Saipem:
Board of Directors approves Six-Month Report at June 30, 2012
GROWTH IN RESULTS COMPARED TO 1H 2011

- **Net profit for the second quarter of 2012 amounted to €242 million: +7.6% compared to the second quarter of 2011**
- **Net profit for the first half of 2012 amounted to €473 million: +8.0% compared to the first half of 2011**
- **New contracts won during the first half of 2012 amounted to €6,303 million (€6,006 million in the first half of 2011); the backlog at June 30, 2012 stood at €20,323 million (€20,401 million at March 31, 2012)**
- **Investments in the first half of 2012 amounted to €548 million (€561 million in the first half of 2011)**
- **Financial results of 2012: expectations for improved results vs 2011 are confirmed**

San Donato Milanese, July 30, 2012. The Board of Directors of Saipem S.p.A. today reviewed the Saipem Group consolidated Half Year Report at June 30, 2012, which has been prepared in compliance with International Financial Reporting Standards and is subject to a limited audit (near completion). The report is subject to review by the company's Statutory Auditors and Independent Auditors.

(million €)

Q2 2011	Q1 2012	Q2 2012	Q2 2012 vs Q2 2011 (%)		1H 2011	1H 2012	1H 2012 vs 1H 2011 (%)
3,067	3,132	3,265	6.5	Revenues	6,021	6,397	6.2
518	544	563	8.7	EBITDA	1,013	1,107	9.3
364	373	389	6.9	Operating profit	711	762	7.2
225	231	242	7.6	Net profit	438	473	8.0
379	402	416	9.8	Cash flow (Net profit + Depreciation and amortisation)	740	818	10.5
206	316	232	12.6	Investments	561	548	(2.3)
3,098	3,116	3,187	2.9	New contracts	6,006	6,303	4.9

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

Investments in the second quarter of 2012 amounted to €232 million (€206 million in the second quarter of 2011) and included:

- €78 million in the Offshore Engineering & Construction sector relating mainly to the construction of a new pipelayer, the continuation of development of a new fabrication yard in Indonesia, the start of development of a new fabrication yard in Brazil and the maintenance and upgrading of the existing asset base;
- €12 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and facilities for a new yard in Iraq, in addition to the maintenance of existing assets;
- €116 million in the Offshore Drilling sector, relating mainly to the completion of Scarabeo 8, the upgrade of the semi-submersible rig Scarabeo 6 to enable it to operate in water depths of up to 1,100 metres and that of Scarabeo 3 currently undergoing class reinstatement works, in addition to the maintenance and upgrading of the existing asset base;
- €26 million in the Onshore Drilling sector related to the upgrading of the existing asset base.

Investments in the first half of 2012 amounted to €548 million (€561 million in the first half of 2011).

The latest delivery schedule for the main on-going investments is as follows: Scarabeo 8 started operations at the beginning of May. Castorone is expected to be handed over by the Keppel Shipyard in Singapore this summer, after which she will undergo sea trials and operational tests which should be completed by the beginning of 2013, in line with the scheduled commitments to clients in the Gulf of Mexico; Scarabeo 6 is expected to complete upgrading works, currently ongoing at the Keppel Verolme Shipyard in Rotterdam, towards the end of October.

Net financial debt at June 30, 2012 amounted to €3,935 million, an increase of €743 million from December 31, 2011. This is ascribed to a deterioration in working capital during the first quarter of 2012, the distribution of dividends during the second quarter and the renewal of exchange rate hedging transactions against a stronger US Dollar, amounting to a cashout of approximately €98 million in the first half 2012[1]. The recovery from the unusual working capital exposure of Q1 started in Q2 and is expected to continue in the second half of the year.

New contracts and backlog

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[1] *Saipem's foreign exchange risk management policy is to minimize economic and transactional exposures arising from foreign currency fluctuations. Whenever a new contract is awarded, a derivative financial instrument is sourced in order to hedge the value of the financial streams denominated in euros against those generated in foreign currencies.*

During the life of a project, these financial instruments ensure the constant correspondence between the financial streams generated by projects under execution and the streams deriving from the hedging derivatives; without hedging contracts, the financial effects could be significant especially during times of high foreign exchange rate fluctuations.

The hedging contracts put in place by Saipem ensure that the financial results of projects are immune from exchange rate fluctuations and that the conversion into euros of the financial streams generated in foreign currencies reflects the hedging exchange rate obtained at the beginning of the project.

As these operations are usually classed as "hedging" operations, pursuant to IFRS guidelines, the posting to Net Equity of the effects of such derivatives are deferred until the actual financial effects of the hedging contract are available. These are then posted to the project they are associated with.

However, from a financial standpoint, these "anticipated" differences shall be offset by the revenue streams resulting from the project, reconciling those generated in foreign currencies with the corresponding value in euros at the exchange rate of the hedging derivative.

During the second quarter of 2012, Saipem was awarded contracts amounting to €3,187 million (€3,098 million in the second quarter of 2011).

New contracts awarded to the Saipem Group during the first half of 2012 amounted to €6,303 million (€6,006 million in the first half of 2011).

The Saipem Group backlog at June 30, 2012 stood at €20,323 million (€8,311 million in the Offshore Engineering & Construction sector, €8,005 million in the Onshore Engineering & Construction sector, €4,007 million in the Drilling sectors), of which €5,687 million is due to be realised in 2012.

In July 2012, new contracts were awarded amounting to USD 1,050 million: USD 800 million in the E&C Onshore sector relating to contracts detailed in the Press Release of July 26, and USD 250 million in the Onshore Drilling sector relating to contracts detailed in the Press Release of July 24, 2012.

Management Outlook for 2012

Oil industry spending in 2012 is still expected to exceed that in 2011. However, weak gas demand in the Eurozone has led to delays in the start of important development projects and the construction of gas transport infrastructure for the European market. Moreover, economic recession and issues related to the financial systems in several European countries are creating a climate of growing uncertainty regarding the global economy, which in turn impacts the timing of the awarding and start of projects planned by oil companies. However, it seems likely that several projects in Nigeria, Angola, Brazil, the Middle East and South East Asia will be awarded in the second half of the year and Saipem is expected to benefit from the competitive position it enjoys in many of these areas.

Despite the greater uncertainty in the overall outlook of the market trend, the existing backlog and strong results recorded in the first half of 2012 enable the management to confirm the guidance for 2012: revenues of approximately €13 billion, EBIT of approximately €1.6 billion and net income of approximately €1 billion. Capital expenditure is now expected to be approximately €1 billion; the €100 million increase on the initial guidance is attributed to the investment in three new onshore rigs for Saudi Aramco, the expansion of the Edmonton yard in Canada and the effects of the USD/Euro exchange rate increase.

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

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

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

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Analysis by business sector

Engineering & Construction: Offshore

(million €)

Q2 2011	Q1 2012	Q2 2012	Q2 2012 vs Q2 2011 (%)		1H 2011	1H 2012	1H 2012 vs 1H 2011 (%)
1,259	1,223	1,295	2.9	Revenues	2,374	2,518	6.1
(1,031)	(997)	(1,062)	3.0	Expenses	(1,938)	(2,059)	6.2
(54)	(67)	(64)	18.5	Depreciation and amortisation	(114)	(131)	14.9
174	159	169	(2.9)	Operating profit	322	328	1.9
18.1	18.5	18.,0		EBITDA %	18.4	18.2	
13.8	13.0	13.1		EBIT %	13.6	13.0	
1,535	2,606	1,623		New contracts	3,262	4,229	

The backlog at June 30, 2012 stood at €8,311 million, of which €2,100 million is due to be realised in 2012.

- Revenues for the first half of 2012 amounted to €2,518 million, representing a 6.1% increase compared to the first half of 2011, mainly attributable to higher levels of activity in the Middle and Far East.

- Operating profit for the first half of 2012 amounted to €328 million, equal to 13% of revenues, compared to €322 million, equal to 13.6% of revenues, in the first half of 2011. EBITDA margin stood at 18.2% substantially in line with the 18.4% margin recorded in the same period of 2011.

- The Al Wasit project in Saudi Arabia is expected to show a decrease in revenues in 2012, due to rescheduling of some activities to accommodate modifications requested by the Client Saudi Aramco.

- The main contracts acquired in the second quarter of 2012 include:

– for LUKOIL-Nizhnevolzhskneft, the EPIC project Filanovsky in Russia, comprising the engineering, procurement, fabrication and installation of an oil pipeline and a gas pipeline, at water depths of up to 6 meters, along with related onshore pipelines, connecting the riser block in the offshore field to the onshore shut-off valves;

– for Dong E&P, an EPIC project in Denmark comprising engineering, procurement, fabrication and installation of a gas export pipeline and an oil export pipeline at water depths of up to 40 metres, connecting the Hejre field to an offshore platform;

– for CABGOC (Cabinda Gulf Oil Company Ltd) in Angola, two separate packages for the development of the southern part of Mafumeira field. The first contract, EPCI 3, comprises engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-in activities on the existing Mafumeira Norte platform and the future Mafumeira Sul production platforms. The second contract, EPCI 4, comprises the engineering, procurement, fabrication and installation of an onshore pipeline portion connecting the field to the oil storage and export facilities in the Malongo Terminal;

– for Mobil Producing Nigeria Unlimited, the contract “Asasa Pressure Maintenance, Usari and Edop Pipeline Extension” in Nigeria, comprising fabrication and installation of pipelines in addition to risers and flanges at water depth of up to 50 metres.

Engineering & Construction: Onshore

(million €)

Q2 2011	Q1 2012	Q2 2012	Q2 2012 vs Q2 2011 (%)		1H 2011	1H 2012	1H 2012 vs 1H 2011 (%)
1,428	1,489	1,526	6.9	Revenues	2,885	3,015	4.5
(1,303)	(1,359)	(1,394)	7.0	Expenses	(2,637)	(2,753)	4.4
(9)	(8)	(8)	(11.1)	Depreciation and amortisation	(17)	(16)	(5.9)
116	122	124	6.9	Operating profit	231	246	6.5
8.8	8.7	8.7		EBITDA %	8.6	8.7	
8.1	8.2	8.1		EBIT %	8.0	8.2	
1,144	275	1,141		New contracts	2,077	1,416	

The backlog at June 30, 2012 amounted to €8,005 million, of which €2,797 million is due to be realised in 2012.

- Revenues for the first half of 2012 amounted to €3,015 million, representing a 4.5% increase compared to the first half of 2011, mainly attributable to higher levels of activity in the Middle East and West Africa.

- Operating profit for the first half of 2012 amounted to €246 million, compared to €231 million in the first half of 2011, with the margin on revenues rising from 8% to 8.2%. EBITDA margin stood at 8.7% up from 8.6% in the same period of 2011.

- The Jurassic project in Kuwait is currently on hold waiting for the client - Kharafi National, who had signed a contract with Kuwait Oil Company - to formalize its financial structure.

- The main contracts acquired in the second quarter of 2012 include:

– for Saudi Aramco and Sumitomo Chemical, an EPC contract for the Naphtha and Aromatics Package of the Rabigh II project in Saudi Arabia. The scope of work comprises engineering, procurement and construction of two processing units: a Naptha Reformer Unit and an Aromatics Complex;

– for the Emirate of the Makkah Province, a project in Saudi Arabia comprising procurement, installation, construction and commissioning assistance of a new rainwater drainage system, serving the Northern side of the City of Jeddah;

– for Shell Petroleum Development Company, an EPC contract for the Otumara-Saghara-Escravos Pipeline project in Nigeria, comprising engineering, procurement, construction and commissioning of a gas pipeline network connecting a swamp area to the client’s flowstations in the Otumara, Saghara and Escravos fields.

Drilling: Offshore

(million €)

Q2 2011	Q1 2012	Q2 2012	Q2 2012 vs Q2 2011 (%)		1H 2011	1H 2012	1H 2012 vs 1H 2011 (%)
207	243	266	28.5	Revenues	418	509	21.8
(98)	(112)	(125)	27.6	Expenses	(196)	(237)	20.9
(57)	(64)	(69)	21.1	Depreciation and amortisation	(107)	(133)	24.3
52	67	72	38.5	Operating profit	115	139	20.9
52.7	53.9	53.0		EBITDA %	53.1	53.4	
25.1	27.6	27.1		EBIT %	27.5	27.3	
274	148	257		New contracts	349	405	

The backlog at June 30, 2012 stood at €3,197 million, of which €543 million is due to be realised in 2012.

- Revenues for the first half of 2012 amounted to €509 million, representing a 21.8% increase on the first half of 2011, mainly attributable to the operations of the semi-submersible rigs Scarabeo 8 and Scarabeo 9, which had been under construction in the first half of 2011 and which have offset the temporary idleness during upgrade of the semi-submersible rig Scarabeo 6.

- Operating profit for the first half of 2012 amounted to €139 million, compared to €115 million in the first half of 2011, with the margin on revenues decreasing from 27.5% to 27.3% due to the increase in depreciation resulting from the start of operations of the new semi-submersible rigs Scarabeo 8 and Scarabeo 9. EBITDA margin stood at 53.4%, a slight increase on 53.1% in the same period of 2011.

- The main contracts acquired in the second quarter of 2012 include:

– for Eni, the two-year extension, from Q4 2012, of the lease contract for the jack-up Perro Negro 8, for operations in the Adriatic Sea off the coast of Italy;
– for Addax, the extension of the lease contract for the semi-submersible rig Scarabeo 3, in Nigeria;
– for NDC (National Development Company), the eighteen-month extension, from Q2 2012, of the lease contract for the jack-up Perro Negro 2, off the Abu Dhabi coast.

– Vessel utilisation in the first half of 2012 and the impact of programmed maintenance for 2012 are as follows:

Vessel	***H1 2012***				***Year 2012***	
	Under contract	***idle***			***idle***	
	(days)				***(days)***	
Semi-submersible rig Scarabeo 3	121	61	(a)		153	(a)
Semi-submersible rig Scarabeo 4	182	–			10	(a)
Semi-submersible rig Scarabeo 5	182	–			–	
Semi-submersible rig Scarabeo 6	113	69	(a)		183	(a)
Semi-submersible rig Scarabeo 7	182	–			–	
Semi-submersible rig Scarabeo 8	57	–			–	
Semi-submersible rig Scarabeo 9	164	–			–	
Drillship Saipem 10000	182	–			–	
Drillship Saipem 12000	175	7	(b)		–	
Jack-up Perro Negro 2	182	–			61	(a)
Jack-up Perro Negro 3	120	62	(a+b)		58	(a)
Jack-up Perro Negro 4	182	–			–	(a)
Jack-up Perro Negro 5	182	–			–	
Jack-up Perro Negro 6	182	–			15	(a)
Jack-up Perro Negro 7	182	–			–	
Jack-up Perro Negro 8	173	9	(b)		–	
Tender Assisted Drilling Barge	182	–			–	

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

Drilling: Onshore

(million €)

Q2 2011	Q1 2012	Q2 2012	Q2 2012 vs Q2 2011 (%)		1H 2011	1H 2012	1H 2012 vs 1H 2011 (%)
173	177	178	2.9	Revenues	344	355	3.2
(117)	(120)	(121)	3.4	Expenses	(237)	(241)	1.7
(34)	(32)	(33)	(2.9)	Depreciation and amortisation	(64)	(65)	1.6
22	25	24	9.1	Operating profit	43	49	14.0
32.4	32.2	32.0		EBITDA %	31.1	32.1	
12.7	14.1	13.5		EBIT %	12.5	13.8	
145	87	166		New contracts	318	253	

The backlog at June 30, 2012 stood at €810 million, of which €247 million is due to be realised in 2012.

- Revenues for the first half of 2012 amounted to €355 million, representing a 3.2% increase compared to the first half of 2011, mainly attributable to the full-scale operations of rigs in South America.

- Operating profit for the first half of 2012 amounted to €49 million, up from €43 million in the first half of 2011, with the margin on revenues rising from 12.5% to 13.8%. EBITDA margin reached 32.1%, up from 31.1% in the same period of 2011, owing mainly to increased operational efficiency and asset utilisation.

- The main contracts acquired in the second quarter of 2012 include contracts with various clients for the lease of fourteen rigs in South America, Saudi Arabia, Kazakhstan and Italy. The durations of these contracts, of which seven are new and seven are extensions of existing contracts, range from two months to two years.

Average utilisation of assets in the first half of 2012 stood at 96% (95.8% in the first half of 2011). At June 30, 2012, the Company owned 92 rigs (in addition to 1 rig under completion) located as follows: 28 in Venezuela, 21 in Peru, 10 in Saudi Arabia, 8 in Colombia, 7 in Algeria, 5 in Kazakhstan, 4 in Bolivia, 3 in Brazil, 2 in Congo, 2 in Ecuador, 1 in Italy and 1 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, and 2 third-party rigs in Kazakhstan for the joint-venture company SaiPar.

Attachments:

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million €)

		December 31, 2011		**June 30, 2012**
Net tangible fixed assets		8,024		8,289
Net intangible fixed assets		752		753
		8,776		9,042
- Engineering & Construction: Offshore	3,851		3,993	
- Engineering & Construction: Onshore	464		471	
- Drilling: Offshore	3,550		3,655	
- Drilling: Onshore	911		923	
Financial investments		102		107
Non-current assets		**8,878**		**9,149**
Net current assets		**(663)**		**(51)**
Employee termination indemnities		**(200)**		**(210)**
CAPITAL EMPLOYED		**8,015**		**8,888**
Shareholders' equity		**4,709**		**4,819**
Minority interest in net equity		**114**		**134**
Net debt		**3,192**		**3,935**
COVER		**8,015**		**8,888**
Leverage (net debt/shareholders' equity)		**0.66**		**0.79**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million €)

Q2 2011	Q1 2012	Q2 2012		1H 2011	1H 2012
3,067	3,132	3,265	Operating revenues	6,021	6,397
–	2	2	Other revenues and income	5	4
(2,114)	(2,133)	(2,219)	Purchases, services and other costs	(4,180)	(4,352)
(435)	(457)	(485)	Payroll and related costs	(833)	(942)
518	**544**	**563**	**GROSS OPERATING PROFIT**	**1,013**	**1,107**
(154)	(171)	(174)	Amortisation, depreciation and write-downs	(302)	(345)
364	**373**	**389**	**OPERATING PROFIT**	**711**	**762**
(33)	(37)	(43)	Financial expenses	(67)	(80)
7	3	2	Income from investments	8	5
338	**339**	**348**	**INCOME BEFORE INCOME TAXES**	**652**	**687**
(95)	(98)	(101)	Income taxes	(183)	(199)
243	**241**	**247**	**INCOME BEFORE MINORITY INTEREST**	**469**	**488**
(18)	(10)	(5)	Minority interest	(31)	(15)
225	**231**	**242**	**NET PROFIT**	**438**	**473**
379	**402**	**416**	**CASH FLOW (Net profit + Depreciation and amortisation)**	**740**	**818**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million €)

Q2 2011	Q1 2012	Q2 2012		1H 2011	1H 2012
3,067	3,132	3,265	Operating revenues	6,021	6,397
(2,587)	(2,640)	(2,757)	Production costs	(5,081)	(5,397)
(20)	(32)	(28)	Idle costs	(50)	(60)
(43)	(33)	(39)	Selling expenses	(81)	(72)
(4)	(3)	(3)	Research and development costs	(7)	(6)
(2)	(4)	(2)	Other operating income (expenses), net	1	(6)
411	**420**	**436**	**CONTRIBUTION FROM OPERATIONS**	**803**	**856**
(47)	(47)	(47)	General and administrative expenses	(92)	(94)
364	**373**	**389**	**OPERATING PROFIT**	**711**	**762**
(33)	(37)	(43)	Financial expenses	(67)	(80)
7	3	2	Income from investments	8	5
338	**339**	**348**	**INCOME BEFORE INCOME TAXES**	**652**	**687**
(95)	(98)	(101)	Income taxes	(183)	(199)
243	**241**	**247**	**INCOME BEFORE MINORITY INTEREST**	**469**	**488**
(18)	(10)	(5)	Minority interest	(31)	(15)
225	**231**	**242**	**NET PROFIT**	**438**	**473**
379	**402**	**416**	**CASH FLOW (Net profit + Depreciation and amortisation)**	**740**	**818**

RECLASSIFIED STATEMENT OF CASH FLOW

(million €)

Q2 2011	Q1 2012	Q2 2012		1H 2011	1H 2012
225	231	242	Net profit	438	473
18	10	5	Minority interest	31	15
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
154	174	160	Depreciation, amortisation and other non-monetary items	302	334
(40)	(740)	61	Variation in working capital relating to operations	(115)	(679)
357	**(325)**	**468**	**Net cash flow from operations**	**656**	**143**
(206)	(316)	(232)	Investments in tangible and intangible fixed assets	(561)	(548)
–	–	(6)	Disposals	–	(6)
151	**(641)**	**230**	**Free cash flow**	**95**	**(411)**
4	21	1	Buy-back of treasury shares/Exercise of stock options	9	22
(297)	(22)	(307)	Cash flow from share capital and reserves	(297)	(329)
20	41	(66)	Effect of exchange rate differences on net debt and other changes	57	(25)
(122)	**(601)**	**(142)**	**Change in net debt**	**(136)**	**(743)**
3,277	**3,192**	**3,793**	**Net debt at beginning of period**	**3,263**	**3,192**
3,399	**3,793**	**3,935**	**Net debt at end of period**	**3,399**	**3,935**