

# FIRST QUARTER REPORT FOR 2002

31<sup>ST</sup> MARCH 2002



## Saipem

Approved by the Board of Directors  
at the meeting held on 7<sup>th</sup> May 2002

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*The quarterly report is not subject to audit*

## ECONOMIC AND FINANCIAL DATA

(Million euros)

	First quarter 2001	First quarter 2002	Var. %
Operating revenue	339	623	83.8
Operating margin	60	100	66.7
Operating income	42	81	92.8
Capital expenditure	48	178	270.8

	31 <sup>st</sup> December 2001	31 <sup>st</sup> March 2002
Net debt:		
- medium and long term	116	115
- short term	526	584
	<b>642</b>	<b>699</b>

## OPERATIONS DATA

	First quarter 2001	First quarter 2002	Var. %
<b>Offshore Construction</b>			
- subsea pipeline laid (Km)	119	541	354.6
- structures installed (tons)	9,306	8,250	(11.3)
<b>Floating Production</b>			
- equipment utilisation (days)	90	90	-
<b>Offshore Drilling</b>			
- metres drilled	30,563	24,520	(19.8)
- wells drilled	13	11	(15.4)
<b>Onshore Drilling</b>			
- metres drilled	42,867	66,587	55.3
- wells drilled	15	20	33.3
- estimated average equipment utilisation (%)	65	85	
<b>Onshore Construction</b>			
- pipeline laid (Km)	-	162	100
- structures installed (tons)	120	1,950	1,525

## OPERATING REVENUES BY SECTOR OF ACTIVITY

(Million euros)

	First quarter 2001	First quarter <b>2002</b>	Var. %
Offshore Construction	192	400	108.3
Floating Production	4	10	150.0
Offshore Drilling	70	82	17.1
Onshore Drilling	33	46	39.4
Onshore Construction	40	85	112.5
<b>Total</b>	<b>339</b>	<b>623</b>	

## OPERATING REVENUES BY GEOGRAPHICAL AREA

(Million euros)

GEOGRAPHICAL AREA (*)	First quarter 2001	First quarter <b>2002</b>
Italy	27	15
North Sea	44	89
Rest of Europe	68	220
Africa	107	127
Middle East	15	46
Far East	8	40
Rest of Asia	18	17
Americas	52	69
<b>Total</b>	<b>339</b>	<b>623</b>

(\*) relates to final destination of services

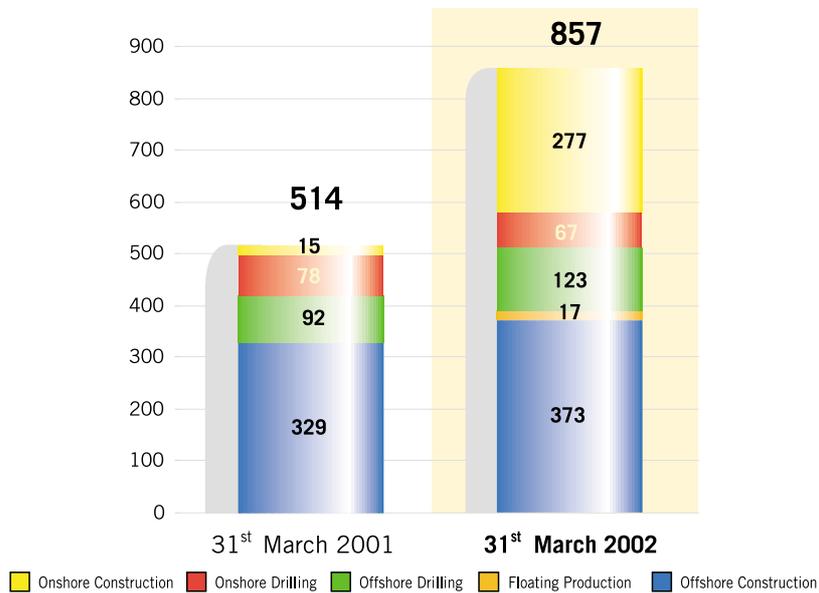
## CONTRACTS AWARDED TO THE SAIPEM GROUP

	(Million euros)	
	First quarter 2001	First quarter 2002
Saipem S.p.A.	248	494
Group Companies	266	363 <sup>(*)</sup>
<b>Total</b>	<b>514</b>	<b>857</b>
Offshore Construction	329	373 <sup>(*)</sup>
Floating Production	-	17
Offshore Drilling	92	123
Onshore Drilling	78	67
Onshore Construction	15	277
<b>Total</b>	<b>514</b>	<b>857</b>

(\*) includes 96 million euros relating to the acquisition of the remaining 50% of European Marine Contractors

## CONTRACTS AWARDED TO SAIPEM GROUP

(Million euros)



## ORDER BACKLOG

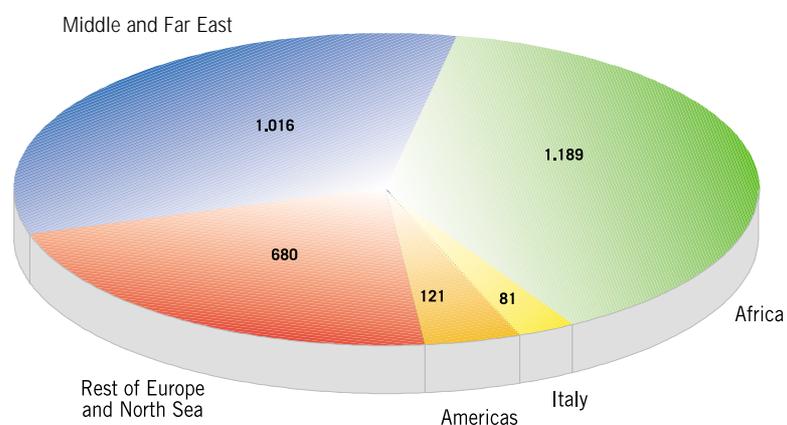
(Million euros)

	31 <sup>st</sup> December 2001	31 <sup>st</sup> March 2002
Offshore Construction	1,229	1,202
Floating Production	184	191
Offshore Drilling	546	587
Onshore Drilling	317	338
Onshore Construction	577	769
<b>Total</b>	<b>2,853</b>	<b>3,087</b>

## BACKLOG BY GEOGRAPHICAL AREA

(Million euros)

GEOGRAPHICAL AREA	31 <sup>st</sup> December 2001	31 <sup>st</sup> March 2002
Italy	21	81
North Sea	204	269
Rest of Europe	576	411
Africa	792	1,189
Middle and Far East	1,027	1,016
Americas	233	121
<b>Total</b>	<b>2,853</b>	<b>3,087</b>

BACKLOG BY GEOGRAPHICAL AREA AT 31<sup>ST</sup> MARCH 2002

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PREPARATION CRITERIA

The financial statements for the period ended 31<sup>st</sup> March 2002 have been prepared in accordance with regulation No. 11971 dated 14<sup>th</sup> May 1999 and modified on 6<sup>th</sup> April 2000 by resolution No. 12475 of the Companies and the Stock Exchange National Commission , (“Commissione Nazionale per le Società e la Borsa” - CONSOB) .

The economic information provided refers to the first quarter of 2002 and the first quarter of 2001. The financial data refers to 31<sup>st</sup> March 2002 and 31<sup>st</sup> December 2001. The accounting principles adopted are consistent with those used in the preparation of the Consolidated Financial Statements at 31<sup>st</sup> December 2001. The financial situation has been prepared in a way that allows easy comparison with the six-monthly and annual reports.

Unless otherwise indicated, the information is expressed in millions of euros.

In accordance with CONSOB regulations, the quarterly report is not subject to audit.

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## E C O N O M I C R E S U L T S

### ***Foreword***

As frequently mentioned, the revenues and associated profit levels, particularly in the Offshore and Onshore Construction sectors and, to a lesser extent, in both the Drilling and Floating Production sectors, are not consistent over time, as they are not only influenced by market performance but also by climatic conditions and project schedules. Consequently, the results from any one particular fiscal period can vary significantly, therefore 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.

### ***Variations within the consolidation area***

Financial data as well as average employment levels in the first quarter of 2002 have been affected by the acquisition of the remaining 50% of European Marine Contractors Ltd. Variations for the first three months of 2002 are as follows:

- on 2<sup>nd</sup> January 2002 the Saipem Group, which already owned 50% of European Marine Contractors Ltd through Saipem UK Ltd, acquired the remaining 50% of EMC from Halliburton Brown & Root;
- the acquisition was carried out through European Marine Investment Ltd. (EMI), which is managed and consolidated in the Saipem Group using the full integration method, despite being 90% owned by Eni International Holding B.V. and 10% owned by Saipem International B.V.;
- in 2001, EMI acquired 25% of Saipem UK Ltd. from Saipem International B.V., which holds the remaining 75%. Therefore, based on the aforementioned information, at 31<sup>st</sup> March 2002, Saipem UK Ltd. was 77.5% owned by the Saipem Group (75% by Saipem International B.V. and 25% by EMI, which, in turn, is 10% owned by Saipem International B.V.);
- EMI is 10% owned by Saipem International B.V.;
- European Marine Contractors Ltd. is jointly owned by Saipem UK and EMI. Therefore, the Saipem Group owns 43.75% of EMC.
- on 21<sup>st</sup> January 2002, but with effect from 1<sup>st</sup> January 2002, Petro-Marine Engineering Inc. and Barnett & Casbarian Inc., wholly owned by Sonsub Inc., were merged, and a new company, Petro-Marine/BCI Engineering Inc., was constituted, with its head office in Houston, Texas.

## CONSOLIDATED INCOME STATEMENT

(Million euros)

	First quarter	First quarter	
	2001	2002	Var. %
<b>Operating revenues</b>	<b>339</b>	<b>623</b>	<b>83.8</b>
Other income and revenues	3	5	
Purchasing, services and other costs	(194)	(369)	
Payroll and related costs	(70)	(113)	
<b>Gross operating margin</b>	<b>78</b>	<b>146</b>	<b>87.2</b>
Amortisation, depreciation and write-downs	(36)	(65)	
<b>Operating income</b>	<b>42</b>	<b>81</b>	<b>92.8</b>
Financial costs, net	(10)	(10)	
<b>Income before income taxes</b>	<b>32</b>	<b>71</b>	<b>121.9</b>
Income taxes	(7)	(17)	
<b>Income before third party interests</b>	<b>25</b>	<b>54</b>	<b>116.0</b>
Loss/(Income) by third parties	-	2	
<b>Net income for the period</b>	<b>25</b>	<b>56</b>	<b>124.0</b>

In line with the annual and six-monthly financial statements, this quarterly report includes the re-classified consolidated income statement by destination of costs.

This reclassification is normally used to analyse the positive and negative income components, which determine the **operating margin** (i.e. operating income before general and administration costs) for the various sectors of activity in which Saipem operates.

## OPERATING INCOME AND COSTS BY DESTINATION

(Million euros)

	First quarter	First quarter	
	2001	2002	Var. %
<b>Operating revenues</b>	<b>339</b>	<b>623</b>	<b>83.8</b>
Production costs	(267)	(511)	
Idle/downtime costs	(8)	(9)	
Cost of sales	(5)	(6)	
Research and development costs	(1)	-	
Other operating income	2	3	
<b>Operating margin</b>	<b>60</b>	<b>100</b>	<b>66.7</b>
General and administration costs	(18)	(19)	
<b>Operating income</b>	<b>42</b>	<b>81</b>	<b>92.8</b>

**Operating revenues** for the first quarter amounted to 623 million euros, an increase of 284 million versus the same period for the previous year.

This significant increase in revenues (+ 83.8%), as detailed later in this report, is mainly due to the Blue Stream project, the recovery of the Offshore Construction sector in the Far East and West Africa, as well as Onshore Construction activities in Kazakhstan and Saudi Arabia.

Production costs amounted to 511 million euros, an increase of approximately 91.4% versus the same period for 2001. The increase in costs, in line with the increase in revenues, is mainly due to the larger volume of materials consumed and to an increased usage of third party services.

Amortisation also increased as a result of investments made in order to carry out new contracts.

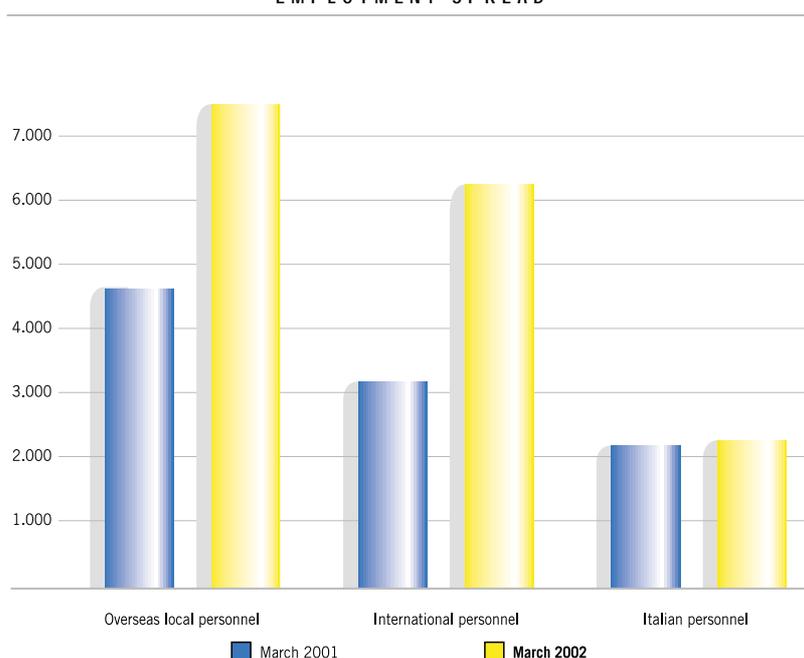
Payroll and related costs amounted to 113 million euros, an increase of approximately 43 million versus the first quarter of 2001, equal to 61.4%, resulting from to an increase in average employment levels, involving a higher number of national and international personnel, due to increased volumes of activity.

The following table shows the analysis of the workforce breakdown during the first quarter of the year, together with comparative figures for the same period the previous year:

#### EMPLOYMENT SPREAD

WORKFORCE	First quarter 2001	First quarter <b>2002</b>
Overseas local personnel	4,606	7,417
International personnel	3,250	6,250
Italian personnel	2,179	2,212
<b>Total</b>	<b>10,035</b>	<b>15,708</b>
Offshore Construction	2,267	3,819
Floating Production	3	17
Offshore Drilling	1,248	1,342
Onshore Drilling	2,003	2,167
Onshore Construction	3,819	7,591
Staff	695	772
<b>Total</b>	<b>10,035</b>	<b>15,708</b>

#### EMPLOYMENT SPREAD



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**Operating margin** during the first quarter of 2002 amounted to 100 million euros versus 60 million in the first quarter of 2001.

This increase is mainly due to higher revenues and profitability recorded in the Offshore Construction sector.

General and administration costs for the first quarter of 2002 amounted to 19 million euros, an increase of 1 million versus the first quarter of 2001.

## CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

### CONSOLIDATED BALANCE SHEET

	31 <sup>st</sup> December 2001	31 <sup>st</sup> March 2002 <sup>(*)</sup>
		(Million euros)
Net tangible fixed assets	1,440	1,551
Intangible fixed assets	94	89
Total	1,534	1,640
Financial investments	6	6
<b>Non-current assets (a)</b>	<b>1,540</b>	<b>1,646</b>
Net working capital	350	406
Provisions for contingencies	(66)	(66)
<b>Net current assets (b)</b>	<b>284</b>	<b>340</b>
Employee termination benefits (c)	(24)	(24)
<b>Net Capital employed (d=a+b-c)</b>	<b>1,800</b>	<b>1,962</b>
Shareholders equity (e)	1,156	1,212
Minority interest in net equity (f)	2	51
<b>Net debt (g)</b>	<b>642</b>	<b>699</b>
<b>Cover (h=e+f+g)</b>	<b>1,800</b>	<b>1,962</b>

*(\*) these figures do not include exchange rate adjustments during the quarter relating to the financial statements of those Group companies that trade in foreign currencies ("Exchange rate Adjustment").*

### CAPITAL EXPENDITURE

	First quarter 2001	First quarter 2002
Offshore Construction	23	150
Floating Production	-	2
Offshore Drilling	6	10
Onshore Drilling	8	11
Onshore Construction	10	3
Branch offices	1	2
<b>Total</b>	<b>48</b>	<b>178</b>

Capital expenditure for the first quarter amounted to 178 million euros (48 million in the first quarter of 2001) and mainly related to the strengthening of the Offshore Construction fleet through the acquisition of the remaining 50% of European Marine Contractors (139 million euros) and the upgrading of Onshore and Offshore Drilling rigs in Saudi Arabia and Libya.

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NET DEBT

Net debt at 31<sup>st</sup> March 2002 amounted to 699 million euros versus 642 million at 31<sup>st</sup> December 2001. This increase of 57 million euros can be attributed to capital expenditure, which included the acquisition of 50% of European Marine Contractors Ltd., (making a total of 178 million euros) and the increase in net working capital (56 million euros), partially offset by: the cash flow generated by operations (121 million euros), sale of tangible assets (7 million euros), and third parties capital paid-up (49 million euros).

The net financial position at 31<sup>st</sup> March 2002 comprises short-term debt of 584 million euros (526 million at 31<sup>st</sup> December 2001) and medium/long term debt of 115 million euros (116 million at 31<sup>st</sup> December 2001).

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## B A C K L O G

During the first quarter of 2002, Saipem was awarded new orders totalling 761 million euros (514 million in the first quarter of 2001), of which 417 million refer to the Offshore sectors (Construction, Drilling and Floating Production). Moreover, following the acquisition of the remaining 50% of European Marine Contractors, the order backlog increased by a further 96 million euros, entirely in the Offshore Construction sector, totalling 857 million euros.

The most important orders awarded were as follows:

### Offshore Construction:

- the Trunkline Expansion project in Australia on behalf of Woodside Energy Ltd., for the transport, installation, and hydro-testing of a pipeline;
- the Djeno project in Congo on behalf of Elf Congo, for the laying of two pipelines;
- the Kuito Phase II project in Angola on behalf of SBM Imodoco, for the installation of a platform; and
- the Canyon Express project in the Gulf of Mexico on behalf of Elf, for change orders.

### Offshore Drilling:

- the one-year lease of the semi-submersible platform Scarabeo 4 in Nigeria on behalf of NAOC;
- the one-year lease of the Perro Negro 5 jack-up in Nigeria on behalf of Belbop;
- the nine-month lease of the semi-submersible platform Scarabeo 3 in Congo on behalf of Agip Recherches.

### Onshore Drilling:

- the two-year lease, with an option of a further two, of three rigs in Italy on behalf of the Agip Division of Eni.

### Onshore Construction:

- the ROD project in Algeria on behalf of Sonatrach/Bhp Biliton, for the construction of an oil treatment plant and associated facilities;
- the Obiafu/Obrikom project in Nigeria on behalf of NAOC, for the expansion of a gas plant and the construction of a flow station;
- the Karachaganak project in Kazakhstan on behalf of KPO, for change orders .

The order backlog at 31<sup>st</sup> March 2002 amounted to 3,087 million euros (2,853 million at 31<sup>st</sup> December 2001).

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## MANAGEMENT EXPECTATIONS OF OPERATIONS

The positive results for the first quarter, together with the substantial order backlog and the distinctive capability of the Group to operate in particularly challenging areas (deep waters and remote areas) reinforce expectations for 2002, with further room for improvement over the record results for 2001.

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## ADDITIONAL INFORMATION

### **Blue Stream project**

Saipem 7000, having successfully completed the laying of the first subsea pipeline on 17<sup>th</sup> February 2002, returned to the Russian coast on the Black Sea and started laying the second subsea pipeline on 24<sup>th</sup> February 2002. To date approximately 250 Km out of a total of 380 Km have been laid.

Negotiations with the Client are progressing for the quantification of extra costs resulting from the postponed commencement of activities on the first subsea pipeline, caused by the delay in obtaining construction permits.

### **Saipem 10000 Refurbishment**

The replacement of lost equipment and repairs to the vessel arising from the accident which occurred off the Equatorial Guinea coast in September 2001, referred to in previous press releases, were completed on 16<sup>th</sup> April 2002. The vessel, currently en-route to work in Offshore Angola, is expected to commence drilling operations by 15<sup>th</sup> May. The activities off the West African coast, at depths of up to 1,500 metres will continue until October 2002. At that point, once refurbishment works have been completed and the vessel's capacity to operate in waters up to 3,000 metres is fully restored, it is expected to be transferred to Brazil.

The insurance cover "loss of hire" bore the cost of the vessel downtime at the full contractual rate until 26<sup>th</sup> April, except for a 28-day insurance exclusion period charged to the first quarter 2002.

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## EVENTS SUBSEQUENT TO QUARTER END

### **Acquisition of SaiClo**

As announced on 20<sup>th</sup> April 2001, Saipem approved the acquisition, from the Australian company Clough, of the remaining 50% of SaiClo, a company which owns the multi-purpose vessel, Maxita. As per the agreement, the acquisition was concluded on 6<sup>th</sup> May 2002, upon completion of the Canyon Express project in the Gulf of Mexico. The purchase price was approximately 30 million euros.

With the acquisition of the residual stake in SaiClo, Saipem now has full ownership of Maxita. The vessel will be converted and upgraded upon completion of a current project off the coast of Norway.

As previously announced, in order to maximise its flexibility and efficiency, a 2300-ton crane will be installed on the vessel, along with other equipment from the Pearl Marine vessel (soon to be decommissioned). The dynamic positioning system of the Maxita will also be upgraded.

The vessel – which will maintain the capability to install flexibles, umbilicals and mooring systems in deep water – will also be modified to lay reel pipelines in “J” and “S” configuration.

## ANALYSIS BY BUSINESS SECTOR

## OFFSHORE CONSTRUCTION

	First quarter 2001	First quarter 2002
Operating revenues	192	400
Operating costs net of cost of materials	(119)	(241)
Cost of materials	(31)	(63)
Depreciation and amortisation	(14)	(36)
Operating margin <sup>(*)</sup>	28	60
New orders acquired	329	373 <sup>(**)</sup>

(Million euros)

(\*) Operating income before general and administration costs

(\*\*) Includes 96 million euros, relating to the acquisition of the remaining 50% of European Marine Contractors

The backlog at 31<sup>st</sup> March 2002 amounted to 1,202 million euros, of which 806 million, are expected to be executed in 2002.

- The volume of activities generated by the Blue Stream project, in addition to operations in the Far East and in West Africa, resulted in revenues exceeding 208 million euros during the first quarter 2002, which were higher than those for the same quarter in 2001 (+108%).
- Operating margin during the first quarter of 2002 amounted to 60 million euros, equal to 15% of revenues, versus 28 million, equal to 14.6% of revenues for the same period in 2001. The improved profitability, despite amortisation, which more than doubled versus the same quarter of 2001, due to capital expenditures made for the execution of the Blue Stream project and company acquisitions, is due to increased utilisation of the vessels and higher profitability of projects currently under way.

## FLOATING PRODUCTION

	First quarter 2001	First quarter 2002
Operating revenues	4	10
Operating costs net of cost of materials	(1)	(2)
Depreciation and amortisation	(2)	(5)
Operating margin <sup>(*)</sup>	1	3
New orders acquired	-	17

(Million euros)

*(\*) Operating income before general and administration costs*

The backlog at 31<sup>st</sup> March 2002 amounted to 191 million euros, of which 27 million are expected to be carried out in 2002.

- Revenues for the first quarter of 2002 and their profitability increased as a result of operations carried out with the new production vessel FPSO–Jamestown. Operating margin during the first quarter of 2002 amounted to 3 million euros, equal to 33% of revenues, versus 1 million euros, equal to 25% of revenues for the same period in 2001.
- FPSO–Firenze and FPSO–Jamestown have worked continuously since the beginning of the year.

## OFFSHORE DRILLING

	First quarter 2001	First quarter 2002
Operating revenues	70	82
Operating costs net of cost of materials	(37)	(47)
Depreciation and amortisation	(10)	(11)
Operating margin <sup>(*)</sup>	23	24
New orders acquired	92	123

(Million euros)

(\*) Operating income before general and administration costs

The backlog at 31<sup>st</sup> March 2002 amounted to 587 million euros, of which 237 million are expected to be completed in 2002.

- Revenues for the first quarter showed a 17% increase versus the same period of 2001, mainly due to the operations of the semi-submersible platform Scarabeo 7, which, during the first nine months of the previous year, underwent upgrading works.
- Operating margin showed an increase of 1 million euros versus the first quarter of 2001, with a weight on revenues falling from 33% to 29%. The reduction in profitability is due to the loss of 28 days lease revenue of Saipem 10000.
- Equipment utilisation was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	90
Semi-submersible platform Scarabeo 4	75 <i>a</i>
Semi-submersible platform Scarabeo 5	90
Semi-submersible platform Scarabeo 6	90
Semi-submersible platform Scarabeo 7	79 <i>a</i>
Drillship Saipem 10000	62 <i>b</i>
Jack-up Perro Negro 2	67 <i>c</i>
Jack-up Perro Negro 3	90
Jack-up Perro Negro 4	90
Jack-up Perro Negro 5	85 <i>a</i>

*a = for the remaining days (to 90 days) the vessel underwent structural repairs.**b = the residual 28 days refer to the insurance excess.**c = for the remaining days (to 90 days), the vessel was upgraded in view of new contracts.*

## ONSHORE DRILLING

(Million euros)

	First quarter 2001	First quarter 2002
Operating revenues	33	46
Operating costs net of cost of materials	(24)	(35)
Depreciation and amortisation	(4)	(6)
Operating margin <sup>(*)</sup>	5	5
New orders acquired	78	67

*(\*) Operating income before general and administration costs*

The backlog at 31<sup>st</sup> March 2002 amounted to 338 million euros, of which 138 million are expected to be completed in 2002.

- Revenues for the first quarter were 39% higher than those for the same period in 2001, mainly due to the full utilisation of the eight rigs in Saudi Arabia and those in Kazakhstan.
- Operating margin for the quarter, unchanged in absolute terms versus the same period of the previous year, fell from 15% to 11% of revenues; this was mainly attributable to costs associated with the commencement of activities by the last two rigs in Saudi Arabia and the higher amortisation linked to capital expended for the execution of new contracts.
- Operations amounted to an average utilisation of land rigs for the quarter of 85% (65% in the first quarter of 2001) as follows: 14 in Peru, 3 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt, 2 in Kazakhstan and 8 in Saudi Arabia.
- In addition, 8 third party rigs were operated in Peru and 1 third party rig in Kazakhstan by the joint company SaiPar .
- Finally, 5 rigs jointly owned with third parties were operated as follows: 1 in Italy, 1 in Venezuela and 3 in Kazakhstan.

## ONSHORE CONSTRUCTION

	First quarter 2001	First quarter 2002
Operating revenues	40	85
Operating costs net of cost of materials	(24)	(53)
Cost of materials	(9)	(18)
Depreciation and amortisation	(4)	(6)
Operating margin <sup>(*)</sup>	3	8
New orders acquired	15	277

(\*) Operating income before general and administration costs

The backlog at 31<sup>st</sup> March 2002 amounted to 769 million euros, of which 395 million are expected to be completed in 2002.

- Operating activities in Kazakhstan and Saudi Arabia, as well as the initial phases of an important project in Algeria, achieved revenues exceeding 45 million euros for the quarter versus the same period of 2001.
- Operating margin for the first quarter of 2002 amounted to 8 million euros, 9.4% of revenues, versus 3 million euros, equal to 7.5% of revenues for the same period in 2001. The improvement in profitability can be attributed to the execution of complex projects in difficult areas, where the Group has a competitive advantage.