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Saipem: the Board of Directors approves second quarter results at June 30, 2007

- **Net profit for the second quarter of 2007 amounted to Euro 153 million, a 59.4% increase compared to the second quarter of 2006.**
- **Net profit for the first half of 2007 amounted to Euro 268 million, a 65.4% increase compared to the first half of 2006.**
- **New contracts won during the first half of 2007 amounted to Euro 4,947 million and the backlog at June 30, 2007 stood at Euro 13,302 million.**
- **Investments in the first half of 2007 amounted to Euro 521 million.**

San Donato Milanese, July 24, 2007. Today, the Board of Directors of Saipem S.p.A. reviewed the Saipem Group consolidated second quarter results at June 30, 2007, which have been prepared in compliance with the International Financial Reporting Standards and are not subject to audit.

(million euro)

Q2 2006	Q1 2007	Q2 2007	Q2 07 vs Q2 06		H1 2006	H1 2007	H1 07 vs H1 06
2,052	2,190	2,545	24.0	Revenues	3,095	4,735	53.0
151	179	230	52.3	Operating profit	244	409	67.6
96	115	153	59.4	Net profit	162	268	65.4
151	185	222	47.0	Cash flow (net profit plus depreciation)	265	407	53.6
133	252	269	102.3	Investments	231	521	125.5
4,657	2,368	2,579	- 44.6	New contracts	5,782	4,947	- 14.4

As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore sectors, 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 2007 amounted to Euro 269 million (Euro 133 million in the second quarter of 2006) and consisted of: maintenance, upgrading and expansion of the existing asset base, including works on the construction of the new semi-submersible platform Scarabeo 8, the new pipe lay vessel and the new ultra-deep water drillship Saipem 12000 (Euro 189 million); investments in vessels and equipment for specific projects, mainly in Saudi Arabia and preparatory works on Scarabeo 6 for operations in Egypt (Euro 26 million); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (Euro 22 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 (Euro 32 million). Investments in the first half of 2007 amounted to Euro 521 million, versus Euro 231 million in the first half of 2006.

Net financial debt at June 30, 2007 amounted to Euro 1,596 million, representing an increase of Euro 179 million from December 31, 2006, and of Euro 159 million from March 31, 2007, due mainly to the high levels of capital expended during the period and the distribution of dividends.

New contracts and backlog

During the second quarter of 2007, Saipem was awarded contracts amounting to Euro 2,579 million (compared to Euro 4,657 million in the second quarter of 2006).

New contracts awarded to the Saipem Group during the first half of 2007 amounted to Euro 4,947 million (Euro 5,782 million in the first half of 2006).

The backlog of the Saipem Group at June 30, 2007 stands at a record level of Euro 13,302 million.

In addition, at the end of June, Saipem received a letter of intent from Total, subject only to partners approval, for the five-year charter (plus the option for a further two years) of the new drillship Saipem 12000 for operations in West Africa. The order for the construction of the ship was placed with the Korean Shipyard Samsung at the beginning of May and its delivery is expected in the first quarter of 2010.

Management outlook for 2007

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 Euro 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 Euro 27 million as compared with 2006.

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 Euro 47 million plus a share in the 2007 results, capped at Euro 2 million. The proceeds from this disposal programme are confirmed to be in the region of Euro 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 Euro 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.

2007 Stock Option Plan

In accordance with AGM 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 S.p.A., who have received 127,500, 61,000 and 30,000 options respectively; the Chairman of Saipem s.a., with 61,000 options, and the Managing Director of Snamprogetti S.p.A. 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 S.p.A.) 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 capitalization 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.

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.

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Analysis by business sector

Offshore:

(million euro)

Q2 2006	Q1 2007	Q2 2007	Q2 07 vs Q2 06		H1 2006	H1 2007	H1 07 vs H1 06
845	843	880	4.1	Revenues	1,438	1,723	19.8
(743)	(722)	(731)	- 1.6	Expenses	(1,265)	(1,453)	14.9
(21)	(37)	(36)	71.4	Depreciation and amortisation	(43)	(73)	69.8
81	84	113	39.5	Operating profit	130	197	51.5
1,479	1,065	816		New orders awarded	1,814	1,881	

The backlog as at June 30, 2007 amounted to Euro 4,340 million, of which 1,394 million will be realised in the second half of 2007.

- Revenues for the first half of 2007 amounted to Euro 1,723 million, representing a 20% increase compared to the same period 2006. This is mainly due to higher levels of activity in West Africa, the Far East and the Gulf of Mexico.

- The increase in margin is attributable to improved contract conditions and strong operational performance, as well as the release of contingencies, in the second quarter of 2007, relating to projects that are nearing completion. Operating profit for the first half of 2007 amounted to Euro 197 million, equal to 11.4% of revenues, versus Euro 130 million, equal to 9% of revenues in the first half of 2006

- The most significant orders awarded in the second quarter include:
  - 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 Petrobel, the Denise Pliocene contract in Egypt, comprising engineering, project management, transport and installation of a pipeline connecting the El-Gamil gas processing plant with an existing platform located in the Denise Pliocene gas field.

Onshore:

(million euro)

Q2 2006	Q1 2007	Q2 2007	Q2 07 vs Q2 06		H1 2006	H1 2007	H1 07 vs H1 06
1,060	1,178	1,486	40.2	Revenues	1,366	2,664	95.0
(1,003)	(1,112)	(1,403)	39.9	Expenses	(1,284)	(2,515)	95.9
(16)	(12)	(12)	- 25.0	Depreciation and amortisation	(25)	(24)	- 4.0
41	54	71	73.2	Operating profit	57	125	119.3
2,342	1,177	1,596		New orders awarded	2,969	2,773	

The backlog as at June 30, 2007 amounted to Euro 6,394 million, of which 2,116 million will be realised in the second half of 2007.

- Revenues for the first half of 2007 amounted to Euro 2,664 million, representing a 95% increase versus the first half of 2006. This increase is also due to the fact that Snamprogetti has been consolidated from the second quarter of 2006.

- Operating profit for the first half of 2007 amounted to Euro 125 million, equal to 4.7% of revenues, versus Euro 57 million, equal to 4.2% of revenues in the first half of 2006. This increase in margin is attributable to high operational efficiency and improved contractual rates.

- The most significant orders awarded in the second quarter include:
  - on behalf of Sonatrach, an EPC 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 45-km pipeline transporting oil, water and gas;
  - 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 Cabinda Gulf Oil Company, the EPC “Malongo Base” contract in Angola, comprising engineering, procurement, construction and pre-commissioning of a pipeline and associated facilities.

Offshore Drilling:

(million euro)

Q2 2006	Q1 2007	Q2 2007	Q2 07 vs Q2 06		H1 2006	H1 2007	H1 07 vs H1 06
85	98	105	23.5	Revenues	173	203	17.3
(50)	(52)	(56)	12.0	Expenses	(103)	(108)	4.9
(13)	(15)	(15)	15.4	Depreciation and amortisation	(26)	(30)	15.4
22	31	34	54.5	Operating profit	44	65	47.7
818	72	72		New orders awarded	923	144	

The backlog as at June 30, 2007 amounted to Euro 2,188 million, of which 173 million will be realised in the second half of 2007.

- Revenues for the first half of 2007 amounted to Euro 203 million, representing a 17.3% increase on the same period in 2006. This was attributable mainly to increased activity by the jack-up Perro Negro 4, the semi-submersible platform Scarabeo 5, as well as to higher contractual rates.

- Operating profit for the first half of 2007 amounted to Euro 65 million, versus Euro 44 million in the first half of 2006, with a margin on revenues 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.

- During the second half of 2007, Total Exploration & Production Angola exercised their option to extend the charter of the drillship Saipem 10000 in Angola for another year.

- 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	

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 for a new contract.

Onshore Drilling:

(million euro)

Q2 2006	Q1 2007	Q2 2007	Q2 07 vs Q2 06		H1 2006	H1 2007	H1 07 vs H1 06
62	71	74	19.4	Revenues	118	145	22.9
(50)	(55)	(56)	12.0	Expenses	(96)	(111)	15.6
(5)	(6)	(6)	20.0	Depreciation and amortisation	(9)	(12)	33.3
7	10	12	71.4	Operating profit	13	22	69.2
18	54	95		New orders awarded	76	149	

- Revenues for the first half of 2007 amounted to Euro 145 million, representing a 22.9% increase compared to the same period of 2006, attributable mainly to increased activity in North Africa and South America.

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

- Average utilisation of rigs in the first half of 2007 stood at 97% (92% in the first half of 2006); rigs were located as follows: 13 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.
  In addition 5 third-party rigs were deployed in Peru, 3 rigs by the joint-venture company SaiPar and 2 third-party rigs in Kazakhstan.

- The most significant orders awarded in the second quarter include:
  – on behalf of PDVSA, the charter of five rigs in Venezuela, each of one-year duration;
  – on behalf of Eni Exploration & Production, the one-year charter of a rig in Italy;
  – on behalf of British Gas, the one-year charter of a new rig in Algeria;
  – on behalf of Oil Technogroup, the one-year charter of a rig in Kazakhstan.

Attachments:

- Reclassified Consolidated Balance Sheet and Reclassified Consolidated Income Statements by nature and destination of costs;
- Reclassified statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

		December 31, 2006		June 30, 2007
Net tangible fixed assets		2,345		2,721
Net intangible fixed assets		849		806
		3,194		3,527
- Offshore	1,720		1,874	
- Onshore	603		590	
- Offshore Drilling	776		909	
- Onshore Drilling	95		154	
Financial investments		153		146
Non-current assets		**3,347**		**3,673**
Inventories		1,053		1,115
Trade and other receivables		3,261		3,673
Trade and other payables		(4,434)		(4,886)
Provisions for contingencies		(176)		(162)
Other income (expenses)		120		25
Net current assets		**(176)**		**(235)**
Net assets available for disposal and associated net financial debt		**–**		**52**
Employee termination indemnities		**(169)**		**(153)**
CAPITAL EMPLOYED		**3,002**		**3,337**
Net equity		**1,581**		**1,736**
Minority interest in net equity		**4**		**5**
Net debt		**1,417**		**1,596**
COVER		**3,002**		**3,337**
Leverage (net debt/shareholders' equity)		**0.90**		**0.92**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
NATURE OF COSTS

(million euro)

Q2 2006	Q1 2007	Q2 2007		H1 2006	H1 2007
2,052	2,190	2,545	Operating revenues	3,095	4,735
3	2	3	Other revenues and income	4	5
(1,538)	(1,616)	(1,904)	Purchases, services and other costs	(2,229)	(3,520)
(311)	(327)	(345)	Payroll and related costs	(523)	(672)
206	**249**	**299**	**GROSS OPERATING PROFIT**	**347**	**548**
(55)	(70)	(69)	Amortisation, depreciation and write-downs	(103)	(139)
151	**179**	**230**	**OPERATING PROFIT**	**244**	**409**
(27)	(30)	(27)	Financial expenses	(40)	(57)
17	13	15	Income from investments	24	28
141	**162**	**218**	**INCOME BEFORE INCOME TAXES**	**228**	**380**
(43)	(47)	(64)	Income taxes	(64)	(111)
98	**115**	**154**	**INCOME BEFORE MINORITY INTEREST**	**164**	**269**
(2)	–	(1)	Minority interest	(2)	(1)
96	**115**	**153**	**NET PROFIT**	**162**	**268**
151	**185**	**222**	**CASH FLOW (Net profit + Depreciation and amortisation)**	**265**	**407**

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
DESTINATION OF COSTS

(million euro)

Q2 2006	Q1 2007	Q2 2007		H1 2006	H1 2007
2,052	2,190	2,545	Operating revenues	3,095	4,735
(1,803)	(1,919)	(2,216)	Production costs	(2,685)	(4,135)
(16)	(14)	(8)	Idle costs	(31)	(22)
(28)	(26)	(33)	Selling expenses	(47)	(59)
(6)	(5)	(8)	Research and development costs	(8)	(13)
–	–	(2)	Other operating income, net	–	(2)
199	**226**	**278**	**CONTRIBUTION FROM OPERATIONS**	**324**	**504**
(48)	(47)	(48)	General and administrative expenses	(80)	(95)
151	**179**	**230**	**OPERATING PROFIT**	**244**	**409**
(27)	(30)	(27)	Financial expenses	(40)	(57)
17	13	15	Income from investments	24	28
141	**162**	**218**	**INCOME BEFORE INCOME TAXES**	**228**	**380**
(43)	(47)	(64)	Income taxes	(64)	(111)
98	**115**	**154**	**INCOME BEFORE MINORITY INTEREST**	**164**	**269**
(2)	–	(1)	Minority interest	(2)	(1)
96	**115**	**153**	**NET PROFIT**	**162**	**268**
151	**185**	**222**	**CASH FLOW (Net profit + Depreciation and amortisation)**	**265**	**407**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q2 2006	Q1 2007	Q2 2007			H1 2006	H1 2007
96	115	153	Group net income		162	268
2	–	1	Third party income		2	1
			Adjustments to reconcile cash generated from operating income before changes in working capital:			
55	76	65	Depreciation, amortisation and other non monetary items		87	141
65	48	68	Dividends, interests and income taxes		87	116
218	**239**	**287**	**Cash generated from operating income before variation in working capital**		**338**	**526**
(39)	1	84	Variation in working capital relating to operations		(206)	85
1	(5)	(130)	Dividends, interests and income taxes received (paid)		(14)	(135)
180	**235**	**241**	**Net cash flow from operations**		**118**	**476**
(133)	(252)	(269)	Investments in tangible and intangible fixed assets		(231)	(521)
–	–	–	Investments in acquisitions of consolidated companies		–	–
7	1	2	Disposals		7	3
54	**(16)**	**(26)**	**Free cash flow**		**(106)**	**(42)**
(36)	–	(6)	Buy-back of treasury shares		(36)	(6)
(82)	–	(126)	Cash flow from share capital and reserves		(82)	(126)
(1)	(4)	(1)	Exchange rate differentials and other variation concerning net financial debt	**(*)**	(296)	(5)
(65)	**(20)**	**(159)**	**Variation in net debt**		**(520)**	**(179)**
1,467	**1,417**	**1,437**	**Net debt at beginning of period**		**1,012**	**1,417**
1,532	**1,437**	**1,596**	**Net debt at end of period**		**1,532**	**1,596**

(*) Includes the effects of the acquisition of Snamprogetti (Euro 298 million).