

PRESS RELEASE DATED 22ND OF FEBRUARY 2000

1999 PRELIMINARY CONSOLIDATED RESULTS

Today, the Saipem S.p.A. Board of Directors has reviewed the un-audited consolidated financial situation relating to the fiscal year ended 31st of December 1999.

Revenues totalled 1,467 million euros (1,705 million in 1998).

Operating income amounted to 105 million euros (157 million in 1998).

Net income amounted to 69 million euros (114 million in 1998) equal to earnings per share of 0.16 euros (0.26 in 1998).

Cash flow (net income plus depreciation and amortisation) amounted to 169 million euros (210 million in 1998).

The actual 1999 results, in line with previous announcements, showed a reduction, compared to 1998, due to the effects of the low price of crude oil through March 1999, which caused Oil Companies to reduce exploration activity as well as their development programmes. These conditions, together with Company consolidations, have reduced opportunities for service contractors, in both the construction and drilling sectors. In addition, the latter sector has been further penalised due to the re-negotiation of day rates on certain existing contracts. The significant recovery in the price of crude oil since March 1999 will generate benefits during the second half of the year 2000.

Net income for the year included a provision for extraordinary expenses of 6 million euros for ongoing litigation.

Investments for the period, in accordance with the four-year plan, amounted to 412

million euros (344 million in 1998). They mainly related to:

- the construction of the new deep water drill ship Saipem 10000;
- the construction of the FDS (Field Development Ship) for subsea development;
- the conversion of the Scarabeo 7 to a 4th generation semi-submersible drilling unit and,
- the installation of an ultra deep water J-lay system on the Saipem 7000, currently laying pipelines on the Diana-Hoover project, for Exxon, in the deep water Gulf of Mexico.

Net financial debt amounted to 566 million euros at 31st of December 1999 (135 million at 31st of December 1998).

New Orders and Backlog

New orders for 1999 totalled 1,591 million euros, of which 79% were associated with the two core sectors of Offshore Construction and Offshore Drilling.

The most important contract awarded during the period was the Blue Stream project, where the Client is a joint venture between Snam and Gazprom. The value of the portion to be performed by the Saipem Group is 935 million euros.

The backlog at year-end is 2,588 million euros (2,463 million at 31st of December 1998)

Forecast for the year 2000

The price of crude oil is forecast to remain at high levels for the current fiscal year. Saipem will be in a particularly advantageous position from the improved market conditions as the Oil Companies resume their investment programmes in connection with Saipem's four-year investment plan completion. Saipem will therefore concentrate on bidding for new contracts to take advantage of improving market conditions. An increase of activities in the Onshore Drilling, Offshore Construction and Offshore Drilling sectors is expected, particularly in the deepwater areas of the Gulf of Mexico and West Africa. A growth of activities in Central and South East Asia is also expected.

The forecast for the year 2000 indicates an increase in operating income of at least 20%

compared to 1999. This will result from the start of operations on the Blue Stream project and the commencement of contracts for the Scarabeo 7 and Saipem 10000 as well as the resumption of the investment programmes by the Oil Companies, which will have a positive effect during the second half of the year.

A strong performance throughout 2001 is expected, as a consequence of the ongoing projects begun in 2000 and a general recovery of traditional markets as well as the high technology sectors.

The Saipem S.p.A. Board of Directors has also reviewed the Group's financial flows and profitability by main business sectors.

Financial Flows

Net debt, increased by 431million euros and results from:

Outflows:

- Investments in fixed and intangible assets of 412 million euros and financial investments of 1 million euros;
- An increase of net current assets of 153 million euros mainly due to the usual terms of payment applied by foreign clients belonging to governmental bodies as well as receivables from insurance companies;
- The distribution of dividends of 38 million euros; and
- Translation differences, of 4 million euros.

Inflows:

- Operating cash flow (net income plus depreciation and amortisation) of 169 million euros;
- Divestments of 7 million euros; and
- Variation in employees' termination benefit of 1 million euros.

Analysis by Business Sector

Offshore Construction:

millions of euros

	1998 f y	1999 f y
Revenues	971	756
Operating expenses, before cost of materials	(646)	(493)
Cost of materials	(184)	(129)
Depreciation	(38)	(38)
Contribution from operations (*)	103	96
New orders acquired	827	1,219 (**)

The outstanding backlog at 31st of December 1999 amounted to 1,363 million euros, of which, 453 million is expected to be executed in 2000.

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

(**) *Including the Blue Stream project*

- The reduction in revenue and margins of 215 million euros and 7 million euros respectively, is mainly due to the partial utilisation of the Saipem 7000, which recently had a “J-Lay” system installed, as well as to the general market contraction.
- The most significant contracts acquired during the year were:
 - The EPC (Engineering, Procurement and Commissioning) Blue Stream project, under the Black Sea, on behalf of the Blue Stream Pipeline Company BV, which entails the laying of 2 x 24” gas pipelines at a depth of up to 2,150 metres. The total length of each pipeline from Beregovaja (Russia) to Samsun (Turkey) is 390 Km. The 935 million euro contract was awarded to Saipem S.p.A.;
 - The Petronius project for the transport and installation of a 3,800 ton deck in the Gulf of Mexico on behalf of Texaco; and
 - The installation of platforms and the laying of sealines in the Adriatic Sea on behalf of the Agip Division of Eni S.p.A.

The main operational projects were:

- Jamnagar (India): an EPIC contract (Engineering, Procurement, Installation and Commissioning) for a Marine Terminal and two sea lines using Castoro II, Castoro

VII and Pearl Marine on behalf of Reliance and Bechtel France;

- Oseberg (Norway): transportation and installation of a platform, on behalf of Norsk Hydro;
- Sable Island (Canada): transportation and installation of a platform using the S-7000, on behalf of Mobil Oil Canada;
- Asgard B (Norway): an EPIC contract for the construction of a hydrocarbon treatment plant and waste water treatment unit for the Asgard B platform;
- Oso 2Y2 (Nigeria): the installation of three platforms using Castoro Otto, the work being performed by Saibos on behalf of Mobil; and
- Europepe II (Norway): a project for the laying of a sealine in the North Sea, the work being performed by European Marine Contractors on behalf of Mobil.

Offshore Drilling and Floating Production:

	millions of euros	
	1998 f y	1999 f y
Revenues	169	170
Operating expenses	(78)	(94)
Depreciation	(32)	(36)
Contribution from operations (*)	59	40
New orders	464 (**)	43

The outstanding backlog at 31st of December 1999 amounted to 622 million euros, of which, 191 million is expected to be executed in 2000.

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

(**) *This includes the five-year contract with the Agip Division of Eni for the use of the Saipem 10000.*

- Revenues for 1999 have remained similar to those of 1998, due to general reductions in dayrates resulting from contract renegotiations and to the non-utilisation of Scarabeo 4, until mid October. However, these effects were offset by the full

utilisation of the FPSO Firenze as well as a greater utilisation of the Scarabeo 6.

- The reduction in contribution from operations, of 19 million euros, is mainly due to the re-negotiation of dayrates and increased operating costs.
- The most significant orders acquired during the period were:
 - the charter, for two years, of the Perro Negro 3 jack up, in India, on behalf of Jindal Drilling Industries;
 - the charter of the 2nd generation semi-submersible rig Scarabeo 4, in Nigeria, on behalf of Belhop; and
 - the extension of existing drilling contracts, the most significant of which related to the charter of the Perro Negro 4 jack up in Egypt, on behalf of Petrobel, and the charter of the Perro Negro 2 jack up, in Nigeria, on behalf of Elf.

Major Equipment utilisation during 1999:

Vessel Type	Days under contract
Semi-submersible Drilling Vessels	
Scarabeo 3	351 a
Scarabeo 4	75 b
Scarabeo 5	365
Scarabeo 6	353 a
Jack Ups	
Perro Negro 2	353 a
Perro Negro 3	365
Perro Negro 4	363 a
Perro Negro 5	338 a
FPSO – Firenze	365

a - The vessel underwent scheduled maintenance for the balance of the period.

b - The vessel began working in mid October on a contract in Nigeria.

Onshore Drilling:

millions of euros

	1998 f y	1999 f y
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Revenues	140	96
Operating expenses	(102)	(80)
Depreciation	(7)	(6)
Contribution from operations (*)	31	10
New orders	166	64

The outstanding backlog of at 31st of December 1999 amounted to 66 million euros, of which, 51 million is expected to be executed in 2000.

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

- The noticeably reduced revenue and contribution from operations, of 44 and 21 million euros respectively, is attributable to lower national and international market levels, resulting in reduced utilisation of some units and lower dayrates.
- The most significant awards for the period were:
 - The charter of a drilling unit in Saudi Arabia for 3 years, with an option of a further one year, on behalf of Saudi Aramco;
 - The extension of an existing charter contract, for three units in Italy, on behalf of the Agip division of Eni and the charter of a drilling unit in Malta, on behalf of Oil Explorer Malta.
 - The charter of a drilling unit in Algeria for the drilling of one well, with an option for a further six wells, on behalf of Louisiana Land & Exploration; and
 - The charter of a drilling unit in Georgia for the drilling of three wells, with an option for a further three wells, on behalf of Frontera.
- During the year, operations involved the use of 28 of the 37 land rigs owned by the Saipem Group (48% utilisation in 1999, 68% in 1998). The rigs were distributed as follows; 14 in Peru, 3 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt, 1 in Kazakhstan, 1 in India, 1 in Georgia and 1 in Malta. In addition, 3 rigs were jointly operated, whilst 6 rigs were utilised by Saipem, under management agreements with third party owners.

Onshore Construction:

millions of euros

	1998 f y	1999 f y
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Revenues	423	442
Operating expenses, before cost of materials	(290)	(266)
Cost of materials	(86)	(134)
Depreciation	(13)	(13)
Contribution from operations (*)	34	29
New orders acquired	366	265

The outstanding backlog at 31st of December 1999 amounted to 257 million euros, of which, 202 million is expected to be executed in 2000.

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

- The increase in revenue has resulted from an expansion in procurement activities, with a traditionally low value added. Contribution has improved, due to a recovery in operational efficiency, when compared to that of 1998, when excluding 11million euros accrued through the release of pre-existing provisions.
- The most significant contracts acquired during the year were:
 - The EPC (Engineering, Procurement, Construction) “Ratchaburi to Wang Noi Gas Pipeline” project, in Thailand, for the construction of a gas line, from the existing Yadana marine gas pipeline to the future onshore power station in Wang Noi, on behalf of the Petroleum Authority of Thailand. The contract was awarded to a consortium between Saipem Asia and Mitsui;
 - The extension of the Khuff Gas project contract, which already formed part of the Saudi Arabian Saipem backlog, and entails the laying of various diameter and length flow lines on behalf of Aramco;
 - The EPC “AG Gathering Pipelines Project – Obigbo Node Pipelines” on behalf of Shell Petroleum Development Company of Nigeria Ltd, for the construction of a gas transport system in the Port Harcourt area; and
 - The Nembe Associated Gas Gathering Project (in Nigeria) on behalf of Shell Petroleum Company of Nigeria Ltd/Willbros West Africa for the construction of various 12” and 24” diameter gas lines with relative pig launching stations.

- Major projects active during the year were:
 - Muglad (Sudan): EPC for the construction of seven pumping stations, a marine terminal with five tanks and an offshore pipeline;
 - Soku Gas Plant (Nigeria): an EPIC contract for the construction of a gas treatment plant;
 - Hawiyah (Saudi Arabia): for the construction of a 500 kilometre, gas distribution system and the conversion of an existing gas line into an oil pipeline;
 - TSKJ (Nigeria): the construction of a gas distribution system and a 209 kilometre water pipeline;
 - Mega (Argentina): EPC for the construction of a gas treatment plant, a pipeline, two pumping stations and a storage tank, and
 - Shoaiba (Saudi Arabia): an EPIC contract for a water distribution system in Jeddah, including the construction of a pumping station and the upgrading of 4 existing pumping stations.

The Board of Directors' meeting, to approve the draft financial statements, will be held on the 21st of March. The Ordinary Shareholders' meeting, to approve the statutory and consolidated financial statements, will be held on the 26th and 27th of April in first and second call respectively.

Please find attached the following statements:

- Reclassified Consolidated Balance Sheet
- Reclassified Consolidated Income Statements (by nature and destination of costs).

San Donato Milanese, 22nd February 2000

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(millions of euros)

	31 st December 1998	31 st December 1999
Net tangible fixed assets	885	1,223
Intangible fixed assets	25	32
Tangible and intangible fixed assets	910	1,255
- Offshore Construction	382	526
- Offshore Drilling and Floating Production	381	571
- Land Drilling	57	61
- Onshore Construction	70	68
- Others	20	29
Financial investments	<u>4</u>	<u>5</u>
Non-current assets (a)	914	1,260
Net current assets (b)	137	290
Employees' termination benefits (c)	(21)	(22)
CAPITAL EMPLOYED (d=a+b-c)	<u>1,030</u>	<u>1,528</u>
Group shareholders' equity (e)	894	961
Minority interests in net equity (f)	1	1
Net financial debt – medium and long term	43	42
Net financial debt – short term	<u>92</u>	<u>524</u>
Net debt (g)	135	566
COVER (h=e+f+g)	<u>1,030</u>	<u>1,528</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT BY NATURE OF COST

(millions of euros)

FOR THE YEAR ENDED	31 st of December 1998	31 st of December 1999
OPERATING REVENUES	1,705	1,467
Other income and revenues	32	18
Purchases, services and other costs	(1,162)	(978)
Payroll and related costs	(322)	(302)
GROSS OPERATING INCOME	253	205
Amortisation, depreciation and write-downs	(96)	(100)
OPERATING INCOME	157	105
Financial expenses, net	(9)	(12)
Income from investments, net	1	1
INCOME FROM ORDINARY ACTIVITIES	149	94
Extraordinary expenses, net	0	(4)
INCOME BEFORE INCOME TAXES	149	90
Income taxes	(35)	(21)
NET INCOME FOR THE YEAR	114	69
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE YEAR	<u>114</u>	<u>69</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT BY DESTINATION OF COST

FOR THE YEAR ENDED	(millions of euros)	
	31 st of December 1998	31 st of December 1999
OPERATING REVENUES	1,705	1,467
Production costs	(1,445)	(1,238)
Idle costs	(25)	(38)
Selling expenses	(14)	(16)
Research and development expenses	(3)	(3)
Other operating income, net	9	3
CONTRIBUTION FROM OPERATIONS	227	175
General and administrative expenses	(70)	(70)
OPERATING INCOME	157	105
Financial expenses, net	(9)	(12)
Income from investments, net	1	1
INCOME FROM ORDINARY ACTIVITIES	149	94
Extraordinary expenses, net	0	(4)
INCOME BEFORE INCOME TAXES	149	90
Income taxes	(35)	(21)
NET INCOME FOR THE YEAR	114	69
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE YEAR	<u>114</u>	<u>69</u>