

# FIRST QUARTER REPORT FOR 2001

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**Saipem**

Approved by the Board of Directors Meeting held  
on 7<sup>th</sup> of May 2001

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*The quarterly report is not subject to audit*

## PRINCIPAL ECONOMIC AND FINANCIAL DATA

	(Millions of euros)		
	First quarter 2000	First quarter 2001	Var. %
Operating revenues	240	339	41,3
Contribution from operations	25	60	140
Operating income	8	42	425
Capital expenditure	100	48	(52)
	31 <sup>st</sup> of December 2000	31 <sup>st</sup> of March 2001	
Net debt at the end of the period:			
- medium and long term	113	127	
- short term	467	463	
<b>Total</b>	<b>580</b>	<b>590</b>	

## PRINCIPAL OPERATING DATA

	First quarter 2000	First quarter 2001	Var. %
<b>Offshore Construction</b>			
- pipelines laid (Km)	86	119	38.4
- structures installed (tons)	5,025	9,306	85.2
<b>Offshore Drilling and Floating Production</b>			
- metres drilled	16,771	30,563	82.2
- wells drilled	14	13	(7.1)
<b>Onshore Drilling</b>			
- metres drilled	35,769	42,867	19.8
- wells drilled	17	15	(11.8)
- estimated average use of plant (%)	62	65	
<b>Onshore Construction</b>			
- structures installed (tons)	274	-	(100)
- Offshore Construction	4,200	120	(97.1)

## OPERATING REVENUES BY SECTOR OF ACTIVITY

	(Millions of euros)		
	First quarter 2000	First quarter 2001	Var. %
Offshore Construction	85	192	125.9
Offshore Drilling and Floating Production	48	74	54.2
Onshore Drilling	30	33	10
Onshore Construction	77	40	(48)
<b>Total</b>	<b>240</b>	<b>339</b>	

## OPERATING REVENUES BY GEOGRAPHICAL AREA

GEOGRAPHICAL AREA (*)	(Millions of euros)	
	First quarter 2000	First quarter 2001
Italy	31	27
North Sea	34	44
Rest of Europe	17	68
Africa	51	107
Middle East	31	15
Far East	23	8
Rest of Asia	9	18
America	44	52
<b>Total</b>	<b>240</b>	<b>339</b>

(\*) Measured according to final destination of services.

## ORDERS AWARDED TO THE SAIPEM GROUP

	(Millions of euros)	
	First quarter 2000	First quarter 2001
Saipem S.p.A.	46	248
Other Group companies	226	266
<b>Total</b>	<b>272</b>	<b>514</b>
Offshore Construction	239	329
Offshore Drilling and Floating Production	10	92
Onshore Drilling	15	78
Onshore Construction	8	15
<b>Total</b>	<b>272</b>	<b>514</b>

## BACKLOG

	(Millions of euros)	
	31 <sup>st</sup> of December 2000	First quarter 2001
Offshore Construction	1,312	1,409
Offshore Drilling and Floating Production	582	600
Onshore Drilling	127	172
Onshore Construction	609	584
<b>Total</b>	<b>2,619</b>	<b>2,765</b> (*)

(\*) During this quarter the company Transco Williams cancelled the Bucaneer project, giving rise to a decrease of 40 million euros in the values of the order backlog.

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B A S I S O F P R E P A R A T I O N

The financial statements as of and for the period ended 31<sup>st</sup> of March 2001 have been prepared in accordance with the criteria established by the Italian Stock Exchange Commission, CONSOB (Commissione Nazionale per le Società e la Borsa), in its Resolution No. 11520 dated 1<sup>st</sup> of July 1998.

The income statement and other economic information provided refers to the first quarter of the year 2001 and the first quarter of 2000, while the balance sheet and other financial information refers to 31<sup>st</sup> of March 2001 and 31<sup>st</sup> of December 2000. The accounting principles adopted are consistent with those used in the preparation of the statutory and consolidated financial statements as of 31<sup>st</sup> of December 2000.

The financial situation has been prepared in such a way as to render it comparable with the six monthly and annual financial statements.

Unless otherwise stated, all informations are expressed in millions of euros.

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

## RESULTS OF OPERATIONS

### **Foreword**

As frequently mentioned, the volume of revenue realised and the relative income therefrom, particularly in the Offshore and Onshore Construction sectors and, to a lesser extent, in both of the Drilling sectors, are not linear over time as they are dependant upon, amongst other things, market trends, climatic conditions and the scheduling of the individual projects.

Consequently, the data relative to any particular quarter can vary significantly with respect to that of the same quarter in another year and this precludes the extrapolation of figures from a single quarter's actual results, in order to derive an estimate for the entire year.

### CONSOLIDATED INCOME STATEMENT

	First quarter 2000	First quarter 2001	(Millions of euros) Var. %
<b>Operating revenues</b>	<b>240</b>	<b>339</b>	<b>41.3</b>
Other income and revenues	1	3	
Purchases, services and other costs	(137)	(194)	
Payroll and related costs	(66)	(70)	
<b>Gross operating margin</b>	<b>38</b>	<b>78</b>	<b>105.3</b>
Amortisation, depreciation and write-downs	(30)	(36)	
<b>Operating income</b>	<b>8</b>	<b>42</b>	<b>425</b>
Financial expenses, net	(4)	(10)	
<b>Income before income taxes</b>	<b>4</b>	<b>32</b>	<b>700</b>
Income taxes	(1)	(7)	
<b>Net income for the period</b>	<b>3</b>	<b>25</b>	<b>733.3</b>

In line with the annual and six-monthly financial statements, this quarterly report also includes the reclassified consolidated income statement by destination of cost.

This reclassification is normally used to analyse the positive and negative components which contributed towards the operating margin (i.e. operating income before general and administrative expenses) of the various sectors of activity in which the Saipem Group operates.

OPERATING INCOME AND COSTS BY DESTINATION

	(Millions of euros)		Var. %
	First quarter 2000	First quarter 2001	
<b>Operating revenues</b>	<b>240</b>	<b>339</b>	<b>41.3</b>
Production costs	(196)	(267)	
Idle costs	(13)	(8)	
Selling expenses	(5)	(5)	
Research and development costs	(1)	(1)	
Sundry operating income	-	2	
<b>Contribution from operations</b>	<b>25</b>	<b>60</b>	<b>140</b>
General and administrative expenses	(17)	(18)	
<b>Operating income</b>	<b>8</b>	<b>42</b>	<b>425</b>

Revenues for the first quarter amounted to 339 million euros, representing an increase of 99 million euros with respect to the corresponding period of the previous year.

This significant increase in revenues (+ 41.3%), which is analysed in greater detail later in this report, is due mainly to the Blue Stream project which is now fully operational, and to the recovery in Offshore Construction activities in the Gulf of Mexico and in West Africa, together with the coming into operation of the new drilling ship Saipem 10000 and, to a lesser extent, the semi-submersible drilling vessel Scarabeo 7.

Production costs amounted to 267 million euros, an increase of approximately 36.2% with respect to the corresponding period of the year 2000. This increase in costs, consistent with the increase in revenues, is due mainly to the greater volume of materials consumed and to a greater use of third party services.

Payroll and related costs amounted to 70 million euros, representing an increase of approximately 4 million euros, equivalent to 6%, with respect to the first quarter of 2000. This increase is due partly to the concentration of personnel in geographical areas where labour costs are traditionally higher and partly to an increase in the average workforce following the increase in activity levels.

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

	First quarter 2000 <sup>(*)</sup>	First quarter 2001
<b>WORKFORCE</b>		
Local foreign staff	4,215	4,606
International personnel	3,255	3,250
Italians	2,458	2,179
<b>Total</b>	<b>9,928</b>	<b>10,035</b>
Offshore Construction	2,076	2,267
Offshore Drilling and Floating Production	1,032	1,251
Onshore Drilling	1,545	2,003
Onshore Construction	4,588	3,819
Staff	687	695
<b>Total</b>	<b>9,928</b>	<b>10,035</b>

*(\*) The figures relative to the first quarter of the year 2000 have been adjusted in order to render them comparable to those of the current quarter, which are calculated using only the consolidated portion of workforce for those companies consolidated using the proportional method.*

The contribution from operations during the first quarter of the year 2001 amounted to 42 million euros, compared to 25 million euros during the first quarter of the year 2000. This increase is due to the increase in revenues and in profitability registered by the Drilling and Offshore Construction sectors.

General and administrative expenses amounted to 18 million euros during the first quarter of the year 2001, showing an increase of 1 million euros with respect to the first quarter of the year 2000; this increase is due to the higher amortisation charges deriving from the coming into operation of the new modules of the integrated SAP information system.

## CONSOLIDATES BALANCE SHEET AND FINANCIAL POSITION

### RECLASSIFIED BALANCE SHEET

	31 <sup>st</sup> of December 2000	(Millions of euros) 31 <sup>st</sup> of March 2001 <sup>(*)</sup>
Net tangible fixed assets	1,338	1,350
Intangible fixed assets	32	32
Total	1,370	1,382
Financial investments	5	5
<b>Non-current assets</b>	<b>1,375</b>	<b>1,387</b>
Net working capital	288	311
Provisions for contingencies	(49)	(49)
<b>Net current assets</b>	<b>239</b>	<b>262</b>
Employees' termination indemnity	(23)	(23)
<b>Capital employed</b>	<b>1,591</b>	<b>1,626</b>
<b>Shareholder's equity</b>	<b>1,011</b>	<b>1,036</b>
<b>Net financial debt</b>	<b>580</b>	<b>590</b>
<b>Cover</b>	<b>1,591</b>	<b>1,626</b>

*(\*) These figures do not include the effect of the translation adjustment matured during the quarter relative to the financial statements of those Group companies expressed in foreign currency*

### CAPITAL EXPENDITURE

	First quarter 2000	(Millions of euros) First quarter 2001
Offshore Construction	10	23
Offshore Drilling and Floating Production	86	6
Onshore Drilling	-	8
Onshore Construction	-	10
Head offices	4	1
<b>Total</b>	<b>100</b>	<b>48</b>

During the first quarter of the year 2001, investments in tangible and intangible fixed assets amounted to 48 million euros (100 million in the first quarter of the year 2000), and consisted mainly of the purchase of the new equipment necessary for the realisation of important projects such as the Blue Stream project and the Karachaganak Development project in Kazakhstan, together with the ongoing construction of the new underwater development vessel "Field Development Ship".



## NET FINANCIAL DEBT

Net financial debt amounted to 590 million euros at 31<sup>st</sup> of March 2001, compared to 580 million euros at 31<sup>st</sup> of December 2000. The increase of 10 million euros derives mainly from expenditure on the investments made during the quarter (48 million euros) and from the increase in net current assets (23 million euros), which was only partially offset by the cash flows generated by operations (61 million euros).

The net financial position at 31<sup>st</sup> of March 2001 is represented by net short-term financial debt of 463 million euros (467 million euros as of 31<sup>st</sup> of December 2000) and by net medium/long term financial debt of 127 million euros (113 million euros as of 31<sup>st</sup> of December 2000).

The increase in net medium/long term financial debt is due to the receipt of a loan from a foreign associated company, relative to a specific investment.

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## NEW ORDERS AND BACKLOG

During the first quarter of the year 2001, Saipem acquired new orders for a total value of 514 million euros (272 million euros during the first quarter of 2000), of which 421 million are relative to the Offshore Construction and Drilling sectors.

The most significant new orders acquired during the period were:

### Offshore Construction:

- change orders by Blue Stream Pipeline Company in relation to the Blue Stream Project;
- the Lan Tay Lan Do project in Vietnam, on behalf of BP/Amoco for laying a 362 Km long pipeline;
- the Adgf project in Indonesia, on behalf of Conoco for laying a 110 Km long pipeline;

### Offshore Drilling:

- the charter for 6 months of the semi-submersible vessel Scarabeo 6 in Norway on behalf of Norsk Hydro;
- the charter for 6 months of the semi-submersible vessel Scarabeo 7 in Nigeria on behalf of Total Fina Elf;
- the charter for one year of the Perro Negro 5 jack up in Nigeria on behalf of Belbop;
- the charter for 8 months of the Perro Negro 2 jack up in Iran on behalf of Agip Iran B.V.

### Onshore Drilling:

- the charter of 3 rigs for 3 years in Saudi Arabia on behalf of Aramco.

The backlog at the end of March 2001 amounted to 2,765 million euros (2,630 million euros as of 31<sup>st</sup> of December 2000). During the quarter the company Transco Williams cancelled the Bucaneer project, causing a decrease of 40 million in the order backlog.

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## MANAGEMENT EXPECTATIONS OF OPERATIONS

The projects included in the backlog at the end of March 2001, which are scheduled to be carried out during the year, are expected to give rise to revenues for a total of 1,192 million euros; of these, 734 million euros relate to Offshore Construction, 221 million euros to Offshore Drilling and Floating Production, 170 million euros to Onshore Construction and 67 million euros to Onshore Drilling.

The first quarter of 2001 confirms the positive results already achieved by both the Offshore and the Onshore Drilling sectors in the second half of 2000. The Blue Stream Project is now fully operational, and this should lead to a significant growth in the Offshore Construction sector during 2001 with respect to the year 2000.

On the basis of current information and of the large order backlog and the positive performance recorded during the first quarter of 2001, we are increasingly confident that the growth in operating income during 2001 will be significantly higher than that achieved in the year 2000 (i.e. 27%).

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## OTHER INFORMATION

In order to strengthen Saipem's role as an Epic Contractor, the Company's Board of Directors has resolved the acquisition of the 50% share held by Snamprogetti in the companies Sasp Offshore Engineering S.p.A. and Sasp Offshore Engineering UK Ltd. (the remaining 50% is already owned by the Saipem Group). The engineering and project management capabilities of these two companies shall be added to similar capabilities already existing in Saipem.

## O P E R A T I N G   R E V I E W   ( B Y   S E C T O R )

## O F F S H O R E   C O N S T R U C T I O N

	First quarter 2000	(Millions of euros) First quarter 2001
Operating revenues	85	192
Operating expenses net of cost of materials	(57)	(119)
Cost of materials	(19)	(31)
Depreciation and amortisation	(13)	(14)
Contribution from operations (*)	(4)	28 (**)
Orders awarded to Saipem	239	329

(\*) Operating income before general and administrative expenses.

(\*\*) Includes the cancellation fee of 2 million euros, paid by Transco Williams following the cancellation of the Bucaneer Project.

The order backlog at 31<sup>st</sup> of March 2001 amounted to 1,409 million euros, of which 734 million euros is expected to be realised during the rest of the year 2001.

- The turnover and relative contribution margins generated by the Blue Stream project, together with the recovery in activities in the Gulf of Mexico and in West Africa during the first quarter of 2001, led to an increase in revenues of 107 million euros with respect to the corresponding period of the previous year, and an operating margin of 28 million euros, equivalent to 14.6% of total revenues, compared to a negative margin for the first quarter of the year 2000.
- The work carried out during the quarter regarded the following projects in particular:
  - the Blue Stream project in the Black Sea between Turkey and Russia on behalf of the Blue Stream Pipeline Company BV: continuation of the work towards the preparation of a logistics area at Samsun in Turkey and the completion of a series of trial lays by the vessel Saipem 7000 in a Norwegian fjord;
  - the Cantarell 28 project in the Gulf of Mexico on behalf of Pemex: an EPIC (Engineering, Procurement, Installation and Commissioning) project for the laying of underwater pipelines of various lengths and diameters, for a total length of 62 kilometres;
  - the Expoir project on the Ivory Coast on behalf of Ranger Oil: an EPIC project for the construction and installation of a tripod, a module and the laying of an underwater saline with offshore approach through horizontal drilling;
  - the Foukanda and Mwafi project in Congo on behalf of Agip: for the installation of two platforms with relative jackets and a module;
  - the Clara Complex project in Italy: for the construction of four platforms (Clara Est, Clara Nord, Calpurnia, Naomi Pandora) on behalf of the Agip division of Eni;
  - the Offshore Campaign (Italy) on behalf of the Agip division of Eni: for the installation of structures and the laying of underwater pipelines in the Adriatic Sea.

## OFFSHORE DRILLING AND FLOATING PRODUCTION

	First quarter 2000	(Millions of euros) First quarter 2001
	Operating revenues	48
Operating expenses	(25)	(38)
Depreciation and amortisation	(10)	(12)
Contribution from operations (*)	13	24
Orders awarded to Saipem	10	92

(\*) operating result before general and administrative expenses

The order backlog at 31<sup>st</sup> of March 2001 amounts to 600 million euros, 221 million of which is expected to be completed before the end of 2001.

- Revenues for the first quarter show an increase of 54% with respect to the corresponding period of the previous year. This was mainly due to the operation of the new deep water drill ship Saipem 10000 and partially to the new semi-submersible drilling vessel Scarabeo 7.
- The increased revenues realised during the quarter have resulted in an increase in operating margin of 11 million euros, the incidence of which on revenues rose from 27% to 32%.

The Group's principal vessels were used as follows:

Vessel Type	n° of days under contract	
Semi-submersible Drilling Vessels Scarabeo 3	90 gg.	
Semi-submersible Drilling Vessels Scarabeo 4	90 gg.	
Semi-submersible Drilling Vessels Scarabeo 5	90 gg.	
Semi-submersible Drilling Vessels Scarabeo 6	90 gg.	
Semi-submersible Drilling Vessels Scarabeo 7	20 gg.	a
Drillship Saipem 10000	90 gg.	
Jack up Perro Negro 2	90 gg.	
Jack up Perro Negro 3	51 gg.	b
Jack up Perro Negro 4	90 gg.	
Jack up Perro Negro 5	90 gg.	
FPSO - Firenze	90 gg.	

a - the vessel has been upgraded for underwater operations in West Africa at depths of up to 1,500 metres for the balance of the period.

The Client acknowledge a reduced daily rate during the period of upgrading.

b - the jack-up underwent structural repairs for the balance of the period.

## ONSHORE DRILLING

	First quarter 2000	(Millions of euros) First quarter 2001
Operating revenues	30	33
Operating expenses	(23)	(24)
Depreciation and amortisation	(2)	(4)
Contribution from operations (*)	5	5
Orders awarded to Saipem	15	78

(\*) Operating income before general and administrative expenses.

The order backlog at 31<sup>st</sup> of March 2001 amounted to 172 million euros, 67 million euros of which is expected to be performed during the rest of the year 2001.

- The operating revenues realised during the period show an increase of 10% with respect to the first quarter of 2000. The contribution from operations remains unchanged at 5 million euros; the higher depreciation charge reflects the investment in new equipment necessary for the fulfilment of new contracts.
- The average utilisation rate for land rigs during the quarter was 65% (62% during the corresponding period of the year 2000), distributed over the following geographical areas: 14 in Peru, 4 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt, 1 in Kazakhstan, 1 in Saudi Arabia and 1 in Bolivia. In addition 8 third party rigs were utilised in Peru, 1 third party rig was used by the joint venture SaiPar in Kazakhstan and 3 jointly owned rigs were used: 1 in Italy, 1 in Venezuela and 1 in Kazakhstan.

## ONSHORE CONSTRUCTION

	First quarter 2000	(Millions of euros) First quarter 2001
Operating revenues	77	40
Operating expenses, net of cost of materials	(47)	(24)
Cost of materials	(16)	(9)
Depreciation and amortisation	(3)	(4)
Contribution from operations <sup>(*)</sup>	11	3
Orders awarded to Saipem	8	15

*(\*) Operating income before general and administrative expenses.*

The order backlog at 31<sup>st</sup> of March 2001 amounted to 584 million euros, of which 170 million euros is expected to be carried out during the remainder of the year 2001.

- The revenues and margins realised during the first quarter of 2001 relate mainly to the final phases of projects that were already underway during the first quarter of the year 2000. Due to adverse weather conditions, work on the Karachaganak Development project in Kazakhstan shall only begin to generate significant revenue volumes as from the second quarter of this year.
- The work performed during the quarter regarded the following projects in particular:
  - The Ratchaburi to Wang Noi Gas Pipeline EPC (Engineering, Procurement and Construction) project in Thailand, on behalf of PTT: for the realisation of a gas line system from the existing Yadana gas pipeline to the future Wang Noi Power Station;
  - the EPIC (Engineering, Procurement, Installation and Commissioning) Shoaiba – Jeddah Water Transmission System project in Saudi Arabia, on behalf of SWCC: for the construction of a water pipeline, a pumping station and the expansion of four existing pumping stations;
  - the Hawiyah project in Saudi Arabia, on behalf of Aramco: which entails the laying of pipelines for the transportation of gas and the reconversion of the existing line from crude line into a gas line for a total length of 500 kilometres;
  - the Obigbo Node Pipelines EPC project in Nigeria, on behalf of Shell: for the realisation of a gas pipeline in the Port Harcourt area;
  - the Karachaganak Development project in Kazakhstan, on behalf of KPO BV (Karachaganak Petroleum Operating): for the construction of 2 gas re-injection units, 1 processing complex, a pumping station and terminal of 650 kilometres length;
  - the Kuff project in Saudi Arabia, on behalf of Aramco: for the link of new wells and the laying of gas gathering lines.



