

PRESS RELEASE DATED 26th OF FEBRUARY 2001 YEAR 2000 PRELIMINARY CONSOLIDATED RESULTS

The Saipem S.p.A. Board of Directors has today reviewed the unaudited preliminary consolidated financial statement of the Saipem Group for the year ended 31st of December 2000.

Revenues totalled 1,310 million euros (1,467 in 1999).

Operating income was 133 million euros (105 in 1999).

Net income was 80 million euros (69 in 1999) equal to 0.18 euro income per share (0.16 in 1999).

Cash flow (net income plus depreciation and amortization) was 216 million euros (169 in 1999).

There was a gradual overall recovery in investment by Oil Companies during the course of 2000 compared to the significant contraction during 1999.

The recovery has exclusively concerned the Drilling sectors whilst investments in the construction of plants and laying of pipelines have undergone a further contraction. In line with market trend, Saipem Group **revenues** decreased, compared with the previous fiscal year. Revenues decreased in both the Offshore and Onshore Construction segments, and increased in Drilling. The latter was also due to the new drilling vessels Saipem 10000 and Scarabeo 7 becoming operational in the second half of the fiscal year.

Operating income increased by 26.7% with respect to the previous fiscal year compared with announced target of at least 20%.

Net income increased by approximately 16% with respect to 1999 notwithstanding a significant increase in financial expenses, as a consequence of a rise in average financial debt due both to our capex expenditure, and to higher interest rates.

Cash flow increased by 27.8% with respect to the previous fiscal year, due to the increase in both net income and depreciation and amortization.

Capital expenditures for the fiscal year amounted to 231 million euros (412 in 1999), mainly related to completion of the new deep water drillship Saipem 10000 and conversion of the semi-submersible drilling rig Scarabeo 7, as well as construction, currently under completion, of a special Field Development Ship for deepwater fields. The reduction of the level of capex for the fiscal year reflects the substantial completion of the 4-year capital investment programme, which had as its primary objective, the strengthening of the Saipem Group's operating capacity in deepwater.

Net financial debt at 31st of December 2000 was 580 million euros (566 at 31st of December 1999).

During the last quarter net financial debt decreased significantly (231 million euros with respect to the level at 30th of September) due to receipt of the advance payment along with amounts contractually due on the Blue Stream project when the contract became effective.

New Orders and Backlog

The backlog at 31st of December 2000 was 2,630 million euros (2,588 at 31st of December 1999). It should be noted that the 1999 year end data included an amount of 280 million euros relative to Saipem's stake in the Cepav 1 consortium, for the construction of the Milan-Bologna stretch of the high speed train, which was sold in the year 2000 to other consortium partners.

During 2000 fiscal year, the Saipem Group was awarded new orders for a total of 1,627 million euros (1,591 million in 1999) of which 807 refer to Offshore Construction and Drilling segments.

Management Expectations for 2001

The recovery in capex by the Oil Companies is expected to extend to the Construction segments in 2001.

The expected improved market conditions, the high level of backlog, together with the Blue Stream Project, which is now fully operational, and the availability of new drilling vessels for the entire year, lead management to predict accelerating growth in operating income in 2001 fiscal year versus the increase achieved in 2000.

Last Quarter 2000

Revenues totalled 449 million euros (348 in the last quarter of 1999).

Operating income was to 65 million euros (29 in the last quarter of 1999).

Net income was to 48 million euros (19 in the last quarter of 1999).

Cash flow (net income plus depreciation and amortization) was 88 million euros (45 in the last quarter of 1999).

The results for the last quarter were influenced by:

- 11 million in proceeds from financial investments deriving from revision to the sale price of an investment, previously divested, upon positive resolution of a dispute (8 million euros), and receipt of dividends distributed by a non consolidated company (3 million euros). Both events are non-recurring.
- 5 million euros in extraordinary expenses mainly related to severance payments as a result of restructuring.

As consistently mentioned, the volumes of work completed and the resultant profit levels, particularly in the Onshore and Offshore Construction segments and, to a lesser extent, in both the Drilling sectors, are not linear over time as they are influenced not only by market conditions but also by weather and project schedules.

Consequently the results in any single quarter can vary significantly therefore rendering unreliable the interpretation of a single quarter as an indicator of the full year results.

The Board of Directors has also reviewed the group's financial flows and profitability by each business segment.

Financial Flows

The increase in net financial debt of 14 million euros with respect to 31st of December 1999, is the result of:

outflows

- investments in fixed tangible and intangible assets of 231 million euros;
- distributed dividends of 23 million euros;
- exchange translation differences of 31 million euros.

inflows

- cash flow (net income plus depreciation and amortization) of 216 million euros;
- divestments of 3 million euros;
- variation in employees' termination benefits of 1 million euros;
- reduction in net current assets of 51 million euros.

Analysis by Business Sector

Offshore Construction:

(millions of euros)

	Last Quarter		31st of December	
	1999	2000	1999	2000
Operating revenues	163	266	756	652
Operating expenses net of cost of materials	(93)	(160)	(493)	(405)
Cost of materials	(32)	(38)	(129)	(97)
Depreciation and amortization	(10)	(21)	(38)	(62)
Contribution from operations (*)	28	47	96	88
New Orders acquired	(**) 962	113	(**) 1,219	601

(*) Operating income before general and administrative expenses

(**) Includes the Blue Stream Project

The backlog at 31st of December 2000 was 1,312 million euros of which 800 million euros is expected to be executed in 2001.

- The levels of activity during the fiscal were affected by a further reduction in capex by Oil Companies.

The Blue Stream project, which is now fully operational, has however led to a significant recovery both in volumes and contribution in the second half of the year as compared with the first half.

- The most significant contracts acquired during 2000 were:
 - the Canyon Express project in the Gulf of Mexico on behalf of Elf Exploration Inc, for the installation of two pipelines and umbilicals. The contract was awarded to Saipem Inc.;
 - 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, Sasp and Marino Rosetti;
 - The Helang project on behalf of Nippon Oil for the transport and installation of a platform on the Helang Field (Northern Borneo). The contract was awarded to Saipem Malaysia.

- The main projects performed in the 2000 fiscal year were:
 - The Blue Stream project on behalf of Blue Stream Pipeline Company B.V.: engineering, preparation of the Samsun logistic site in Turkey, setting-up of the compression station in Russia and the development of specialised equipment for subsea intervention together with the performance of a subsea survey of the pipeline route. As part of the necessary preparations for the project, Saipem 7000 was utilized in a series of J-lay trials in a Norwegian Fjord. In conclusion, the Japanese consortium has produced approximately 40% 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 EPC (Engineering, Procurement, Installation, Commissioning) Cantarell 28 project (Gulf of Mexico) on behalf of Pemex: for the laying of sealines;

- The year 2000 Offshore Campaign (Italy) on behalf of Eni-Agip: frame agreement for the installation of structures and the laying of sealines in the Adriatic sea;

Offshore Drilling and Floating Production:

	Last quarter		31st of December	
	1999	2000	1999	2000
Operating revenues	46	77	170	246
Operating expenses	(30)	(39)	(94)	(130)
Depreciation and amortization	(11)	(13)	(36)	(42)
Contribution from operations(*)	5	25	40	74
New Orders acquired	16	11	43	206

(*) Operating income before general and administrative expenses

The backlog at 31st of December 2000 was 582 million euros, of which 240 million euros is expected to be executed in 2001.

- Revenues for the year increased by 45% with respect to 1999. This was mainly due to full utilization of the semi-submersible rig Scarabeo 4, which had been idle in the first ten months of 1999, commencement of operations of the semi-submersible drilling rig Scarabeo 7 and of the new deepwater drillship Saipem 10000. Consequently the contribution from operations for the year (74 million euros) shows an increase of 34 million euros with respect to 1999, accounting for 30% of revenues compared with 23.5% in 1999.
- The most significant acquisitions during the 2000 fiscal year relate to the extension of contracts involving Scarabeo 5 in Norway on behalf of Norsk Hydro, Saipem 10000 on behalf of Eni-Agip, Scarabeo 4 in Nigeria on behalf of Belbop and NAOC, Perro Negro 5 in Nigeria on behalf of Belbop, Scarabeo 3 in Congo on behalf of Agip Recherches Congo, Perro Negro 4 in Egypt on behalf of Petrobel, and the acquisition of a new contract for the charter of Perro Negro 2 in Nigeria, on behalf of ELF.

- Major equipment utilisation was as follows:

Vessel Type	Days under contract
Semi-submersible Drilling Vessels	
Scarabeo 3	248 a
Scarabeo 4	365
Scarabeo 5	332 b
Scarabeo 6	365
Scarabeo 7	177 d
Jack Ups	
Perro Negro 2	341 b
Perro Negro 3	287 c
Perro Negro 4	353 b
Perro Negro 5	365
Drillship Saipem 10000	189 d
FPSO – Firenze	365

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 – The balance was spent in maintenance and investment activities.

d – Days remunerated since commencement of contract.

Onshore Drilling:

(millions of euros)

	Last Quarter		31 st of December	
	1999	2000	1999	2000
Operating revenues	20	35	96	129
Operating expenses	(17)	(27)	(80)	(95)
Depreciation and amortization	-	(3)	(6)	(12)
Contribution from operations (*)	3	5	10	22
New Orders acquired	31	24	64	190

(*) Operating income before general and administrative expenses.

The backlog at 31st of December 2000 was to 127 million euros, of which 63 million euros is expected to be executed in 2001.

- The general recovery in activities, which was particularly strong in Latin America, and the commencement of new contracts in Saudi Arabia and Algeria led to an increase in revenues of 34% with respect to 1999.
- The increased utilization of rigs associated with a recovery in day rates led to a contribution from operations of 22 million euros (17% of revenues) compared to 10 million euros in 1999 (10% of revenues).
- The most significant contracts awarded during 2000 were:
 - the three year contract, with three further 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 rigs (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 two rigs in Italy on behalf of Eni-Agip;
 - the charter of two rigs in Nigeria on behalf of Nigerian Agip Oil Company;
 - the charter of a rig in Nigeria on behalf of ELF.
- Average utilisation of land rigs was 62% (48% in the same period in 1999) distributed as follows: 14 in Peru, 4 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 8 third party rigs were operated by Saipem and 3 rigs jointly managed by Saipem for third parties.

Onshore Construction:

(millions of euro)

	Last quarter		31 st of December	
	1999	2000	1999	2000
Operating revenues	120	71	442	283
Operating expenses net of cost of materials	(84)	(56)	(266)	(199)
Cost of materials	(23)	(9)	(134)	(55)
Depreciation and amortization	(4)	(1)	(13)	(13)
Contribution from operations (*)	9	5	29	16
New Orders acquired	18	544	265	630

(*) Operating income before general and administrative expenses

The backlog at 31st of December 2000 was 609 million euros, of which 226 million euros is expected to be executed in 2001.

- Intense commercial activity during the year led to important successes in the last quarter of 2000 with the acquisition of significant orders which will produce results from 2001 onwards.

Activities carried out in 2000 were limited to the completion of existing projects, which implied a reduction in revenue and contribution.

- The most significant contracts acquired during 2000 were:
 - A contract for the performance of civil, mechanical infrastructure, electrical instrumentation and insulation works for a development comprising a pipe-line, 2 gas re-injection units, 1 processing complex and a pumping station and terminal in Western Kazakhstan. This contract was awarded to Saipem in association with Consolidated Contractors Int. Co., by Karachaganak Petroleum Operating BV (a Joint Company comprising British Gas, Eni, Texaco and Lukoil);
 - An EPC (Engineering, Procurement, Construction) contract in association with Spie Capag, for the installation of six pumping stations and a terminal for the Haoudh El Hamra-Arzew pipeline in Algeria on behalf of Sonatrach.
 - Project Fahud – Sohar in Oman, on behalf of Oman Gas Company for the installation of a new pipeline, in association with Consolidated Contractors Int. Co. and Snamprogetti.

- The main projects performed during the 2000 fiscal 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 several gas lines. The work is performed by Saipem S.p.A. and Belfinger Berger jointly.
 - the EPC Shoaiba project (Saudi Arabia) on behalf of Saline Water Conversion Corporation for the construction of a water pipeline, a pumping station and upgrading of four existing pumping stations;
 - the Hawiyah project (Saudi Arabia) on behalf of Aramco for the construction of a 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, 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, 26th of February, 2001

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(millions of euros)

	31 st of December 1999	31 st of December 2000
Net tangible fixed assets	1,223	1,338
Intangible fixed assets	<u>32</u>	<u>32</u>
	1,255	1,370
Of which:		
- Offshore construction	526	551
- Offshore drilling and Floating Production	571	660
- Onshore drilling	61	62
- Onshore construction	68	62
- Others	29	35
Financial investments	<u>5</u>	<u>5</u>
Non-current assets	1,260	1,375
Net working capital	348	288
Provision for contingencies	<u>(58)</u>	<u>(49)</u>
Net current assets	290	239
Employees' termination benefits	(22)	(23)
CAPITAL EMPLOYED – NET	<u>1,528</u>	<u>1,591</u>
Share capital	227	227
Reserves and profit for the year	<u>734</u>	784
Group shareholders' equity	961	1,011
Minority interests in net equity	1	-
Net financial debt	566	580
COVER	<u>1,528</u>	<u>1,591</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

BY

NATURE OF COSTS

(millions of euros)

	Last Quarter		31 st of December	
	1999	2000	1999	2000
OPERATING REVENUES	348	449	1,467	1,310
Other revenues and income	11	10	18	16
Purchases, services and costs	(230)	(282)	(978)	(776)
Payroll and related costs	(74)	(72)	(302)	(281)
GROSS OPERATING INCOME	55	105	205	269
Depreciation, amortization and write-downs	(26)	(40)	(100)	(136)
OPERATING INCOME	29	65	105	133
Financial expenses, net	(2)	(12)	(12)	(39)
Income from financial investments	1	11	1	11
INCOME BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	28	64	94	105
Extraordinary expenses, net	(4)	(5)	(4)	-
INCOME BEFORE INCOME TAXES	24	59	90	105
Income taxes	(5)	(11)	(21)	(25)
NET INCOME FOR THE PERIOD	19	48	69	80
Income for the period attributable to third parties	-	-	-	-
GROUP NET INCOME FOR THE PERIOD	<u>19</u>	<u>48</u>	<u>69</u>	<u>80</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

BY

DESTINATION OF COSTS

(millions of euros)

	Last quarter		31 st of December	
	1999	2000	1999	2000
OPERATING REVENUES	348	449	1,467	1,310
Production costs	(294)	(357)	(1,238)	(1,051)
Idle costs	(8)	(8)	(38)	(40)
Selling expenses	(3)	(6)	(16)	(20)
Research and development costs	(1)	-	(3)	(1)
Other operating income – net	3	4	3	2
CONTRIBUTION FROM OPERATIONS	45	82	175	200
General and administrative expenses	(16)	(17)	(70)	(67)
OPERATING INCOME	29	65	105	133
Financial expenses, net	(2)	(12)	(12)	(39)
Income from financial investments	1	11	1	11
INCOME BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	28	64	94	105
Extraordinary expenses, net	(4)	(5)	(4)	-
INCOME BEFORE INCOME TAXES	24	59	90	105
Income taxes	(5)	(11)	(21)	(25)
NET INCOME FOR THE PERIOD	19	48	69	80
Income for the period attributable to third parties	-	-	-	-
GROUP NET INCOME FOR THE PERIOD	<u>19</u>	<u>48</u>	<u>69</u>	<u>80</u>