Saipem:
Board of Directors approves Interim Report as at March 31, 2011
IMPROVED RESULTS VERSUS Q1 2010

- **Revenues amounted to Euro 2,954 million: +11.9% compared to the first quarter 2010.**
- **Operating profit amounted to Euro 347 million: +17.2% compared to the first quarter 2010.**
- **Net profit amounted to Euro 213 million: +17% compared to the first quarter 2010.**
- **New contracts won during the first quarter 2011 amounted to Euro 2,908 million (Euro 2,678 in the first quarter 2010), while the backlog at March 31, 2011 stood at Euro 20,459 million (Euro 20,505 million at December 31, 2010).**
- **Investments amounted to Euro 355 million (Euro 412 million in the first quarter 2010).**
- **2011 guidance revised upward.**

San Donato Milanese, April 20, 2011. The Board of Directors of Saipem S.p.A. today approved Saipem Group's Interim Report as at March 31, 2011 (not subject to audit).

(million euro)

	Q1 2010	Q4 2010	Q1 2011	Q1 2011 vs Q1 2010 (%)
Revenues	2,639	2,957	2,954	11.9
EBITDA	411	501	495	20.4
Operating profit	296	353	347	17,2
Net profit	182	237	213	17.0
Cash flow (Net profit + Depreciation and amortisation)	297	385	361	21.5
Investments	412	392	355	(13.8)
New contracts	2,678	3,312	2,908	8.6

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 first quarter of 2011 amounted to Euro 355 million (Euro 412 million in the first quarter of 2010) and included:

- Euro 177 million in the Offshore Engineering & Construction sector mainly relating to the construction of a new pipelayer (CastorOne) and of an ultra-deepwater field development ship (FDS2), the conversion of a tanker into an FPSO unit, the development of a new fabrication yard in Indonesia, and the maintenance and upgrading of the existing asset base;
- Euro 4 million in the Onshore Engineering & Construction sector on maintenance of the existing asset base;
- Euro 167 million in the Offshore Drilling sector, mainly relating to the construction of two semi-submersible rigs, in addition to the maintenance and upgrading of the existing asset base;
- Euro 7 million in the Onshore Drilling sector mainly relating to the construction of one rig, and the upgrading of the existing asset base.

The latest delivery schedule for major ongoing investments is as follows: the ultra-deepwater field development ship SAIPEM FDS 2[*] was handed over by the Samsung Heavy Industries Shipyard (South Korea) in early April. The ship is currently undergoing operational trials and will be transferred offshore West Africa in May. The delivery schedule announced in February for all other initiatives is virtually unchanged. Specifically, FPSO Aquila is scheduled for completion at the Drydocks World Shipyard (Dubai) in the third quarter. The new fabrication yard in Karimun (Indonesia) is due to be completed by the end of this year. The new pipelayer CastorOne is due to be completed at the Keppel Shipyard (Singapore) in the second quarter of 2012. Scarabeo 9 is due to be completed at the Keppel Fels Shipyard (Singapore) by the end of June, and Scarabeo 8 is scheduled for completion by the Westcon Shipyard (Norway) towards the end of this year.

Net financial debt as at March 31, 2011 amounted to Euro 3,277 million, representing an increase of Euro 14 million from December 31, 2010; net cash flow from operations during the period offset almost all capital expenditure.

New contracts and backlog

During the first quarter of 2011, Saipem was awarded contracts amounting to Euro 2,908 million (Euro 2,678 million in the first quarter of 2010).

The most significant contracts awarded in the first quarter include:

in the Offshore Engineering & Construction sector:

- for Saudi Aramco in Saudi Arabia, an EPIC (Engineering, Procurement, Installation, Construction) contract for the development of the Arabiyah and Hasbah offshore fields, as part of the Al Wasit Gas Program. The contract encompasses engineering, procurement, construction and installation of fifteen fixed platforms, in addition to an export pipeline, offshore lines, sub-sea and control cables.

(*) SAIPEM FDS 2 is 183-metre long, 32-metre wide and 14.5-metre high; it is equipped with a J-lay tower with a capacity of 2000 t, designed to lay up to 36" pipes in both J-lay and S-lay mode, in water depth down to 3,000 m. SAIPEM FDS 2 is also equipped with an extremely advanced dynamically positioning system (DP3), has a top sailing speed of 13 knots and onboard accommodation facilities to house up to 325 personnel in compliance with the highest international comfort standards.

In the Onshore Engineering & Construction sector:

- for Gladstone LNG Operations Pty Ltd in Australia, the EPC (Engineering, Procurement, Construction) contract for the development of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Area Development (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is to be built.

In the Offshore Drilling sector:

- for Addax Petroleum, the six-month extension of a lease contract for the semi-submersible drilling platform Scarabeo 3 in Nigeria;
- for Total, the three-month lease contract for the jack-up Perro Negro 6, to carry out drilling operations in Angolan waters.

In the Onshore Drilling sector:

- for Saudi Aramco, the three-year contract for the lease of five rigs in Saudi Arabia;
- for various clients, contracts for the lease of five rigs in Peru, Colombia and Bolivia for between one and two years.

As at March 31, 2011 Saipem Group's backlog stood at Euro 20,459 million (Euro 6,156 million in the Offshore Engineering and Construction sector, Euro 10,019 million in the Onshore Engineering and Construction sector and Euro 4,284 million in the Drilling sectors), of which Euro 6,712 million is due to be realized in 2011.

Management outlook for 2011

Strong volumes and margins recorded in the first quarter, improved market prospects in the Offshore Engineering & Construction sector and consistently high volumes in the Onshore Engineering & Construction sector underpin expectations of exceeding the results previously forecasted for 2011: specifically, compared to 2010, revenues are now expected to show an increase of approximately 8% as opposed to the 5% increase announced in February; this further improvement is attributed to the Engineering & Construction sector and is due, on one hand, to significant new contracts won in the Offshore segment, and on the other, to operational activities on some Onshore projects which have been brought forward. Compared to 2010, EBITDA is now expected to increase by approximately 12% and net profit by approximately 8%.

Investments for 2011 are now forecast to be in the region of Euro 1.1 billion. This Euro 100 million increase over the figure reported in February is linked to the completion of the semi-submersible drilling rigs Scarabeo 8 and Scarabeo 9, and is attributable to modifications requested by clients and a delay in the construction schedule.

Saipem's Chief Financial Officer, Mr Giulio Bozzini, 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 euro)

	Q1 2010	Q4 2010	Q1 2011	Q1 2011 vs Q1 2010 (%)
Revenues	1,013	1,177	1,115	10.1
Expenses	(827)	(960)	(907)	9.7
Depreciation and amortisation	(48)	(63)	(60)	25.0
Operating profit	138	154	148	7.2
EBITDA %	18.4	18.4	18.7	
EBIT %	13.6	13.1	13.3	
New contracts	1,105	1,241	1,727	

The backlog at March 31, 2011 stood at Euro 6,156 million, of which Euro 2,305 million is due to be realised in 2011.

- Revenues for the first quarter 2011 amounted to Euro 1,115 million, representing a 10.1% increase compared to the first quarter of 2010, mainly due to higher levels of activity in Northern Europe and Kazakhstan.

- Operating profit for the first quarter 2011 amounted to Euro 148 million, equal to 13.3% of revenues, compared to Euro 138 million, equal to 13.6% of revenues, in the first quarter of 2010. EBITDA margin stood at 18.7% slightly up from 18.4% in the same period of 2010.

Engineering & Construction: Onshore

(million euro)

	Q1 2010	Q4 2010	Q1 2011	Q1 2011 vs Q1 2010 (%)
Revenues	1,310	1,375	1,457	11.2
Expenses	(1,212)	(1,264)	(1,334)	10.1
Depreciation and amortisation	(9)	(10)	(8)	(11.1)
Operating profit	89	101	115	29.2
EBITDA %	7.5	8.1	8.4	
EBIT %	6.8	7.3	7.9	
New contracts	1,247	2,050	933	

The backlog at March 31, 2011 stood at Euro 10,019 million, of which Euro 3,509 million is due to be realised in 2011.

- Revenues for the first quarter of 2011 amounted to Euro 1,457 million, representing an 11.2% increase compared to the first quarter of 2010, mainly attributable to higher levels of activity in the Middle East.

- Operating profit for the first quarter of 2011 amounted to Euro 115 million, compared to Euro 89 million in the first quarter of 2010, with the margin on revenues rising from 6.8% to 7.9%. EBITDA margin stood at 8.4% compared to 7.5% in the same period of 2010. This increase in margin is attributable to strong operational performance.

Drilling: Offshore

(million euro)

	Q1 2010	Q4 2010	Q1 2011	Q1 2011 vs Q1 2010 (%)
Revenues	160	225	211	31.9
Expenses	(76)	(104)	(98)	28.9
Depreciation and amortisation	(31)	(45)	(50)	61.3
Operating profit	53	76	63	18.9
EBITDA %	52.5	53.8	53.6	
EBIT %	33.1	33.8	29.9	
New contracts	140	10	75	

The backlog at March 31, 2010 stood at Euro 3,218 million, of which Euro 557 million is due to be realised in 2011.

- Revenues for the first quarter of 2011 amounted to Euro 211 million, representing a 31.9% increase on the first quarter of 2010, mainly attributable to the full-scale activities of the drillship Saipem 12000 and the jack-up Perro Negro 8, which were both still under construction in the first quarter of 2010.

- Operating profit for the first quarter of 2011 amounted to Euro 63 million, compared to Euro 53 million in the first quarter of 2010, with the margin on revenues decreasing from 33.1% to 29.9%. EBITDA margin stood at 53.6%, a modest increase on 52.5% in the same period of 2010.

– Vessel utilisation in the first quarter of 2011 and the impact of programmed maintenance for 2011 are as follows:

Vessel	***Q1 2011***		***Year 2011***
	Under contract	***Idle***	***Idle due to class reinstatement works***
	(days)		***(days)***
Semi-submersible platform Scarabeo 3	60	30	30 *
Semi-submersible platform Scarabeo 4	90	–	–
Semi-submersible platform Scarabeo 5	90	–	45 *
Semi-submersible platform Scarabeo 6	90	–	46 *
Semi-submersible platform Scarabeo 7	90	–	–
Drillship Saipem 10000	90	–	–
Drillship Saipem 12000	90	–	–
Jack-up Perro Negro 2	90	–	–
Jack-up Perro Negro 3	90	–	31 *
Jack-up Perro Negro 4	90	–	61 *
Jack-up Perro Negro 5	90	–	–
Jack-up Perro Negro 6	90	–	–
Jack-up Perro Negro 7	90	–	31 *
Jack-up Perro Negro 8	90	–	–
Tender Assisted Drilling Barge	90	–	–

(*) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.

Drilling: Onshore

(million euro)

	Q1 2010	Q4 2010	Q1 2011	Q1 2011 vs Q1 2010 (%)
Revenues	156	180	171	9.6
Expenses	(113)	(128)	(120)	6.2
Depreciation and amortisation	(27)	(30)	(30)	11.1
Operating profit	16	22	21	31.3
EBITDA %	27.6	28.9	29.8	
EBIT %	10.3	12.2	12.3	
New contracts	186	11 (*)	173	

(*) new contracts awarded in Q1 2011 amounted to Euro 84 million, which have been reduced by Euro 73 million in respect of the cancellation of the contract for two rigs with Regal Petroleum in Ukraine.

The backlog at March 31, 2011 stood at Euro 1,066 million, of which Euro 341 million is due to be realised in 2011.

- Revenues for the first quarter of 2011 amounted to Euro 171 million, representing a 9.6% increase compared to the first quarter of 2010, mainly due to the full-scale operations of rigs in South America and North Africa.

- Operating profit for the first quarter of 2011 amounted to Euro 21 million, up from Euro 16 million in the first quarter of 2010, with the margin on revenues rising from 10.3% to 12.3%. EBITDA margin stood at 29.8%, up from 27.6% in the same period of 2010.

Average utilisation of rigs in the first quarter of 2011 stood at 95.1% (91.3% in the first quarter of 2010). As at March 31, 2011, the Company owned 88 rigs (in addition to 1 rig under construction) located as follows: 28 in Venezuela, 20 in Peru, 8 in Saudi Arabia, 7 in Algeria, 7 in Colombia, 4 in Kazakhstan, 3 in Brazil, 3 in Ecuador, 2 in Bolivia, 2 in Congo, 2 in Italy and 2 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, 2 rigs by the joint-venture company SaiPar and 2 third-party rigs in Kazakhstan.

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 euro)

	December 31, 2010		March 31, 2011	
Net tangible fixed assets		7,403		7,462
Net intangible fixed assets		760		758
		8,163		8,220
- Engineering & Construction: Offshore	3,617		3,668	
- Engineering & Construction: Onshore	444		433	
- Drilling: Offshore	3,204		3,269	
- Drilling: Onshore	898		850	
Financial investments		105		102
Non-current assets		**8,268**		**8,322**
Net current assets		**(658)**		**(375)**
Employee termination indemnities		**(193)**		**(194)**
CAPITAL EMPLOYED		**7,417**		**7,753**
Shareholders' equity		**4,060**		**4,382**
Minority interest in net equity		**94**		**94**
Net debt		**3,263**		**3,277**
COVER		**7,417**		**7,753**
Leverage (net debt/shareholders' equity)		**0.80**		**0.75**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES

(million euro)

Q4 2010		Q1 2010	Q1 2011
2,957	Operating revenues	2,639	2,954
5	Other revenues and income	1	5
(2,015)	Purchases, services and other costs	(1,851)	(2,066)
(446)	Payroll and related costs	(378)	(398)
501	**GROSS OPERATING PROFIT**	**411**	**495**
(148)	Amortisation, depreciation and write-downs	(115)	(148)
353	**OPERATING PROFIT**	**296**	**347**
(20)	Financial expenses	(28)	(34)
5	Income from investments	1	1
338	**INCOME BEFORE INCOME TAXES**	**269**	**314**
(96)	Income taxes	(75)	(88)
242	**INCOME BEFORE MINORITY INTEREST**	**194**	**226**
(5)	Minority interest	(12)	(13)
237	**NET PROFIT**	**182**	**213**
385	**CASH FLOW** **(Net profit + Depreciation and amortisation)**	**297**	**361**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q4 2010		Q1 2010	Q1 2011
2,957	Operating revenues	2,639	2,954
(2,474)	Production costs	(2,227)	(2,494)
(37)	Idle costs	(31)	(30)
(39)	Selling expenses	(33)	(38)
(3)	Research and development costs	(4)	(3)
(5)	Other operating income (expenses), net	(3)	3
399	**CONTRIBUTION FROM OPERATIONS**	**341**	**392**
(46)	General and administrative expenses	(45)	(45)
353	**OPERATING PROFIT**	**296**	**347**
(20)	Financial expenses	(28)	(34)
5	Income from investments	1	1
338	**INCOME BEFORE INCOME TAXES**	**269**	**314**
(96)	Income taxes	(75)	(88)
242	**INCOME BEFORE MINORITY INTEREST**	**194**	**226**
(5)	Minority interest	(12)	(13)
237	**NET PROFIT**	**182**	**213**
385	**CASH FLOW (Net profit + Depreciation and amortisation)**	**297**	**361**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q4 2010		Q1 2010	Q1 2011
237	Net profit	182	213
5	Minority interest	12	13
	Adjustments to reconcile cash generated from operating income before changes in working capital:		
145	Depreciation, amortisation and other non-monetary items	115	148
138	Variation in working capital relating to operations	(46)	(75)
525	**Net cash flow from operations**	**263**	**299**
(392)	Investments in tangible and intangible fixed assets	(412)	(355)
20	Disposals	–	–
153	**Free cash flow**	**(149)**	**(56)**
15	Exercise of stock options	–	5
(23)	Cash flow from share capital and reserves	–	–
(3)	Effect of exchange rate differences and other changes in net debt	(16)	37
142	**Change in net debt**	**(165)**	**(14)**
3,405	**Net debt at beginning of period**	**2,845**	**3,263**
3,263	**Net debt at end of period**	**3,010**	**3,277**