Saipem

Third quarter report at 30th September 2006

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Approved by the Board of Directors
at their meeting of 7th November 2006

Saipem is a subsidiary of Eni SpA

Quarterly reports are not subject to audit.

The third quarter results include the effects of Snamprogetti's consolidation from the date of Saipem's acquisition of control, i.e. from 1st April 2006 following alignment discussions with the relevant control bodies regarding the interpretation of the recently introduced international accounting standards (IAS 27).

Economic and financial data

(million €)

Saipem "stand alone"	Third quarter 2005	Second quarter 2006	Third quarter **2006**	Third quarter 2006 vs. 2005 %	First nine months 2005	**2006**	Var.%
Revenues	1,081	1,331	**1,388**	28.4	3,200	**3,762**	17.6
Operating profit	89	126	**137**	53.9	243	**356**	46.5
Net profit	63	86	**92**	46.0	171	**244**	42.7
Investments	99	129	**179**	80.8	236	**406**	72.0

Net debt:	31st December 2005	**30th September 2006**
- medium/long term	484	690
- short term	1,422	2,277
- cash	(877)	(905)
- receivables and other financial assets	(17)	(10)
Total	**1,012**	**2,052**

Saipem consolidated	Third quarter 2005	Second quarter 2006	Third quarter **2006**	Third quarter 2006 vs. 2005 %	First nine months 2005	**2006**	Var.%
Revenues	1,081	2,052	**2,163**	100.1	3,200	**5,258**	64.3
Operating profit	89	151	**162**	82.0	243	**406**	67.1
Net profit	63	96	**104**	65.1	171	**266**	55.6
Investments	99	133	**185**	86.9	236	**416**	76.3

Net debt:	31st December 2005	**30th September 2006**
- medium/long term	484	727
- short term	1.422	2.363
- cash	(877)	(1.439)
- receivables and other financial assets	(17)	(14)
Total	**1.012**	**1.637**

Results from operations

Saipem "stand alone"	Third quarter 2005	**2006**	Var.%	First nine months 2005	**2006**	Var.%
Offshore						
- subsea pipeline laid (km)	153	453	196.1	840	1,127	34.2
- structures installed (tons)	52,270	3,684	(93.0)	124,559	76,360	(38.7)
Onshore						
- pipeline laid (km)	434	16	(96.3)	848	532	(37.3)
- structures installed (tons)	1,401	642	(54.2)	4,986	3,810	(23.6)
Offshore Drilling						
- metres drilled	36,217	36,997	2.2	84,240	96,589	14.7
- wells drilled	19	24	26.3	43	65	51.2
Onshore Drilling						
- metres drilled	141,181	155,902	10.4	411,931	441,025	7.1
- wells drilled	53	61	15.1	159	167	5.0
- weighted average equipment utilisation (%)	90	92	2.2	91	93	2.2

Revenues by business sector (*)

(million €)

Saipem "stand alone"	Third quarter 2005	Third quarter **2006**	Third quarter Var.%	First nine months 2005	First nine months **2006**	First nine months Var.%
Offshore	652	**875**	34.2	1,992	**2,313**	16.1
Onshore	304	**353**	16.1	850	**998**	17.4
Offshore Drilling	73	**92**	26.0	213	**265**	24.4
Onshore Drilling	52	**68**	30.8	145	**186**	28.3
Total	**1,081**	**1,388**	**28.4**	**3,200**	**3,762**	**17.6**

Saipem consolidated	Third quarter 2005	Third quarter **2006**	Third quarter Var.%	First nine months 2005	First nine months **2006**	First nine months Var.%
Offshore	652	**875**	34.2	1,992	**2,313**	16.1
Onshore	304	**1,128**	271.1	850	**2,494**	193.4
Offshore Drilling	73	**92**	26.0	213	**265**	24.4
Onshore Drilling	52	**68**	30.8	145	**186**	28.3
Total	**1,081**	**2,163**	**100.1**	**3,200**	**5,258**	**64.3**

(*) The Offshore Business Unit includes the former Offshore Construction, Leased FPSO and the offshore part of MMO. Data and information for the Offshore Business Unit have not been affected by the acquisition of Snamprogetti. The Onshore Business Unit includes the former Onshore Construction, LNG and the onshore part of MMO. Data for the Onshore Business Unit have been affected by the acquisition of Snamprogetti, whose income statement has been consolidated from 1st April 2006. Figures for the corresponding periods 2005 have been reclassified accordingly.

Revenues by geographical area

(million €)

Saipem "stand alone"	Third quarter		First nine months	
Geographical area (*)	2005	**2006**	2005	**2006**
Italy	45	**44**	138	**122**
Rest of Europe	229	**334**	585	**731**
C.S.I.	188	**325**	490	**806**
Rest of Asia	133	**108**	477	**568**
North Africa	105	**80**	361	**266**
West Africa	333	**375**	1,023	**970**
Americas	48	**122**	126	**299**
Total	**1,081**	**1,388**	**3,200**	**3,762**

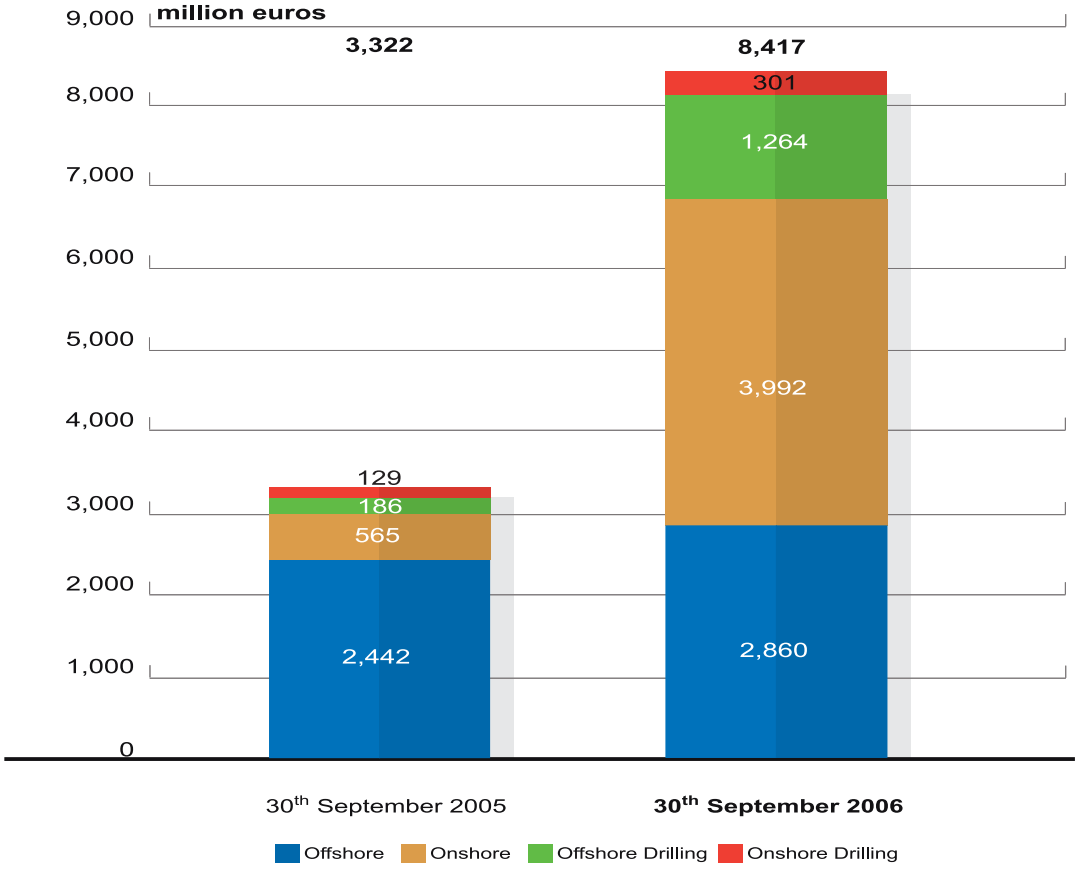
Saipem consolidated	Third quarter		First nine months	
Geographical area (*)	2005	**2006**	2005	**2006**
Italy	45	**177**	138	**456**
Rest of Europe	229	**360**	585	**827**
C.S.I.	188	**325**	490	**806**
Rest of Asia	133	**654**	477	**1,481**
North Africa	105	**89**	361	**291**
West Africa	333	**424**	1,023	**1,071**
Americas	48	**134**	126	**326**
Total	**1,081**	**2,163**	**3,200**	**5,258**

(*) Final destination of services

New contracts awarded to the Saipem Group

(million €)

	Third quarter		First nine months	
	2005	**2006**	2005	**2006**
Saipem SpA	72	1,216	249	2,287
Group companies	1,008	1,419	3,073	6,130
Total	**1,080**	**2,635**	**3,322**	**8,417**
Of which Snamprogetti	–	903	–	2,728
Offshore	834	1,046	2,442	2,860
Onshore	149	1,023	565	3,992
Offshore Drilling	47	341	186	1,264
Onshore Drilling	50	225	129	301
Total	**1,080**	**2,635**	**3,322**	**8,417**



Backlog

(million €)

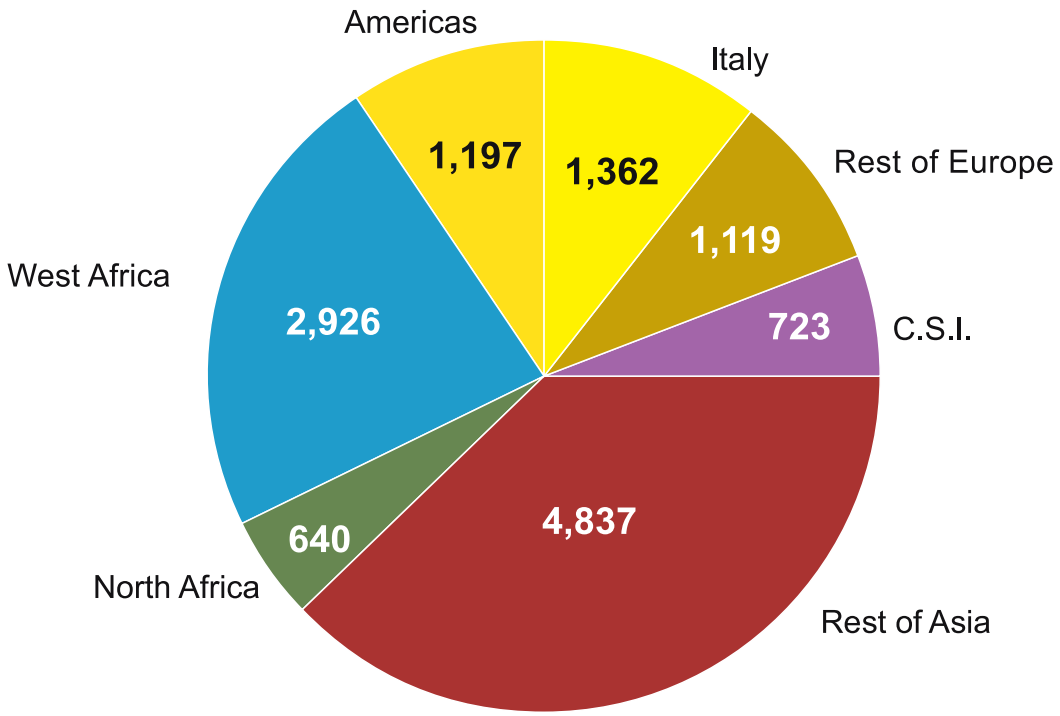
	31st December 2005	Saipem "stand alone"	Snamprogetti	30th September 2006
Offshore	3,721	4,268	–	**4,268**
Onshore	1,112	1,378	5,364	**6,742**
Offshore Drilling	382	1,381	–	**1,381**
Onshore Drilling	298	413	–	**413**
Total	**5,513**	**7,440**	**5,364**	**12,804**

Backlog by geographical area

(million €)

Geographical area	31st December 2005	30th September 2006
Italy	21	**1,362**
Rest of Europe	775	**1,119**
C.S.I.	1,244	**723**
Rest of Asia	953	**4,837**
North Africa	312	**640**
West Africa	1,414	**2,926**
Americas	794	**1,197**
Total	**5,513**	**12,804**

Backlog by geographical area at 30th September 2006



BASIS OF PRESENTATION

In application of EC Regulation 1606/2002 approved by the European Parliament and Council on 19th July 2002, starting from 2005 companies with securities listed on a regulated stock market of a Member State of the European Union are required to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as approved by the European Commission.

This quarterly report has been prepared in compliance with the International Financial Reporting Standards (hereafter "IFRS" or International Accounting Standards, hereafter "IAS") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission, pursuant to art. 6 of European Regulation No. 1606/2002 by the European Parliament and European Council of 19th July 2002.

With reference to Consob resolution no. 14990, dated 14th April 2005, the information disclosed in this quarterly report has been prepared in accordance with the provisions of Appendix 3D of Listed Companies regulations (Consob Regulation no. 11971 dated 14th May 1999 and subsequent amendments); for this reason, the provisions of IAS 34 – Interim Financial Statements have not been applied. This Report includes concise financial information in the following tables: balance sheet, income statement, variation to net equity and cash flow statement.

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

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

PRINCIPLES OF CONSOLIDATION

The principles of consolidation used in the preparation of this quarterly report are the same used in the preparation of the Consolidated and Statutory Financial Statements at 31st December 2005.

ECONOMIC RESULTS

Foreword

On 27th March 2006, the contract for the acquisition of 100% of Snamprogetti's share capital was finalised; Saipem paid 680 million euros. In compliance with the accounting principles regulating the business combination under common control, the surplus price paid for Snamprogetti versus its net equity value at 31st March 2006, equal to 440 million euros, was recorded as a decrease in Saipem Group consolidated net equity.

Following the acquisition of Snamprogetti, the Saipem Group is organised into three Business Units: Offshore, Onshore and Drilling. For each of these business units, the information provided includes main financial data to operating profit level. Information pertaining to the Drilling Business unit has been subdivided into Offshore Drilling and Onshore Drilling. Figures relating to the corresponding period 2005 have been reclassified accordingly.

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.

Consolidated income statement

(million €)

Third quarter	Saipem stand alone		Snamprogetti	Effects of acquisition	Saipem Consolidated
	2005	**2006**		**2006**	
Operating revenues	**1,081**	**1,388**	**775**	**–**	**2,163**
Other revenues and income	5	3	–	–	3
Purchases, services and other costs	(718)	(931)	(663)	2	(1,592)
Payroll and related costs	(227)	(267)	(85)	1	(351)
Gross operating profit	**141**	**193**	**27**	**3**	**223**
Amortisation, depreciation and write-downs	(52)	(56)	(5)	–	(61)
Operating profit	**89**	**137**	**22**	**3**	**162**
Financial expenses	(12)	(18)	–	(7)	(25)
Income from investments	4	8	2	–	10
Income before income taxes	**81**	**127**	**24**	**(4)**	**147**
Income taxes	(17)	(35)	(10)	2	(43)
Net profit before minority interest	**64**	**92**	**14**	**(2)**	**104**
Minority interest	(1)	–	–	–	–
Net profit	**63**	**92**	**14**	**(2)**	**104**
Cash flow (Net profit + Depreciation and amortisation)	**115**	**148**	**19**	**(2)**	**165**

(million €)

First nine months	Saipem stand alone		Snamprogetti second and third quarter	Effects of acquisition	Saipem Consolidated
	2005	**2006**		**2006**	
Operating revenues	**3,200**	**3,762**	**1,496**	**–**	**5,258**
Other revenues and income	8	7	–	–	7
Purchases, services and other costs	(2,211)	(2,554)	(1,270)	3	(3,821)
Payroll and related costs	(608)	(706)	(170)	2	(874)
Gross operating profit	**389**	**509**	**56**	**5**	**570**
Amortisation, depreciation and write-downs	(146)	(153)	(11)	–	(164)
Operating profit	**243**	**356**	**45**	**5**	**406**
Financial expenses	(38)	(47)	(4)	(14)	(65)
Income from investments	16	25	9	–	34
Income before income taxes	**221**	**334**	**50**	**(9)**	**375**
Income taxes	(47)	(88)	(23)	4	(107)
Net profit before minority interest	**174**	**246**	**27**	**(5)**	**268**
Minority interest	(3)	(2)	–	–	(2)
Net profit	**171**	**244**	**27**	**(5)**	**266**
Cash flow (Net profit + Depreciation and amortisation)	**317**	**397**	**38**	**(5)**	**430**

In line with the annual financial statements and the interim report, this quarterly report includes the reclassified consolidated income statement by destination of costs.
This reclassification is normally used to analyse the positive and negative income components, which determine the contribution from operations (i.e. operating profit before general and administrative expenses) for the various business sectors in which Saipem operates.

Operating profit and costs by destination

(million €)

Third quarter	Saipem stand alone		Snamprogetti	Effects of acquisition	Saipem Consolidated
	2005	**2006**		**2006**	
Operating revenues	**1,081**	**1,388**	**775**	**–**	**2,163**
Production costs	(926)	(1,181)	(722)	3	(1,900)
Idle costs	(19)	(14)	–	–	(14)
Selling expenses	(15)	(21)	(11)	–	(32)
Research and development costs	(2)	(2)	(4)	–	(6)
Other operating income (expenses), net	(1)	(1)	–	–	(1)
Contribution from operations	**118**	**169**	**38**	**3**	**210**
General and administrative expenses	(29)	(32)	(16)	–	(48)
Operating profit	**89**	**137**	**22**	**3**	**162**

(million €)

First nine months	Saipem stand alone		Snamprogetti second and third quarter	Effects of acquisition	Saipem Consolidated
	2005	**2006**		2006	
Operating revenues	**3,200**	**3,762**	**1,496**	**—**	**5,258**
Production costs	(2,776)	(3,199)	(1,390)	4	(4,585)
Idle costs	(38)	(43)	(2)	—	(45)
Selling expenses	(49)	(60)	(19)	—	(79)
Research and development costs	(5)	(6)	(8)	—	(14)
Other operating income (expenses), net	–	(1)	–	—	(1)
Contribution from operations	**332**	**453**	**77**	**4**	**534**
General and administrative expenses	(89)	(97)	(32)	1	(128)
Operating profit	**243**	**356**	**45**	**5**	**406**

Third quarter

Revenues for the third quarter 2006 amounted to 1,388 million euros, an increase of 307 million euros versus those of the third quarter 2005, mainly due to higher levels of activity in the Offshore sector.
Operating costs amounted to 1,181 million euros, an increase of approximately 28% versus those for the same period 2005. This increase in operating costs is due to the higher levels of activity generated during the quarter.
Labour costs amounted to 267 million euros, an increase of approximately 18% versus the third quarter 2005.
General and administrative expenses in the third quarter 2006 amounted to 32 million euros, a 10% increase versus the same quarter the previous year, mainly due to consultancy costs associated with the Sarbanes Oaxley Act project.
Operating profit for the third quarter 2006 stood at 137 million euros, an increase of 48 million euros versus the third quarter 2005. This increase is analysed in detail hereafter under the various business units.
Data relating to Snamprogetti are analysed under the Onshore business unit.

First nine months

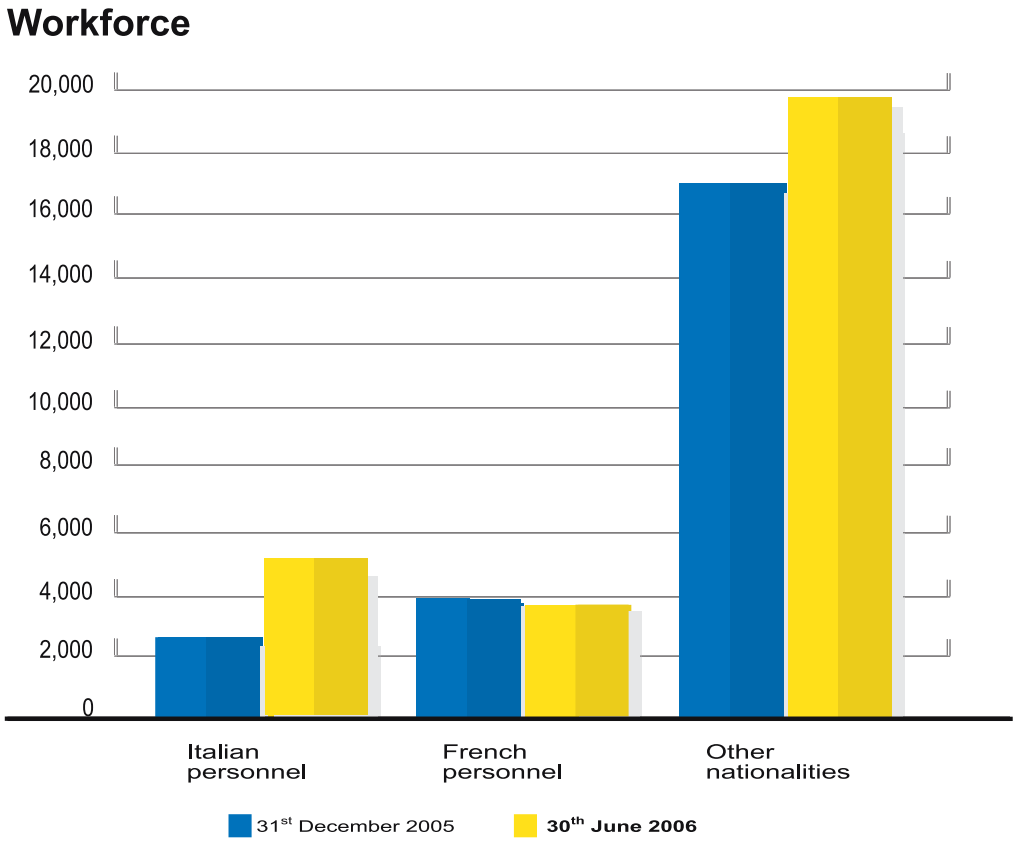
Revenues for the first nine months 2006 amounted to 3,762 million euros, an increase of 562 million euros versus those of the first nine months 2005, mainly due to higher levels of activity in the Onshore and Offshore sectors.
Operating costs amounted to 3,199 million euros, an increase of approximately 15% versus those for the same period 2005. This increase in operating costs is due to the higher levels of activity generated during the period.
Labour costs amounted to 706 million euros, a 16% increase versus the first nine months 2005.
General and administrative expenses in the first nine months 2006 amounted to 97 million euros, a 9% increase versus the first nine months the previous year, mainly due to consultancy costs associated with the Sarbanes Oaxley Act project.
Operating profit for the first nine months 2006 stood at 356 million euros, an increase of 113 million euros versus the same period 2005. This increase is analysed in detail hereafter under the various business units.
Data relating to Snamprogetti are analysed under the Onshore business unit.

HUMAN RESOURCES

The following table provides data comparing average employment levels at the end of 2005 and the first nine months 2006.

Average workforce

	31st December 2005	**30th September 2006**
Italian personnel	2,536	5,072
French personnel	3,730	3,710
Other nationalities	17,089	19,792
Total	**23,355**	**28,574**
Offshore	8,249	9,402
Onshore	9,749	13,389
Offshore Drilling	1,055	1,150
Onshore Drilling	2,313	2,637
Staff positions	1,989	1,996
Total	**23,355**	**28,574**
No. of engineers at end of period	**3,684**	**6,602**



CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

(million €)

	31st December 2005		**30th September 2006** (*)	
Net tangible fixed assets		1,903		2,229
Net intangible fixed assets		837		843
		2,740		3,072
- Offshore	1,437		1,670	
- Onshore	487		586	
- Offshore Drilling	729		730	
- Onshore Drilling	87		86	
Financial investments		40		151
Non-current assets		**2,780**		**3,223**
Inventories		490		991
Trade and other receivables		1,506		2,793
Trade and other payables		(2,005)		(3,835)
Provisions for contingencies		(97)		(145)
Other assets and liabilities		69		172
Net current assets		**(37)**		**(24)**
Employee termination indemnities		**(88)**		**(164)**
CAPITAL EMPLOYED		**2,655**		**3,035**
Net equity		**1,630**		**1,395** (**)
Minority interest in net equity		**13**		**3**
Net debt		**1,012**		**1,637**
COVER		**2,655**		**3,035**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

(*) includes the effects of the acquisition of Snamprogetti.
(**) includes a decrease of 440 million euros, corresponding to the difference between the price paid for Snamprogetti and its net equity at 31st March 2006.

Capital expenditure

(million €)

	First nine months		First nine months	
	2005	**2006**	2005	**2006**
Offshore	81	130	180	316
Onshore	6	26	14	43
Offshore Drilling	12	23	39	43
Onshore Drilling	1	6	8	14
Total	**100**	**185**	**241**	**416**
Of which acquisition of company holdings	1	–	5	–

Investments in the third quarter 2006 amounted to 185 million euros (99 million in the third quarter 2005) and consisted mainly of the following: maintenance and upgrading of the existing asset base (47 million euros); investments in vessels and equipment for specific projects, mainly Kashagan (42 million euros); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (17 million euros); conversion of a tanker into an FPSO unit, due to operate on Petrobras' Golfinho 2 field in Brazilian waters (73 million euros); and investments carried out by Snamprogetti (6 million euros).

Investments in the first nine months 2006 amounted to 416 million euros (236 million in the same period 2005) and consisted mainly of the following: maintenance and upgrading of the existing asset base (109 million euros); investments in vessels and equipment for specific projects, mainly Kashagan (86 million euros); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (47 million euros); conversion of a tanker into an FPSO unit, due to operate on Petrobras' Golfinho 2 field in Brazilian waters (164 million euros); and investments carried out by Snamprogetti in the second and third quarter 2006 (10 million euros).

Variation in net equity

(million €)

	First nine months 2005	**First nine months 2006**
Initial Group Net Equity	**1,555**	**1,630**
Group Net Profit	171	266
IAS 32 and 39 – treasury shares	(15)	(36)
IAS 32 and 39 – fair value hedging operations	(124)	64
Distribution of dividends	(65)	(82)
IFRS 3 – surplus price for Snamprogetti's acquisition	–	(440)
Other variation in Snamprogetti net equity	–	14
Translation differences in foreign exchange and other variation	–	(21)
Total Variation	**(33)**	**(235)**
Resulting Group Net Equity	**1,522**	**1,395**

The net equity during the first nine months 2006 decreased by 235 million euros due to the surplus price paid for Snamprogetti's acquisition (-440 million euros), distribution of dividends (-82 million euros), the value of treasury shares bought back to service incentive schemes and reclassified as a decrease in net equity (-36 million euros) and translation differences in foreign exchange (-21 million euros), only partially offset by the net income for the period (266 million euros), the fair value of hedging operations (Interest Rate Swaps) (64 million) and the positive variation in Snamprogetti net equity (14 million euros).

Reclassified statement of cash flow and variation in net debt

(million €)

Third quarter 2005	Second quarter 2006	Third quarter 2006		First nine months 2005	**First nine months 2006**
63	96	104	Group net income	171	266
1	2	–	Third party income	3	2
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
52	55	61	Depreciation, amortisation and other non monetary items	146	164
(8)	65	31	Dividends, interests, extraordinary income/expenses and income taxes	46	102
108	**218**	**196**	**Cash generated from operating income before variation in working capital**	**366**	**534**
(158)	(3)	(129)	Variation in working capital relating to operations	(209)	(335)
36	1	(6)	Dividends, interests, extraordinary income/expenses and income taxes received (paid)	(8)	(20)
(14)	**216**	**61**	**Net cash flow from operations**	**149**	**179**
(99)	(133)	(185)	Investments in tangible and intangible fixed assets	(236)	(416)
(1)	–	–	Investments in acquisitions of consolidated companies	(5)	–
–	7	–	Disposals	1	7
(114)	**90**	**(124)**	**Free cash flow**	**(91)**	**(230)**
(27)	(64)	211	Variation in financial debt	230	1,116
(4)	(36)	–	Buy-back of treasury shares	(22)	(36)
–	(82)	–	Cash flow from share capital and reserves	(65)	(82)
4	62	(9)	Variations in scope of consolidation and exchange rate differentials on cash and equivalents	14	(206)
(141)	**(30)**	**78**	**NET CASH FLOW**	**66**	**562**
(114)	**90**	**(124)**	**Free Cash Flow**	**(91)**	**(230)**
(4)	(36)	–	Buy-back of treasury shares	(22)	(36)
–	(82)	–	Cash flow from share capital and reserves	(65)	(82)
14	(37)	19	Exchange rate differentials and other variation concerning net financial debt	(2)	(*) (277)
(104)	**(65)**	**(105)**	**VARIATION IN NET DEBT**	**(180)**	**(625)**
942	1,467	1,532	Net debt at beginning of period	866	1,012
1,046	1,532	1,637	Net debt at end of period	1,046	1,637

(*) includes the effects of the acquisition of Snamprogetti amounting to (296) million euros.

NET FINANCIAL DEBT

Net financial debt at 30th September 2006 amounted to 1,637 million euros, an increase of 625 million euros versus 31st December 2005, mainly due to the acquisition of Snamprogetti and the distribution of dividends. From 30th June 2006, when the financial position already showed the effects of the acquisition of Snamprogetti and the distribution of dividends, net debt increased by 105 million euros due to the continuation of the investment programme and to an increase in working capital.

NEW CONTRACTS

During the third quarter 2006, Saipem stand alone was awarded contracts amounting to 1,732 million euros (1,080 million euros in the third quarter 2005); during the same period, Snamprogetti won contracts amounting to 903 million euros.
The most significant orders awarded in the third quarter include:
Offshore:
- on behalf of Sonangol P&P the contract for the provision and operation of an FPSO unit for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres;
- on behalf of Burullus Gas Company, an EPIC-type contract for West Delta Deep Concession the Phase IV development of the West Delta Deep Concession, in Egypt, comprising the design, engineering, procurement, construction, installation and commissioning of subsea systems for eight new wells and the expansion of the production system for the Scarab/Saffron and Simiam fields;
- on behalf of Companhia Mexilhao do Brasil, the Mexilhao contract in Brazil, comprising the transport and installation of a jacket, piles and topsides for the PMXL-1 platform, as part of the development of the Mexilhao field, in the Santos basin, approximately 140 km offshore the State of San Paolo;

Onshore:
- on behalf of Saudi Aramco, an EPC-type contract for the realisation of the gas-oil separation plant (GOSP), as part of the programme for the development of the Khurais oil field in Saudi Arabia, approximately 180 km north-east of Riyadh. The contract comprises the engineering, procurement and construction of four gas-oil separation trains, in addition to a number of production infrastructure facilities;
- on behalf of Perù Lng, the Melchiorita Lng project in Peru, comprising the construction of a regassification terminal at Pampa Melchiorita, 200 km south of di Lima; the contract was acquired in joint-venture with Constructora Norberto Odebrecht and in consortium with Jan de Nul NV;

Offshore Drilling:
- on behalf of Eni Exploration & Production, the three-year charter of the drillship Saipem 10000 in various geographical areas, starting from the third quarter 2009;
- on behalf of Exxon Mobil, the 16-month extension, following the exercise of an option, of the charter for the semi-submersible platform Scarabeo 7 in Nigeria;

Onshore Drilling:
- on behalf of PDVSA, the charter of a rig in Venezuela for five years;
- on behalf of PDVSA, the charter of four rigs in Venezuela: two rigs have been chartered for five years, one for one year, and one for four months;
- on behalf of Zhaikmunai, the charter of two rigs in Kazakhstan for thirty-one and thirty-six months respectively;
- on behalf of Saudi Aramco, the charter of a rig in Saudi Arabia for three years;
- on behalf of Groupement Sonatrach Agip, the charter of a rig in Algeria for two years;
- on behalf of Repsol YPF, the charter of two rigs in Algeria for one year;
- on behalf of First Calgary, the charter of a rig in Algeria for two years.

New contracts awarded to the Saipem Group during the first nine months 2006, inclusive of contracts won by Snamprogetti in the second and third quarter, amounted to 8,417 million euros.
The backlog of the Saipem Group at 30th September 2006 stands at a record level of 12,804 million euros.

MANAGEMENT OUTLOOK

Results achieved in the first nine months of the year and the backlog of projects in execution this year underpin management's expectations for Saipem stand alone to increase revenue growth in 2006, further improving on the 15% net profit target increase set at the beginning of the year. Snamprogetti, acquired at the end of March, is expected to achieve total revenues, for the nine-month period of consolidation, of at least 2,300 million euros, and net profit of approximately 45 million euros. The resulting positive effect on Saipem's net profit, net of financial charges deriving from the acquisition and taking into account actual and forecast cost synergies (both at Saipem and Snamprogetti), is forecast at approximately 34 million euros.
The strong overall market performance and Saipem's track record and competitiveness underpin management's expectations of new contract awards, so as to maintain the exceptionally high level of backlog achieved at the end of September.
Capital expenditure for 2006 is expected to increase to 670 million euros versus 600 million euros as previously reported; this is due to the commencement of works on a new FPSO unit and a new deep-water semi-submersible drilling vessel, following the recent award of new contracts.

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 the 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.

Analysis by business sector

OFFSHORE (*)

(million €)

Third quarter 2005	Second quarter 2006	Third quarter 2006	Third quarter 06 vs. 05		First nine months 2005	First nine months 2006	Sept. 06 vs. Sept. 05
652	845	875	34.2	Revenues	1,992	2,313	16.1
(569)	(743)	(760)	33.6	Expenses	(1,763)	(2,025)	14.9
(23)	(21)	(31)	34.8	Depreciation and amortisation	(72)	(74)	2.8
60	81	84	40.0	Operating profit	157	214	36.3
834	1,479	1,046	25.4	New orders awarded	2,442	2,860	17.1

(*) the Offshore Business Unit includes the former Offshore Construction, Leased FPSO and the offshore part of MMO. Figures for the corresponding periods 2005 have now been reclassified accordingly. Data for the Offshore Business Unit have not been affected by the acquisition of Snamprogetti.

The backlog at 30th September 2006 amounted to 4,268 million euros, of which 645 million are to be realised in the fourth quarter 2006.

- Revenues for the third quarter 2006 amounted to 875 million euros, a 34% increase versus the same period 2005; revenues for the first nine months 2006 amounted to 2,313 million euros, a 16% rise versus the same period 2005; both increases are mainly due to higher levels of activity in Kazakhstan and Azerbaijan.

- Operating profit for the third quarter 2006 amounted to 84 million euros, a 40% increase versus the same period 2005; operating profit for the first nine months 2006 amounted to 214 million euros, a 36% rise versus the same period 2005. Operating profit as a percentage of revenues was 9.6% in the third quarter 2006 (9.2% in the same period 2005) and 9.3% in the first nine months 2006 (7.9% in the same period 2005). This increase in margin is attributable to improved contract conditions and strong operational performance.

ONSHORE (*)

(million €)

Saipem stand alone Third quarter 2005	Saipem stand alone Second quarter 2006	Saipem stand alone Third quarter 2006	Third quarter 06 vs. 05		Snamprogetti Third quarter 2006	Consolidated Third quarter 2006
304	339	353	16.1	Revenues	775	1,128
(281)	(312)	(328)	16.7	Expenses	(747)	(1,075)
(11)	(10)	(7)	(36.4)	Depreciation and amortisation	(5)	(12)
12	17	18	50.0	Operating profit	23	41
149	517	120	(19.5)	New orders awarded	903	1,023

Saipem stand alone First nine months 2005	Saipem stand alone First nine months 2006	Sept. 2006 vs. Sept. 2005		Snamprogetti Second and Third quarter 2006	Consolidated first nine months 2006
850	998	17.4	Revenues	1,496	2,494
(789)	(921)	16.7	Expenses	(1,438)	(2,359)
(26)	(26)	–	Depreciation and amortisation	(11)	(37)
35	51	45.7	Operating profit	(**) 47	98
565	1,264	123.7	New orders awarded	2,728	3,992

(*) the Onshore Business Unit includes the former Onshore Construction, LNG and the onshore part of MMO. Figures for the corresponding periods 2005 have now been reclassified accordingly. Data for the Onshore Business Unit have been affected by the acquisition of Snamprogetti, whose income statement has been consolidated from 1st April 2006.
(**) net of the application of the loss indemnity provision agreed with Eni as part of the Snamprogetti purchase agreement, equal to 58 million euros.

The backlog at 30th September 2006 amounted to 6,742 million euros (inclusive of Snamprogetti), of which 1,225 million are to be realised in the fourth quarter 2006.

Saipem stand alone

- Revenues in the third quarter 2006 amounted to 353 million euros, a 16% increase versus the same period 2005; revenues for the first nine months 2006 amounted to 998 million euros, a 17% rise versus the same period 2005; both increases are mainly due to the achievement of full-scale operations on projects in Mexico and Canada.

- Operating profit in the third quarter 2006 amounted to 18 million euros, a 50% increase versus the same period 2005; operating profit for the first nine months 2006 amounted to 51 million euros, a 46% rise versus the same period 2005. Operating profit as a percentage of revenues was 5.1% in the third quarter 2006 (3.9% in the same period 2005) and 5.1% in the first nine months 2006 (4.1% in the same period 2005). This increase in margin is attributable to high operational efficiency and improved contractual rates.

Snamprogetti

- Revenues generated by Snamprogetti during the third quarter 2006 amounted to 775 million euros and are largely related to projects under execution in the Middle East and Italy. Operating profit totalled 23 million euros, with a margin on revenues of 3%. Revenues for the second and third quarter 2006 amounted to 1,496 million euros, while operating profit amounted to 47 million euros, with a margin on revenues of 3.1%.

OFFSHORE DRILLING

(million €)

Third quarter 2005	Second quarter 2006	Third quarter 2006	Third quarter 06 vs. 05		First nine months 2005	First nine months 2006	Sept. 06 vs. Sept. 05
73	85	92	26,0	Ricavi	213	265	24,4
(49)	(50)	(51)	4,1	Costi	(142)	(154)	8,5
(12)	(13)	(13)	8,3	Ammortamenti	(34)	(39)	14,7
12	22	28	133,3	Utile operativo	37	72	94,6
47	818	341	625,5	Ordini acquisiti	186	1.264	579,6

The backlog at 30th September 2006 amounted to 1,381 million euros, of which 92 million are to be realised in the fourth quarter 2006.

- Revenues in the third quarter 2006 amounted to 92 million euros, a 26% increase versus the same period 2005; revenues in the first nine months 2006 amounted to 265 million euros, a 24% increase versus the same period 2005; both increases are mainly attributable to increased activity of the drillship Saipem 10000 and the jack-up Perro Negro 5, as well as higher contractual rates.
- Operating profit in the third quarter 2006 amounted to 28 million euros, a 133% increase versus the same period 2005; operating profit for the first nine months 2006 amounted to 72 million euros, a 95% rise versus the same period 2005. Operating profit as a percentage of revenues was 30% in the third quarter 2006 (16% in the same period 2005) and 27% in the first nine months 2006 (17% in the same period 2005). 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 during the first nine months 2006 was as follows:

Vessel	Days under contract	
Semi-submersible platform Scarabeo 3	273	
Semi-submersible platform Scarabeo 4	273	
Semi-submersible platform Scarabeo 5	258	a
Semi-submersible platform Scarabeo 6	254	a
Semi-submersible platform Scarabeo 7	266	a
Drillship Saipem 10000	273	
Jack-up Perro Negro 2	273	
Jack-up Perro Negro 3	273	
Jack-up Perro Negro 4	-	b
Jack-up Perro Negro 5	273	

a = for the remaining days (to 273), the vessel underwent class reinstatement works.
b = the vessel underwent upgrading works in preparation for a new contract.

ONSHORE DRILLING

(million €)

Third quarter 2005	Second quarter 2006	Third quarter 2006	Third quarter 06 vs. 05		First nine months 2005	First nine months 2006	Sept. 06 vs. Sept. 05
52	62	68	30.8	Revenues	145	186	28.3
(41)	(50)	(54)	31.7	Expenses	(117)	(150)	28.2
(6)	(5)	(5)	(16.7)	Depreciation and amortisation	(14)	(14)	–
5	7	9	80.0	Operating profit	14	22	57.1
50	18	225	350.0	New orders awarded	129	301	133.3

The backlog at 30th September 2006 amounted to 413 million euros of which 57 million are to be realised in the fourth quarter 2006.

- Revenues in the third quarter 2006 amounted to 68 million euros, a 31% increase versus the same period 2005; revenues in the first nine months 2006 amounted to 186 million euros, a 28% increase versus the same period 2005; both increases are mainly attributable to increased activity in North Africa and Kazakhstan.

- Operating profit in the third quarter 2006 amounted to 9 million euros, an 80% increase versus the same period 2005; operating profit for the first nine months 2006 amounted to 22 million euros, a 57% rise versus the same period 2005. Operating profit as a percentage of revenues was 13% in the third quarter 2006 (10% in the same period 2005) and 12% in the first nine months 2006 (10% in the same period 2005). 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 during the first nine months 2006 stood at 93.3% (91% in the same period 2005); rigs were located as follows: 13 in Peru, 9 in Saudi Arabia, 6 in Venezuela, 5 in Algeria, 2 in Italy, 1 in Egypt, 1 in Kazakhstan , 1 in Georgia 1, in Ecuador and 1 in Turkmenistan.
  In addition, 5 third-party rigs were deployed in Peru and 3 in Kazakhstan by the joint-venture company SaiPar.
  Finally, 1 rig owned jointly with third parties operated in Kazakhstan.

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Pubblications
Third quarter report at 30th September 2006 (in English)
Relazione trimestrale al 30 settembre 2006 (in Italian)
Six-monthly report at 30th June 2006 (in English)
Relazione semestrale al 30 giugno 2006 (in Italian)
Second quarter report at 30th June 2006 (in English)
Relazione trimestrale al 30 giugno 2006 (in Italian)
First quarter report at 31st March 2006 (in English)
Relazione trimestrale al 31 marzo 2006 (in Italian)
Financial Report at 31st December 2005 (in English)
Bilancio al 31 dicembre 2005 (in Italian)

Health, Safety Environment report (in Italian and English)

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