Saipem

PRESS RELEASE

Saipem: the Board of Directors approves third quarter ended 30th September 2005

- **Revenues:** 1,081 million euros *(Q3 2004: 1,158 million)*.
- **Operating Income:** 89 million euros *(Q3 2004: 80 million)*.
- **Net Income:** 63 million euros *(Q3 2004: 56 million)*.
- **Cash flow**: 115 million euros *(Q3 2004: 112 million)*.

San Donato Milanese, 7th November 2005. Today, the Board of Directors of Saipem S.p.A. has reviewed the Saipem Group consolidated third quarter report at 30th September 2005 (not subject to audit), which has been prepared in compliance with the new International Financial Reporting Standards (IFRS), ratified by the European Commission and to be adopted from 2005. To enable comparison with the corresponding period for 2004, figures have been appropriately adjusted, except for the effects associated with the evaluation and recognition of financial instruments, such as derivatives and hedging contracts, since Saipem has opted to introduce IAS 32 and IAS 39 as of 1st January 2005.

Third Quarter

Revenues totalled 1,081 million euros (1,158 million in the third quarter 2004).
Operating Income amounted to 89 million euros (80 million in the third quarter 2004).
Net Income amounted to 63 million euros (56 million in the third quarter 2004).
Cash flow (net income plus depreciation and amortisation) amounted to 115 million euros (112 million in the third quarter 2004).

First Nine Months

Revenues totalled 3,200 million euros (3,069 million in the same period 2004).
Operating Income amounted to 243 million euros (228 million in the same period 2004).
Net Income amounted to 171 million euros (159 million in the same period 2004).

Cash flow (net income plus depreciation and amortisation) amounted to 317 million euros (314 million in the same period 2004).

As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore Construction sectors, L.N.G. (Liquefied Natural Gas), and, to a lesser extent, in the Drilling, Leased FPSO and M.M.O. (Maintenance, Modification and Operation) sectors, are not consistent over time, as they are not only influenced by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

Investments in the first nine months 2005 amounted to 236 million euros (128 million in the same period 2004) and consisted mainly of the following: maintenance and upgrading of existing asset base (92 million euros); investments in vessels and equipment for specific projects, mainly Kashagan and Sakhalin (79 million euros); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (27 million euros); the acquisition of a tanker and the start of its conversion into an FPSO unit, due to operate on Petrobras' Golfinho 2 field in Brazilian waters (38 million euros).

Net financial debt at 30th September 2005 amounted to 1,046 million euros, an increase of 172 million euros versus 1st January 2005, due mainly to the high level of capital expenditure made during the period, the distribution of dividends amounting to 65 million euros and buy back of treasury shares amounting to 22 million euros.

New contracts and backlog

In the first nine months 2005, Saipem was awarded new contracts amounting to 3,322 million euros (3,140 million euros in the same period 2004), of which 2,498 million euros were in the Offshore sectors (Construction, Drilling and Leased FPSO).

During the third quarter, Saipem was awarded contracts amounting to 1,080 million euros (1,206 million euros in the same period 2004).

The most significant orders awarded in the third quarter include:

Offshore Construction:

- on behalf of Statoil, the Skinfaks/Rimfaks project in Norway, comprising the transport and installation of two sealines, umbilicals, spools and other subsea structures;
- on behalf of Canadian Natural Resources, the Columba E Water Injection project in the British sector of the North Sea, comprising installation, trenching and tie-in of an umbilical connecting the Columba E well to the topsides on the Ninian South platform.

Offshore Drilling:

- on behalf of Gujarat State Petroleum Corporation Ltd, the eighteen-month lease extension of the Jack Up Perro Negro 3 in India;
- on behalf of Burullus Gas Company, the three-month lease extension of the semi-submersible platform Scarabeo 6 in Egypt;
- on behalf of Eni Congo SA, one-year maintenance and workover operations in Congo.

Onshore Drilling:

- on behalf of KPO, the one-year lease of two rigs in Kazakhstan;
- on behalf of Zhaikmunai LLP, the one-year lease of one rig in Kazakhstan;
- on behalf of Repsol, the one-year lease of a rig in Algeria;
- on behalf of Repsol, the lease of two rigs, for two and five months respectively, in Venezuela.

Leased FPSO:

- on behalf of Petrobras, the contract for the provision and management of an FPSO unit due to operate on Golfinho 2 field off the coast of Brazil at a water depth of 1,400 metres. The firm contract lease period is nine years and may be extended for further three years with yearly options. In terms of the agreement Saipem is to convert a tanker into an FPSO unit with a storage capacity of up to 1,600,000 barrels and a production capacity of 100,000 barrels a day.

At the end of September 2005, the backlog stood at 5,428 million euros (5,306 million euros at 31st December 2004).

Management expectations for 2005

The positive overall trend of the market and Saipem's track record and competitiveness, especially on complex projects in frontier areas, underpin expectations for 2005 to achieve further revenue growth, improving on the 2004 record, as well as the award of new contracts to maintain the high backlog level.

The company's financial results are affected by Saipem's substantial euro-denominated structural costs, whilst the currency of its reference market is the US Dollar. The impact of the euro/dollar exchange rate variations is felt approximately one year after contract award, i.e. the average time lag between contract acquisition (and hedging), and execution. In 2005 therefore, Saipem will carry out contracts that were won (and hedged) when the euro was particularly strong.

Nevertheless, volumes are expected to grow and prices may be adjusted, albeit gradually, in line with the variations in the euro/US Dollar exchange rate in those business sectors and those areas where US competition is weakest. This, at present, supports the expectation that, in 2005, the Group can repeat the record 2004 results, with possible room for further improvement.

Capital expenditure for 2005 is estimated at approximately 365 million euros, and will cover maintenance and upgrading of existing asset base, investments in new equipment for specific projects, capex to strengthen the operating bases/yards in Kazakhstan, Nigeria and Angola, and the start of work on the conversion of a tanker into an FPSO unit due to operate in the Petrobras' Golfinho 2 field in Brazilian waters.

Forward-looking statements are based on a number of assumptions and expectations that could ultimately prove inaccurate, as they are subject to risks and variables outside the company's control. These include: currency fluctuations, interest rate fluctuations, the level of capital expenditure in the oil and gas industry, as well as other industries, political instability in those regions in which Saipem operates, and actions by the competition. Moreover, contract execution is also subject to variables outwith the company's control, such as weather conditions. Actual results could therefore differ materially from the forward-looking statements.

Financial flows

The increase in net financial debt of 172 million euros versus 1st January 2005 is due to the following:

Outflows

- capital expenditure on tangible and intangible fixed assets amounting to 241 million euros;
- increase in net current assets of 157 million euros;
- distribution of dividends of 65 million euros;
- buy-back of treasury shares amounting to 22 million euros;
- valuation at fair value of interest rate hedging contracts of 4 million euros.

Inflows

- cash flow (net income plus depreciation and amortisation) of 317 million euros.

Adjustments to the income statement at 30th September 2004 resulting from the application of the International Financial Reporting Standard

The following table provides the reconciliation of the net income for the first nine months of 2004, which was based on previously used accounting principles, and that resulting from the introduction of the new IFRS.

(million euros)

Income Statement	September 2004		
	Previously used accounting principles	Effects of IFRS introduction	IFRS
Revenues	3,069	–	3,069
Operating costs	(2,683)	(3)	(2,686)
Gross Operating Income	**386**	**(3)**	**383**
Depreciation and amortisation	(186)	31	(155)
Operating Income	**200**	**28**	**228**
Financial expenses	(21)	–	(21)
Income before income taxes	**179**	**28**	**207**
Income taxes	(45)	–	(45)
Minority Interest	(3)	–	(3)
Net Income	**131**	**28**	**159**

Main effects in detail (million euros):		September 2004
Net income pre IFRS		**131**
- Discounted valuation of employee termination indemnities		1
- Capitalisation of cyclical maintenance		(12)
- Adjustment of Goodwill amortisation		39
Total IFRS adjustments:		**28**
Net income under IFRS		**159**

Analysis by business sector

Offshore Construction:

(million euros)

	Third quarter		First nine months	
	2004	2005	2004	2005
Revenues	732	615	1,907	1,872
Operating expenses, net of cost of materials	(550)	(415)	(1,418)	(1,249)
Cost of materials	(98)	(107)	(252)	(362)
Depreciation and amortisation	(24)	(19)	(71)	(63)
Contribution from operations (*)	60	74	166	198
New orders awarded	776	322	1,898	1,827

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

The backlog at 30th September 2005 amounted to 3,258 million euros, of which 693 million are to be realised in the fourth quarter 2005.

- Revenues in the first nine months 2005 amounted to 1,872 million euros, a 2% decrease versus the same period 2004, mainly due to reduced activities in West Africa, which were only partially offset by the recovery of operations in the North Sea.

- Contribution from operations in the first nine months 2005 amounted to 198 million euros, equal to 10.6% of revenues, versus 166 million euros, equal to 8.7% of revenues in the same period 2004. The increase in margin with respect to the previous year is due to improved efficiency on a number of projects that are in their final stage of completion and a greater incidence of North Sea projects.

Onshore Construction:

(million euros)

	Third quarter		First nine months	
	2004	2005	2004	2005
Revenues	174	186	452	518
Operating expenses, net of cost of materials	(118)	(126)	(303)	(353)
Cost of materials	(33)	(38)	(88)	(106)
Depreciation and amortisation	(7)	(9)	(17)	(20)
Contribution from operations (*)	16	13	44	39
New orders awarded	181	38	500	182

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

The backlog at 30th September 2005 amounted to 427 million euros, of which 140 million are to be realised in the fourth quarter 2005.

- Revenues in the first nine months 2005 amounted to 518 million euros, a 14.6% increase, versus the same period 2004, due to higher levels of activity on the Sakhalin project in Russia and the full-scale activity on projects in Nigeria.

- Contribution from operations, in the first months 2005, amounted to 39 million euros, versus 44 million euros in the same period 2004, with margins declining from 9.7% to 7.5%. This fall in profitability is partially attributed to increased commercial costs.

Liquefied Natural Gas (L.N.G.):

(million euros)

	Third quarter		First nine months	
	2004	2005	2004	2005
Revenues	51	73	144	206
Operating expenses	(44)	(69)	(121)	(192)
Depreciation and amortisation	(1)	(1)	(2)	(3)
Contribution from operations (*)	6	3	21	11
New orders awarded	124	74	337	257

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

The backlog at 30th September 2005 amounted to 498 million euros, of which 111 million are to be realised in the fourth quarter 2005.

- Operations carried out mainly in China, Morocco and Belgium allowed revenues to grow to 206 million euros in the first nine months 2005, a 43.1% increase versus the same period the previous year.

- In the first nine months 2005, contribution from operations amounted to 11 million euros, or 5.3% of revenues (first nine months 2004: 21 million euros, or 14.6% of revenues). This contraction in margin is mainly attributed to the significant increase in cost of materials on projects under execution.

Maintenance, Modification & Operation (M.M.O.):

(million euros)

	Third quarter		First nine months	
	2004	2005	2004	2005
Revenues	76	75	199	226
Operating expenses	(69)	(69)	(181)	(208)
Depreciation and amortisation	(2)	–	(4)	(1)
Contribution from operations (*)	5	6	14	17
New orders awarded	32	67	226	256

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

The backlog at 30th September 2005 amounted to 93 million euros, of which 39 million are to be realised in the fourth quarter 2005.

- Operations, carried out mainly in France, Italy, West Africa and Russia enabled revenues for the first nine months 2005 to total 226 million euros, a 27 million euro increase versus the same period 2004.

- Contribution from operations, in the first nine months 2005, amounted to 17 million euros, equal to 7.5% of revenues, versus 14 million euros, equal to 7% of revenues in the same period 2004, thanks to a recovery in operational efficiency in France and Russia.

Offshore Drilling:

(million euros)

	Third quarter		First nine months	
	2004	2005	2004	2005
Revenues	73	73	213	213
Operating expenses	(46)	(46)	(133)	(134)
Depreciation and amortisation	(12)	(12)	(34)	(34)
Contribution from operations (*)	15	15	46	45
New orders awarded	21	47	61	186

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

The backlog at 30th September 2005 amounted to 290 million euros, of which 63 million are to be realised in the fourth quarter 2005.

- Revenues for the first nine months 2005 are in line with those recorded in the same period 2004.

- Contribution from operations in the first nine months 2005 was virtually unchanged when compared to the same period 2004, as was profitability as a percentage of revenues. Reduced utilisation of the drillship Saipem 10000, which completed preparatory works early in the third quarter prior to commencing a contract in Angola, nullified the positive effects of the almost full-scale operations of the semi-submersible platform Scarabeo 4 and the jack-up Perro Negro 5 during the third quarter 2005.

- Vessel utilisation was as follows:

Vessel	*Days under contract*	
Semi-submersible platform Scarabeo 3	273	
Semi-submersible platform Scarabeo 4	161	**a**
Semi-submersible platform Scarabeo 5	273	
Semi-submersible platform Scarabeo 6	273	
Semi-submersible platform Scarabeo 7	273	
Drillship Saipem 10000	233	**a**
Jack-up Perro Negro 2	256	**b**
Jack-up Perro Negro 3	273	
Jack-up Perro Negro 4	273	
Jack-up Perro Negro 5	83	**a**

a = for the remaining days (to 273), the vessel underwent upgrading works in readiness for a new contract.
b = for the remaining days (to 273), the vessel underwent class reinstatement works

Onshore Drilling:

(million euros)

	Third quarter		First nine months	
	2004	2005	2004	2005
Revenues	39	52	117	145
Operating expenses	(29)	(40)	(88)	(112)
Depreciation and amortisation	(5)	(6)	(14)	(14)
Contribution from operations (*)	5	6	15	19
New orders awarded	59	50	96	129

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

The backlog at 30th September 2005 (inclusive of the five-year contract on behalf of Agip KCO to be carried out using two client-owned rigs on D Block of the Kashagan field in Kazakhstan) amounted to 280 million euros of which 51 million are to be realised in fourth quarter 2005.

- Revenues for the first nine months 2005 show a 23.9% growth versus those of the same period 2004, mainly attributed to increased activities in South America.

- Contribution from operations in the first nine months 2005 increased by 4 million euros versus the same period last year, with a margin on revenues rising from 12.8% to 13%. This recovery in profitability is due to greater activity in South America.

- Average utilisation of rigs stood at 91% (76% in the third quarter 2004); rigs were located as follows: 13 in Peru, 8 in Saudi Arabia, 6 in Venezuela, 4 in Algeria, 2 in Italy, 2 in Kazakhstan, 1 in Egypt and 1 in Georgia.
  In addition, 5 third-party rigs were deployed in Peru and 1 in Kazakhstan by the joint-venture company SaiPar.
  Finally, 1 rig owned jointly with third parties operated in Kazakhstan.

Leased FPSO:

	Third quarter		First nine months	
(million euros)	2004	2005	2004	2005
Revenues	13	7	37	20
Operating expenses	(8)	(3)	(20)	(10)
Depreciation and amortisation	(3)	(3)	(8)	(7)
Contribution from operations (*)	2	1	9	3
New orders awarded	13	482	22	485

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

The backlog at 30th September 2005 amounted to 582 million euros, of which 5 million are to be realised in fourth quarter 2005.

- In the first nine months 2005, revenues decreased by 17 million euros versus the same period 2004. This fall in volumes and the 6 million euro reduction in contribution from operations compared to the first nine months 2004, are mainly due to the fact that the Prestige project was in full operation during 2004.

Attachments:

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euros)

		31st December 2004 (*)		30th September 2005
Net tangible fixed assets		1,712		1,811
Net intangible fixed assets		835		831
		2,547		2,642
- Offshore Construction	1,146		1,223	
- Onshore Construction	245		235	
- LNG	175		173	
- MMO	83		84	
- Offshore Drilling	725		729	
- Onshore Drilling	80		74	
- Leased FPSO	65		96	
- Other	28		28	
Financial investments		17		28
Non-current assets		**2,564**		**2,670**
Working capital	29		74	
Provision for contingencies	(122)		(130)	
Net current assets		**(93)**		**(56)**
Employee termination indemnities		**(33)**		**(34)**
CAPITAL EMPLOYED		**2,438**		**2,580**
Net equity		**1,555**		**1,522**
Minority interest in net equity		**9**		**12**
Net debt		**874**		**1,046**
COVER		**2,438**		**2,580**
SHARES ISSUED AND OUTSTANDING		**441,177,500**		**441,410,900**

(*) Figures have been adjusted following the introduction of IAS 32 and IAS 39 from 1st January 2005.

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
NATURE OF COSTS

(million euros)

	Third quarter 2004	Third quarter 2005	First nine months 2004	First nine months 2005
Operating revenues	1,158	1,081	3,069	3,200
Other revenues and income	1	5	6	8
Purchases, services and other costs	(826)	(718)	(2,143)	(2,211)
Payroll and related costs	(197)	(227)	(549)	(608)
GROSS OPERATING INCOME	**136**	**141**	**383**	**389**
Amortisation, depreciation and write-downs	(56)	(52)	(155)	(146)
OPERATING INCOME	**80**	**89**	**228**	**243**
Financial expenses	(11)	(12)	(33)	(38)
Income from investments	5	4	12	16
INCOME BEFORE INCOME TAXES	**74**	**81**	**207**	**221**
Income taxes	(17)	(17)	(45)	(47)
NET INCOME BEFORE MINORITY INTEREST	**57**	**64**	**162**	**174**
Minority interest	(1)	(1)	(3)	(3)
NET INCOME	**56**	**63**	**159**	**171**
CASH FLOW (Net income + Depreciation and amortisation)	**112**	**115**	**314**	**317**

RECLASSIFIED CONSOLIDATED INCOME STATEMENTS
BY
DESTINATION OF COSTS

(million euros)

	Third quarter		First nine months	
	2004	2005	2004	2005
Operating revenues	1,158	1,081	3,069	3,200
Production costs	(1,008)	(926)	(2,637)	(2,776)
Idle costs	(22)	(19)	(61)	(38)
Selling expenses	(16)	(15)	(52)	(49)
Research and development costs	(3)	(2)	(6)	(5)
Other operating income, net	–	(1)	2	–
CONTRIBUTION FROM OPERATIONS	**109**	**118**	**315**	**332**
General and administrative expenses	(29)	(29)	(87)	(89)
OPERATING INCOME	**80**	**89**	**228**	**243**
Financial expenses	(11)	(12)	(33)	(38)
Income from investments	5	4	12	16
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