PRESS RELEASE – 8TH NOVEMBER 2004
THIRD QUARTER REPORT AT 30TH SEPTEMBER 2004

Today, the Board of Directors of Saipem S.p.A. has reviewed the Saipem Group Third Quarter Report at 30th September 2004 (not subject to audit).

Third Quarter

Revenues totalled 1,158 million euros (1,135 million in the third quarter 2003).

Operating Income amounted to 73 million euros (81 million in the third quarter 2003).

Net Income amounted to 49 million euros (48 million in the third quarter 2003).

Cash flow (net income plus depreciation and amortisation) amounted to 115 million euros (113 million in the third quarter 2003).

First Nine Months

Revenues totalled 3,069 million euros (3,003 million in the same period 2003).

Operating Income amounted to 200 million euros (219 million in the same period 2003).

Net Income amounted to 131 million euros (138 million in the same period 2003).

Cash flow (net income plus depreciation and amortisation) amounted to 317 million euros (332 million in the same period 2003).

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 2004 amounted to 131 million euros (198 million in the same period 2003) and consisted mainly of the following: upgrading works on the semi-submersible drilling platforms Scarabeo 3, Scarabeo 4, the jack-up Perro Negro 3, and the pipelay vessel Castoro Otto; the purchase of plant and equipment required to carry out the Sakhalin project in Russia; the development of a fabrication yard in Kazakhstan and the expansion of the yards in Angola and Nigeria.

Net financial debt at 30th September 2004 amounted to 1,105 million euros, an increase of 152 million euros versus 31st December 2003. It should be remembered that, as previously stated, the year 2003 had benefited from a particularly positive trend in working capital, due also to the award of important EPIC-type contracts. In the fourth quarter 2004 and the first quarter 2005¸ contracts expected to be acquired would enable a reduction in net debt to a level lower than that at the end of 2003.

New contracts and backlog

In the first nine months 2004, Saipem was awarded new contracts totalling 3,140 million euros (3,409 million euros in the same period 2003), of which 1,959 million euros were in the Offshore sectors (Construction and Drilling).

The most significant orders awarded in the third quarter 2004 include:

Offshore Construction:

- On behalf of Total Exploration & Production Angola, the EPIC-type contract Rosa in Angola, comprising engineering, procurement, construction, installation and commissioning of subsea pipelines, umbilicals and risers at water depths of approximately 1,400 metres;
- On behalf of AIOC (Azerbaijan International Operating Company), two contracts as part of the Phase 3 development of the Azeri-Chirag-Gunashli field in Azerbaijan, comprising construction of a template, two jackets and associated piles in addition to transport and installation of two platforms comprising two jackets, two topsides and one template;

- On behalf of BBL Company (a partnership comprising Gasunie, E.ON Ruhrgas and Fluxys) the EPIC-type contract BBL in the North Sea, for the laying of a subsea pipeline from Balgzand in Holland to Bacton in Great Britain;
- On behalf of InAgip D.o.o., the IKA, IDA and IVANA Gas Fields Platforms and Pipelines project off the Croatian coast, comprising installation of six jackets and seven decks in addition to transport and installation of various interconnecting pipelines and spools;

Onshore Construction:

- On behalf of Shell Petroleum Development Company of Nigeria Ltd, the EPC-type contract Soku in Nigeria, comprising engineering, procurement and construction of facilities to increase the capacity of an existing gas treatment plant;

L.N.G.:

- On behalf of Fluxys, the EPC-type project Zeebrugge LNG Terminal in Belgium, comprising engineering, procurement and construction of facilities for the extension of a regasification terminal, including the storage tank and regasification structures. The contract was awarded in consortium with the Belgian construction companies CFE and Fontec;

Maintenance Modification and Operation (M.M.O.):

- On behalf of TotalFinaElf, the extension of contracts for activities in France;

Offshore Drilling:

- On behalf of Aramco, the three-year lease of the jack-up Perro Negro 5 in Saudi Arabia;
- On behalf of Eni Congo, the one-year contract for the provision of maintenance and workover services in Congo;

Onshore Drilling:

- On behalf of Eni Dacion B.V., the lease of four rigs in Venezuela, one rig for a period of twenty eight months and three rigs for one year;
- On behalf of Petrobras, the three-year lease of various installations in Peru;
- On behalf of Pluspetrol, the one-year lease of various installations in Peru;
- On behalf of Repsol YPF, the ten-month lease of a rig in Algeria.

At end of September 2004, the backlog stood at 5,296 million euros (5,225 million euros at 31st December 2003).

Management expectations for 2004

Contract awards and revenues attained in the first nine months 2004, in addition to market conditions, which, for those sectors in which Saipem is most focused, appear on balance to be good, underpin expectations for 2004 to achieve further growth versus 2003, both in terms of revenues and backlog.

A phenomenon that adversely affects Saipem's profit levels is the appreciation of the Euro against the US Dollar, considering that approximately 70% of Saipem's revenues are denominated in the American currency, whilst costs from the Milan and Paris operating centres as well as almost all depreciation and amortisation, a total of approximately 600 million per annum, are denominated in euros.

The impact of the Euro appreciation is felt after approximately one year, i.e. the time lag between contract acquisition (and hedging) and execution. As a result the average invoice exchange rate in 2003 was 1 (whilst the average Euro/USD ratio in the same period was 1.13). In 2004, the combination of contracts in the backlog at end 2003 to be executed during the current year, along with contracts already won and to be acquired in 2004, are expected to lead to an approximate average invoice exchange rate of 1.15. Euro appreciation from 1 to 1.15 results in a reduction in the euro-equivalent contribution from USD-denominated contracts (translation effect), estimated at approximately 30 million euros. The effect of the company's Euro-denominated structural costs is expected to determine a further reduction in operating income estimated at 50 million euros.

Saipem's distinctive capabilities and competencies, the substantial order backlog and the additional cost synergies resulting from Bouygues Offshore's integration are expected to counteract the negative effects of the Euro appreciation and, also owing to a forecast decreased financial burden, underpin expectations for 2004 of attaining results in line with or close to the record level achieved in 2003; specifically

- volumes are expected to grow on account of the substantial order backlog at the end of September 2004 and the positive overall trend of the reference market;
- in those business sectors and those areas where US competition is weakest, it is possible to gradually transfer to prices the effects of the Euro's appreciation.

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Capital expenditure for 2004 is confirmed to be approximately 200 million euros.

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 the Persian Gulf and/or other regions and actions by the competition. Moreover, contract execution is also subject to variables, such as weather conditions. Actual results could therefore differ materially from the forward-looking statements.

Financial flows

The increase in net financial debt of 152 million euros versus 31st December 2003 was due to the following:

Outflows

- increase in net current assets of 271 million euros;
- capital expenditure on tangible and intangible fixed assets amounting to 131 million euros;
- distribution of dividends of 65 million euros;
- buy-back of treasury shares to the value of 10 euros million;
- increase in company holdings of 2 million euros.

Inflows

- cash flow (net income plus depreciation and amortisation) of 317 million euros;
- increase in minority interest of 4 million euros;
- sale of tangible assets of 4 million euros;
- increase in employee termination benefits of 2 million euros.

Analysis by business sector

Offshore Construction:

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	730	730	1,763	1,901
Operating expenses, net of cost of materials	(518)	(546)	(1,222)	(1,414)
Cost of materials	(120)	(98)	(297)	(252)
Depreciation and amortisation	(25)	(23)	(72)	(67)
Contribution from operations (*)	67	63	172	168
Saipem s.a. goodwill amortisation	(4)	(5)	(15)	(16)
Contribution from operations, net	63	58	157	152
New orders awarded	243	776	1,871	1,898

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

The backlog at 30th September 2004 amounted to 3,262 million euros, of which 850 million are to be realised in the fourth quarter 2004.

- Revenues in the first nine months 2004 amounted to 1,901 million euros, a 7.8% increase versus the same period 2003, mainly due to the full-scale operations of EPIC (Engineering, Procurement, Installation, Construction) type projects in West and North Africa.

- Contribution from operations in the first nine months 2004 amounted to 168 million euros, equal to 8.8% of revenues, versus 172 million euros, equal to 9.8% of revenues in the same period 2003. As we have often stated, this decrease in margin is related to the greater volumes generated by EPIC type projects as well as the US Dollar devaluation.

  Contribution from operations, net of goodwill amortisation, stood at 152 million euros, with profitability at 8% of revenues (first nine months 2003: 157 million euros, equal to 8.9% of revenues).

Onshore Construction:

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	160	174	543	452
Operating expenses, net of cost of materials	(87)	(118)	(331)	(303)
Cost of materials	(45)	(33)	(130)	(88)
Depreciation and amortisation	(8)	(7)	(25)	(18)
Contribution from operations (*)	20	16	57	43
Saipem s.a. goodwill amortisation	(2)	(2)	(6)	(6)
Contribution from operations, net	18	14	51	37
New orders awarded	536	181	862	500

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

The backlog at 30th September 2004 amounted to 824 million euros, of which 126 million are to be realised in the fourth quarter 2004.

- Revenues in the first nine months 2004 amounted to 452 million euros, a 16.8% decrease versus the same period 2003, following reduced levels of activity in Kazakhstan, Saudi Arabia and Nigeria, which was only partially compensated by the full scale operations of projects in North Africa and the Sakhalin project in Russia.

- Contribution from operations, in the first nine months 2004, amounted to 43 million euros, equal to 9.5% of revenues, versus 57 million euros, equal to 10.5% of revenues for the same period 2003. This reduction in margin is mainly due to lower volumes.
  Contribution from operations, net of goodwill amortisation, stood at 37 million euros, with profitability at 8.2% of revenues (first nine months 2003: 51 million euros, equal to 9.4% of revenues).

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

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	52	53	149	150
Operating expenses	(40)	(44)	(116)	(121)
Depreciation and amortisation	(2)	(3)	(7)	(8)
Contribution from operations (*)	10	6	26	21
Saipem s.a. goodwill amortisation	(2)	(2)	(6)	(6)
Contribution from operations, net	8	4	20	15
New orders awarded	13	124	226	337

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

The backlog at 30th September 2004 amounted to 505 million euros, of which 61 million are to be realised in the fourth quarter 2004.

- Operations carried out mainly in China and Spain enabled the company to achieve revenues of 150 million euros in the first nine months 2004, in line with the same period the previous year.

- In the first nine months 2004, contribution from operations, net of goodwill amortisation, amounted to 15 million euros, with profitability equal to 10% of revenues (first nine months 2003: 20 million euros, equal to 13.4% of revenues).

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

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	56	76	144	199
Operating expenses	(51)	(69)	(134)	(181)
Depreciation and amortisation	(1)	(2)	(2)	(4)
Contribution from operations (*)	4	5	8	14
Saipem s.a. goodwill amortisation	(1)	(1)	(3)	(3)
Contribution from operations, net	3	4	5	11
New orders awarded	45	32	148	226

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

The backlog at 30th September 2004 amounted to 73 million euros, of which 31 million are to be realised in the fourth quarter 2004.

- Operational activities, carried out mainly in France, Italy, West Africa and Russia achieved revenues for the first nine months 2004 of 199 million euros, a 38.2% increase over the same period 2003. This increase is due mainly to operations in Italy which started in the second half 2003.

- In the first nine months 2004, contribution from operations net of goodwill amortisation, amounted to 11 million euros, with profitability equal to 5.5% of revenues (first nine months 2003: 5 million euros equal to 3.5% of revenues).

Offshore Drilling:

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	73	73	226	213
Operating expenses	(51)	(47)	(150)	(134)
Depreciation and amortisation	(10)	(11)	(27)	(31)
Contribution from operations (*)	12	15	49	48
New orders awarded	20	21	220	61

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

The backlog at 30th September 2004 amounted to 347 million euros, of which 63 million are to be realised in the fourth quarter 2004.

- Operating revenues for the first nine months 2004 showed a 5.8% decrease versus the same period 2003, attributable mainly to the inactivity of Scarabeo 4 and Perro Negro 5, which was only partially compensated by the full-scale operations by the semi-submersible platforms Scarabeo 5 and Scarabeo 7.
- Contribution from operations in the first nine months 2004 decreased by 1 million euros versus the first nine months 2003, with a margin on revenue rising from 21.7% to 22.5%. This increase is due to greater margins generated by several vessels involved in deep-water drilling operations.
- Vessel utilisation was as follows:

Vessel	*days under contract*	
Semi-submersible platform Scarabeo 3	154	**a**
Semi-submersible platform Scarabeo 4	-	**b**
Semi-submersible platform Scarabeo 5	274	
Semi-submersible platform Scarabeo 6	239	**c**
Semi-submersible platform Scarabeo 7	274	
Drillship Saipem 10000	274	
Jack-up Perro Negro 2	274	
Jack-up Perro Negro 3	62	**a**
Jack-up Perro Negro 4	274	
Jack-up Perro Negro 5	-	**d**

a = for the remaining days (to 274) the vessel underwent upgrading works in readiness for a new contract.
b = the vessel underwent structural repairs (182 days) and was idle (92 days).
c = for the remaining days (to 274) the vessel underwent structural repairs.
d = the vessel was idle (244 days) and underwent upgrading works in readiness for a new contract (30 days).

Onshore Drilling:

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	53	39	150	117
Operating expenses	(43)	(29)	(116)	(88)
Depreciation and amortisation	(5)	(5)	(16)	(14)
Contribution from operations (*)	5	5	18	15
New orders awarded	22	59	71	96

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

The backlog at 30th September 2004 amounted to 158 million euros, of which 32 million are to be realised in the fourth quarter 2004.

- Operating revenues for the first nine months 2004 show a 22% decrease versus those of the same period 2003, mainly attributable to reduced levels of activity in West Africa and in Kazakhstan in addition to the effects of the US Dollar devaluation.

- Contribution from operations in the first nine months 2004 decreased by 3 million euros versus the same period last year, with margins rising from 12% to 12.8%. Whilst the decrease in contribution from operations is due to lower volumes generated during the period, the slight increase in profit margin is ascribed to increased efficiency attained particularly by the rigs operating in Saudi Arabia.

- Average utilisation of rigs stood at 76% (82% in the first nine months 2003); rigs were located as follows: 11 in Peru, 8 in Saudi Arabia, 6 in Venezuela, 3 in Italy, 3 in Algeria, 2 in Egypt and 1 in Kazakhstan.
  In addition, 5 third-party rigs were deployed in Peru and 1 in Kazakhstan by the joint-venture company SaiPar.
  Finally, 1 rig managed jointly with third parties operated in Kazakhstan.

Leased FPSO:

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	11	13	28	37
Operating expenses	(7)	(8)	(13)	(20)
Depreciation and amortisation	(3)	(3)	(10)	(8)
Contribution from operations (*)	1	2	5	9
New orders awarded	–	13	11	22

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

The backlog at 30th September 2004 amounted to 127 million euros, of which 12 million are to be realised in the fourth quarter 2004.

- In the first nine months 2004, operating revenues showed a 9 million euro increase versus the same period 2003. This increase in revenues along with a 4 million euro increase in contribution from operations versus the first nine months 2003 are mainly attributed to the “Prestige” project, involving oil recovery operations from the wreck of the tanker Prestige.

- The production units FPSO–Firenze and FPSO–Mystras have been in continuous operation since the beginning of the year.

Attachments:

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

San Donato Milanese, 8th November 2004

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RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euros)

	31 December 2003		30 September 2004 (*)	
Net tangible fixed assets		1,694		1,665
Net intangible fixed assets		851		821
		2,545		2,486
- Offshore Construction	1,127		1,105	
- Onshore Construction	244		235	
- LNG	193		183	
- MMO	85		79	
- Offshore Drilling	656		656	
- Onshore Drilling	95		90	
- Leased FPSO	89		78	
- Other	56		60	
Financial investments		26		28
Non-current assets		**2,571**		**2,514**
Working capital	(79)		208	
Provision for contingencies	(117)		(123)	
Net current assets		**(196)**		**85**
Employee termination benefits		**(31)**		**(33)**
CAPITAL EMPLOYED		**2,344**		**2,566**
Net equity		**1,368**		**1,434**
Minority interest in net equity		**23**		**27**
Net debt		**953**		**1,105**
COVER		**2,344**		**2,566**
SHARES ISSUED AND OUTSTANDING		**440,713,700**		**440,962,000**

(*) Not inclusive of translation adjustment for the first nine months, for those group companies whose financial statements are in currencies other than euros.

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RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
NATURE OF COSTS

(million euros)

	Third quarter		First nine months	
	2003	**2004**	**2003**	**2004**
Operating revenues	1,135	1,158	3,003	3,069
Other revenues and income	3	1	7	6
Purchases, services and other costs	(811)	(822)	(2,061)	(2,139)
Payroll and related costs	(181)	(198)	(536)	(550)
GROSS OPERATING INCOME	**146**	**139**	**413**	**386**
Amortisation, depreciation and write-downs	(65)	(66)	(194)	(186)
OPERATING INCOME	**81**	**73**	**219**	**200**
Financial expenses, net	(15)	(6)	(33)	(21)
INCOME BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	**66**	**67**	**186**	**179**
Extraordinary expenses, net	(1)	–	(1)	–
INCOME BEFORE INCOME TAXES	**65**	**67**	**185**	**179**
Income taxes	(16)	(17)	(46)	(45)
NET INCOME BEFORE MINORITY INTEREST	**49**	**50**	**139**	**134**
Minority interest	(1)	(1)	(1)	(3)
NET INCOME	**48**	**49**	**138**	**131**
CASH FLOW (Net income + Depreciation and amortisation)	**113**	**115**	**332**	**317**

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RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
DESTINATION OF COSTS

(million euros)

	Third quarter		First nine months	
	2003	2004	2003	2004
Revenues	1,135	1,158	3,003	3,069
Production costs	(988)	(1,017)	(2,581)	(2,668)
Idle costs	(19)	(20)	(60)	(58)
Selling expenses	(16)	(16)	(52)	(52)
Research and development costs	(2)	(3)	(6)	(6)
Other operating income, net	–	–	1	2
CONTRIBUTION FROM OPERATIONS	**110**	**102**	**305**	**287**
General and administrative expenses	(29)	(29)	(86)	(87)
OPERATING INCOME	**81**	**73**	**219**	**200**
Financial expenses	(16)	(11)	(42)	(33)
Income from investments	1	5	9	12
INCOME BEFORE EXTRAORDINARY ITEMS & INCOME TAXES	**66**	**67**	**186**	**179**
Extraordinary expenses, net	(1)	–	(1)	–
INCOME BEFORE INCOME TAXES	**65**	**67**	**185**	**179**
Income taxes	(16)	(17)	(46)	(45)
NET INCOME BEFORE MINORITY INTEREST	**49**	**50**	**139**	**134**
Minority interest	(1)	(1)	(1)	(3)
NET INCOME	**48**	**49**	**138**	**131**
CASH FLOW (Net income + Depreciation and amortisation)	**113**	**115**	**332**	**317**