

PRESS RELEASE

THIRD QUARTER REPORT - 30TH OF SEPTEMBER 2001

The Saipem S.p.A. Board of Directors has today approved the Group's unaudited financial statements related to the third quarter and the nine-months period ended 30th of September 2001.

Third quarter

Revenues totalled 546 million euros (318 million in the third quarter of 2000).

Operating income amounted to 71 million euros (40 million in the third quarter of 2000).

Net income amounted to 47 million euros (23 million in the third quarter of 2000).

Cash flow (net income plus depreciation and amortisation) amounted to 91 million euros (57 million in the third quarter of 2000).

First nine months

Revenues totalled 1,282 million euros (861 million in the same period of 2000).

Operating income amounted to 163 million euros (68 million in the same period of 2000).

Net income amounted to 102 million euros (32 million in the same period of 2000).

Cash flow amounted to 226 million euros (128 million in the same period of 2000).

As frequently mentioned, the volumes of work completed and the resultant 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 linear over time as they are influenced not only by market performance but also by climatic conditions and projects 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.

As from the current quarterly report, information and data relating to Floating Production activities, previously commented together with Offshore Drilling, will be presented

separately. This is due to the importance of the new contracts and the associated capital expenditure. Therefore, in order to allow an uniform comparison with the corresponding periods for 2000, the historical information has also been reclassified.

Investments for the first nine months, including company acquisitions, amounted to 259 million euros (162 million for the same period of 2000) and was mainly related to completion of a "Field Development Ship" – a multipurpose vessel for subsea developments, the upgrading of some onshore drilling rigs and the preparation of vessels and equipment necessary for the execution of some important projects including, Blue Stream (Russia – Turkey) and the Karachaganak Development (Kazakhstan). The investments for the period also include, the acquisition of the engineering companies Moss Maritime, Petro-Marine and 50% of SASP Offshore Engineering (70 million euros in total).

Investments for the third quarter, including the above mentioned acquisitions of Moss Maritime and Petro-Marine, amounted to 134 million euros (16 million euros for the same quarter of 2000).

Net financial debt at 30th of September 2001 amounted to 646 million euros, an increase of 66 million euros compared to 31st of December 2000 and 69 million euros compared to 30th of June 2001. In both cases, the increase can be entirely attributed to the before mentioned acquisitions.

New orders and backlog

During the first nine months of 2001, Saipem was awarded new contracts totalling 1,815 million euros (935 million euros for the same period of 2000), of which 1,287 million euros refer to the Offshore sectors (Construction, Drilling and Floating Production).

Contracts awarded during the third quarter amounted to 634 million euros (380 million for the same quarter of 2000).

The most significant awards in the third quarter are as follows:

Offshore Construction:

- the EPIC (Engineering, Procurement, Construction and Installation) project named Kizomba, in Angola, on behalf of Exxon-Mobil, through the joint venture with Bouygues Offshore, Saibos;
- the Panyu project, in China, on behalf of Santa Fe Resources, for the installation of a platform;
- the Penguin project, in U.K., on behalf of Shell, for the laying of a sealine in the North Sea;
- the charter of R.O.V. (remotely operated vehicle), in North Sea and Gulf of Mexico, on behalf of Shell.

Floating Production:

- the EPIC project, on behalf of Agip Energy & Natural Resources Nigeria, for the supply and management of 2 FPSOs for the development of the offshore Nigeria, fields of Okono e Okpoho, through a joint venture with Single Buoy Moorings.

Offshore Drilling:

- Workover activities, in Congo, on behalf of Agip Recherches Congo.

Onshore Drilling:

- the charter of three rigs for three years, in Peru, on behalf of Pluspetrol;
- the charter of six rigs for three years, in Peru, on behalf of Perez Companc.

Onshore Construction:

- the train gass injection compressor installation project, in Nigeria, on behalf of NAOC.

Backlog at the end of September 2001 was 3,123 million euros ^(*), an all time record (2,630 million euros at 31st of December 2000).

^(*) the cancellation of the *Buccaneer* project, during the first few months of the year, resulted in a reduction of 40 million euros in backlog.

Subsequent awards, after the closure of the third quarter, totalled 200 million euros, of which 126 million euros relate to Offshore Construction, 46 million euros to Onshore Drilling and 28 million euros to Onshore Construction.

Some of the more significant new awards include:

Offshore Construction

- the Chirag project - Full Field Development Phase 1, in Azerbaijan, on behalf of A.I.O.C, for the transport and installation of two platforms;
- the Clair Phase 1, in Great Britain, on behalf of British Petroleum, for the transport and installation of a platform and a template.

Onshore Drilling

- the charter of a rig for three years, with an option for a further two years, in Astrakhan (Russia), on behalf of Agip Energy B.V..

Onshore Construction

- the Gas Pipeline to the West (section 3) project, in Ireland, on behalf of Bord Gais Eireann, for the construction of a gas line.

Other information

Acquisition of 50% of European Marine Contractors (EMC)

As previously announced, on the 12th of October 2001 Saipem has agreed with Halliburton Brown & Root terms and conditions for the acquisition of the 50% stake in EMC. The remaining 50% was already held by Saipem, via Saipem UK.

The acquisition will be made by a "Newco", managed and consolidated by Saipem using the full consolidation method, with a capital of 50 million US dollars, 90% owned by Eni International Holding BV and 10% owned by Saipem International BV. The Newco will also purchase 25% of Saipem UK. This structure may allow certain tax synergies.

Accident on Saipem 10000

As previously announced, on the 17th of September, the Saipem 10000 drillship accidentally lost an important safety related-device (Blow Out Preventer – B.O.P.) and the associated connecting system with the vessel (Riser) in approximately 2000m of water off the coast of Equatorial Guinea. Whereas recovery operations of the equipment are well advanced, it is now expected that repairs to the B.O.P. and substitution of the risers will allow Saipem 10000 to return to operations towards the end of March / early April 2002 in terms of an ongoing contract which expires at the end of May 2006.

At that time, the vessel, will be able to operate in waters up to approximately 1,700 metres, due to a lack of the full complement of risers.

Restoration of full capacity to operate in waters of up to 3,000 metres will occur gradually and is expected by the end of October 2002.

Costs relative to the loss of equipment or their repair is covered by insurance.

Following the period during which the vessel is working on behalf of the insurers for the recovery of the lost equipment, up to 25/30 of November 2001, and a subsequent 28-day insurance exclusion period which will be charged to the 4th quarter 2001, the insurance provisions relating to loss of hire associated with temporary non use of the vessel, will allow Saipem to collect the full contractual rate for the vessel until 25/30 of March 2002.

Forecast for 2001

The target announced at the beginning of the year 2001 was to achieve a much higher operating income as compared with the year 2000. This was achieved during the first nine months of the year, inasmuch as result to 30th of September 2001 indicates an operating income approximately 23% higher than for the whole of 2000.

The last quarter of 2001 will be greatly influenced by the Blue Stream project, during which the first of two gaslines, for the transport of gas from Russia to Turkey under the Black Sea, is being laid in ultra deep water (this line is currently being installed by the Saipem 7000 in water depth in excess of 2,000 m.).

Of particular importance, in terms of economic results are:

- the pipelay productivity, expressed in Km/day, of the vessel Saipem 7000,
- the result of negotiations with the client relating to additional costs deriving from the delay in the commencement of activities on the Russian side and to a lesser extent on the Turkish side, due to a delay in obtaining construction permits by the Client.

In view of the foregoing and based on current information, management expects an operating result for the 4th quarter 2001 in line with the record level achieved in the 3rd quarter 2001.

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

Financial flows

Net debt as at 30th of September 2001 amounted to 646 million euros, an increase of 66 million euros compared to 31st of December 2000, due to:

outflows

- capital expenditure in tangible and intangible assets (including acquisition of companies) for 259 million euros;
- financial investment in non consolidated companies for 1 million euros;
- the distribution of dividends of 27 million euros;
- a net current assets increase of 12 million euros;

inflows

- cash flow (net income plus amortisation) for 226 million euros;
- sale of tangible assets for 5 million euros;
- capital and reserves of third parties of 2 million euros.

Operating review

Offshore Construction:

(Millions of euros)

	Third quarter		First nine months	
	2000	2001	2000	2001
Operating revenues	178	331	386	745
Operating expenses, net of cost of materials	(112)	(222)	(245)	(473)
Cost of materials	(18)	(38)	(59)	(110)
Depreciation and amortisation	(14)	(20)	(41)	(54)
Contribution from operations (*)	34	51	41	108
Orders awarded	151	333	488	837

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

The backlog at 30th of September 2001 amounted to 1,364 million euros, of which 325 million euros are expected to be executed in the last quarter of 2001.

- The Blue Stream project and the increased activities in West Africa and the Gulf of Mexico led to 93% higher revenues for the period ending 30th of September 2001 with respect to those for the corresponding period of 2000.
- Contribution from operations for the first nine months of 2001 amounted to 108 million euros, equal to 14.5% of revenues, versus the 41 million euros, equal to 10.6% of revenues, for the corresponding period of 2000. The improvement in profitability is mainly due to increased operational activities, which allowed a decrease of the idle costs and improved operating efficiency.

Floating Production:

(Millions of euros)

	Third quarter		First nine months	
	2000	2001	2000	2001
Operating revenues	5	5	13	14
Operating expenses	(1)	(1)	(2)	(3)
Depreciation and amortisation	(3)	(3)	(8)	(8)
Contribution from operations (*)	1	1	3	3
Orders awarded	-	174	-	174

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

The backlog at 30th of September 2001 amounted to 189 million euros, of which 4 million euros are expected to be executed during the last quarter of 2001.

- Revenues for the first nine months of 2001, as well as the associated profitability do not show any noticeable variation with respect to that for the corresponding period of 2000, deriving from the same ongoing contract in 2000.
- The vessel, FPSO - Firenze has operated without interruption since the beginning of the year: the same performance was achieved during the first nine months of 2000.

Offshore Drilling:

(Millions of euros)

	Third quarter		First nine months	
	2000	2001	2000	2001
Operating revenues	54	75	156	219
Operating expenses	(30)	(42)	(89)	(114)
Depreciation and amortisation	(8)	(10)	(21)	(31)
Contribution from operations (*)	16	23	46	74
Orders awarded	132	22	195	276

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

The backlog at 30th of September 2001 amounted to 610 million euros, of which 75 million euros are expected to be executed during the last quarter of 2001.

- Revenues for the first nine months showed a 40% increase over the same period of 2000, mainly due to the availability use of the new deep water drilling vessels Saipem 10000 and Scarabeo 7 for the whole period, as compared with the year 2000 during which they were only operational during the third quarter. Additional revenues for the third quarter 2001 derive from reimbursement of costs sustained for the transfer of Perro Negro 2 and of Perro Negro 3 to new operational areas.
- Contribution from operations during the first nine months increased by 28 million euros versus the same period of 2000, with a proportion on revenues increasing from 29% to 34%, due to the effect of an increased use of the vessels and higher day rates.

- Equipment utilisation was as follows:

<i>Vessel type</i>	<i>Days under contract</i>	
Semisubmersible platform Scarabeo 3	233	a
Semisubmersible platform Scarabeo 4	273	
Semisubmersible platform Scarabeo 5	273	
Semisubmersible platform Scarabeo 6	242	a
Semisubmersible platform Scarabeo 7	203	b
Drillship Saipem 10000	273	c
Jack up Perro Negro 2	238	a
Jack up Perro Negro 3	124	d
Jack up Perro Negro 4	273	
Jack up Perro Negro 5	273	

- a** - For the remaining portion of 273 days, the vessel was being prepared for new contracts.
- b** - For the remaining portion of 273 days, the vessel has been upgraded for operation in water depths up to 1,500 m. in West Africa. During the upgrading period the Client recognised a reduced day rate.
- c** - Including days during which the vessel worked to recover equipment on behalf of insurers.
- d** - For the remaining portion of 273 days, the jack up was undergoing structural repair.

Onshore Drilling:

	(Millions of euros)			
	Third quarter		First nine months	
	2000	2001	2000	2001
Operating revenues	33	41	94	115
Operating expenses	(24)	(31)	(68)	(86)
Depreciation and amortisation	(3)	(5)	(9)	(14)
Contribution from operations (*)	6	5	17	15
Orders awarded	42	75	166	295

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

The backlog at 30th of September 2001 amounted to 307 million euros, of which 39 million euros are expected to be executed during the last quarter of 2001.

- Revenues for the first nine months of 2001 were 22% higher than those for the same period of 2000, mainly due to the effect of contracts acquired in Saudi Arabia and Kazakhstan.
- Contribution from operations fell by 2 million euros compared to the same period of 2000, from 18% to 13% of revenues, due to increased depreciation related to investments required for the execution of new contracts as well as the initial costs associated with the de-mothballing of rigs which were previously cold-stacked.
- Average utilisation of land rigs during the first nine months of 2001 was 70% (61% in the same period of 2000) distributed as follows; 14 in Peru, 4 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt, 2 in Kazakhstan and 3 in Saudi Arabia.
In addition 8 third party rigs were operated by Saipem, 1 third party rig was operated in Peru by the joint company SaiPar in Kazakhstan. Finally, 5 jointly owned rigs were operated - 1 in Italy, 1 in Venezuela and 3 in Kazakhstan.

Onshore Construction:

(Millions of euros)

	Third quarter		First nine months	
	2000	2001	2000	2001
Operating revenues	48	94	212	189
Operating expenses, net of cost of materials	(30)	(60)	(143)	(117)
Cost of materials	(14)	(20)	(46)	(43)
Depreciation and amortisation	(5)	(5)	(12)	(13)
Contribution from operations (*)	(1)	9	11	16
Orders awarded	55	30	86	233

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

The backlog at 30th of September 2001 amounted to 653 million euros, of which 95 million euros are expected to be executed during the last quarter of 2001.

- Operating activities relative to sizeable projects in Kazakhstan and Saudi Arabia resulted in significantly higher revenues during the third quarter of 2001 as compared with the same quarter of 2000, even though cumulative revenues to 30th of September 2001 were 11% lower than those for the preceding year.
- Contribution from operations for the first nine months of 2001 amounted to 16 million euros, equal to 8.5% of revenues, versus 11 million euros, equal to 5.2% of revenues, for the same period of 2000. The improved profitability was due to the focus upon complex projects in difficult areas, where the Group believes it has a competitive advantage.

Attached are the following statements:

Reclassified consolidated balance sheet; Reclassified consolidated income statement by nature of costs and Reclassified consolidated income statement by destination of costs.

San Donato Milanese, 12th of November 2001

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Millions of euros)

	31 st of December 2000	30 th of September 2001 (*)
Net tangible fixed assets	1,338	1,398
Intangible fixed assets, net	<u>32</u>	<u>102</u>
	1,370	1,500
Of which:		
- Offshore Construction	551	640
- Floating Production	32	37
- Offshore Drilling	628	608
- Onshore Drilling	62	94
- Onshore Construction	62	81
- Others	35	40
Financial investments	<u>5</u>	<u>6</u>
Non current assets	1,375	1,506
Working capital	288	320
Provision for contingencies	<u>(49)</u>	<u>(69)</u>
Net current assets	239	251
Employees' termination pay	(23)	(23)
CAPITAL EMPLOYED	<u>1,591</u>	<u>1,734</u>
Group shareholders' equity	1,011	1,086
Minority interest in net equity	-	2
Net debt	580	646
COVER	<u>1,591</u>	<u>1,734</u>

(*) The amounts do not include translation adjustment 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	
	2000	2001	2000	2001
Operating revenues	318	546	861	1.282
Other revenues and income	2	3	6	13
Purchases, services and other costs	(172)	(329)	(494)	(745)
Payroll and related costs	(74)	(105)	(209)	(263)
GROSS OPERATING INCOME	74	115	164	287
Amortisation, depreciation and write-downs	(34)	(44)	(96)	(124)
OPERATING INCOME	40	71	68	163
Financial expenses, net	(12)	(8)	(27)	(27)
INCOME BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	28	63	41	136
Extraordinary income (expenses)	5	-	5	(1)
INCOME BEFORE INCOME TAXES	33	63	46	135
Income taxes	(10)	(16)	(14)	(33)
NET INCOME FOR THE PERIOD	<u>23</u>	<u>47</u>	<u>32</u>	<u>102</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT BY DESTINATION OF COSTS

(Millions of euros)

	Third quarter		First nine months	
	2000	2001	2000	2001
Operating revenues	318	546	861	1,282
Production costs	(248)	(440)	(694)	(1,020)
Idle costs	(6)	(6)	(32)	(27)
Selling expenses	(5)	(8)	(14)	(19)
Research and development expenses	-	-	(1)	(1)
Other operating income (expenses), net	(3)	(3)	(2)	1
CONTRIBUTION FROM OPERATIONS	56	89	118	216
General and administrative expenses	(16)	(18)	(50)	(53)
OPERATING INCOME	40	71	68	163
Financial expenses, net	(12)	(8)	(27)	(27)
INCOME BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	28	63	41	136
Extraordinary income (expenses)	5	-	5	(1)
INCOME BEFORE INCOME TAXES	33	63	46	135
Income taxes	(10)	(16)	(14)	(33)
NET INCOME FOR THE PERIOD	<u>23</u>	<u>47</u>	<u>32</u>	<u>102</u>