Saipem

# First quarter report

at 31st March

2005

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2005

Approvated by the Board of Directors
at their meeting of 10th May 2005

## contents



Saipem is a subsidiary of Eni S.p.A.

Quarterly reports are not subject to audits.
The audit company PricewaterhouseCoopers, owing to the complexity of this matter, has not yet completed its review of the adjustments to the 2004 financial statements (which had been developed in accordance with traditional accounting principles), so as to render them compatible with the new accounting standards. Upon completion of this review, should further adjustments be required, these will feature in the interim report at 30th June 2005.

## Economic and financial data

(million €)

| | First quarter | | |
|---|---|---|---|
| | 2004 | 2005 | Var.% |
| Revenues | 905 | 954 | 5.4 |
| Contribution from operations | 100 | 102 | 2.0 |
| Operating income | 71 | 72 | 1.4 |
| Capital expenditure | 51 | 62 | 21.6 |

| | 31st December 2004 | 31st March 2005 |
|---|---|---|
| Net debt: | | |
| - medium/long term | 487 | 548 |
| - short term | 379 | 431 |
| **Total** | **866** | **979** |

## Results from operations

| | First quarter | | |
|---|---|---|---|
| | 2004 | 2005 | Var.% |
| **Offshore Construction** | | | |
| - subsea pipeline laid (km) | 272 | 299 | 9.9 |
| - structures installed (tons) | 26,900 | 25,344 | (5.8) |
| **Offshore Drilling** | | | |
| - metres drilled | 27,741 | 28,248 | 1.8 |
| - wells drilled | 8 | 13 | 62.5 |
| **Leased FPSO** | | | |
| - FPSO vessels' utilisation (days) | 91 | 90 | (1.1) |
| **Onshore Construction** | | | |
| - pipeline laid (km) | 28 | 175 | 525 |
| - structures installed (tons) | 6,444 | 3,496 | (45.7) |
| **Onshore Drilling** | | | |
| - metres drilled | 102,733 | 132,366 | 28.8 |
| - wells drilled | 32 | 54 | 68.8 |
| estimated average equipment utilisation (%) | 76 | 89 | 17.1 |

## Revenues by business sector

(million €)

| | First quarter | | |
|---|---|---|---|
| | 2004 | 2005 | Var.% |
| Offshore Construction | 569 | 571 | 0.4 |
| Offshore Drilling | 64 | 69 | 7.8 |
| Leased FPSO | 8 | 6 | (25.0) |
| Onshore Construction | 121 | 146 | 20.7 |
| Onshore Drilling | 39 | 41 | 5.1 |
| Liquefied Natural Gas | 41 | 58 | 41.5 |
| Maintenance Modification and Operation | 63 | 63 | – |
| **Total** | **905** | **954** | **5.4** |

## Revenues by geographical area

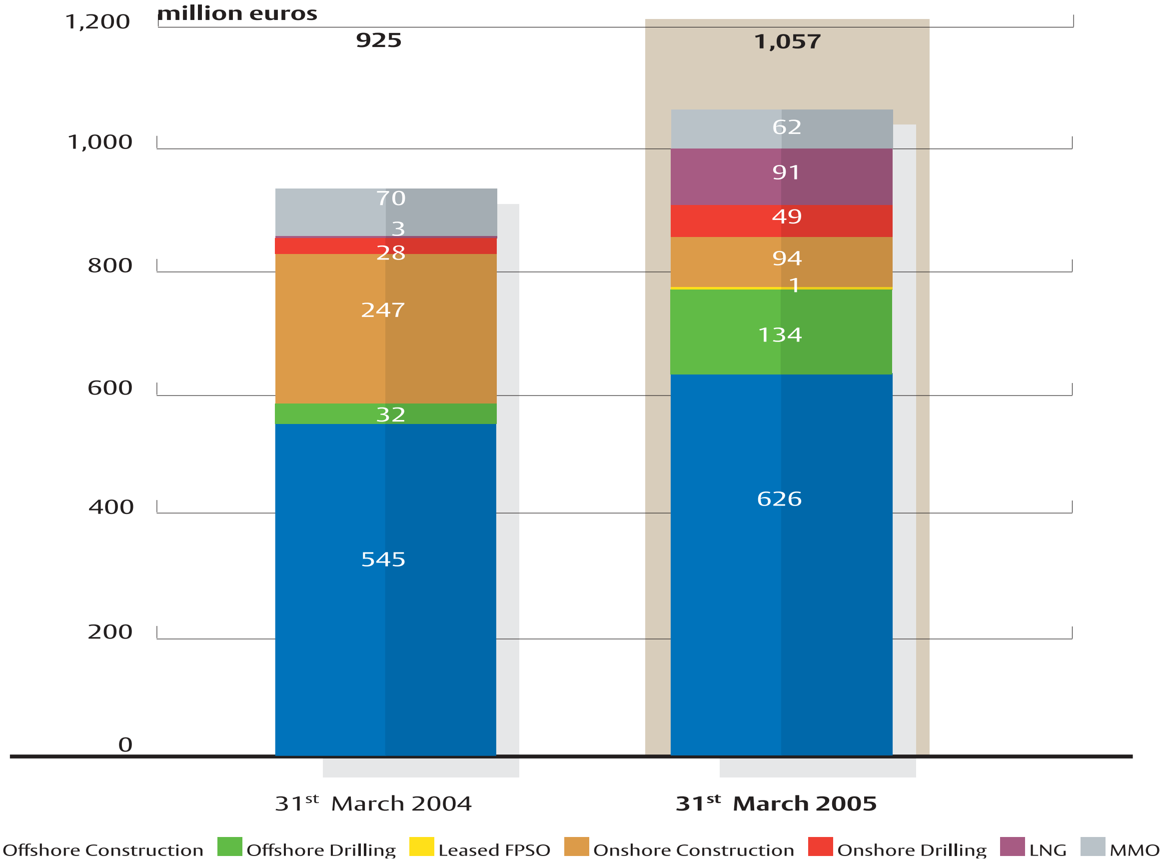
(million €)

| | First quarter | |
|---|---|---|
| **Geographical area** (*) | **2004** | **2005** |
| Italy | 32 | 31 |
| Rest of Europe | 81 | 148 |
| C.S.I. | 84 | 112 |
| Rest of Asia | 127 | 137 |
| North Africa | 176 | 102 |
| West Africa | 368 | 392 |
| Americas | 37 | 32 |
| **Total** | **905** | **954** |

(*) final destination of services

| New contracts awarded to the Saipem Group | | (million €) |
|---|---|---|
| | First quarter | |
| | 2004 | 2005 |
| Saipem S.p.A. | 113 | 203 |
| Group companies | 812 | 854 |
| **Total** | **925** | **1,057** |
| | | |
| Offshore Construction | 545 | 626 |
| Offshore Drilling | 32 | 134 |
| Leased FPSO | – | 1 |
| Onshore Construction | 247 | 94 |
| Onshore Drilling | 28 | 49 |
| Liquefied Natural Gas | 3 | 91 |
| Maintenance Modification and Operation | 70 | 62 |
| **Total** | **925** | **1,057** |

## New contracts awarded



## Order backlog

(million €)

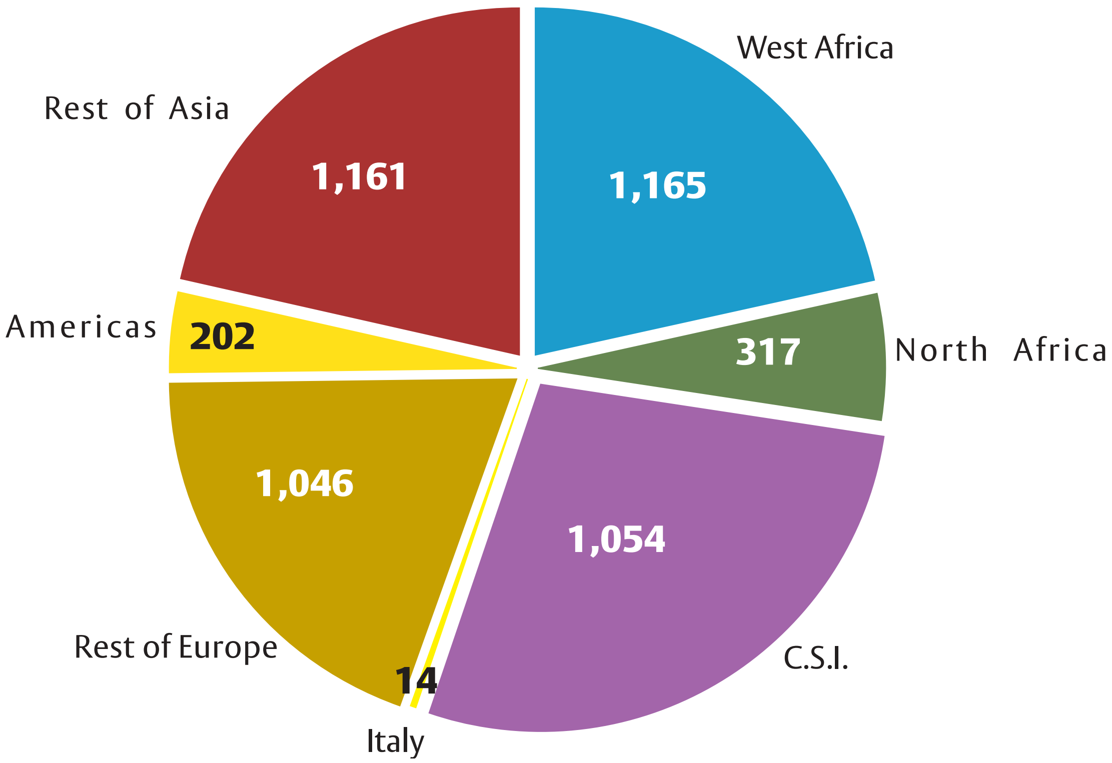
| | 31st December 2004 | 31st March 2005 |
|---|---|---|
| Offshore Construction | 3,303 | 3,358 |
| Offshore Drilling | 317 | 382 |
| Leased FPSO | 117 | 112 |
| Onshore Construction | 763 | 711 |
| Onshore Drilling | 296 | 304 |
| Liquefied Natural Gas | 447 | 480 |
| Maintenance Modification and Operation | 63 | 62 |
| **Total** | **5,306** | **5,409** |

## Order backlog by geographical area

(million €)

| Geographical area | 31st December 2004 | 31st March 2005 |
|---|---|---|
| Italy | 1 | 14 |
| Rest of Europe | 1,049 | 1,046 |
| C.S.I. | 1,521 | 1,504 |
| Rest of Asia | 918 | 1,161 |
| North Africa | 341 | 317 |
| West Africa | 1,349 | 1,165 |
| Americas | 127 | 202 |
| **Total** | **5,306** | **5,409** |

## Order backlog by geographical area at 31st March 2005



# Preparation criteria

The financial statements for the period ended 31st March 2005 have been prepared in compliance with the International Financial Reporting Standards (hereafter "IFRS") issued by the International Accounting Standards Board (IASB)[1] 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 the First Quarter 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.
The First Quarter Report includes concise financial information in the following tables: balance sheet, income statement, variation to net equity, financial position.

The First Quarter Report comprises the interim data of Saipem S.p.A. and all Italian and foreign subsidiaries over which Saipem S.p.A. exerts direct or indirect control by way of majority holdings of voting rights or sufficient voting rights to exert a dominant influence at a general shareholders meeting, i.e. by way of agreements with other shareholders. The consolidated financial statements also include, on a line-by-line proportional basis, the interim data of jointly managed companies by way of agreements with the other partners.
Companies held exclusively for subsequent sale, those in liquidation and minor investments if considered immaterial were excluded from the consolidation.
The criteria adopted to establish the consolidation area are consistent with those of the previous financial year.

Contract work in progress includes extra revenues from additional works following modifications to the original contracts when they can be reasonably undertaken. Owing to the ever-increasing volumes generated by EPIC (Engineering, Procurement, Installation and Construction) type projects, which are intrinsically highly complex, large-scale, long-term and involve a high level of unpredictability, the periodic statements include expected additional revenues even before a formal agreement with the counterpart is reached.

The economic information provided in this report refers to the first quarter 2005 as well as the first quarter 2004. Financial data refers to 31st March 2005 and 31st December 2004. The financial tables have been compiled to allow easy comparison with the six-monthly and annual reports.
Unless otherwise indicated, data is expressed in millions of euros.
In accordance with CONSOB regulations, quarterly reports are not subject to audit.

1 IFRS comprise of: (i) International Financial Reporting Standards (IFRS); (ii) International Accounting Standards (IAS); (iii) interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and by the Standing Interpretations Committee (SIC) and adopted by IASB. The denomination International Financial Reporting Standards (IFRS) was adopted by IASB and applies to all standards issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.

# Consolidation principles

The consolidation principles adopted for the preparation of the First Quarter report are consistent with those used in the preparation of the Consolidated and Statutory Financial Statements at 31st December 2004.

# Valuation criteria

### Tangible assets

Tangible assets are stated at their purchase or production cost including ancillary costs, which can be attributed to them that are required to make the asset ready for use and net of government grants. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price or production cost includes the financial expenses that would have theoretically been saved, had the investment not been made.
No revaluation is allowed even with the application of specific laws.
Assets carried in financial leasing are stated amongst the tangible assets, in counterparty to the financial payable to the lessor, and depreciated using the criteria detailed below.
Tangible assets are depreciated over their useful life taken as an estimate of the period in which the assets can be used by the company. The amount to be depreciated is represented by the book value, gross of depreciation and net of write-downs, reduced by the presumable net residual value at the end of the useful life, if it is significant and can be reasonably determined.
Land is not depreciated, even if bought together with a building as well as tangible assets destined for disposal which are valued at the lesser of load value and fair value reduced by sales costs.
When there is not the reasonable certainty of redemption, assets carried in financial leasing are depreciated over the period of the lease if shorter than the useful life of the asset.
Costs for improvements, modernisations and transformation that add value are shown amongst the assets.
The costs for the substitution of identifiable components in complex assets are stated amongst the assets and depreciated over their useful life; the residual book value of the component that has been substituted is charged to the Income Statement. Ordinary maintenance and repair costs are shown in the Income Statement of the year to which they refer.
When there are events that lead to the presumable reduction of the value of tangible assets, their recoverability is checked by comparing the stated value with the recoverable value, represented by the greater between the fair value net of disposal costs and the useful value.
In the absence of a binding sales agreement, the fair value is estimated on the basis of values found on the market, by recent transactions, or based on the best available information that shows the amount that the company could reasonably expect to obtain from the disposal of the asset.
Useful value is found by discounting the expected cash flows deriving from the use of the asset and its disposal at the end of its useful life. Cash flows are decided on the basis of both reasonable and documented assumptions that represent the best estimate regarding the future economic conditions that will be found in the remaining useful life of the asset, giving more importance to indications coming from outside the company. The discounting is carried out at a rate that takes into account the implicit risk in the sector.
Valuation is carried out for each asset or, if the recoverable value of a single assets can not be determined, for the smallest possible identifiable group of assets that generate

individual positive cash flow from their continuous use, and which can be separated from those generated by other assets (cash generating unit). When the reasons for writedowns that have been carried out no longer apply, assets are written-up and the adjustment is shown on the Income Statement as a revaluation (reinstatement of value).
The revaluation is made at the lesser of recoverable value and the book value gross of preceding write-downs and reduced by the share of depreciation which would have been allocated if the write-down had not occurred.
Tangible assets destined for specific operating projects, for which no further future use is envisaged due to the peculiarities of the asset itself or the high usage sustained during the execution of the project, are amortised over the duration of the project.

## Intangible assets

Intangible assets are stated at purchase or production cost, inclusive of directly related charges and are amortised over the period deemed of future asset use.
Goodwill is stated under intangible assets when it has been acquired following an operation of business combination. Goodwill and other intangible assets with indefinite useful life are not amortized. The recoverability of their carrying value is checked at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Depreciations may not be revaluated.
With reference to goodwill, this check is performed at the level of the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure that included said goodwill.

## Costs for scientific and technological research

Capital expended for the acquisition of new know-how or discoveries, the development of alternative products or processes, new techniques or modes, the design and realisation of prototypes or all other scientific and technological research and development activities are generally considered to be current costs and are expended to the year in which they are incurred.
Research and development costs are stated in the assets when:

a) there is the technical capacity to complete the asset and make it available for use or sale;
b) there is the intention to complete the asset and make it available for use or sale;
c) it is possible to make the asset available for use or sale;
d) it can be shown that the asset is able to produce future economic benefits;
e) technical, financial and other resources are available to complete development of the asset and make the asset available for use or sale;
f) the cost attributable to the intangible asset can be reasonably determined.

## Financial assets - shareholdings

Investments in subsidiaries excluded from consolidation, joint ventures and affiliates are accounted for using the equity method. If it does not result in a misrepresentation of the company's financial condition and consolidated results, subsidiaries excluded from consolidation may be accounted for at cost, adjusted for permanent impairment of value.
Other investments are recognized at their fair value and their effects are charged to shareholders' equity. When fair value cannot be reasonably ascertained, investments are accounted for at cost, adjusted for permanent impairment of value.
When the reasons for their impairment cease to exist, investments accounted for at cost are revaluated within the limit of the impairment made and their effects are

charged to the income statement.
The risk deriving from losses exceeding shareholders' equity is recognized in a specific reserve to the extent the parent company is required to fulfil legal or implicit obligations towards the subsidiary or to cover its losses.

## Inventories

Inventories, with the exception of contract work-in-progress, are stated at the lower price between the price calculated according to the criteria for intangible assets and the market value.
The cost for inventories is determined by applying the weighted-average cost method.
As inventories mostly consist of spare parts, the market value thereof is represented by their replacement cost or by their net realisable value, if lower.

Contract work-in-progress relating to long-term contracts is stated on the basis of accrued contractual revenues, agreed with the customers using the percentage of completion method and complying with the principle of prudence.
Given the nature of the contracts and the type of work, the percentage of completion is calculated on the basis of the work performed, being the percentage of costs incurred with respect to the total estimated costs.
Adjustments made for the economic effects of using this method with respect to the revenues invoiced are included under "work-in-progress" if positive or under deferred income if negative.
The agreed revenues, where expressed in a foreign currency, are calculated by taking into account the exchange rate fixed by the designated hedge; the same method is used for any costs in a foreign currency.
The valuation of work-in-progress considers all directly related costs, contractual risks and contractual price revisions, where they can be objectively determined.
Modifications to original contracts, for additional works, are acknowledged when they can reasonably be undertaken. Contract losses are charged entirely to the year in which they become known.
Bidding costs are expended in the year in which they are incurred.

## Provisions for contingencies

Provisions for contingencies concern risks and charges of a definite nature and whose existence is certain or probable but for which at year-end the amount or date of occurrence remains uncertain. Provisions are made when: (i) it is probable the existence of a current obligation, either legal or implicit, deriving from a past event; (ii) it is probable that the fulfilment of that obligation will be expensive; (iii) the amount of the obligation can be accurately estimated. Provisions are stated at the value that represents the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at year-end. When the liability regards a tangible asset, the provision is stated as a contra to the asset to which it refers; the income statement charge is made with the amortization process.
When the financial effect of time is significant and the payment date of the obligations can be reasonably estimated, the provisions are discounted; the increase in the provision linked to the passing of time is charged to the income statement in the item "Financial Income/(expenses)".
The costs that the company expects to bear to carry out restructuring plans are recognized in the year in which the company formally defines the plan and the interested parties have developed the reasonable expectation that the restructuring will happen.

## Employee post-employment benefits

Post-employment benefit plans are defined on the basis of plans, even if not formalized ones, that due to their mechanisms feature defined contributions plans or defined benefit plans. In the first case, the company's obligation, consisting in making payments to the State or to a trust or a fund, is determined on the basis of due contributions, minus amounts already paid, if any.
The liabilities related to defined benefit plan[2], net of any plan assets, are determined on the basis of actuarial assumptions and charged to the relevant year consistently with the employment period required to obtain the benefits; the evaluation of liabilities is made by independent actuaries.
The actuarial gains and losses of defined benefit plans, deriving from a change in the actuarial assumptions used, are charged to the income statement, proportionally through the residual average working life of the employees participating to the plan, in the limits of the share of the discounted profit/loss not charged beforehand, that exceeds the greater of 10% of liabilities and 10% of the fair value of the plan assets (corridor method).

## Revenues and costs

Revenues are recognised upon delivery of the service.
The revenues related to partially rendered services are recognized with respect to the accrued revenues, if it is possible to reasonably determine the state of completion and there are no relevant uncertainties concerning the amounts and the existence of the revenue and related costs; differently they are recognized within the limits of the recoverable costs incurred.
The revenues related to contract work-in-progress are recognized on the basis of contractual considerations by reference to the stage of completion of a contract measured on the cost-to-cost basis. Revenues for contract work-in-progress in a foreign currency are recognised at the euro exchange rate on the date the stage of completion of a contract is measured with the customer or, at the exchange rate on the day of payment. work that has not yet been agreed is recognised at the year-end exchange rate. The requests of additional revenues, deriving from a change in the scope of the work, are included in the total amount of revenues when it is probable that the customer will approve the variation and the relevant amount; claims deriving for instance from additional costs incurred for reasons attributable to the client are included in the total amount of considerations when it is probable that the counterpart will accept them.

Revenues are stated net of returns, discounts, rebates and bonuses, as well as directly related taxation.
Costs are recognized when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.
Labour costs include stock grants and stock options granted to managers from 1st January 2003, consistently with their actual remunerative nature. The cost is determined based on the fair value of the rights awarded to the employee; the portion relevant to the year is calculated pro rata over the period to which the incentive refers (vesting period) [3] . The fair value of stock grants is represented by the current value of the shares at the date of the award, reduced by the current value of the expected dividends in the vesting period. The fair value of stock options is the value of the option calculated with the Black-Scholes method that takes into account the exercise conditions, current price of the shares, expected volatility and the risk-free rate. The fair value of the stock grants and stock options is shown in a contra to "Available reserves".

2 Given the uncertainties related to their payment date, employee termination indemnities are considered as a defined benefit plan.
3 For stock grants, the period between the date of the award and the date of allocation of stock; for stock options, the period between the date of the award and the date on which the option can be exercised.

## Dividends

Dividends are recognised on the date the Shareholders' Meeting approves their distribution.

## Taxes

Current income taxes are determined on the basis of the estimated taxable income; the estimated liability is recognized in the item "Taxes payable". Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
Deferred tax assets or liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are recognized when their realization is probable.
Deferred tax assets and liabilities are recorded under non-current assets and liabilities and are offset at single entity level if referred to offsettable taxes. The balance of the offset, if positive is recognized in the item "Deferred tax assets" and if negative in the item "Deferred tax liabilities".

## Derivatives

Derivatives are assets and liabilities recognized at their fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge is high and is checked periodically. When hedging instruments cover the risk of variation of the fair value of the hedged item (fair value hedge), the derivatives are stated at fair value and the effects charged to the income statement. When derivatives hedge the cash flow variation risk of the hedged item (cash flow hedge), variations in the fair value of the derivatives are initially stated in net equity and then stated in the income statement consistently with the economic effects produced by the hedged transaction. The variation of the fair value of derivatives that do not meet the conditions required to qualify as hedging instruments are shown in the income statement.

# Effects of introduction of the international financial reporting standards (IFRS)

As of 1st January 2005, all European listed companies are required to produce their Consolidated Financial Statements in compliance with the new International Financial Reporting Standards (IFRS).
From the transition date to the new principles (1st January 2004), i.e. the beginning of the
first comparative period, the balance sheet must:

- recognise all assets and liabilities defined as such by the new accounting standards;
- evaluate assets and liabilities retrospectively as if the new accounting standards had been originally applied;
- reclassify items in the financial statements in accordance with IFRS.

The effect of the IFRS adjustments to the opening balances of assets and liabilities is reflected in the shareholders equity and takes into account the fiscal effect in the captions "deferred tax assets/liabilities".

With regard to IAS 32 and 39, pertaining to the evaluation and recognition of financial instruments including hedging contracts, Saipem opted to introduce them as of 1st January 2005, as authorised by IFRS 1 "First introduction of International Financial Reporting Standards", and therefore postpone their restatement.

The financial position at 1st January 2005 may be adjusted upon conclusion of the review currently being carried out by PricewaterhouseCoopers.

In compliance with the introduction of IFRS 1, the following are stated below: (i) the balance sheet at 1st January 2004 and income statement 2004 restated under IFRS; (ii) the reconciliations of the balance sheet and income statement based on previously used accounting principles, and that restated under IFRS both at 1st January 2004 and 31st December 2004.

The restatement/reconciliation tables have been prepared in view of the IFRS introduction as adopted by the European Commission. Given this specific aim, the information provided in this section is not intended to substitute the wider comparative information that will be provided in the first complete financial statements under IFRS.

IFRS applied are detailed under the section "Preparation Criteria". Specifically, data contained in the reconciliation tables may be adjusted in compliance with future directives as issued by the European Commission or new guidelines issued by IASB and/or IFRIC.

## Balance Sheet at 31st December 2003 and 2004

The tables below detail the restatement of the various balance sheet captions at 31st December 2003 and 2004 under IFRS (hereafter also referred to as Italian GAAP):

**Balance sheet** (million €)

| | Previously used accounting principles | Effects of IFRS introduction | IFRS | Previously used accounting principles | Effects of IFRS introduction | IFRS |
|---|---|---|---|---|---|---|
| | 31st December 2003 | | | 31st December 2004 | | |
| Net tangible fixed assets | 1,694 | 26 (a) | 1,720 | 1,688 | 24 (a) | 1,712 |
| Net intangible fixed assets | 851 | (23) (b) | 828 | 805 | 32 (b) | 837 |
| Financial investments | 26 | – | 26 | 17 | – | 17 |
| **Non-current assets** | **2,571** | **3** | **2,574** | **2,510** | **56** | **2,566** |
| Working capital, net | (79) | 7 (c) | (72) | 5 | 6 (c) | 11 |
| Provisions for contingencies | (117) | (4) (d) | (121) | (118) | (12) (d) | (130) |
| **Net current assets** | **(196)** | **3** | **(193)** | **(113)** | **(6)** | **(119)** |
| Employee termination benefits | (31) | – | (31) | (34) | 1 (e) | (33) |
| Minority interest in net equity | (23) | – | (23) | (9) | – | (9) |
| Net debt | (953) | – | (953) | (866) | – | (866) |
| **Net equity** | **1,368** | **6** | **1,374** | **1,488** | **51** | **1,539** |

At 31st December 2004, the effects of IFRS introduction have resulted in a 51 million euro increase in net equity.

### Reconciliation of the Balance Sheet at 31st December 2003 and 2004

The following table details the reconciliation of the Balance Sheet at 1st January 2004, inclusive of minority interest, compiled in accordance with the new IFRS, with the Balance Sheet at 31st December 2003, compiled in accordance with Italian accounting principles[4]:

**Balance sheet** (million €)

| | 31st December 2003 | 31st December 2004 |
|---|---|---|
| **Net equity pre IFRS** | **1,368** | **1,488** |
| a1) Capitalisation of periodic maintenance | 64 | 74 |
| a2) Depreciation on periodic maintenance provision | (38) | (50) |
| b1) Impairment of Moss Maritime's Goodwill | (22) | (22) |
| b2) Research and Development costs that cannot be capitalised | (1) | (1) |
| b3) Goodwill value restore | – | 55 |
| c1) Gains on employees' benefit plans | 7 | 8 |
| c2) Effect on taxation | 1 | 1 |
| c3) Reclassified fair value of stock grant plans – future years | (1) | (3) |
| d1) Write-off of periodic maintenance fund | 16 | 2 |
| d2) Losses on employees' benefit plans | (22) | (19) |
| d3) Reclassified stock grant fund | 2 | 5 |
| e1) Evaluation of actualisation of employee termination benefits | – | 1 |
| **Total effect of IFRS introduction:** | **6** | **51** |
| **Net equity in compliance with IFRS** | **1,374** | **1,539** |

4 The nature of adjustments is detailed under the same reference codes as listed in the table.

## Income Statement for the first quarter and the year 2004

The following table details the restatement under IFRS of the various captions of the Income Statement of the 2004 consolidated financial position and the first quarter report at 31st March 2004, compiled in accordance with Italian accounting principles[5]:

**Income statement** (million €)

| | First quarter 2004 | | | Year 2004 | | |
|---|---|---|---|---|---|---|
| | Previously used accounting principles | Effects of IFRS introduction | IFRS | Previously used accounting principles | Effects of IFRS introduction | IFRS |
| Revenues | 906 | – | 906 | 4,316 | – | 4,316 |
| Operating costs | (785) | 1 (f) | (784) | (3,786) | (4) (f) | (3,790) |
| **Gross Operating Income** | **121** | **1** | **122** | **530** | **(4)** | **526** |
| Amortisation and depreciation | (62) | 11 (g) | (51) | (240) | 43 (g) | (197) |
| **Operating Income** | **59** | **12** | **71** | **290** | **39** | **329** |
| Financial income/(expenses) | (7) | – | (7) | (23) | 1 (h) | (22) |
| **Income before income taxes** | **52** | **12** | **64** | **267** | **40** | **307** |
| Income taxes | (13) | – | (13) | (67) | – | (67) |
| Minority Interest | (1) | – | (1) | (3) | – | (3) |
| **Net Income** | **38** | **12** | **50** | **197** | **40** | **237** |

The effects of the IFRS introduction for the year 2004 have determined an increase in the net income of 40 million euros.

## Reconciliation of the group's net income at 31st March and 31st December 2004

The reconciliation of the 2004 group's net income under IFRS with the net income deriving from the application of Italian accounting principles is as follows[6]:

**Income statement** (million €)

| | First quarter 2004 | Year 2004 |
|---|---|---|
| **Net equity pre IFRS** | **38** | **197** |
| f1) Periodic maintenance provision value restore | (1) | (14) |
| f2) Write-off of periodic maintenance costs | 2 | 10 |
| g1) Adjustment to Goodwill amortisation | 13 | 55 |
| g2) Amortisation of periodic maintenance | (2) | (12) |
| h1) Fair value gains on employees' benefit plans | – | 1 |
| **Total effect of IFRS introduction:** | **12** | **40** |
| **Net income in compliance with IFRS** | **50** | **237** |

The following captions detail the nature of main adjustments made to the balance sheet at 31st December 2004 and the net income for the year 2004.

5 The nature of adjustments is detailed under the same reference codes as listed in the table.
6 The nature of adjustments is detailed under the same reference codes as listed in the table.

## Different recognition of provisions for contingencies (ref. IAS 37 - Provisions, contingent liabilities and contingent assets; IAS 16 - Property, plant and equipment)

a1) Capitalisation of periodic maintenance
a2) Depreciation on periodic maintenance provision
d1) Write-off of periodic maintenance fund
f1) Periodic maintenance provision value restore
f2) Write-off of periodic maintenance costs
g2) Amortisation of periodic maintenance
Under Italian GAAP, the reserve for contingencies concerns costs and charges of a determined nature, whose existence is certain or probable, but whose amounts or occurrence are not determinable at the period-end. The reserve for contingencies is stated on an undiscounted basis.
Under IFRS, a provision to the reserve for contingencies is made only if there is a current obligation considered "probable" as a consequence of events occurred before period-end deriving from legal or contractual obligations or from behaviours or announcements of the company that determine valid expectations in third parties (implicit obligations), provided that the amount of the liability can be reasonably determined. When the financial effect of time is significant and the date of the expense to clear the relevant obligation can be reasonably determined, the estimated cost is
discounted on the basis of the risk-free rate of interest and adjusted for the Company's credit cost.
As for the reserve for periodic maintenance, under IFRS these costs are capitalized when incurred as a separate component of the asset and are depreciated according to their useful lives, as they do not represent a current obligation.
The application of IFRS determined an increase in shareholder equity at 31st December 2004 of 26 million euros and a decrease in 2004 net income of 16 million euros.

## Adjustments to intangible assets (ref. IAS 38 – Intangible assets)

b2) Research and Development costs that cannot be capitalised
Under Italian GAAP, costs for software development can be capitalized under certain circumstances. IFRS pose more stringent conditions for their capitalization.
The application of IFRS determined a decrease in shareholders equity at 31st December 2004 earnings of 1million euros.

## Employee benefits (ref. IAS 19 – Employee benefits)

c1) Gains on employees' benefit plans
c2) Effect on taxation
d2) Losses on employees' benefit plans
e1) Evaluation of actualisation of employee termination benefits
h1) Fair value gains on employees' benefit plans
Under Italian GAAP, employee termination benefits are accrued during the period of employment of employees, in accordance with the law and applicable collective labour contracts.
Under IFRS, employee termination benefits (e.g. pension payments, life insurance payments, medical assistance after retirement, etc.) are defined on the basis of post employment benefit plans that due to their mechanisms feature defined

contributions plans or defined benefit plans. In the first case, the company's obligation consists in making payments to the state or to a trust or a fund.
Plans with defined benefits are pension, insurance or healthcare plans which provide for the company's obligation, also in the form of implicit obligation, to provide non formalized benefits to its former employees[7]. The related discounted charges, determined with actuarial assumptions[8], are accrued annually on the basis of the employment periods required for the granting of such benefits.
The application of this principle determined a decrease in shareholders equity at 31st December 2004 of 9 million euros and an increase in 2004 net income of 1 million euros.

## Goodwill amortisation (ref. IAS 36 – Impairment of assets; IAS 38- Intangible assets)

b1) Impairment of Moss Maritime's goodwill
b3) Goodwill value restore
g1) Adjustment to goodwill amortisation
Under Italian GAAP, goodwill is amortized on a straight-line basis in the periods of its expected utilization, provided it is no longer than five years; in case of specific conditions related to the kind of company the goodwill refers to, goodwill can be amortised for a longer period not exceeding 20 years.
Under IFRS, goodwill cannot be amortised, but it is subject to a yearly evaluation in order to define the relevant impairment, if needed.
The application of IFRS determined an increase in shareholders equity at 31st December 2004 of 33 million euros and an increase in 2004 net income of 55 million euros.

## Stock grant scheme (ref. IFRS 2 – Share-based payments)

c3) Reclassified fair value of stock grant plans – future years
d3) Reclassified stock grant fund
Under Italian GAAP, the cost of stock-based compensation is recognised in the income statement at the stock grants fair value determined pro rata temporis over the year and accrued in a specific provision.
Under IFRS, for stock-based compensation, the company is to measure at the fair value goods or services received and estimate the relevant net equity increase.
The application of IFRS determined an increase in shareholders equity at 31st December 2004 of 2 million euros.

7 Given the uncertainties related to their payment date, employee termination indemnities are considered as a defined benefit plan.
8 Actuarial assumptions concern, among other things, the following variables: (i) level of future salaries; (ii) employee mortality rate; (iii) employee turnover rate; (iv) share of participants with successors entitled to benefits (e.g. spouses and children); (v) for medical assistance plans, frequency of reimbursement claims and future changes in medical costs; (vi) interest rates.

# Economic results

## Foreword

*As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore Construction sectors, L.N.G. (Liquefied Natural Gas), and, to a lesser extent, in the Drilling, Leased FPSO and M.M.O. (Maintenance, Modification and Operation) sectors, 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 or fraction thereof can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years and do not allow for extrapolation of figures from a single quarter to the entire year.*

**Consolidated income statement** (million €)

| | First quarter | | |
|---|---|---|---|
| | **2004** | **2005** | **Var.%** |
| **Operating revenues** | **905** | **954** | **5.4** |
| Other revenues and income | 1 | 1 | |
| Purchases, services and other costs | (609) | (656) | |
| Payroll and related costs | (175) | (175) | |
| **Gross operating income** | **122** | **124** | **1.6** |
| Amortisation, depreciation and write-downs | (51) | (52) | |
| **Operating income** | **71** | **72** | **1.4** |
| Financial expenses, net | (11) | (10) | |
| Income from investments | 4 | 5 | |
| **Income before income taxes** | **64** | **67** | **4.7** |
| Income taxes | (13) | (14) | |
| **Net income before minority interest** | **51** | **53** | **3.9** |
| Minority interest | (1) | – | |
| **Net income** | **50** | **53** | **6.0** |
| **Cash flow (Net income + depreciation and amortisation)** | **101** | **105** | **4.0** |

In line with the annual financial statements and the six-monthly 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 income before general and administrative expenses) for the various business sectors in which Saipem operates.

| Operating income and costs by destination | | | (million €) |
|---|---|---|---|
| | First quarter | | |
| | 2004 | 2005 | Var.% |
| **Operating revenues** | **905** | **954** | **5.4** |
| Operating costs | (770) | (824) | |
| Idle costs | (19) | (11) | |
| Selling expenses | (15) | (16) | |
| Research and development costs | (2) | (1) | |
| Other operating income, net | 1 | – | |
| **Contribution from operations** | **100** | **102** | **2.0** |
| General and administrative expenses | (29) | (30) | |
| **Operating income** | **71** | **72** | **1.4** |

## First quarter 2005

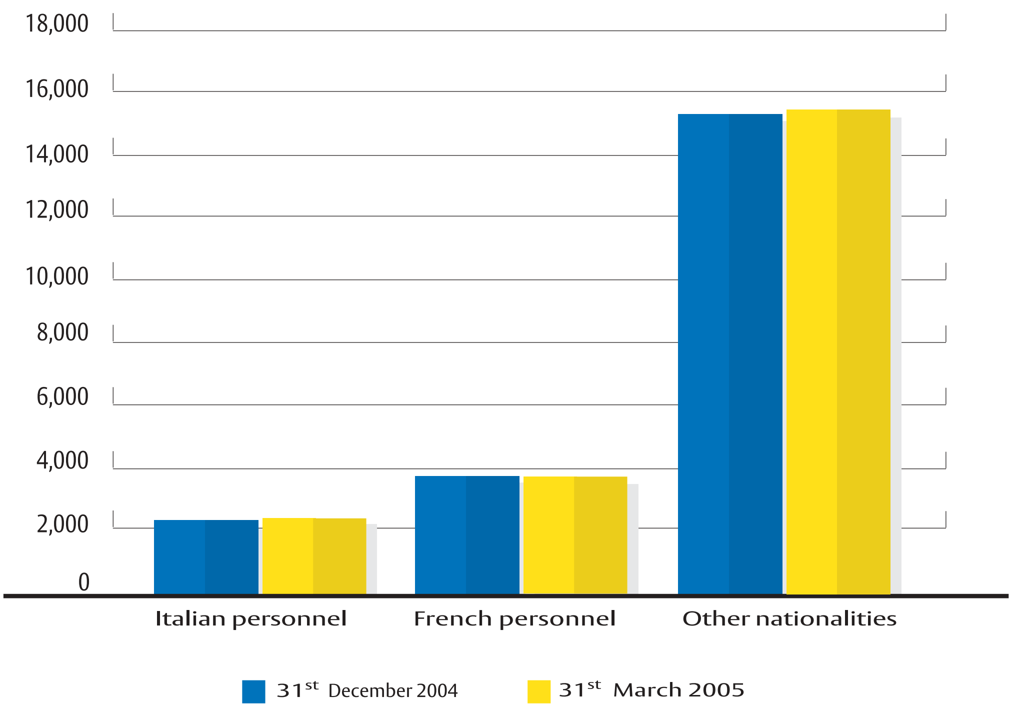
Revenues for the first quarter 2005 amounted to 954 million euros, an increase of 49 million euros versus those of the first quarter 2004, mainly due to higher levels of activity in the Onshore Construction and LNG sectors.
Operating costs amounted to 824 million euros, an increase of approximately 7% versus those for the same period 2004. This increase in operating costs is due to the higher levels of activity generated during the quarter.
Labour costs amounted to 175 million euros, in line with the first quarter 2004.
Contribution from operations in the first quarter 2005 amounted to 102 million euros, an increase of 2 million euros versus the first quarter 2004; this is analysed in detail under the individual business units.
General and administrative expenses in the first quarter 2005 amounted to 30 million euros, in line with the same quarter the previous year.
Hence, operating income stood at 72 million euros.

# Human resources

The following table provides comparable data related to average employment levels at the end of 2004 and the first quarter 2005.

| Average workforce | 31st December 2004 | 31st March 2005 |
|---|---|---|
| Italian personnel | 2,443 | 2,488 |
| French personnel | 3,839 | 3,869 |
| Other nationalities | 15,393 | 15,556 |
| **Total** | **21,675** | **21,913** |
| Offshore Construction | 6,958 | 7,381 |
| Offshore Drilling | 1,042 | 1,038 |
| Leased FPSO | 94 | 111 |
| Onshore Construction | 7,531 | 6,978 |
| Onshore Drilling | 2,165 | 2,249 |
| Liquefied Natural Gas | 697 | 700 |
| Maintenance Modification and Operation | 1,613 | 1,708 |
| Staff positions | 1,575 | 1,748 |
| **Total** | **21,675** | **21,913** |
| **No. of engineers at end of period** | **3,508** | **3,561** |

## Workforce



# Consolidated balance sheet and financial position

| | 31st December 2004 | | 31st March 2005 (*) | |
|---|---|---|---|---|
| Net tangible fixed assets | | 1,712 | | 1,726 |
| Net intangible fixed assets | | 837 | | 833 |
| | | 2,549 | | 2,559 |
| - Offshore Construction | 1,149 | | 1,164 | |
| - Offshore Drilling | 672 | | 673 | |
| - Leased FPSO | 74 | | 72 | |
| - Onshore Construction | 243 | | 242 | |
| - Onshore Drilling | 87 | | 85 | |
| - Liquefied Natural Gas | 176 | | 176 | |
| - Maintenance Modification and Operation | 84 | | 84 | |
| - Other | 64 | | 63 | |
| Financial investments | | 17 | | 22 |
| **Non-current assets** | | **2,566** | | **2,581** |
| Working capital | 11 | | 123 | |
| Provision for contingencies | (130) | | (125) | |
| **Net current assets** | | **(119)** | | **(2)** |
| **Employee termination benefits** | | **(33)** | | **(34)** |
| **Capital employed** | | **2,414** | | **2,545** |
| **Net equity** | | **1,539** | | **1,557** |
| **Minority interest in net equity** | | **9** | | **9** |
| **Net debt** | | **866** | | **979** |
| **Cover** | | **2,414** | | **2,545** |
| **Issued and outstanding shares** | **441,177,500** | | | **441,177,500** |

(*) Not inclusive of translation adjustment for the first quarter, for those group companies whose financial statements are in currencies other than euros.

## Investments

(million €)

| | First quarter | |
|---|---|---|
| | **2004** | **2005** |
| Offshore Construction | 20 | 39 |
| Offshore Drilling | 14 | 13 |
| Leased FPSO | – | – |
| Onshore Construction | 10 | 6 |
| Onshore Drilling | 1 | 2 |
| Liquefied Natural Gas | 3 | 1 |
| Maintenance Modification and Operation | – | 1 |
| Saipem Offices | 3 | – |
| **Total** | **51** | **62** |

Investments in the first quarter 2005 amounted to 62 million euros (51 million in the same period 2004) and consisted mainly of the following: maintenance and upgrading of existing asset base (35 million euros); investments in vessels and equipment for specific projects, mainly Kashagan and Sakhalin Onshore (23 million euros); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (4 million euros).

| Variation in net equity | (million €) | |
|---|---|---|
| | 1st Quarter 2004 | 1st Quarter 2005 |
| **Initial Group Net Equity** | **1,374** | **1,539** |
| Group Net Income | 50 | 53 |
| First introduction of IAS 32 and 39 – treasury shares | – | (22) |
| First introduction IAS 32 and 39 – fair value hedging operations | – | (13) |
| **Total Variation** | **50** | **18** |
| **Resulting Group Net Equity** | **1,424** | **1,557** |

The net equity during the first quarter 2005 increased by 18 million euros due to the effect of the net income for the period of 53 million euros, partially offset by the value of treasury shares bought back in order to service the stock grant and stock option schemes, which were duly reclassified, and the fair value of hedging operations (Interest Rate Swap) of -13 million euros.

## Reclassified statement of cash flow and variation in net debt

| (million €) | 1st Quarter 2004 | 1st Quarter 2005 |
|---|---|---|
| Group net income | 50 | 53 |
| Third party income | 1 | – |
| Depreciation and amortisation | 51 | 52 |
| Other non monetary items | 15 | 14 |
| **Cash generated from operating income before variation in working capital** | **117** | **119** |
| Variation in working capital relating to operations | (31) | (148) |
| Other monetary items | (22) | (20) |
| **Net cash flow from operations** | **64** | **(49)** |
| Investments | (51) | (62) |
| Disposals | – | – |
| **Free cash flow** | **13** | **(111)** |
| Variation in financial debt | (37) | 72 |
| Buy-back of treasury shares | (2) | (2) |
| Cash flow from share capital and reserves | – | – |
| Other variations | – | – |
| **Net Cash Flow** | **(26)** | **(41)** |
| **Free Cash Flow** | **13** | **(111)** |
| Buy-back of treasury shares | (2) | (2) |
| Cash flow from share capital and reserves | – | – |
| Other variations | – | – |
| **Variation in net debt** | **11** | **(113)** |

### Net financial debt

Net financial debt at 31st March 2005 amounted to 979 million euros, versus 866 million euros at 31st December 2004, an increase of 113 million euros.
This is due mainly to the variation in working capital (168 million euros), investments (62 million) and the purchase of treasury shares (2 million euros), only partially offset by the cash flow generated during the period of 119 million euros.

# New contracts

In the first quarter 2005, Saipem was awarded new contracts totalling 1,057 million euros (925 million euros in the same period 2004), of which 760 million euros in the Offshore sectors (Construction and Drilling).

The most significant orders awarded in the first quarter 2005 include:

Offshore Construction:
- on behalf of BP Berau Ltd, two EPIC contracts comprising engineering, procurement, construction and installation of two platforms and two subsea pipelines as part of the "Tangguh LNG Project" in the Berau Bay region of Indonesia;
- on behalf of Talisman Energy UK, the Tweedsmuir project in the British sector of the North Sea, comprising the laying of a pipeline and a pipe-in-pipe flowline for a piggy-backed gas pipeline;
- on behalf of Offshore Oil Engineering Co., the Dong Fang and Lu Feng projects in China, comprising the installation of two jackets and associated piles, two decks and a pipeline;
- on behalf of Raffineria di Gela S.p.A., a contract in Sicily, comprising the design, procurement and installation for the replacement of an existing pipeline.

Offshore Drilling:
- on behalf of Total Exploration & Production Angola, the two-year lease plus the option of a further two years of the drillship Saipem 10000. Drilling operations will be performed on the Rosa field, 200 km off the Angolan coast, at water depths of approximately 1,700 metres;
- on behalf of IEOC (International Egyptian Oil Company), the eight-month lease of the semi-submersible platform Scarabeo 4 in Egypt.

Onshore Construction:
- on behalf of Sonatrach/Sonelgaz, the EPC-type project Berrouaghia in Algeria for the construction of a gas-fired power station;

Onshore Drilling:
- on behalf of KPO, the one-year lease of two rigs in Kazakhstan;
- on behalf of Burren Petroleum, the one-year lease of a rig in Turkmenistan;
- on behalf of Burlington Resources, the one-year lease of a rig in Algeria;
- on behalf of Ninotsminda Oil Company Georgia, the four-month lease, plus the option of a further two months, of a rig in Georgia;
- on behalf of Petrobras, the one-year lease of a rig in Peru;
- on behalf of Sonatrach, the five-month lease of a rig in Algeria;
- on behalf of PDVSA, the six-month lease of a rig in Venezuela.

L.N.G.:
- on behalf of Freeport LNG Development L.P., the Freeport project in the USA, comprising engineering, procurement of tanks for an LNG regassification terminal on the Quintana island in Texas; the project is in association with Technip and Zachry.

**At end of March 2005, the backlog stood at 5,409 million euros (5,306 million euros at 31st December 2004).**

# Management expectations for 2005

The positive overall trend of the market and Saipem's credibility and competitiveness, especially on complex projects in frontier areas, underpin expectations for 2005 to achieve further revenue growth, improving on the 2004 record, as well as the award of new contracts so as to maintain the high backlog level.

A phenomenon that will continue to adversely affect Saipem's profitability is the appreciation of the euro against the US dollar. This is because approximately 70% of Saipem's revenues are denominated in the American currency, whilst costs of the Milan and Paris operating centres as well as almost all depreciation - a total of approximately 560 million per annum - are denominated in euros. The impact of the euro appreciation is felt approximately one year after contract award, i.e. the average time lag between contract acquisition (and hedging), and execution. In 2004 therefore, Saipem's average invoice exchange rate was 1.15 (while the average euro/US dollar ratio in the same period was 1.24). In 2005, the combination of contracts already in the backlog at end 2004 and to be executed during the current year, along with contracts to be acquired in 2005, are expected to lead to an approximate average invoice exchange rate of 1.23.

Euro appreciation from 1.15 to 1.23 is expected to have a two-fold impact. Firstly it will cause a reduction in the euro-equivalent contribution from USD-denominated contracts (translation effect), estimated at approximately 14 million euros. Secondly, the effect of the company's euro-denominated structural costs will determine a further reduction in operating income estimated at approximately 24 million euros.

Conversely:

- volumes are expected to grow thanks to the positive overall market trend;
- in those business sectors and those areas where US competition is weakest, it is possible to gradually transfer to prices the effects of the euro's appreciation.

**At present it is expected that, in 2005, the Group can repeat the record 2004 results, with possible room for further improvement.**

*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 the Persian Gulf and/or other regions, 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 Construction

(million €)

| | First quarter | |
|---|---|---|
| | 2004 | 2005 |
| Operating revenues | 569 | 571 |
| Operating expenses, net of cost of materials | (440) | (407) |
| Cost of materials | (55) | (83) |
| Depreciation and amortisation | (24) | (24) |
| Contribution from operations (*) | 50 | 57 |
| New orders awarded | 545 | 626 |

(*) Operating Income before general and administrative expenses

The backlog at 31st March 2005 amounted to 3,358 million euros, of which 1,796 million are to be realised in 2005.

- Operating revenues for the first quarter 2005 amounted to 571 million euros, in line with those for the same period 2004. The areas that recorded the highest levels of activity were West and North Africa.

- Contribution from operations in the first quarter 2005 amounted to 57 million euros, equal to 10% of revenues, versus 50 million euros, equal to 8.8% of revenues in the same period 2004. This increase in margin is related to projects in North Africa being in their final stages of completion and the greater contribution from North Sea projects when compared to the previous year.

# Offshore Drilling

(million €)

| | First quarter | |
|---|---|---|
| | **2004** | **2005** |
| Operating revenues | 64 | 69 |
| Operating expenses | (36) | (40) |
| Depreciation and amortisation | (11) | (12) |
| Contribution from operations (*) | 17 | 17 |
| New orders awarded | 32 | 134 |

(*) Operating Income before general and administrative expenses

The backlog at 31st March 2005 amounted to 382 million euros, of which 164 million are to be realised in 2005.

- Operating revenues for the first quarter 2005 showed a 7.8% increase versus the same period 2004, attributed mainly to improved levels of activity by Scarabeo 3 and Perro Negro 3.

- Contribution from operations in the first quarter 2005 is in line with the same period 2004, with profitability going from 26.6% to 24.6% of revenues. This downturn is due mainly to the US Dollar devaluation.

| Vessel | days under contract | |
|---|---|---|
| Semi-submersible platform Scarabeo 3 | 90 | |
| Semi-submersible platform Scarabeo 4 | - | **a** |
| Semi-submersible platform Scarabeo 5 | 90 | |
| Semi-submersible platform Scarabeo 6 | 90 | |
| Semi-submersible platform Scarabeo 7 | 90 | |
| Drillship Saipem 10000 | 90 | |
| Jack-up Perro Negro 2 | 90 | |
| Jack-up Perro Negro 3 | 90 | |
| Jack-up Perro Negro 4 | 90 | |
| Jack-up Perro Negro 5 | - | **a** |

a = the vessel underwent upgrading works in readiness for a new contract.

# Leased FPSO

(million €)

| | First quarter | |
|---|---|---|
| | 2004 | 2005 |
| Operating revenues | 8 | 6 |
| Operating expenses | (4) | (3) |
| Depreciation and amortisation | (2) | (2) |
| Contribution from operations (*) | 2 | 1 |
| New orders awarded | – | 1 |

(*) Operating Income before general and administrative expenses

The backlog at 31st March 2005 amounted to 112 million euros, of which 14 million are to be realised in 2005.

- In the first quarter 2005, operating revenues decreased by 2 million euros versus the same period 2004. The fall in volumes and the one million euro reduction in contribution from operations when compared to the first quarter 2004, are mainly due to the conclusion of the Prestige project.

- The production units FPSO–Firenze and FPSO–Mystras have been in continuous operation during both the first quarter 2005 and 2004.

# Onshore Construction

| (million €) | First quarter 2004 | First quarter 2005 |
|---|---|---|
| Operating revenues | 121 | 146 |
| Operating expenses, net of cost of materials | (74) | (96) |
| Cost of materials | (29) | (31) |
| Depreciation and amortisation | (6) | (7) |
| Contribution from operations (*) | 12 | 12 |
| New orders awarded | 247 | 94 |

(*) Operating Income before general and administrative expenses

The backlog at 31st March 2005 amounted to 711 million euros, of which 464 million are to be realised in 2005.

- Operating revenues in the first quarter 2005 amounted to 146 million euros, a 20.7% increase, versus the same period 2004, due to higher levels of activity on the Sakhalin project in Russia and the full-scale operations of projects in Nigeria.

- Contribution from operations, in the first quarter 2005, is in line with that of the same period 2004, with an incidence on revenues going from 9.9% to 8.2%. This fall in margin is mainly attributed to increased cost of sales and the negative impact of the US Dollar devaluation.

# Onshore Drilling

(million €)

| | First quarter | |
|---|---|---|
| | 2004 | 2005 |
| Operating revenues | 39 | 41 |
| Operating expenses | (29) | (31) |
| Depreciation and amortisation | (5) | (4) |
| Contribution from operations (*) | 5 | 6 |
| New orders awarded | 28 | 49 |

(*) Operating Income before general and administrative expenses

The backlog at 31st March 2005 amounted to 304 million euros, , including the five-year contract on behalf of Agip KCO to be carried out by two rigs owned by the client in the D Block of the Kashagan field in Kazakhstan, of which 110 million are to be realised in 2005.

- Operating revenues for the first quarter 2005 show a 5.1% growth versus those of the same period 2004, mainly attributed to increased activities in South America.

- Contribution from operations in the first quarter 2005 increased by 1 million euros versus the same period last year, with a margin on revenues rising from 12.8% to 14.6%. This recovery in profitability is due to improved efficiency mainly of rigs operating in Saudi Arabia.

- Average utilisation of rigs stood at 89% (76% in the first quarter 2004); rigs were located as follows: 12 in Peru, 8 in Saudi Arabia, 8 in Venezuela, 2 in Italy, 3 in Algeria, 1 in Egypt and 2 in Kazakhstan.
  In addition, 5 third-party rigs were deployed in Peru and 1 in Kazakhstan by the joint-venture company SaiPar.
  Finally, 1 rig owned jointly with third parties operated in Kazakhstan.

## Liquefied Natural Gas (L.N.G.)

(million €)

| | First quarter | |
|---|---|---|
| | 2004 | 2005 |
| Operating revenues | 41 | 58 |
| Operating expenses | (31) | (52) |
| Depreciation and amortisation | (1) | (1) |
| Contribution from operations (*) | 9 | 5 |
| New orders awarded | 3 | 91 |

(*) Operating Income before general and administrative expenses

The backlog at 31st March 2005 amounted to 480 million euros, of which 222 million are to be realised in 2005.

- Operations carried out mainly in China, Morocco and Belgium enabled the company to achieve operating revenues of 58 million euros in the first quarter 2005, a 41.5% increase versus the same period the previous year.

- In the first quarter 2005, contribution from operations amounted to 5 million euros, with profitability equal to 8.6% of revenues (first quarter 2004: 9 million euros, equal to 22% of revenues). The margin recorded in the first quarter 2004 had been attributed to the particularly positive conclusion of some projects.

# Maintenance Modification and Operation (M.M.O.)

(million €)

| | First quarter | |
|---|---|---|
| | **2004** | **2005** |
| Operating revenues | 63 | 63 |
| Operating expenses | (57) | (58) |
| Depreciation and amortisation | (1) | (1) |
| Contribution from operations (*) | 5 | 4 |
| New orders awarded | 70 | 62 |

(*) Operating Income before general and administrative expenses

The backlog at 31st March 2005 amounted to 62 million euros, of which 41 million are to be realised in 2005.

- Operational activities, carried out mainly in France, Italy, West Africa and Russia enabled operating revenues for the first quarter 2005 to total 63 million euros, in line with the same period 2004.

- Contribution from operations, in the first quarter 2005, amounted to 4 million euros, with profitability equal to 6.3% of revenues (first quarter 2004: 5 million euros equal to 7.9% of revenues).

Saipem

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**Publications**
First quarter report at 31st March 2005 (in English)
Relazione trimestrale al 31 marzo 2005 (in Italian)
Financial Report at 31st of December 2004 (in English)
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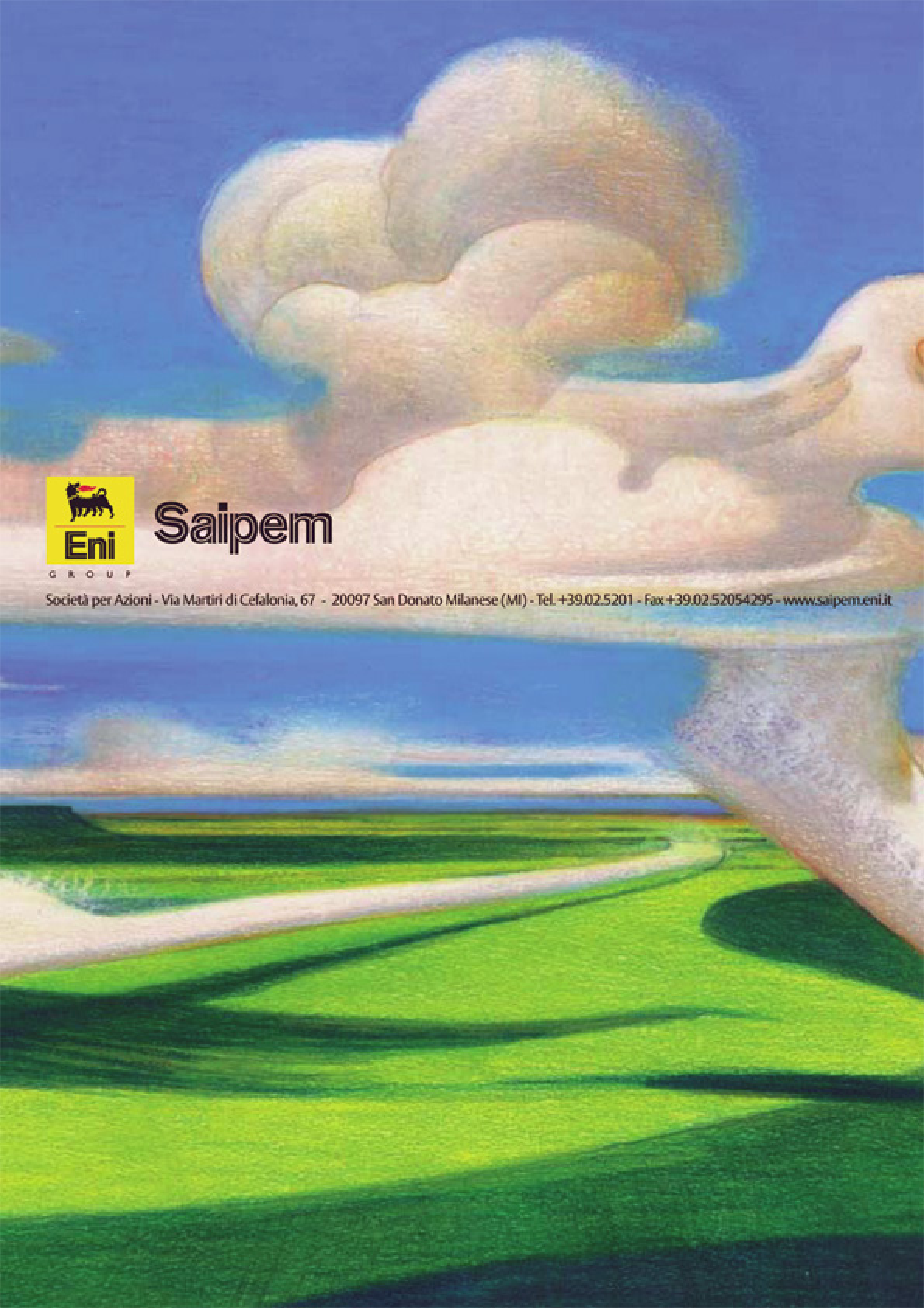

Saipem

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