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Saipem: the Board of Directors approves first quarter results at March 31, 2007

- **Net profit for the first quarter of 2007, inclusive of the effects of the acquisition of Snamprogetti (Euro 19 million), amounted to Euro 115 million, a 74.2% increase compared to the first quarter of 2006.**
- **New contracts won during the first quarter of 2007 amounted to Euro 2,368 million and the backlog at March 31, 2007 stood at Euro 13,268 million.**
- **Investments in the first quarter of 2007 amounted to Euro 252 million.**

San Donato Milanese, May 9, 2007. Today, the Board of Directors of Saipem S.p.A. reviewed the Saipem Group consolidated first quarter results at March 31, 2007, which are not subject to audit.

(million euro)

	Q1 2006	Q4 2006	Q1 2007	Q1 2007 vs Q1 2006
Including Snamprogetti				
Revenues	n.a.	2,259	2,190	n.a.
Operating profit	n.a.	193	179	n.a.
Net profit	n.a.	118	115	n.a.
Cash flow (net profit plus depreciation)	n.a.	184	185	n.a.
Investments	n.a.	189	252	n.a.
New contracts	n.a.	2,545	2,368	n.a.
Excluding Snamprogetti				
Revenues	1,043	1,466	1,301	24.7
Operating profit	93	148	137	47.3
Net profit	66	93	96	45.4
Cash flow (net profit plus depreciation)	114	155	161	41.2
Investments	98	181	244	149.0
New contracts	1,125	2,119	1,779	58.1

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 first quarter of 2007 amounted to Euro 252 million and consisted of: maintenance and upgrading of the existing asset base, including works on the construction of the new semi-submersible platform Scarabeo 8 and the new pipe layer (Euro 134 million); investments in vessels and equipment for specific projects, mainly in Saudi Arabia and preparatory works on Scarabeo 6 due to perform operations in Egypt (Euro 19 million); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (Euro 6 million); conversion of two tankers into FPSO units, due to operate respectively on Petrobras' Golfinho 2 field in Brazil and on behalf of Sonangol P&P in Angola (Euro 85 million); and investments carried out by Snamprogetti (Euro 8 million).

Net financial debt at March 31, 2007 amounted to Euro 1,437 million, representing an increase of Euro 20 million from December 31, 2006, ascribed mainly to capital expended during the period.

New contracts and backlog

During the first quarter of 2007, Saipem, as a stand-alone entity, was awarded contracts amounting to Euro 1,779 million (compared to Euro 1,125 million in the first quarter of 2006); during the same period, Snamprogetti won contracts amounting to Euro 589 million. The most significant orders awarded in the first quarter include:

Offshore:

- 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, an EPIC-type project 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 Limited, 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 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;
- on behalf of Cabinda Gulf Oil Company Limited, 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;

Onshore:

- on behalf of Saudi Aramco, an EPC-type project in Saudi Arabia, for the expansion of the Qarayyah plant, which forms part of the Khurais field facilities, located 250 kilometres south-west of Dhahran, and is used to treat sea-water 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-Lavallin;
- 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 Engro Chemical Pakistan Limited (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.

The backlog of the Saipem Group at March 31, 2007 stands at a record level of Euro 13,268 million.

Management outlook for 2007

The strong overall market performance, Saipem's positive results for the first quarter and the fact that projects under execution are generating expected volumes and margins underpin management's expectations of achieving, as previously announced, revenues in excess of Euro 9 billion and an increase in net profit, before one-off income from disposals, of at least 20% compared with 2006. This, despite the fact that the devaluation of US dollar, the currency in which approximately 70% of revenues are denominated, has negatively impacted 2007 operating income by approximately Euro 20 million compared with 2006.

As previously stated, disposals of non-core assets are planned to take place in 2007. The proceeds from these disposals are expected to be in the region of Euro 700 million, with a pre-tax capital gain amounting to approximately half of that sum. These disposals will contribute to a more effective financial planning of the Group's industrial development. Accordingly no immediate impact in Saipem's dividend policy is contemplated.
With regard to capital expenditure, the contract for the construction of a new pipelay vessel was formalised with the Chinese Shipyard Yantai Raffles. Also, a letter of intent was sent to the Italian company Fincantieri, for the completion and outfitting of the semi-submersible platform Scarabeo 8, whose hull is being built at the Russian Shipyard Sevmash in Severodvinsk. Works for the realisation of the new construction yard specialising in large offshore structures have yet to start, while negotiations with the land owners, in a specific area, continue; Saipem is committed to pursuing this project, and alternative locations are being considered.

Alongside the above mentioned investments, a turnkey contract was recently signed with Samsung Heavy Industries Co., of the value of US$ 660 million, for the construction of a new deep-water drillship to be called Saipem 12000, due to be delivered in the first quarter 2010. This new ship will be 228 metres in length and 42 metres wide; it will be equipped with a dynamic-positioning system, and is designed to operate at depths of 3,600 metres (12,000 feet). Its maximum cruising speed will be 11.5 knots and it will be capable of accommodating up to 200 personnel. The decision to start construction of the new vessel was reached following protracted negotiations with clients for the award of a new long-term contract, and the fact that clients demand, as a pre-condition for negotiations, a definite delivery date of the vessel. The total capital expenditure for 2007 is forecast to be marginally in excess of Euro 1.2 billion, which was previously announced. This is due to the combined effect of the start of the investment on the drillship Saipem 12000 and the revised time schedule for other initiatives.

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)

	Q1 2006	Q4 2006	Q1 2007	Q1 2007 vs Q1 2006
Revenues	593	879	843	42.2
Expenses	(522)	(759)	(722)	38.3
Depreciation and amortisation	(22)	(34)	(37)	68.2
Operating profit	49	86	84	71.4
New orders awarded	335	793	1,065	

The backlog as at March 31, 2007 amounted to Euro 4,404 million, of which 1,719 million is to be realised in 2007.

- Revenues for the first quarter 2007 amounted to Euro 843 million, representing a 42% 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.

- Operating profit for the first quarter of 2007 amounted to Euro 84 million, equal to 10% of revenues, versus Euro 49 million, equal to 8.3% of revenues in the first quarter 2006. This increase in margin is attributable to improved contract conditions and strong operational performance.

Onshore:

(million euro)

Saipem stand-alone Q1 2006	Saipem stand-alone Q4 2006	Saipem stand-alone Q1 2007	Q1 2007 vs Q1 2006		Snamprogetti Q1 2007	Consolidated Q1 2007
306	413	289	- 5.5	Revenues	889	1,178
(281)	(383)	(265)	- 5.7	Expenses	(847)	(1,112)
(9)	(8)	(7)	- 22.2	Depreciation and amortisation	(5)	(12)
16	22	17	6.2	Operating profit	37	54
627	323	588		New orders awarded	589	1,177

The backlog as at March 31, 2007 amounted to Euro 6,284 million, of which 3,448 million will be realised in 2007.

Saipem stand-alone

- Revenues for the first quarter of 2007 amounted to Euro 289 million, representing a modest decrease versus the first quarter 2006, due mainly to the completion of projects in the Far East.

- Operating profit for the first quarter of 2007 amounted to Euro 17 million, versus Euro 16 million in the same period of 2006, with a margin on revenues increasing from 5.2% to 5.9%. This increase in margin is attributable to high operational efficiency and improved contractual rates.

Snamprogetti

- Revenues generated by Snamprogetti in the first quarter 2007 amounted to Euro 889 million and are largely related to projects under execution in the Middle East. Operating profit totalled Euro 37 million, with a margin on revenues of 4.2%.

Offshore Drilling:

(million euro)

	Q1 2006	Q4 2006	Q1 2007	Q1 2007 vs Q1 2006
Revenues	88	100	98	11.4
Expenses	(53)	(55)	(52)	- 1.9
Depreciation and amortisation	(13)	(14)	(15)	15.4
Operating profit	22	31	31	40.9
New orders awarded	105	966	72	

The backlog as at March 31, 2007 amounted to Euro 2,221 million, of which 215 million are due to be realised in 2007.

- Revenues for the first quarter of 2007 amounted to Euro 98 million euro, representing an 11.4% increase on the same period in 2006. This was attributable mainly to increased activity by the jack-up Perro Negro 4, as well as to higher contractual rates.

- Operating profit for the first quarter of 2007 amounted to Euro 31 million, versus Euro 22 million in the first quarter 2006, with a margin on revenues rising from 25% to 31.6%. This growth, both in absolute terms and in terms of profitability, is due to higher margins on rates and increased utilisation of rigs.

- Vessel utilisation in the first quarter 2007 was as follows:

Vessel	*Days under contract*	
Semi-submersible platform Scarabeo 3	90	
Semi-submersible platform Scarabeo 4	90	
Semi-submersible platform Scarabeo 5	90	
Semi-submersible platform Scarabeo 6	77	**a**
Semi-submersible platform Scarabeo 7	90	
Drillship Saipem 10000	90	
Jack-up Perro Negro 2	90	
Jack-up Perro Negro 3	90	
Jack-up Perro Negro 4	90	
Jack-up Perro Negro 5	90	

a = for the remaining days (to 90), the vessel underwent upgrading works in readiness for a new contract.

Onshore Drilling:

(million euro)

	Q1 2006	Q4 2006	Q1 2007	Q1 2007 vs Q1 2006
Revenues	56	74	71	26.8
Expenses	(46)	(58)	(55)	19.6
Depreciation and amortisation	(4)	(6)	(6)	50.0
Operating profit	6	10	10	66.7
New orders awarded	58	37	54	

The backlog as at March 31, 2007 amounted to Euro 359 million of which 154 million are due to be realised in 2007.

- Revenues for the first quarter of 2007 amounted to Euro 71 million, representing a 26.8% increase compared to the same period of 2006, attributable mainly to increased activity in South America.

- Operating profit for the first quarter of 2007 amounted to Euro 10 million, versus Euro 6 million in the first quarter of 2006, with a margin on revenues rising from 10.7% to 14.1%. This growth, both in absolute terms and in terms of profitability, is due to higher margins on rates and increased utilisation of rigs.

- Average utilisation of rigs in the first quarter of 2007 stood at 97% (93% in the first quarter 2006); rigs were located as follows: 12 in Peru, 9 in Saudi Arabia, 7 in Venezuela, 5 in Algeria, 2 in Italy, 1 in Egypt, 1 in Kazakhstan, 1 in Ecuador and 1 in Turkmenistan.
  In addition 5 third-party rigs were deployed in Peru 3 by the joint-venture company SaiPar and two third-party rigs 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		March 31, 2007	
Net tangible fixed assets		2,345		2,521
Net intangible fixed assets		849		853
		3,194		3,374
- Offshore	1,720		1,814	
- Onshore	603		613	
- Offshore Drilling	776		813	
- Onshore Drilling	95		134	
Financial investments		153		156
Non-current assets		**3,347**		**3,530**
Inventories		1,053		1,490
Trade and other receivables		3,261		3,336
Trade and other payables		(4,434)		(4,947)
Provisions for contingencies		(176)		(173)
Other income (expenses)		120		90
Net current assets		**(176)**		**(204)**
Employee termination indemnities		**(169)**		**(171)**
CAPITAL EMPLOYED		**3,002**		**3,155**
Net equity		**1,581**		**1,714**
Minority interest in net equity		**4**		**4**
Net debt		**1,417**		**1,437**
COVER		**3,002**		**3,155**
Leverage (net debt/shareholders' equity)		**0.90**		**0.84**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
NATURE OF COSTS

(million euro)

First quarter	Saipem stand-alone		Snamprogetti	Effects of acquisition	Saipem Consolidated
	2006	2007	2007		
Operating revenues	1,043	1,301	889	–	2,190
Other revenues and income	1	2	–	–	2
Purchases, services and other costs	(691)	(856)	(766)	6	(1,616)
Payroll and related costs	(212)	(245)	(82)	–	(327)
GROSS OPERATING PROFIT	**141**	**202**	**41**	**6**	**249**
Amortisation, depreciation and write-downs	(48)	(65)	(5)	–	(70)
OPERATING PROFIT	**93**	**137**	**36**	**6**	**179**
Financial expenses	(13)	(19)	(5)	(6)	(30)
Income from investments	7	12	1	–	13
INCOME BEFORE INCOME TAXES	**87**	**130**	**32**	**–**	**162**
Income taxes	(21)	(34)	(13)	–	(47)
NET PROFIT	**66**	**96**	**19**	**–**	**115**
CASH FLOW (Net profit + Depreciation and amortisation)	**114**	**161**	**24**	**–**	**185**

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
DESTINATION OF COSTS

(million euro)

First quarter	Saipem stand-alone		Snamprogetti	Effects of acquisition	Saipem Consolidated
	2006	2007	2007		
Operating revenues	1,043	1,301	889	–	2,190
Production costs	(882)	(1,099)	(826)	6	(1,919)
Idle costs	(15)	(14)	–	–	(14)
Selling expenses	(19)	(16)	(10)	–	(26)
Research and development costs	(2)	(1)	(4)	–	(5)
Other operating income, net	–	–	–	–	–
CONTRIBUTION FROM OPERATIONS	**125**	**171**	**49**	**6**	**226**
General and administrative expenses	(32)	(34)	(13)	–	(47)
OPERATING PROFIT	**93**	**137**	**36**	**6**	**179**
Financial expenses	(13)	(19)	(5)	(6)	(30)
Income from investments	7	12	1	–	13
INCOME BEFORE INCOME TAXES	**87**	**130**	**32**	**–**	**162**
Income taxes	(21)	(34)	(13)	–	(47)
NET PROFIT	**66**	**96**	**19**	**–**	**115**
CASH FLOW **(Net profit + Depreciation and amortisation)**	**114**	**161**	**24**	**–**	**185**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

		Q1 2006	Q1 2007
Group net income		66	115
Third party income		–	–
Adjustments to reconcile cash generated from operating income before changes in working capital:			
Depreciation, amortisation and other non monetary items		48	76
Dividends, interests and income taxes		6	48
Cash generated from operating income before variation in working capital		**120**	**239**
Variation in working capital relating to operations		(167)	1
Dividends, interests and income taxes received (paid)		(15)	(5)
Net cash flow from operations		**(62)**	**235**
Investments in tangible and intangible fixed assets		(98)	(252)
Investments in acquisitions of consolidated companies		–	–
Disposals		–	1
Free cash flow		**(160)**	**(16)**
Buy-back of treasury shares		–	–
Cash flow from share capital and reserves		–	–
Exchange rate differentials and other variation concerning net financial debt	(*)	(295)	(4)
Variation in net debt		**(455)**	**(20)**
Net debt at beginning of period		**1,012**	**1,417**
Net debt at end of period		**1,467**	**1,437**

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