Saipem: Board approves preliminary consolidated results 2011
NET PROFIT AND DIVIDENDS AT RECORD LEVELS

- **Adjusted net profit for 2011 reached a record level of €921 million, an 11.2% increase compared to 2010.**
- **Net profit for the fourth quarter of 2011 reached a record level of €258 million, an 8.9% increase compared to the fourth quarter of 2010.**
- **New contracts won in 2011 amounted to €12,505 million (€12,935 million in 2010), while the backlog at December 31, 2011 stood at €20,417 million (€20,505 million at December 31, 2010).**
- **Investments in 2011 amounted to €1,199 million, compared to €1,545 million in 2010.**
- **Proposed dividend: €0.70 per ordinary share and €0.73 per savings share.**
- **Management outlook for 2012: further increase in revenues, EBITDA and net profit.**

San Donato Milanese, February 13, 2012. Today, the Board of Directors of Saipem S.p.A. reviewed the Saipem Group preliminary consolidated results at December 31, 2011 (not yet submitted to the Company Statutory Auditors and Independent Auditors), which have been prepared in compliance with the International Financial Reporting Standards (IFRS).

The Board of Directors will propose at the Annual Shareholders' Meeting, set to convene on April 20 and 27, 2012, first and second call respectively, the distribution of a dividend of €0.70 per ordinary share(*) (€0.63 last year) and €0.73 per savings share(*) (€0.66 last year). Dividends will be paid from May 24, 2012 (ex-dividend date: May 21, 2012).
This payout is in line with those of previous years and represents approximately one third of consolidated adjusted net profits.

(*) Following the fiscal reform effective from 1st January 2004, dividends do not benefit from any tax credit and, depending on the recipient, are taxed at source or are partially added to the taxable income.

(million euros)

Q4 2010	Q3 2011	Q4 2011	Q4 2011 vs Q4 2010 (%)		2010	2011	2011 vs 2010 (%)
2,957	3,160	3,412	15.4	Revenues	11,160	12,593	12.8
501	539	583	16.4	EBITDA	1,836	2,135	16.3
353	377	405	14.7	Operating profit	1,319	1,493	13.2
237	225	258	8.9	Adjusted net profit	828	921	11.2
237	225	258	8.9	Net profit	844	921	9.1
385	387	436	13.2	Adjusted cash flow	1,345	1,563	16.2
392	257	381	(2.8)	Investments	1,545	1,199	(22.4)
3,312	2,771	3,728	12.6	New contracts	12,935	12,505	(3.3)

Revenues and associated profit levels, particularly in the Engineering & Construction sectors, and, to a lesser extent, in the Drilling sectors, 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 2011 amounted to €1,199 million (€1,545 million in 2010) and included:

– €509 million in the Offshore Engineering & Construction sector relating to the completion of a deepwater field development ship and of an FPSO unit, the construction of a pipelayer, the development of a new fabrication yard in Indonesia, the purchase of a perpetual concession of an area in Brazil where Saipem will develop a fabrication yard for subsea structures, and the maintenance and upgrading of the existing asset base;
– €59 million in the Onshore Engineering & Construction sector relating to the purchase of equipment for the Iraq base, and the maintenance of existing assets;
– €509 million in the Offshore Drilling sector, relating to the completion of the deepwater semi-submersible rigs Scarabeo 9 and Scarabeo 8, in addition to the maintenance and upgrading of the existing asset base;
– €122 million in the Onshore Drilling sector relating to the purchase of two new rigs due to operate in Saudi Arabia and South America, in addition to the upgrading of the existing asset base.

Net financial debt at December 31, 2011 amounted to €3,192 million, representing a decrease of €71 million from December 31, 2010, owing to the significant cash flow generated during the period and the positive trend in working capital.

New contracts and backlog

During the fourth quarter of 2011, Saipem was awarded contracts amounting to €3,728 million (€3,312 million in the fourth quarter of 2010).

New contracts awarded during 2011 amounted to €12,505 million (€12,935 million in 2010).

The backlog of the Saipem Group at December 31, 2011 amounted to €20,417 million (€6,600 million in the Offshore Engineering & Construction sector, €9,604 in the Onshore Engineering & Construction sector, and €4,213 million in the Drilling sectors), of which €9,451 million are due to be realised in 2012.

In January 2012, Saipem was awarded new contracts amounting to a total of approximately US$1.8 billion for projects already detailed in the press release of January 18, 2012.

Management Outlook for 2012

Oil industry spending is expected to increase in 2012, even though the widespread uncertainty of the global economy might affect the timing in the award of scheduled projects. The market is expected to be buoyant in the following areas: for the Offshore sector: West Africa, Nigeria and Angola in particular; Azerbaijan, Brazil, South East Asia and Australia; for the Onshore sector: Nigeria, Canada, Iraq and Australia.

Furthermore, important projects related to gas field development and transport may be sanctioned during the year: the first phase of the Shtokman project in the Barents Sea, the Brass liquefaction plant in Nigeria, and the Algeria-Italy Galsi pipeline project. Market prospects for the oil services industry are therefore expected to improve in 2012.

As far as Saipem is concerned, the distinctive diversity of the fleet, significant local presence and positive track record underpin expectations that Saipem shall be able to take full advantage, in terms of new contract acquisitions, of the expected forthcoming market improvement. With respect to financial targets: the Offshore drilling sector shall benefit from the start of operations of Scarabeo 9 (January 19) and of Scarabeo 8 (April), partially offset by upgrading works to be carried out on Scarabeo 6, which should require approximately 6.5 months. The Onshore Drilling sector is expected to continue the high level of utilization recorded in 2011 and to benefit from slightly increased rates. In 2012 a modest increase in volumes is also expected in both the Offshore and Onshore Engineering & Construction sectors, with margins similar to those of 2011.

In 2012 Saipem expects to achieve revenues of €13 billion, EBIT of approximately 1.6 billion and net income of approximately €1 billion.

Investments for 2012 relate mainly to maintenance activities, the completion of the pipelayer Castorone, the previously mentioned upgrading works on Scarabeo 6 to enable it to operate in water depths of up to 1,100 metres, and the first phase of development for a new construction yard in Brazil; overall capital expenditure is forecast at approximately €900 million.

Board Committees

In compliance with the provisions of the new Corporate Governance Code for listed companies, the Board of Directors resolved to set up:

- the Compensation and Nomination Committee: previously identified as the Compensation Committee, shall also propose and consult the Board in relation to appointments;
- the Audit and Risk Committee: previously identified as the existing Audit Committee, shall consult and support the Board of Directors in matters relating to the internal control and risk management systems.

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 euros)

Q4 2010	Q3 2011	Q4 2011	Q4 2011 vs Q4 2010 (%)		2010	2011	2011 vs 2010 (%)
1,177	1,304	1,397	18.7	Revenues	4,486	5,075	13.1
(960)	(1,060)	(1,136)	18.3	Expenses	(3,654)	(4,134)	13.1
(63)	(63)	(78)	23.8	Depreciation and amortisation	(219)	(255)	16.4
154	181	183	18.8	Operating profit	613	686	11.9
18.4	18.7	18.7		EBITDA %	18.5	18.5	
13.1	13.9	13.1		EBIT %	13.7	13.5	
1,241	1,074	1,795		New contracts	4,600	6,131	

The backlog at December 31, 2011 stood at €6,600 million, of which €3,304 million is due to be realised in 2012.

- Revenues for 2011 amounted to €5,075 million, representing a 13.1% increase compared to 2010, mainly due to higher levels of activity in Northern Europe, Kazakhstan and Asia Pacific.

- Operating profit for 2011 amounted to €686 million, equal to 13.5% of revenues, compared to €613 million, equal to 13.7% of revenues, in 2010. EBITDA margin stood at 18.5%, in line with that of the previous year.

- The most significant contracts awarded in the fourth quarter 2011 include:

– for South Oil Company in Iraq, an EPIC contract for the Iraq Crude Oil Export Expansion Project – Phase 2, within the framework of the expansion of the Basra Oil Terminal. The contract encompasses the engineering, procurement, fabrication and installation of a Central Metering and Manifold Platform (CMMP), along with associated facilities;

– for Total E&P Nigeria Limited, the “OFON2 – D030” EPIC contract in Nigeria, for new offshore facilities in the Ofon field. The contract encompasses the engineering, procurement, fabrication and installation of the OFP2 Jacket, as well as the transportation and installation of the new OFQ living quarters offshore platform;

– for PDVSA Petroleo SA, a contract for the development of the Dragon – CIGMA gas export pipeline in Venezuela, comprising transport and installation of a gas export sealine connecting the Dragon Gas Platform to the CIGMA plant;

– for Petrobras, an EPIC contract in Brazil for the development of the Lula NE – Cernambi gas export pipeline. The contract encompasses the engineering, procurement, fabrication and installation of a gas export pipeline, and related subsea equipment.

Engineering & Construction: Onshore

(million euros)

Q4 2010	Q3 2011	Q4 2011	Q4 2011 vs Q4 2010 (%)		2010	2011	2011 vs 2010 (%)
1,375	1,472	1,588	15.5	Revenues	5,236	5,945	13.5
(1,264)	(1,342)	(1,448)	14.6	Expenses	(4,827)	(5,427)	12.4
(10)	(9)	(9)	(10.0)	Depreciation and amortisation	(39)	(35)	(10.3)
101	121	131	29.7	Operating profit	370	483	30.5
8.1	8.8	8.8		EBITDA %	7.8	8.7	
7.3	8.2	8.2		EBIT %	7.1	8.1	
2,050	1,280	1,649		New contracts	7,744	5,006	

The backlog at December 31, 2011 stood at €9,604 million, of which €4,818 million is due to be realised in 2012.

- Revenues for 2011 amounted to €5,945 million, representing a 13.5% increase compared to 2010, attributable mainly to higher levels of activity in the Middle East, Canada and Australia.

- Operating profit for 2011 amounted to €483 million, compared to €370 million in 2010, with the margin on revenues rising from 7.1% to 8.1%. EBITDA margin reached 8.7% compared to 7.8% in 2010. This increase in margin is attributable to strong operational performance.

- The most significant awards in the fourth quarter of 2010 include:

– for Safco, an EPC contract in Saudi Arabia, encompassing engineering, procurement and construction of a new urea plant, along with associated utilities as well as off-site systems and interconnecting structures with existing plants;

– for Etihad Rail Company in Abu Dhabi, Saipem as the leader of the Joint-Venture including Dodsal Engineering and Construction Pte Limited and Maire Tecnimont, has been awarded a contract for the engineering and construction of a railway tract linking the natural gas production fields of Shah and Habshan, located in the internal part of the Country, to the Port of Ruwais.

Drilling: Offshore

(million euros)

Q4 2010	Q3 2011	Q4 2011	Q4 2011 vs Q4 2010 (%)		2010	2011	2011 vs 2010 (%)
225	205	210	(6.7)	Revenues	750	833	11.1
(104)	(97)	(97)	(6.7)	Expenses	(348)	(390)	12.1
(45)	(57)	(57)	26.7	Depreciation and amortisation	(144)	(221)	53.5
76	51	56	(26.3)	Operating profit	258	222	(14.0)
53.8	52.7	53.8		EBITDA %	53.6	53.2	
33.8	24.9	26.7		EBIT %	34.4	26.7	
10	296	135		New contracts	326	780	

The backlog at December 31, 2011 stood at €3,301 million, of which €906 million is due to be realised in 2012.

- Revenues for 2011 amounted to €833 million, representing an 11.1% increase on 2010, attributable mainly to the full-scale activities of the drillships Saipem 10000 and 12000, and the jack-up Perro Negro 8, which have offset the maintenance downtime of the semi-submersible rig Scarabeo 5.

- Operating profit for 2011 amounted to €222 million, compared to €258 million in 2010, with the margin on revenues decreasing from 34.4% to 26.7%, due mainly to the increase in depreciation, and maintenance downtime of the semi-submersible rig Scarabeo 5. The increase in depreciation is mainly ascribed to the start of operations of new vessels. EBITDA margin is essentially in line with that of 2010.

- The main contracts acquired in the fourth quarter of 2011 include:

– for Chevron, a three-year contract for the lease of the jack-up Perro Negro 6 due to carry out drilling operations in Angola;

– for Eni, the twelve-month extension to the lease contract for the jack-up Perro Negro 8 in Italy.

– Vessel utilisation in 2011 and the impact of programmed maintenance for 2012 are as follows:

Vessel	***December 2011***			***Year 2012***	
	Under contract	***Idle***		***idle***	
	(days)			***(days)***	
Semi-submersible rig Scarabeo 3	335	30	(a)	123	(a)
Semi-submersible rig Scarabeo 4	365	–		–	
Semi-submersible rig Scarabeo 5	297	68	(a+b)	–	
Semi-submersible rig Scarabeo 6	352	13	(b)	195	(a)
Semi-submersible rig Scarabeo 7	365	–		–	
Drillship Saipem 10000	365	–		–	
Drillship Saipem 12000	355	10	(b)	–	
Jack-up Perro Negro 2	365	–		61	(a)
Jack-up Perro Negro 3	365	–		29	(a)
Jack-up Perro Negro 4	365	–		61	(a)
Jack-up Perro Negro 5	365	–			
Jack-up Perro Negro 6	365	–		16	(a)
Jack-up Perro Negro 7	305	60	(a)	–	
Jack-up Perro Negro 8	365	–		–	
Tender Assisted Drilling Barge	365	–		16	(a)

(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.

The **semi-submersible rig Scarabeo 9** started operations on January 19, 2012. No maintenance downtime is scheduled in 2012.

The **Semi-submersible rig Scarabeo 8** is due to complete sea trials by mid-March and shall then obtain the relevant work permits from Norwegian Authorities. The rig is expected to start operations in April.

Drilling: Onshore

(million euros)

Q4 2010	Q3 2011	Q4 2011	Q4 2011 vs Q4 2010 (%)		2010	2011	2011 vs 2010 (%)
180	179	217	20.6	Revenues	688	740	7.6
(128)	(122)	(148)	15.6	Expenses	(495)	(507)	2.4
(30)	(33)	(34)	13.3	Depreciation and amortisation	(115)	(131)	13.9
22	24	35	59.1	Operating profit	78	102	30.8
28.9	31.8	31.8		EBITDA %	28.1	31.5	
12.2	13.4	16.1		EBIT %	11.3	13.8	
11 (*)	121	149		New contracts	265 (*)	588	

(*) new contracts awarded in 2010 amounted to €338 million and those awarded in the quarter amounted to €84 million, both of which have been reduced by €73 million due to cancellation of the contract for two rigs with Regal Petroleum in Ukraine.

The backlog at December 31, 2011 stood at €912 million, of which €423 million is due to be realised in 2012.

- Revenues for 2011 amounted to €740 million, representing a 7.6% increase compared to 2010, mainly due to the full-scale operations of rigs in South America and the start of operations of new rigs in Kazakhstan.

- Operating profit for 2011 amounted to €102 million, up from €78 million in 2010, with a margin on revenues increasing from 11.3% to 13.8%. EBITDA margin reached 31.5%, up from 28.1% in 2010, owing mainly to increased operational efficiency and asset utilisation.

- The main contracts acquired in the fourth quarter of 2011 include:

– for various clients, contracts and extensions to existing contracts for the lease of thirteen rigs in South America, North and West Africa, and Kazakhstan of various durations.

Average utilisation of rigs in 2011 stood at 96.1% (94% in 2010). At December 31, 2011, the Company owned 91 rigs located as follows: 28 in Venezuela, 21 in Peru, 10 in Saudi Arabia, 8 in Colombia, 7 in Algeria, 5 in Kazakhstan, 3 in Brazil, 3 in Bolivia, 2 in Congo, 2 in Ecuador, 1 in Italy and 1 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, 4 third-party rigs in Kazakhstan (of which 2 by 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 euros)

	December 31, 2010		**December 31, 2011**	
Net tangible fixed assets		7,403		8,024
Net intangible fixed assets		760		752
		8,163		8,776
- Engineering & Construction: Offshore	3,617		3,851	
- Engineering & Construction: Onshore	444		464	
- Drilling: Offshore	3,204		3,550	
- Drilling: Onshore	898		911	
Financial investments		105		102
Non-current assets		**8,268**		**8,878**
Net current assets		**(658)**		**(663)**
Employee termination indemnities		**(193)**		**(200)**
CAPITAL EMPLOYED		**7,417**		**8,015**
Shareholders' equity		**4,060**		**4,709**
Minority interest in net equity		**94**		**114**
Net debt		**3,263**		**3,192**
COVER		**7,417**		**8,015**
Leverage (net debt/shareholders' equity)		**0.80**		**0.68**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES

(million euros)

Q4 2010	Q3 2011	Q4 2011		year 2010	year 2011
2,957	3,160	3,412	Operating revenues	11,160	12,593
5	2	14	Other revenues and income	14	21
(2,015)	(2,211)	(2,338)	Purchases, services and other costs	(7,711)	(8,729)
(446)	(412)	(505)	Payroll and related costs	(1,627)	(1,750)
501	**539**	**583**	**GROSS OPERATING PROFIT**	**1,836**	**2,135**
(148)	(162)	(178)	Amortisation, depreciation and write-downs	(517)	(642)
353	**377**	**405**	**OPERATING PROFIT**	**1,319**	**1,493**
(20)	(36)	(30)	Financial expenses	(110)	(133)
5	4	7	Income from investments	13	19
338	**345**	**382**	**INCOME BEFORE INCOME TAXES**	**1,222**	**1,379**
(96)	(99)	(110)	Income taxes	(344)	(392)
242	**246**	**272**	**INCOME BEFORE MINORITY INTEREST**	**878**	**987**
(5)	(21)	(14)	Minority interest	(50)	(66)
237	**225**	**258**	**ADJUSTED NET PROFIT**	**828**	**921**
–	–	–	Capital gain from the disposal of non-core assets	17	–
–	–	–	Tax charge	(1)	–
237	**225**	**258**	**NET PROFIT**	**844**	**921**
385	**387**	**436**	**CASH FLOW (Net profit + Depreciation and amortisation)**	**1,345**	**1,563**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
FUNCTION OF EXPENSES

(million euros)

Q4 2010	Q3 2011	Q4 2011		year 2010	year 2011
2,957	3,160	3,412	Operating revenues	11,160	12,593
(2,474)	(2,650)	(2,877)	Production costs	(9,361)	(10,608)
(37)	(46)	(38)	Idle costs	(131)	(134)
(39)	(37)	(40)	Selling expenses	(143)	(158)
(3)	(4)	(1)	Research and development costs	(12)	(12)
(5)	0	(5)	Other operating income (expenses), net	(10)	(4)
399	**423**	**451**	**CONTRIBUTION FROM OPERATIONS**	**1,503**	**1,677**
(46)	(46)	(46)	General and administrative expenses	(184)	(184)
353	**377**	**405**	**OPERATING PROFIT**	**1,319**	**1,493**
(20)	(36)	(30)	Financial expenses	(110)	(133)
5	4	7	Income from investments	13	19
338	**345**	**382**	**INCOME BEFORE INCOME TAXES**	**1,222**	**1,379**
(96)	(99)	(110)	Income taxes	(344)	(392)
242	**246**	**272**	**INCOME BEFORE MINORITY INTEREST**	**878**	**987**
(5)	(21)	(14)	Minority interest	(50)	(66)
237	**225**	**258**	**ADJUSTED NET PROFIT**	**828**	**921**
–	–	–	Capital gain from the disposal of non-core assets	17	–
–	–	–	Tax charge	(1)	–
237	**225**	**258**	**NET PROFIT**	**844**	**921**
385	**387**	**436**	**CASH FLOW (Net profit + Depreciation and amortisation)**	**1,345**	**1,563**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euros)

Q4 2010	Q3 2011	Q4 2011		year 2010	year 2011
237	225	258	Net profit	844	921
5	21	14	Minority interest	50	66
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
145	166	203	Depreciation, amortisation and other non-monetary items	496	700
138	(13)	68	Variation in working capital relating to operations	(70)	(89)
525	**399**	**543**	**Net cash flow from operations**	**1,320**	**1,598**
(392)	(257)	(381)	Investments in tangible and intangible fixed assets	(1,545)	(1,199)
20	7	11	Disposals	53	18
153	**149**	**173**	**Free cash flow**	**(172)**	**417**
15	2	2	Exercise of stock options	35	13
(23)	–	–	Cash flow from share capital and reserves	(263)	(297)
(3)	(75)	(44)	Effect of exchange rate differences on net debt and other changes	(18)	(62)
142	**76**	**131**	**Change in net debt**	**(418)**	**71**
3,405	**3,399**	**3,323**	**Net debt at beginning of period**	**2,845**	**3,263**
3,263	**3,323**	**3,192**	**Net debt at end of period**	**3,263**	**3,192**