Saipem:
Board of Directors approves six-month report at June 30, 2011
H1 PROFITS AT RECORD LEVELS

- **Net profit for the second quarter of 2011 amounted to Euro 225 million, a 13.6% increase compared to the second quarter of 2010.**
- **Net profit for the first half of 2011 amounted to Euro 438 million, a 15.3% increase compared to the first half of 2010.**
- **New contracts won during the first half of 2011 amounted to Euro 6,006 million (Euro 7,059 million in the first half of 2010); the backlog at June 30, 2011 stood at Euro 20,490 million (Euro 20,459 million at March 31, 2011).**
- **Investments in the first half of 2011 amounted to Euro 561 million, compared to Euro 782 million in the first half of 2010).**
- **Financial results for 2011: guidance of improved results released in April is confirmed.**

San Donato Milanese, July 27, 2011. The Board of Directors of Saipem S.p.A. today reviewed the Saipem Group consolidated Half Year Report at June 30, 2011, which has been prepared in compliance with the International Financial Reporting Standards and is subject to a limited audit (near completion). The report is subject to review by the company's Statutory Auditors and Independent Auditors.

(million euro)

Q2 2010	Q1 2011	Q2 2011	Q2 2011 vs Q2 2010 (%)		1H 2010	1H 2011	1H 2011 vs 1H 2010 (%)
2,746	2,954	3,067	11.7	Revenues	5,385	6,021	11.8
453	495	518	14.3	EBITDA	864	1,013	17.2
331	347	364	10.0	Operating profit	627	711	13.4
198	213	225	13.6	Net profit	380	438	15.3
320	361	379	18.4	Cash flow (net profit + depreciation and amortization)	617	740	19.9
370	355	206	(44.3)	Investments	782	561	(28.3)
4,381	2,908	3,098	(29.3)	New contracts	7,059	6,006	(14.9)

Revenues and associated profit levels, particularly in the Engineering and Construction sector, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can *vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.*

Investments in the second quarter of 2011 amounted to Euro 206 million (Euro 370 million in the second quarter of 2010) and included:

- Euro 49 million in the Offshore Engineering & Construction sector mainly relating to the construction of a new pipelayer (CastorOne), the conversion of a tanker into an FPSO unit, the development of a new fabrication yard in Indonesia, and the maintenance and upgrading of the existing asset base;
- Euro 6 million in the Onshore Engineering & Construction sector on maintenance of the existing asset base;
- Euro 130 million in the Offshore Drilling sector, mainly relating to the construction of two semi-submersible rigs, in addition to the maintenance and upgrading of the existing asset base;
- Euro 21 million in the Onshore Drilling sector mainly relating to the upgrading of the existing asset base.

Investments in the first half of 2011 amounted to Euro 561 million (Euro 782 million in the first half of 2010).

The latest delivery schedule for major ongoing investments is as follows:
Drilling: the semi-submersible drilling rig Scarabeo 9 is expected to be ready for transfer to the Caribbean Sea in the next three weeks; this further slippage from the estimated June delivery date provided at the end of Q1 is due to the implementation of several improvements to the hydraulic systems; Scarabeo 8 is scheduled for completion by the Westcon Shipyard (Norway) towards the end of this year.

Offshore Engineering & Construction: FPSO Aquila has just been handed over by the Drydocks World Shipyard (Dubai) and will now be transferred to Eni's Aquila field in the Mediterranean Sea. The fabrication yard in Karimun (Indonesia) has already started fabrication on behalf of Clients and will progress in parallel with yard completion during the latter part of the year. The pipelayer CastorOne is due to be completed at the Keppel Shipyard (Singapore) by the end of June 2012. After hand-over, CastorOne will undergo sea trials for approximately 6 months and will then be mobilized to the Gulf of Mexico at the start of 2013 to lay the Jack – St. Malo Oil Export Pipeline on behalf of Chevron Pipeline Company.

Net financial debt at June 30, 2011 amounted to Euro 3,399 million, an increase of Euro 136 million from December 31, 2010, mainly attributable to capital expended on investments and the distribution of dividends, which were largely offset by the cash flow from operations generated during the period.

New contracts and backlog
During the second quarter of 2011, Saipem was awarded contracts amounting to Euro 3,098 million (Euro 4,381 million in the second quarter of 2010).

New contracts awarded to the Saipem Group during the first half of 2011 amounted to Euro 6,006 million (Euro 7,059 million in the first half of 2010).

The Saipem Group backlog at June 30, 2011 stood at Euro 20,490 million (Euro 6,432 million in the Offshore Engineering & Construction sector, Euro 9,735 million in the Onshore Engineering & Construction sector, Euro 4,323 million in the Drilling sectors), of which Euro 4,811 million is due to be realised in 2011.

In July 2011, new contracts were awarded and variations to existing contracts were negotiated amounting to approximately Euro 800 million mainly in the Engineering & Construction sector, of which approximately USD 800 million relating to contracts detailed in the Press Release of July 25, 2011.

Management Outlook for 2011

Strong volumes and margins recorded in the first half of 2011, along with the robust backlog, underpin expectations of achieving the improved targets for 2011 released at the end of Q1 (compared to 2010: revenues to increase by approximately 8%, EBITDA by approximately 12% and net profit by approximately 8%). Investments for 2011 are confirmed to be in the region of Euro 1.1 billion.

Additional information

The Board of Directors also approved the merger by incorporation of Saipem Energy Services SpA (a company 100% owned by Saipem SpA) into Saipem SpA, based on the project approved on June 16, 2011.

Saipem's Chief Financial Officer, Mr Giulio Bozzini, in his capacity as manager responsible for the preparation of the Company's financial reports, certifies, pursuant to art. 154-bis paragraph 2 of Legislative Decree no. 58/1998, that data and information disclosed in this press release corresponds to the Company's evidence and accounting books and entries.

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions.
Actual results could therefore differ materially from the forward-looking statements.
The Financial Reports contain in-depth analyses of some of the aforementioned risks.
Forward-looking statements are to be considered in the context of the date of their release.

Saipem is organised into two Business Units: Engineering & Construction and Drilling, with a strong bias towards oil & gas-related activities in remote areas and deep-waters. Saipem is a leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetisation and heavy oil exploitation.

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Analysis by business sector

Engineering & Construction: Offshore

(million euro)

Q2 2010	Q1 2011	Q2 2011	Q2 2011 vs Q2 2010 (%)		1H 2010	1H 2011	1H 2011 vs 1H 2010 (%)
1,146	1,115	1,259	9.9	Revenues	2,159	2,374	10.0
(934)	(907)	(1,031)	10.4	Expenses	(1,761)	(1,938)	10.1
(52)	(60)	(54)	3.8	Depreciation and amortisation	(100)	(114)	14.0
160	148	174	8.8	Operating profit	298	322	8.1
18.5	18.7	18.1		EBITDA %	18.4	18.4	
14.0	13.3	13.8		EBIT %	13.8	13.6	
818	1,727	1,535		New contracts	1,923	3,262	

The backlog at June 30, 2011 amounted to Euro 6,432 million, of which Euro 1,754 million is due to be realised in 2011.

- Revenues for the first half of 2011 amounted to Euro 2,374 million, representing a 10% increase compared to the first half of 2010, mainly due to higher levels of activity in Northern Europe and West Africa.

- Operating profit for the first half of 2011 amounted to Euro 322 million, equal to 13.6% of revenues, versus Euro 298 million, equal to 13.8% of revenues, in the first half of 2010. EBITDA margin stood at 18.4%, in line with the same period of 2010.

- The main contracts acquired in the second quarter of 2011 include:

– For Husky Oil China Ltd, the EPIC project “Liwan 3-1” in China, comprising engineering, procurement and installation of two pipelines, umbilicals, along with the transport and installation of a subsea production system linking the wellheads to a processing platform;

– for Petrobras, the EPIC project “Guara & Lula-Northeast” gas export pipelines in Brazil, encompassing the transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment;

– for Burullus Gas Company, an EPIC project in Egypt for new subsea developments in the area of the West Delta Deep Marine Concession. The contract encompasses the engineering, procurement, construction and installation of a total of seven new subsea wellheads and relevant infrastructure, umbilicals and flowlines;

– for Caspian Pipeline Consortium (CPC), the contract for the expansion of the structures relevant to the CPC marine export terminal, near Yuhznaya Ozereyevka on the shores of the Black Sea in the Krasnodar region of the Russian Federation. The contract includes the engineering, procurement and installation of a new offshore export pipeline for hydrocarbon transportation and the installation of a new offshore mooring system for hydrocarbon export.

Engineering & Construction: Onshore

(million euro)

Q2 2010	Q1 2011	Q2 2011	Q2 2011 vs Q2 2010 (%)		1H 2010	1H 2011	1H 2011 vs 1H 2010 (%)
1,245	1,457	1,428	14.7	Revenues	2,555	2,885	12.9
(1,149)	(1,334)	(1,303)	13.4	Expenses	(2,361)	(2,637)	11.7
(9)	(8)	(9)	-	Depreciation and amortisation	(18)	(17)	(5.6)
87	115	116	33.3	Operating profit	176	231	31.3
7.7	8.4	8.8		EBITDA %	7.6	8.6	
7.0	7.9	8.1		EBIT %	6.9	8.0	
3,534	933	1,144		New contracts	4,781	2,077	

The backlog at June 30, 2011 amounted to Euro 9,735 million, of which Euro 2,450 million is due to be realised in 2011.

- Revenues for the first half of 2011 amounted to Euro 2,885 million, representing a 12.9% increase compared to the first half of 2010. This is largely due to higher levels of activity in Algeria and Canada.

- Operating profit for the first half of 2011 amounted to Euro 231 million, compared to Euro 176 million in the first half of 2010, with the margin on revenues rising from 6.9% to 8%. EBITDA margin stood at 8.6% up from 7.6% in the same period of 2010. This increase in margin is attributable to strong operational performance.

- The main contracts acquired in the second quarter of 2011 include:

– for Rete Ferroviaria Italiana SpA (FS Group), the contract in Italy for the detailed engineering, project management and construction of a 39 km hi-speed/hi-capacity railway and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia Provinces, as well as all associated works, such as power lines, interfered road tracks, road crossings and environmental mitigation;

– furthermore, new contracts were acquired and contract variations on existing projects were negotiated, mainly in North and West Africa.

Drilling: Offshore

(million euro)

Q2 2010	Q1 2011	Q2 2011	Q2 2011 vs Q2 2010 (%)		1H 2010	1H 2011	1H 2011 vs 1H 2010 (%)
186	211	207	11.3	Revenues	346	418	20.8
(88)	(98)	(98)	11.4	Expenses	(164)	(196)	19.5
(33)	(50)	(57)	72.7	Depreciation and amortisation	(64)	(107)	67.2
65	63	52	(20.0)	Operating profit	118	115	(2.5)
52.7	53.6	52.7		EBITDA %	52.6	53.1	
34.9	29.9	25.1		EBIT %	34.1	27.5	
9	75	274		New contracts	149	349	

The backlog at June 30, 2011 amounted to Euro 3,285 million, of which Euro 372 million is due to be realised in 2011.

- Revenues for the first half of 2011 amounted to Euro 418 million, representing a 20.8% increase on the same period for 2010, attributable mainly to the full-scale activities of the drillship Saipem 12000 and the jack-up Perro Negro 8, which were under construction in the first half of 2010. These have offset the maintenance downtime of the semi-submersible rigs Scarabeo 5 and Scarabeo 6.

- Operating profit for the first half of 2011 amounted to Euro 115 million, compared to Euro 118 million in the first half of 2010, with the margin on revenues decreasing from 34.1% to 27.5%. due mainly to the increase in depreciation, and maintenance downtime of the semi-submersible rigs Scarabeo 5 and Scarabeo 6. The increase in depreciation is ascribed to the start of operations of new vessels, and some equipment write-off of Scarabeo 8 during the second quarter of 2011. EBITDA margin stood at 53.1%, a slight increase on the 52.6% recorded in the same period for 2010.

- The main contracts acquired in the second quarter of 2011 include:

– for Eni, the twenty-four month extension, from August 2012, of the lease contract for the drillship Saipem 10000;

– for Addax Petroleum, the six-month extension, from November 2011, of the lease contract for the semi-submersible rig Scarabeo 3;

– for NDC (National Development Company), the twelve-month extension, from the second quarter of 2011, of the lease contract for the jack-up Perro Negro 2.

– Fleet utilisation in the first half of 2011 and the impact of planned maintenance for 2011 are as follows:

Vessel	***1H 2011***		***Year 2011***
	Under contract	***Idle***	***Idle***
	(days)		***(days)***
Semi-submersible rig Scarabeo 3	151	30 (a)	30 (a)
Semi-submersible rig Scarabeo 4	181	–	–
Semi-submersible rig Scarabeo 5	157	24 (b)	70 (a+b)
Semi-submersible rig Scarabeo 6	168	13 (b)	13 (b)
Semi-submersible rig Scarabeo 7	181	–	–
Drillship Saipem 10000	181	–	–
Drillship Saipem 12000	181	–	–
Jack-up Perro Negro 2	181	–	–
Jack-up Perro Negro 3	181	–	31 (a)
Jack-up Perro Negro 4	181	–	61 (a)
Jack-up Perro Negro 5	181	–	–
Jack-up Perro Negro 6	181	–	–
Jack-up Perro Negro 7	181	–	31 (a)
Jack-up Perro Negro 8	181	–	–
Tender Assisted Drilling Barge	181	–	–

(a) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.
(b) = the vessel underwent maintenance works to address technical problems.

Drilling: Onshore

(million euro)

Q2 2010	Q1 2011	Q2 2011	Q2 2011 vs Q2 2010 (%)		1H 2010	1H 2011	1H 2011 vs 1H 2010 (%)
169	171	173	2.4	Revenues	325	344	5.8
(122)	(120)	(117)	(4.1)	Expenses	(235)	(237)	0.9
(28)	(30)	(34)	21.4	Depreciation and amortisation	(55)	(64)	16.4
19	21	22	15.8	Operating profit	35	43	22.9
27.8	29.8	32.4		EBITDA %	27.7	31.1	
11.2	12.3	12.7		EBIT %	10.8	12.5	
20	173	145		New contracts	206	318	

The backlog at June 30, 2011 stood at Euro 1,038 million, of which Euro 235 million is due to be realised in 2011.

- Revenues for the first half of 2011 amounted to Euro 344 million, representing a 5.8% increase compared to the first half of 2010, mainly due to the full-scale operations of rigs in South America and the start of operations of new rigs in Kazakhstan.

- Operating profit for the first half of 2011 amounted to Euro 43 million, up from Euro 35 million in the first half of 2010, with the margin on revenues rising from 10.8% to 12.5%. EBITDA margin stood at 31.1%, up from 27.7% in the same period for 2010.

- The main contracts acquired in the second quarter of 2011 include:

– for Saudi Aramco, the contract for the lease of four rigs in Saudi Arabia, whose duration ranges from one to three years;
– for various clients, contracts for the lease of nine rigs in Peru and Colombia, whose duration ranges from four to twelve months;
– for Ural Oil and Samek, two contracts for the lease of two drilling rigs in Kazakhstan, which have a duration of four and twelve months, respectively.

Average utilisation of rigs in the first half of 2011 stood at 94.3% (95.8% in the first half of 2010). As at June 30, 2011, the Company owned 89 rigs located as follows: 28 in Venezuela, 21 in Peru, 8 in Saudi Arabia, 7 in Algeria, 7 in Colombia, 5 in Kazakhstan, 3 in Brazil, 2 in Bolivia, 2 in Congo, 2 in Ecuador, 2 in Italy and 2 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, and 4 third-party rigs in Kazakhstan (of which 2 by the joint-venture company SaiPar).

Attachments:

Reclassified consolidated balance sheet, consolidated income statements reclassified by nature and function of expenses and reclassified statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

		December 31, 2010		June 30, 2011
Net tangible fixed assets		7,403		7,482
Net intangible fixed assets		760		756
		8,163		8,238
- Engineering & Construction: Offshore	3,617		3,645	
- Engineering & Construction: Onshore	444		437	
- Drilling: Offshore	3,204		3,324	
- Drilling: Onshore	898		832	
Financial investments		105		107
Non-current assets		**8,268**		**8,345**
Net current assets		**(658)**		**(308)**
Employee termination indemnities		**(193)**		**(201)**
CAPITAL EMPLOYED		**7,417**		**7,836**
Shareholders' equity		**4,060**		**4,347**
Minority interest in net equity		**94**		**90**
Net debt		**3,263**		**3,399**
COVER		**7,417**		**7,836**
Leverage (net debt/shareholders' equity)		**0.80**		**0.78**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES

(million euro)

Q2 2010	Q1 2011	Q2 2011		1H 2010	1H 2011
2,746	2,954	3,067	Operating revenues	5,385	6,021
4	5	0	Other revenues and income	5	5
(1,889)	(2,066)	(2,114)	Purchases, services and other costs	(3,740)	(4,180)
(408)	(398)	(435)	Payroll and related costs	(786)	(833)
453	**495**	**518**	**GROSS OPERATING PROFIT**	**864**	**1,013**
(122)	(148)	(154)	Amortisation, depreciation and write-downs	(237)	(302)
331	**347**	**364**	**OPERATING PROFIT**	**627**	**711**
(35)	(34)	(33)	Financial expenses	(63)	(67)
3	1	7	Income from investments	4	8
299	**314**	**338**	**INCOME BEFORE INCOME TAXES**	**568**	**652**
(83)	(88)	(95)	Income taxes	(158)	(183)
216	**226**	**243**	**INCOME BEFORE MINORITY INTEREST**	**410**	**469**
(18)	(13)	(18)	Minority interest	(30)	(31)
198	**213**	**225**	**NET PROFIT**	**380**	**438**
320	**361**	**379**	**CASH FLOW** **(Net profit + Depreciation and amortisation)**	**617**	**740**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
FUNCTION OF EXPENSES

Q2 2010	Q1 2011	Q2 2011		1H 2010	1H 2011
2,746	2,954	3,067	Operating revenues	5,385	6,021
(2,287)	(2,494)	(2,587)	Production costs	(4,514)	(5,081)
(31)	(30)	(20)	Idle costs	(62)	(50)
(41)	(38)	(43)	Selling expenses	(74)	(81)
(2)	(3)	(4)	Research and development costs	(6)	(7)
(7)	3	(2)	Other operating income (expenses), net	(10)	1
378	**392**	**411**	**CONTRIBUTION FROM OPERATIONS**	**719**	**803**
(47)	(45)	(47)	General and administrative expenses	(92)	(92)
331	**347**	**364**	**OPERATING PROFIT**	**627**	**711**
(35)	(34)	(33)	Financial expenses	(63)	(67)
3	1	7	Income from investments	4	8
299	**314**	**338**	**INCOME BEFORE INCOME TAXES**	**568**	**652**
(83)	(88)	(95)	Income taxes	(158)	(183)
216	**226**	**243**	**INCOME BEFORE MINORITY INTEREST**	**410**	**469**
(18)	(13)	(18)	Minority interest	(30)	(31)
198	**213**	**225**	**NET PROFIT**	**380**	**438**
320	**361**	**379**	**CASH FLOW (Net profit + Depreciation and amortisation)**	**617**	**740**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q2 2010	Q1 2011	Q2 2011		1H 2010	1H 2011
198	213	225	Net profit	380	438
18	13	18	Minority interest	30	31
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
122	148	154	Depreciation, amortisation and other non-monetary items	237	302
(16)	(75)	(40)	Variation in working capital relating to operations	(62)	(115)
322	**299**	**357**	**Net cash flow from operations**	**585**	**656**
(370)	(355)	(206)	Investments in tangible and intangible fixed assets	(782)	(561)
3	–	–	Disposals	3	–
(45)	**(56)**	**151**	**Free cash flow**	**(194)**	**95**
16	5	4	Buy-back of treasury shares / Exercise of stock options	16	9
(240)	–	(297)	Cash flow from share capital and reserves	(240)	(297)
(34)	37	20	Effect of exchange rate differences and other changes in net debt	(50)	57
(303)	**(14)**	**(122)**	**Change in net debt**	**(468)**	**(136)**
3,010	**3,263**	**3,277**	**Net debt at beginning of period**	**2,845**	**3,263**
3,313	**3,277**	**3,399**	**Net debt at end of period**	**3,313**	**3,399**