4)	(17)	
Net income for the period	**6**	**30**	**400**	**9**	**55**	**511.1**

In line with that stated in the annual report and the six month report, the following tables show the operating income and costs by destination.
This reclassification is normally used when analysing contribution from operations (stated as, operating income before general and administrative expenses) of the various sectors in which Saipem operates.

OPERATING INCOME AND COSTS BY DESTINATION

(Millions of euros)

	Second quarter			First half		
	2000	**2001**	Var. %	2000	**2001**	Var. %
Operating revenues	**303**	**397**	**31**	**543**	**736**	**35.5**
Production costs	(250)	(312)		(446)	(579)	
Idle costs	(13)	(13)		(26)	(21)	
Selling expenses	(4)	(6)		(9)	(11)	
Research and development costs	-	-		(1)	(1)	
Other operating income, net	1	1		1	3	
Contribution from operations	**37**	**67**	**81.1**	**62**	**127**	**104.8**
General and administrative expenses	(17)	(17)		(34)	(35)	
Operating income	**20**	**50**	**150**	**28**	**92**	**228.6**

Second quarter

Revenues for the second quarter amounted to 397 million euros, an increase of 105 million euros in respect of the corresponding quarter for 2000, mainly due to a greater volume of activity in the Offshore Construction sector.

Production costs were 312 million euros, an increase of approximately 24.8% in respect of the corresponding period for 2000. The growth in costs, together with those in income, was mainly due to a higher consumption of materials and a greater use of third parties.
Payroll and related costs amounted to 87 million euros, and rose by 18 million euros versus the second quarter for 2000, mainly due to the increase in the average number of employees and a higher volume of activity.

Contribution from operations during the second quarter for 2001 amounted to 67 million euros, versus the 37 million euros for the second quarter of 2000.
The increase can be attributed to higher revenues from the Offshore Construction sector and greater profitability from the Offshore Drilling sector through the utilisation of the new vessels Saipem 10000 and Scarabeo 7 and at higher daily rates than those for the same quarter in the previous year.

The general and administrative expenses for the second quarter 2001 amounted to 17 million euros, unchanged, versus the second quarter 2000.

Fist half 2001

Revenues for the first half 2001 amounted to 736 million euros, an increase of 193 million euros compared to that for the same period in 2000.

The significant increase in revenues (+ 35.5%), as later explained in greater detail when analysing the various sectors of activity, is due to the complete operability of the Blue Stream project and the recovery of the Offshore Construction sector in the Gulf of Mexico and West Africa, as well as the utilisation of the new deep water vessels, Saipem 10000 and Scarabeo 7.

Production costs amounted to 579 million euros, an approximate increase of 29.8% compared to the corresponding period in 2000. The rise in costs, in line with higher revenues, was mainly due to an increase in materials and a greater use of third party services.

Payroll and related costs of 157 million euros, rose by 22 million euros compared to the first six months of 2000. The increase of approximately 16.3% was mainly due to a greater number of employees utilised in the higher work volumes for the period under examination.

Figures concerning the average workforce for the second quarter, as well as the first six months are detailed in the following table:

	Second quarter		First half	
WORKFORCE	2000	**2001**	2000	**2001**
Local foreign staff	4,548	5,960	4,381	4,096
International	3,175	3,930	3,215	2,602
Italians	2,346	2,285	2,402	2,232
Total	**10,069**	**12,175**	**9,998**	**11,105**
Offshore Construction	2,093	2,737	2,084	2,502
Offshore Drilling and Floating Production	1,044	1,313	1,038	1,282
Onshore Drilling	1,600	2,061	1,573	2,032
Onshore Construction	4,684	5,367	4,636	4,593
Staff	648	697	667	696
Total	**10,069**	**12,175**	**9,998**	**11,105**

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

RECLASSIFIED BALANCE SHEET

(Millions of euros)

	31st of December 2000	**30th of June 2001**
Net tangible fixed assets	1,338	1,403
Intangible fixed assets	32	31
	1,370	1,434
Financial investments	5	6
Non-current assets	**1,375**	**1,440**
Net working capital	288	265
Provisions for contingencies	(49)	(55)
Net current assets	**239**	**210**
Employees' termination pay	**(23)**	**(23)**
Capital employed	**1,591**	**1,627**
Shareholder's equity	**1,011**	**1,050**
Net debt	**580**	**577**
Cover	**1,591**	**1,627**

CAPITAL EXPENDITURE

(Millions of euros)

	Second quarter		First half	
	2000	**2001**	2000	**2001**
Offshore Construction	16	39	26	62
Offshore Drilling and Floating Production	18	6	104	12
Onshore Drilling	7	11	7	19
Onshore Construction	1	17	1	27
Others	4	4	8	5
Total	**46**	**77**	**146**	**125**

Capital expenditure for tangible and intangible fixed assets during the course of the first half amounted to 125 million euros (146million for the first half of 2000), and mainly related to the completion of works to the special under water development vessel (Field Development Ship) and the completion of equipment and structures necessary for the execution of important projects such as Blue Stream (Russia – Turkey) and the Karachaganak Development in Kazakhstan.
Capital expenditure of 77 million euros for the second quarter, rose by 31 million euros, compared to the 46 million euros for the corresponding quarter of 2000.

NET DEBT

Net debt as of 30th of June 2001 amounted to 577 million euros, compared to 580 million euros at 31st of December 2000. The reduction in net current assets (29 million euros), the sale of tangible fixed assets (4 million euros) and cash flow generated by operations (135 million euros), were 3 millions euros higher than funds applied in in the first six months relating to capital expenditure and financial investments (totalling 127 million euros), payment of dividends (27 million euros) and translation exchange differences (11 million euros). During the second quarter, net debt fell by 13 million euros from 590 million euros at 31st of March 2001 to 577 million euros at 30th of June 2001.

The net financial position at 30th of June 2001 comprises short term financial debts of 449 million euros (467 million at 31st of December 2000) and medium to long term financial debts of 128 million euros (113 million at 31st of December 2000).

The increase in the medium to long term financial debt is attributable to a debt incurred by a foreign subsidiary connected to a specific capital expenditure.

NEW ORDERS AND BACKLOG

During the first six months of 2001, Saipem was awarded new orders totalling 1,181 million euros (555 million euros for the same period of 2000), of which, 758 million euros relate to the Offshore Construction and Drilling sectors.

The main contracts awarded were:

Offshore Construction:
- the assignment of change orders on behalf of the Blue Stream Pipeline Company;
- the Adgf project, for the laying of a pipeline in Indonesia, on behalf of Conoco;
- the Lan Tay Lan Do project for the laying of a pipeline in Vietnam on behalf of BP/Amoco; and the installation of structures and the laying of sealines in the Adriatic Sea as part of the "Campagna Mare 2001", on behalf of the Agip Division of Eni.

Offshore Drilling:
- the charter of the Perro Negro 2 jack up for three years in Saudi Arabia, on behalf of Saudi Aramco;
- the charter of the semi-submersible platform, Scarabeo 5, for a year, in Norway, on behalf of Saga;
- the charter of an offshore equipment package for one year, with a two year option, in Libya, on behalf of Total;
- the charter of the semi-submersible platform, Scarabeo 6, for six months, in Norway, on behalf of Norsk Hydro;
- the charter of the Perro Negro 5 jack up for one year, in Nigeria, on behalf of Belbop.

Onshore Drilling:
- the charter of seven rigs for three years, with a further one year option in Saudi Arabia, on behalf of Saudi Aramco;
- the charter for 27 months of a rig in Algeria on behalf of Broken Hill Properties.

Onshore Construction:
- the East-West project for the conversion of an oil line to a gas line in Saudi Arabia, on behalf of Saudi Aramco;
- the Harad Light Crude Increment II project for the installation of equipment and the laying of three pipelines in Saudi Arabia, on behalf of Snamprogetti.

The backlog at the 30th of June 2001 reached a record level of 3,035 million euros (2,630 million euros at 31st of December 2000).

MANAGEMENT EXPECTATIONS OF OPERATIONS

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

On the basis of current information, the backlog, the healthy state of the market and the first half results, increase management's convinction that revenues and operating profit will be in excess of those achieved in the previous year.

OTHER INFORMATION

During the course of the second quarter, Saipem purchased the remaining 50% of Sasp Offshore Engineering from Snamprogetti (Saipem already owned the other 50%). Also during the second quarter, an agreement was reached to acquire the complete ownership of the vessel Maxita, following completion of the Canyon Express project, expected during the first quarter of 2002.

In July, Saipem acquired 100% of Moss Maritime, a Norwegian company engineering company skilled in the design of floating oil production and process systems, liquified natural gas (LNG) carriers and semisubmersible drilling units. This acquisition will allow Saipem to significantly reinforce it's engineering capabilities, especially in floating production systems with surface well heads, due to technology which was developed and tested and is exclusive to Moss Maritime.

Also in July, Saipem completed the purchase of another engineering company, Petro-Marine, which operates in Houston and New Orleans.

Following these acquisitions, Saipem has significantly increased it's capacity to offer to the Offshore Construction sector integrated solutions for engineering, supply of materials, construction and installation.

OPERATING REVIEW

OFFSHORE CONSTRUCTION

(Millions of euros)

	Second quarter		First half	
	2000	**2001**	2000	**2001**
Operating revenues	123	222	208	414
Operating expenses net of cost of materials	(76)	(132)	(133)	(251)
Cost of materials	(22)	(41)	(41)	(72)
Depreciation and amortisation	(14)	(20)	(27)	(34)
Contribution from operations (*)	11	29	7	57
Orders awarded to Saipem	98	175	337	504

(*) operating income before general and administrative expenses

The backlog at 30th of June 2001 amounted to 1,362 million euros, of which, 571 million euros will be executed during the second half of 2001.

Revenues for the first half of 2001 doubled in volume compared with those for the same period of 2000, due to the Blue Stream project and higher activity volumes in West Africa and the Gulf of Mexico.

Contribution from operations for the first half of 2001 amounted to 57 million euros, equal to 13.8% of revenues, compared to 7 million euros, equal to 3.4% of revenues, for the first half of 2000.

OFFSHORE DRILLING AND FLOATING PRODUCTION

(Millions of euros)

	Second quarter		First half	
	2000	**2001**	2000	**2001**
Operating revenues	62	79	110	153
Operating expenses	(35)	(36)	(60)	(74)
Depreciation and amortisation	(8)	(14)	(18)	(26)
Contribution from operations (*)	19	29	32	53
Orders awarded to Saipem	53	162	63	254

(*) operating income before general and administrative expenses

The backlog at 30th of June 2001 amounted to 683 million euros, of which, 169 million euros will be executed during the second half of 2001.

- Revenues for the first half of 2001 rose by 39% compared with the same period of 2000, mainly due to the utilisation of the new deep water drilling vessels: Saipem 10000 and Scarabeo 7.

- Contribution from operations rose by 21 million euros compared with the first half of 2000, with an increasing incidence on revenues from 29% to 35%, due to the combined effect of, a greater use of vessels and higher day rates.

Utilisation of equipment:

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

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

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

(*) Equipment owned by subsidiary companies.

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

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

ONSHORE DRILLING

(Millions of euros)

	Second quarter		First half	
	2000	**2001**	2000	**2001**
Operating revenues	31	41	61	74
Operating expenses	(21)	(31)	(44)	(55)
Depreciation and amortisation	(4)	(5)	(6)	(9)
Contribution from operations (*)	6	5	11	10
Orders awarded to Saipem	109	142	124	220

(*) operating income before general and administrative expenses

The backlog at 30th of June 2001 amounted to 273 million euros, of which, 68 million euros will be executed during the second half of 2001.

- Revenues for the first half of 2001 were 21% higher than those for the first half of 2000, mainly due to the effect of contracts acquired in Saudi Arabia and Kazakhstan.
  Contribution from operations fell by 1 million euros compared with the same period for 2000, declining from 18% to 13.5% of revenues, mainly due to higher amortisation and depreciation linked to capital expenditure made for the execution of new contracts.

- Operational activities involved the average use of 67% of the drilling rigs (61% for the same period in 2000): of which, 14 were utilised in Peru, 4 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt, 1 in Kazakhstan and 1 in Saudi Arabia. In addition, 8 third party rigs were used in Peru and 1 third party rig owned by the joint company SaiPar in Kazakhstan. Finally, 5 rigs jointly owned with third parties were used as follows: 1 in Italy, 1 in Venezuela and 3 in Kazakhstan.

ONSHORE CONSTRUCTION

(Millions of euros)

	Second quarter		First half	
	2000	**2001**	2000	**2001**
Operating revenues	87	55	164	95
Operating expenses, net of cost of materials	(66)	(33)	(113)	(57)
Cost of materials	(16)	(14)	(32)	(23)
Depreciation and amortisation	(4)	(4)	(7)	(8)
Contribution from operations (*)	1	4	12	7
Orders awarded to Saipem	23	188	31	203

(*) operating income before general and administrative expenses

- The backlog at 30th of June 2001 amounted to 717 million euros, of which, 182 million euros will be executed during the second half of 2001.

- The revenues and contributions realised during the first half of 2001, mainly derive from the final phases of projects which were under way during the same period of 2000.
  It is expected that the operational activities, relative to important projects to be realised in Kazakhstan and Saudi Arabia, will positively affect both volumes and contributions as from the second half of the year.