

PRESS RELEASE DATED 9TH OF NOVEMBER 2000

THIRD QUARTER REPORT FOR 2000

The Saipem S.p.A. Board of Directors has today approved the unaudited consolidated financial statements for the quarter ended 30th of September 2000.

Third quarter

Revenues totalled 318 million euros (343 in the third quarter of 1999).

Operating income amounted to 40 million euros (20 in the third quarter of 1999).

Net income amounted to 23 million euros (13 in the third quarter of 1999).

Cash flow (net income plus depreciation and amortization) is 57 million euros (41 in the third quarter of 1999).

First nine months

Revenues totalled 861 million euros (1,119 in the first nine months of 1999).

Operating income amounted to 68 million euros (76 in the first nine months of 1999).

Net income amounted to 32 million euros (50 in the first nine months of 1999).

Cash flow is 128 million euros (124 in the first nine months of 1999).

As frequently mentioned, the volumes of work completed and the resultant profit levels, particularly in the Onshore and Offshore Construction sectors and, to a lesser extent, in both the Drilling sectors, are not linear over time as they are influenced not only by market performance but also by climatic conditions and project schedules. Consequently the results from any one particular period in a fiscal year can vary significantly therefore precluding a comparison with the same period in other fiscal years and the simple extrapolation of figures from a single quarter in the entire year.

Investments for the first nine months amounted to 162 million euros (329 in the same period in 1999) and mainly related to completion of the new deep water drillship Saipem 10000, conversion of the semi-submersible drilling rig Scarabeo 7 and construction, currently in progress, of a special Field Development Ship for deep water fields.

Investments for the third quarter (16 million euros) show a reduction of 86 million euros compared to the same period in 1999.

Net financial debt at 30th of September 2000 amounted to 811 million euros (566 at the end of 1999), an increase of 245 million euros, of which 58 million refer to the third quarter of 2000.

The completion of the most significant investments followed by new vessels becoming operational, together with receipt of 174 million euros contractually provided for within the last quarter of 2000 in relation to the Blue Stream project (at the end of October, 58 million already received), all support the expectation of a significant reduction in the level of debt by year end.

New Orders and Backlog

The backlog at the end of September 2000 amounted to 2,662 million euros (2,588 at 31st of December 1999).

In the first nine months of the year the Group was awarded new orders for a total of 935 million euros (564 million in the same period in 1999), of which 683 million refer to the strategic sectors of Offshore Construction and Drilling.

In respect of the Onshore Construction sector, following the close of the third quarter the Group was awarded the Karachaganak Development project in Kazakhstan, on behalf of Karachaganak Petroleum Operating BV (a Joint Company comprising: British Gas, Eni, Texaco and Lukoil). This contract, which was acquired in consortium with Consolidated Contractor Int. Co. (CCC) amounts to approximately 391 million euros for Saipem's share.

In October, Saipem also finalized the transfer to consortium members Snamprogetti, Aquater and Consorzio Cooperative Costruttori of 98.1% of its share (13.7%) in the Cepav 1 Consortium, responsible for construction of the Milano – Bologna stretch of the high speed train project. Following the transfer, the backlog decreased by 275 million euros.

Net extraordinary income

The net results for the first nine months benefited from extraordinary income (15 million euros) following the release of a specific provision accrued in prior years for a dispute with the Tax Authorities for alleged violations of foreign currency legislation, which has become redundant. This income was partially offset by extraordinary expenses incurred mainly for the rationalization of the organizational structure. The overall net income amounted to approximately 5 million euros.

Management Expectations for 2000 and 2001

The overall results in the first nine months together with expectations for the last quarter of 2000 support the previously announced growth of at least 20% in operating income compared to 1999.

The activities of the Blue Stream Project continue at a sustained pace following an agreement recently reached with the client, pending the settlement of some formalities related to financing, which momentarily delay the entrance into effect of the contract.

This agreement provides for payment to the consortium led by Saipem of an amount equal to US\$ 255 million of which Saipem will receive US\$ 150 million.

The consortium has already received US\$ 140 million (50 million for Saipem) whilst the residual amount shall be paid by the end of the year.

On the basis of current information the fiscal year 2001 is expected to be a year of growth due to ongoing projects, commencement of projects acquired in 2000 and to a general market recovery both in traditional and technologically advanced sectors.

Financial flows

The increase in net financial debt of 245 million euros compared to 31st of December 1999 is the result of:

outflows

- investments in fixed tangible and intangible assets of 162 million euros;

- an increase in net current assets of 188 million euros. This was mainly due to the effects of currency hedging contracts associated to long-term projects, the release of excess provisions from previous years and to activities related to the Blue Stream project, cashed and to be cashed in the course of the last quarter of 2000;
- dividends distributed for 23 million euros;

inflows

- cash flow (net income plus amortization and depreciation) for 128 million euros.

Analysis by Business Sector

Offshore construction:

	(millions of euros)			
	Third quarter		First nine months	
	1999	2000	1999	2000
Operating revenues	169	178	593	386
Operating expenses net of cost of materials				
	(102)	(112)	(400)	(245)
Cost of materials	(33)	(18)	(97)	(59)
Depreciation and amortization	(13)	(14)	(28)	(41)
Contribution from operations (*)	21	34	68	41
New Orders acquired	77	151	257	488

(*) Operating income before general and administrative expenses

The backlog at 30th of September 2000 amounted to 1,465 million euros, of which 215 million euros will be executed during the last quarter of 2000.

In line with previous announcements, the first nine months of the fiscal year confirm the significant reduction in levels of activity as a result of interruption and/or postponement of investment programmes by Oil Companies. However there is a significant recovery in volumes and profits in the third quarter due to a general market recovery and to activities connected to the Blue Stream Project.

The consistent non-utilization of some vessels did however continue, resulting in idle costs for the period equal to 25 million euros (20 million at 30th of September 1999).

- The most significant contracts acquired during the first nine months are the following:
 - the Canyon Express project in the Gulf of Mexico on behalf of Elf Exploration Inc, for the installation of two 80 km, 12" diameter pipelines and the installation of the umbilicals. The contract was awarded to Saipem Inc.;
 - The Buccaneer project in the US, on behalf of Transco Williams Energy, for the construction of a 36" diameter, 675 km pipeline from Alabama to Florida. The contract was awarded to the Saipem Inc. and EMC Ltd. joint venture;
 - the Cakerawala project in Thailand on behalf of CTOC (Carigali – Triton Operating Company Sdn Bhd), for the detailed engineering, supply of

- materials, construction, installation and commissioning of three wellhead platforms. The contract was awarded to the Technip, Samsung, Saipem S.p.A. joint venture;
- The Fukanda Mwafi project (EPC Engineering, Procurement, Construction) in Congo on behalf of AGIP Recherches Congo, for the engineering, supply of materials and construction of two platforms. The contract was awarded to an association comprising Intermare Sarda S.p.A., Sasp Off-shore S.p.A. and Marino Rosetti S.p.A.;
 - The Helang project on behalf of Nippon Oil for the transport and installation of a platform on the Helang Field (Northern Borneo).
- The main projects under execution in the first nine months of the year were:
- The Blue Stream project on behalf of Blue Stream Pipeline Company B.V.: engineering, preparation of the Samsun logistic area in Turkey, setting-up of the compression station in Russia, modification of Saipem 7000 and the realization of special equipment and machinery for subsea intervention works. Finally the Japanese consortium has already produced approximately one-third of the pipes necessary for the first pipeline;
 - The Diana Hoover Project (Gulf of Mexico) on behalf of Exxon: for the transport and installation of a platform and the laying of risers and sealines in deep waters (1,400 meters) utilizing the new "J-lay" system on Saipem 7000;
 - The EPIC (Engineering, Procurement, Installation, Commissioning) Cantarell 28 project (Gulf of Mexico) on behalf of Pemex: for the laying of various diameter and length sealines for a total of 62 km;
 - The year 2000 Offshore Campaign (Italy) on behalf of Eni-Agip: for the installation of structures and the laying of sealines in the Adriatic sea;

Offshore Drilling and Floating Production:

	Third quarter		First nine months	
	1999	2000	1999	2000
Operating revenues	41	59	124	169
Operating expenses	(18)	(31)	(64)	(91)
Depreciation and amortization	(10)	(11)	(25)	(29)
Contribution from operations (*)	13	17	35	49
New orders acquired	1	132	27	195

(millions of euros)

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

The backlog at 30th of September 2000 amounted to 648 million euros, of which 66 million euros will be executed during the last quarter of 2000.

- Revenues for the first nine months increased by 36% compared to the same period in 1999. This was mainly due to full utilization of the semi-submersible rig Scarabeo 4, which was totally idle in the first nine months of 1999, commencement of activities on the semi-submersible drilling rig Scarabeo 7, which is currently operating offshore Crotona, and utilization of the new deep water drillship Saipem 10000, which is operating offshore Otranto. Consequently the contribution from operations for the first nine months (49 million euros) shows an increase of 14 million euros compared to the same period in 1999.
- The most significant acquisitions during the first nine months relate to the extension of contracts concerning, in particular, the charter of Scarabeo 5 in Norway on behalf of Norsk Hydro, of Saipem 10000 on behalf of Eni-Agip, of Scarabeo 4 in Nigeria on behalf of Belbop and NAOC, of Perro Negro 5 in Nigeria on behalf of Belbop, of Scarabeo 3 in Congo on behalf of Agip Recherches Congo and the acquisition of a new contract for the charter of Perro Negro 2 in Nigeria, on behalf of ELF.

▪ MAJOR EQUIPMENT UTILIZATION

Vessel Type

Days under contract

Semi-submersible Drilling Vessels

Scarabeo 3	181 a
Scarabeo 4	274
Scarabeo 5	259 b
Scarabeo 6	274
Scarabeo 7	104 c

Jack Ups

Perro Negro 2	249 b
Perro Negro 3	196 b
Perro Negro 4	274
Perro Negro 5	274
Drillship Saipem 10000	106 c.
FPSO – Firenze	274

a – The balance was spent in maintenance activities and in preparation of the vessel for a new project.

b – The balance was spent in maintenance activities.

c – Days remunerated since commencement of contract

Onshore drilling:

	(millions of euros)			
	Third quarter		First nine months	
	1999	2000	1999	2000
Operating revenues	22	33	76	94
Operating expenses	(19)	(24)	(63)	(68)
Depreciation and amortization	(1)	(3)	(6)	(9)
Contribution from operations (*)	2	6	7	17
New orders acquired	8	42	33	166

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

The backlog at 30th of September 2000 amounted to 138 million euros, of which 26 million euros will be executed during the last quarter of 2000.

- In confirmation of the positive trend already registered at the close of the first six months of 2000, operating revenues increased by 24% compared to the same period in 1999. The increased utilization of drilling units associated with a recovery in day rates led to a contribution from operations of 17 million euros compared to 7 million for the same period in 1999.
- The most significant contracts awarded during the first nine months of 2000 were:
 - the three year contract, with a further three one year options, awarded to SaiPar Drilling Company B.V., (a company jointly owned and managed by Saipem and Parker Drilling, one of the most important American operators in the sector), for the charter of six drilling units (three supplied by Saipem and three supplied by Parker) for the development of the Karachaganak field, in Kazakhstan, on behalf of KPO B.V. (a Joint Company comprising British Gas, Eni, Texaco and Lukoil);
 - the charter of rigs in Peru on behalf of Pluspetrol to be used for work-over activities;
 - the charter of a drilling unit in Bolivia on behalf of Intergas/Dong Won;
 - the charter of a drilling unit in Algeria on behalf of Oryx Algeria (Timissit) Energy Company.
- Operations involved the average use of 61% of the rigs (44% in the same period in 1999) distributed as follows: 14 in Peru, 3 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt,

1 in Kazakhstan, 1 in Georgia, 1 in Argentina and 1 in Bolivia. Furthermore 6 third party rigs were operated by Saipem and 3 rigs have been utilized by Saipem under management agreement with third party owners.

Onshore construction:

	(millions of euros)			
	Third quarter		First nine months	
	1999	2000	1999	2000
Operating revenues	110	48	326	212
Operating expenses net of cost of materials				
	(63)	(30)	(186)	(143)
Cost of materials	(43)	(14)	(111)	(46)
Amortization and depreciation	(3)	(5)	(9)	(12)
Contribution from operations(*)	1	(1)	20	11
New orders acquired	78	55	247	86

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

The backlog at 30th of September 2000 amounted to 137 million euros, of which 47 million euros will be executed during the last quarter of 2000.

- The contribution from operations in the first nine months (11 million euros) decreased by 9 million euros compared to the same period in 1999. This is mainly due to a delay in the acquisition of new projects and to lower profitability of some projects currently under completion.

The results for the first nine months benefited from the positive contribution from works related to the high speed train project for the Milano-Bologna stretch.

- The most significant contracts acquired during the first nine months of the year were:
 - Project Fahud – Sohar in Oman, on behalf of Oman Gas Company (OGC), for laying a 32” diameter, 305 km pipeline. The contract was awarded to a joint venture comprising Saipem, Snamprogetti and Consolidated Contractors International Company
 - the extension of the Hawiyah contract in Saudi Arabia on behalf of Saudi Aramco, for the laying of a system of gas lines of various diameters and lengths.

Furthermore, as already mentioned, in early October, Saipem, in association with Consolidated Contractors Int. Co., was awarded a contract by Karachaganak Petroleum Operating B.V., for the execution of works related to the project for the development of the large Karachaganak oil field in Western Kazakhstan.

- The main projects under execution during the first nine months of the year were:
 - the EPC (Engineering, Procurement, Construction) “Ratchaburi to Wang Noi Gas Pipeline” project in Thailand, for the construction of a Gas Line System from the existing Yadana Gas Pipeline to the future Power Station in Wang Noi, on behalf of the Petroleum Authority of Thailand;
 - the EPC (Engineering, Procurement, Construction) project “AG Gathering Pipelines Project – Obigbo Node Pipelines” in Nigeria, on behalf of Shell Petroleum Development Company of Nigeria Ltd. for the construction of a gas transport system at the AG Plants of Imo River, Obigbo and Agdada in the Port Harcourt area;
 - the “Nembe Associated Gas Gathering Project” in Nigeria, on behalf of Willbros West Africa, for the laying of 27 km of 12” and 24” gas lines. The work is performed by Saipem S.p.A. and Belfinger Berger jointly.
 - the EPC Muglad (Sudan) project: for the construction of seven pumping stations, a terminal including five tanks and an offshore line;
 - the EPC Shoaiba project (Saudi Arabia) on behalf of Saline Water Conversion Corporation: for the construction of a water pipeline, a pumping station and for increasing the capacity of four existing pumping stations;
 - the Hawiyah project (Saudi Arabia) on behalf of Aramco: for the construction of

- a 580 km gas line system and the conversion of an existing gas line to an oil line;
- the EPC Mega project (Argentina): for the construction of a gas treatment plant, a gasline and two pumping stations and a storage plant.

Attached are the following statements relating to the Saipem Group: the Reclassified Balance Sheet and Income Statements (the Consolidated Income Statements have been reclassified by nature and destination of costs).

San Donato Milanese, 9th of November, 2000

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(millions of euros)

	31 December 1999	30 September 2000 (*)
Net tangible fixed assets	1,223	1,285
Intangible fixed assets	<u>32</u>	<u>36</u>
	1,255	1,322
- Offshore construction	526	522
- Offshore drilling and Floating Production	571	649
- Onshore drilling	61	60
- Onshore construction	68	57
- Others	29	34
Financial investments	<u>5</u>	<u>5</u>
Non-current assets	1,260	1,327
Net working capital	348	522
Provision for contingencies	<u>(58)</u>	<u>(44)</u>
Net current assets	290	478
Employee's termination benefits	(22)	(22)
CAPITAL EMPLOYED – NET	<u>1,528</u>	<u>1,782</u>
Share capital	227	227
Reserves and profit for the period	<u>734</u>	745
Group shareholders' equity	961	971
Minority interests in net equity	1	-
Net financial debt	566	811
COVER	<u>1,528</u>	<u>1,782</u>

(*) the amounts do not include translation adjustments for the conversion of balance sheets of Group companies expressed in foreign currencies.

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT BY NATURE OF COSTS

(millions of euros)

	Third quarter		First nine months	
	1999	2000	1999	2000
OPERATING REVENUES	343	318	1,119	861
Other revenues and income	1	2	7	6
Purchases, services and costs	(221)	(172)	(748)	(494)
Payroll and related costs	(75)	(74)	(228)	(209)
GROSS OPERATING INCOME	48	74	150	164
Amortization and depreciation	(28)	(34)	(74)	(96)
OPERATING INCOME	20	40	76	68
Financial expenses, net	(2)	(12)	(10)	(27)
INCOME BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	18	28	66	41
Extraordinary income, net	-	5	-	5
INCOME BEFORE INCOME TAXES	18	33	66	46
Income taxes	(5)	(10)	(16)	(14)
NET INCOME FOR THE PERIOD	13	23	50	32
Income for the period attributable to third parties	-	-	-	-
GROUP NET INCOME FOR THE PERIOD	<u>13</u>	<u>23</u>	<u>50</u>	<u>32</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT BY DESTINATION OF COST

(millions of euros)

	Third Quarter		First nine months	
	1999	2000	1999	2000
Operating revenues	343	318	1,119	861
Production costs	(289)	(248)	(944)	(694)
Idle costs	(11)	(6)	(30)	(32)
Selling expenses	(6)	(15)	(13)	(14)
Research and development costs	-	-	(2)	(1)
Other operating expenses	-	(3)	-	(2)
CONTRIBUTION FROM OPERATIONS	37	56	130	118
General and administrative expenses	(17)	(16)	(54)	(50)
OPERATING INCOME	20	40	76	68
Financial expenses, net	(2)	(12)	(10)	(27)
INCOME BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	18	28	66	41
Extraordinary income, net	-	5	-	5
INCOME BEFORE INCOME TAXES	18	33	66	46
Income taxes	(5)	(10)	(16)	(14)
NET INCOME FOR THE PERIOD	13	23	50	32
Income for the period attributable to third parties	-	-	-	-
GROUP NET INCOME FOR THE PERIOD	<u>13</u>	<u>23</u>	<u>50</u>	<u>32</u>