Saipem

Eni

Saipem: the Board of Directors approves second quarter results at 30th June 2006

San Donato Milanese, 26th July 2006. Today, the Board of Directors of Saipem S.p.A. has reviewed the Saipem Group consolidated second quarter results at 30th June 2006 (unaudited), which have been prepared in compliance with the new International Financial Reporting Standards (IFRS). The second quarter results include the effects of the consolidation of Snamprogetti from the date of Saipem's acquisition of control, i.e. from 1st April 2006.

First Quarter 2006	***Including Snamprogetti (million euros)***	Second Quarter 2005	Second Quarter 2006	Second Quarter %
n.a	**Revenues**	n.a	2052	n.a
n.a	**Operating profit**	n.a	151	n.a
n.a	**Net profit**	n.a	96	n.a
n.a	**Cash flow** (net profit plus depreciation)	n.a	151	n.a

First Quarter 2006	***Not including Snamprogetti (million euros)***	Second Quarter 2005	Second Quarter 2006	Second Quarter %
1043	**Revenues**	1165	1331	14,2%
93	**Operating profit**	82	126	53,7%
66	**Net profit**	55	86	56,4%
114	**Cash flow** (net profit plus depreciation)	97	135	39,2%

Second Half 2005	*Including Snamprogetti (million euros)*	First Half 2005	First Half 2006	%
n.a	**Revenues**	n.a	3095	n.a
n.a	**Operating profit**	n.a	244	n.a
n.a	**Net profit**	n.a	162	n.a
n.a	**Cash flow** (net profit plus depreciation)	n.a	265	n.a

Second Half 2005	*Not including Snamprogetti (million euros)*	First Half 2005	First Half 2006	%
2409	**Revenues**	2119	2374	12,0%
211	**Operating profit**	154	219	42,2%
147	**Net profit**	108	152	40,7%
252	**Cash flow** (net profit plus depreciation)	202	249	23,3%

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 second quarter and the first half 2005 have also 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 not only influenced 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 2006 amounted to 133 million euros (75 million in the same period 2005) and consisted mainly of the following: maintenance and upgrading of the existing asset base (34 million euros); investments in vessels and equipment for specific projects, mainly Kashagan (26 million euros); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (18 million euros); conversion of a tanker into an FPSO unit,

due to operate on Petrobras' Golfinho 2 field in Brazilian waters (51 million euros); and investments carried out by Snamprogetti amounting to 4 million euros.

Investments in the first half 2006 amounted to 231 million euros (137 million in the same period 2005) and consisted mainly of the following: maintenance and upgrading of the existing asset base (62 million euros); investments in vessels and equipment for specific projects, mainly Kashagan (44 million euros); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (30 million euros); conversion of a tanker into an FPSO unit (91 million euros); and investments carried out by Snamprogetti in the second quarter amounting to 4 million euros.

Net financial debt at 30th June 2006 amounted to 1,532 million euros, an increase of 520 million euros versus 31st December 2005, mainly due to the acquisition of Snamprogetti, and the distribution of dividends. From 31st March 2006, when the financial position already showed the effects of the acquisition of Snamprogetti, net debt increased by 65 million euros following the distribution of dividends and the buy-back of treasury shares (totalling 114 million euros) partially offset by a reduction in working capital (49 million euros).

New contracts and backlog

During the second quarter 2006, Saipem stand-alone was awarded contracts amounting to 2,832 million euros (1,185 million euros in the same period 2005); during the same period, Snamprogetti won contracts amounting to 1,825 million euros. Moreover, the contract portfolio was boosted by Snamprogetti's existing contract backlog, which amounted to 4,132 million euros on the date of acquisition.

New contracts awarded to the Saipem Group during the first half 2006, inclusive of contracts won by Snamprogetti in the second quarter, amounted to 5,782 million euros.

The backlog of the Saipem Group at 30th June 2006 stands at the record level of 12,333 million euros.

Management outlook for 2006

Results achieved in the first half of the year and the positive development of contracts under execution underpin management's expectations for Saipem stand-alone to achieve further revenue growth in 2006, improving the net profit by at least 15%. Snamprogetti, acquired at the end of March, is expected to achieve total revenues, for the nine-month period of consolidation, of approximately 2,300 million euros, and net profit of 30 million euros. This will have a positive effect on Saipem's net profit, which, net of financial charges deriving from the acquisition and taking into account structural cost synergies, is forecast at approximately 18 million euros.

The strong overall market performance and Saipem's track record and competitiveness, especially following the acquisition of Snamprogetti, underpin management's expectations of new contract awards, so as to maintain the exceptionally high level of backlog achieved at the end of June.

Capital expenditure for 2006, including the conversion of a tanker into an FPSO unit due to operate in the Golfinho 2 field in Brazilian waters on behalf of Petrobras, is confirmed at approximately 600 million euros.

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 competition. Moreover, contract execution is also subject to variables outwith 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 euros)

	Second quarter		First half	
	2005	2006	2005	2006
Revenues	740	845	1,340	1,438
Expenses	(662)	(743)	(1,193)	(1,265)
Depreciation and amortisation	(23)	(21)	(50)	(43)
Operating profit	55	81	97	130
New orders awarded	958	1,479	1,608	1,814

(*) 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 and information for the Offshore Business Unit have not been affected by the acquisition of Snamprogetti.

The backlog at 30th June 2006 amounted to 4,097 million euros, of which 1,349 million are to be realised in the second half 2006.

- Revenues in the first half 2006 amounted to 1,438 million euros, a 7.3% increase, versus the same period 2005, due mainly to higher levels of activity in Kazakhstan and Azerbaijan.

- Operating profit in the first half 2006 amounted to 130 million euros, equal to 9% of revenues, versus 97 million euros, equal to 7.2% of revenues in the same period 2005. This increase in margin is attributed to improved contractual conditions and high operational efficiency.

- The most significant contracts awarded in the second quarter include:
  - on behalf of Eni E&P, a contract for the exclusive provision of maintenance services for all offshore oil plants located in Italy; these services, comprising both ordinary and extraordinary maintenance works, will be provided through Q1 2012;
  - on behalf of the Chinese Petroleum Corporation, an EPIC contract for the Taishung/Tungshiao/Tatan pipeline, off the coast of Taiwan, comprising engineering, part procurement, pipelaying, testing and pre-commissioning for a pipeline provided by the client;

- on behalf of Eni Congo SA, an EPIC project for the Awa Paloukou facilities, in Congo, comprising engineering, procurement, construction, transport, installation, hook-up and pre-commissioning of the platform, in addition to the laying of an interconnecting pipeline linking the platform to the Djeno terminal;
- on behalf of PTT Public Company Ltd and Trans Thai - Malaysia (Thailand) Ltd, an EPIC contract for the new PTT – TTM gasline, in Thailand, comprising engineering, transport and installation of a pipeline provided by the client;
- on behalf of Total Exploration & Production UK, an EPIC contract for the Dunbar project, in the British sector of the North Sea, comprising the replacement of an interconnecting pipeline and spools linking the Dunbar and Alwyn platforms;
- on behalf of Maersk Olie og Gas AS, a contract for the Halfdan Northeast Phase 3 Sealines project, in Denmark, comprising the laying of two pipelines and an interconnecting flowline linking three existing platforms;
- on behalf of Devon Energy, a contract in connection with the decommissioning of three platforms in the United States, following the damage caused by Hurricane Rita.

Onshore (*):

(million euros)

Second quarter	Saipem	Saipem Stand-alone	Snamprogetti	Saipem Consolidated
	2005	2006	2006	2006
Revenues	302	339	721	1.060
Expenses	(285)	(312)	(691)	(1,003)
Depreciation and amortisation	(5)	(10)	(6)	(16)
Operating profit	12	(**) 17	(***) 24	41
New orders awarded	192	517	1,825	2,342

First half	Saipem	Saipem Stand-alone	Snamprogetti Q2	Saipem Consolidated
	2005	2006	2006	2006
Revenues	546	645	721	1,366
Expenses	(508)	(593)	(691)	(1,284)
Depreciation and amortisation	(14)	(19)	(6)	(25)
Operating profit	24	(**) 33	(***) 24	57
New orders awarded	416	1,144	1,825	2,969

(*) 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 and information for the Onshore Business Unit have been affected by the acquisition of Snamprogetti, whose income statement has been consolidated from 1st April 2006.
(**) includes 1 million euros of cost synergies resulting from the acquisition of Snamprogetti.
(***) includes 1 million euros of cost synergies; net of the application of the loss indemnity provision agreed with Eni as part of the Snamprogetti purchase agreement.

The backlog at 30th June 2006 amounted to 6,848 million euros (inclusive of Snamprogetti), of which 2,270 million are to be realised in the second half 2006.

Saipem stand-alone

- Revenues in the first half 2006 amounted to 645 million euros, an 18.1% increase, versus the same period 2005, due to higher levels of activity on the Sakhalin project in Russia and the full-scale activity on projects in Nigeria, Mexico and Canada.

- Operating profit in the first half 2006 amounted to 33 million euros, versus 24 million euros in the first half 2005, with margins rising from 4.4% to 5.1%. This increase in margin is attributed to improved operational efficiency and contractual rates.

Snamprogetti

- Revenues generated by Snamprogetti during the second quarter 2006 amounted to 721 million euros, largely related to projects under execution in the Middle East and Italy.

  Operating profit totalled 24 million euros, with a margin of 3.3%.

  Snamprogetti revenues for the quarter include proceeds from the Escravos project on behalf of Chevron Texaco amounting to 44 million euros. This project, awarded during Q1 2005 to a joint venture between Snamprogetti and the American company KBR (a subsidiary of Halliburton), comprises engineering, procurement and construction of a GTL (Gas-to-Liquids) plant in the Niger Delta, approximately 100 kilometres south-east of Lagos.

  Delays in obtaining access to the construction site and the substantial number of changes to the scope of work are expected to delay execution of this project, with a consequent increase in completion costs.

  Negotiations are ongoing between the joint venture and the client to evaluate the financial impact and the consequent review of contractual terms.

  In the second quarter, Snamprogetti has made a provision for estimated future losses on this project amounting to 58 million euros. This provision does not affect Saipem's financial position since it is offset by an agreed claim for the same amount against Eni, in terms of a loss indemnity provision in the Snamprogetti Purchase Agreement.

  Saipem is discussing with KBR a mechanism aimed at direct involvement in the local portion of works.

  In view of the benefits that Saipem's long-standing presence in Nigeria will bring to the project and the effect of the Snamprogetti purchase agreement with Eni, Saipem does not expect to be materially affected by current negotiations.

- The most significant contracts awarded in the second quarter include:
  - on behalf of Saudi Aramco, an EPC contract for the Khursaniyah project, in Saudi Arabia, comprising engineering, procurement and construction of a gas-oil separation plant. The contract includes the construction of two gas-oil separation trains in addition to a series of production infrastructure facilities;
  - on behalf of Canaport Lng, an EPC contract for the Canaport project, in Canada, comprising design, engineering, construction and commissioning of a regassification

terminal, inclusive of auxiliary facilities for gas offloading, pumping, vaporisation and transmission, in addition to two storage tanks. The contract was won in consortium with the Canadian company SNC - Lavalin;

- on behalf of Shell Petroleum Development Company of Nigeria, an EPC contract for the Gbaran Logistic Base, in Nigeria, comprising engineering, procurement, construction and commissioning of the logistics base for the Gbaran field. The contract was won in consortium with Desicon Engineering Ltd;
- on behalf of Saudi Aramco, an EPC contract for the Khurais pipeline, in Saudi Arabia, comprising engineering, procurement, construction and commissioning of a pipeline;
- on behalf of Saudi Aramco, an EPC contract for the Ghawar pipeline, in Saudi Arabia, comprising engineering, procurement, construction and commissioning of a pipeline.

Offshore Drilling:

(million euros)

	Second quarter		First half	
	2005	2006	2005	2006
Revenues	71	85	140	173
Expenses	(51)	(50)	(94)	(103)
Depreciation and amortisation	(10)	(13)	(22)	(26)
Operating profit	10	22	24	44
New orders awarded	5	818	139	923

The backlog at 30th June 2006 amounted to 1,132 million euros, of which 157 million are to be realised in the second half 2006.

- Revenues for the first half 2006 amounted to 173 million euros, a 23.6% increase versus the same period 2005, due to increased activities by the semi-submersible platform Scarabeo 4 and the jack-up Perro Negro 5, and higher contractual rates.

- Operating profit in the first half 2006 amounted to 44 million euros, equal to 25.4% of revenues, versus 24 million euros, equal to 17.1% of revenues in the corresponding period of 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 half 2006 was as follows:

Vessel	*Days under contract*	
Semi-submersible platform Scarabeo 3	181	
Semi-submersible platform Scarabeo 4	181	
Semi-submersible platform Scarabeo 5	166	**a**
Semi-submersible platform Scarabeo 6	170	**a**
Semi-submersible platform Scarabeo 7	181	
Drillship Saipem 10000	181	
Jack-up Perro Negro 2	181	
Jack-up Perro Negro 3	181	
Jack-up Perro Negro 4	-	**b**
Jack-up Perro Negro 5	181	

a = for the remaining days (to 181), the vessel underwent class reinstatement works.
b = the vessel underwent upgrading works in readiness for a new contract.

- The most significant contracts awarded in the second quarter include:
  - on behalf of Statoil, the forty-nine-month charter of the semi-submersible platform Scarabeo 5 in Norway;
  - on behalf of Eni E&P, the three-year charter of the semi-submersible platform Scarabeo 7 in Indonesia;
  - on behalf of Addax Petroleum, the one-year charter of the semi-submersible platform Scarabeo 3 in Nigeria.

Onshore Drilling:

(million euros)

	Second quarter		First half	
	2005	2006	2005	2006
Revenues	52	62	93	118
Expenses	(43)	(50)	(76)	(96)
Depreciation and amortisation	(4)	(5)	(8)	(9)
Operating profit	5	7	9	13
New orders awarded	30	18	79	76

The backlog at 30th June 2006 amounted to 256 million euros of which 98 million are to be realised in the second half 2006.

- Revenues for the first half 2006 amounted to 118 million euros, a 26.9% increase versus the same period 2005, due mainly to increased activity in North Africa and Kazakhstan.

- Operating profit in the first half 2006 amounted to 13 million euros, equal to 11% of revenues versus 9 million euros, equal to 9.7% of revenues in the same period 2005. This increase 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 half 2006 stood at 92% (91% in the first half 2005); rigs were located as follows: 13 in Peru, 8 in Saudi Arabia, 5 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.

- During the second quarter, a contract was won for the twelve-month charter of an installation in Algeria on behalf of Sonatrach.

Attachments:

- Reclassified Consolidated Balance Sheet and Reclassified Consolidated Income Statements by nature and destination of costs.

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RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euros)

	31st December 2005		30th June 2006 (*)	
Net tangible fixed assets		1,903		2,117
Net intangible fixed assets		837		842
		2,740		2,959
- Offshore	1,437		1,575	
- Onshore	487		578	
- Offshore Drilling	729		722	
- Onshore Drilling	87		84	
Financial investments		40		150
Non-current assets		**2,780**		**3,109**
Net current assets		**(37)**		**(109)**
Employee termination indemnities		**(88)**		**(160)**
CAPITAL EMPLOYED		**2,655**		**2,840**
Net equity		**1,630**	**(**)**	**1,305**
Minority interest in net equity		**13**		**3**
Net debt		**1,012**		**1,532**
COVER		**2,655**		**2,840**
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.

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RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
NATURE OF COSTS

(million euros)

Second quarter	Saipem stand-alone		Snamprogetti	Effects of acquisition	Saipem Consolidated
	2005	2006	2006		
Operating revenues	1,165	1,331	721	–	2,052
Other revenues and income	2	3	–	–	3
Purchases, services and other costs	(837)	(932)	(607)	1	(1,538)
Payroll and related costs	(206)	(227)	(85)	1	(311)
GROSS OPERATING PROFIT	**124**	**175**	**29**	**2**	**206**
Amortisation, depreciation and write-downs	(42)	(49)	(6)	–	(55)
OPERATING PROFIT	**82**	**126**	**23**	**2**	**151**
Financial expenses	(16)	(16)	(4)	(7)	(27)
Income from investments	7	10	7	–	17
INCOME BEFORE INCOME TAXES	**73**	**120**	**26**	**(5)**	**141**
Income taxes	(16)	(32)	(13)	2	(43)
NET PROFIT BEFORE MINORITY INTEREST	**57**	**88**	**13**	**(3)**	**98**
Minority interest	(2)	(2)	–	–	(2)
NET PROFIT	**55**	**86**	**13**	**(3)**	**96**
CASH FLOW (Net profit + Depreciation and amortisation)	**97**	**135**	**19**	**(3)**	**151**

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RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
NATURE OF COSTS

(million euros)

First half	Saipem stand-alone		Snamprogetti Q2	Effects of acquisition	Saipem Consolidated
	2005	2006	2006		
Operating revenues	2,119	2,374	721	–	3,095
Other revenues and income	3	4	–	–	4
Purchases, services and other costs	(1,493)	(1,623)	(607)	1	(2,229)
Payroll and related costs	(381)	(439)	(85)	1	(523)
GROSS OPERATING PROFIT	**248**	**316**	**29**	**2**	**347**
Amortisation, depreciation and write-downs	(94)	(97)	(6)	–	(103)
OPERATING PROFIT	**154**	**219**	**23**	**2**	**244**
Financial expenses	(26)	(29)	(4)	(7)	(40)
Income from investments	12	17	7	–	24
INCOME BEFORE INCOME TAXES	**140**	**207**	**26**	**(5)**	**228**
Income taxes	(30)	(53)	(13)	2	(64)
NET PROFIT BEFORE MINORITY INTEREST	**110**	**154**	**13**	**(3)**	**164**
Minority interest	(2)	(2)	–	–	(2)
NET PROFIT	**108**	**152**	**13**	**(3)**	**162**
CASH FLOW (Net profit + Depreciation and amortisation)	**202**	**249**	**19**	**(3)**	**265**

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RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
DESTINATION OF COSTS

(million euros)

Second quarter	Saipem stand-alone		Snamprogetti	Effects of acquisition	Saipem Consolidated
	2005	2006	2006		
Operating revenues	1,165	1,331	721	–	2,052
Production costs	(1,026)	(1,136)	(668)	1	(1,803)
Idle costs	(8)	(14)	(2)	–	(16)
Selling expenses	(18)	(20)	(8)	–	(28)
Research and development costs	(2)	(2)	(4)	–	(6)
Other operating income, net	1	–	–	–	–
CONTRIBUTION FROM OPERATIONS	**112**	**159**	**39**	**1**	**199**
General and administrative expenses	(30)	(33)	(16)	1	(48)
OPERATING PROFIT	**82**	**126**	**23**	**2**	**151**
Financial expenses	(16)	(16)	(4)	(7)	(27)
Income from investments	7	10	7	–	17
INCOME BEFORE INCOME TAXES	**73**	**120**	**26**	**(5)**	**141**
Income taxes	(16)	(32)	(13)	2	(43)
INCOME BEFORE MINORITY INTEREST	**57**	**88**	**13**	**(3)**	**98**
Minority interest	(2)	(2)	–	–	(2)
NET PROFIT	**55**	**86**	**13**	**(3)**	**96**
CASH FLOW (Net profit + Depreciation and amortisation)	**97**	**135**	**19**	**(3)**	**151**

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RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
DESTINATION OF COSTS

(million euros)

First half	Saipem stand-alone		Snamprogetti Q2	Effects of acquisition	Saipem Consolidated
	2005	2006	2006		
Operating revenues	2,119	2,374	721	–	3,095
Production costs	(1,850)	(2,018)	(668)	1	(2,685)
Idle costs	(19)	(29)	(2)	–	(31)
Selling expenses	(34)	(39)	(8)	–	(47)
Research and development costs	(3)	(4)	(4)	–	(8)
Other operating income, net	1	–	–	–	–
CONTRIBUTION FROM OPERATIONS	**214**	**284**	**39**	**1**	**324**
General and administrative expenses	(60)	(65)	(16)	1	(80)
OPERATING PROFIT	**154**	**219**	**23**	**2**	**244**
Financial expenses	(26)	(29)	(4)	(7)	(40)
Income from investments	12	17	7	–	24
INCOME BEFORE INCOME TAXES	**140**	**207**	**26**	**(5)**	**228**
Income taxes	(30)	(53)	(13)	2	(64)
INCOME BEFORE MINORITY INTEREST	**110**	**154**	**13**	**(3)**	**164**
Minority interest	(2)	(2)	–	–	(2)
NET PROFIT	**108**	**152**	**13**	**(3)**	**162**
CASH FLOW (Net profit + Depreciation and amortisation)	**202**	**249**	**19**	**(3)**	**265**

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