

**PRESS RELEASE – 10<sup>TH</sup> NOVEMBER 2003**  
**THIRD QUARTER REPORT AT 30<sup>TH</sup> SEPTEMBER 2003**

Today, the Board of Directors of Saipem S.p.A. has reviewed the Saipem Group interim report at 30<sup>th</sup> September 2003 (not subject to audit).

From this third quarter report onwards, as it is now possible to compare data with the corresponding quarter of the previous year, data will no longer be structured so as to separately show results for Saipem s.a. (formerly Bouygues Offshore).

*Third Quarter*

**Revenues** totalled € 1,135 million (854 million in the third quarter 2002).

**Operating Income** amounted to € 81 million (70 million in the third quarter 2002).

**Net Income** amounted to € 48 million (41 million in the third quarter 2002).

**Cash flow** (net income plus depreciation and amortisation) amounted to € 113 million (110 million in the third quarter 2002).

*First nine months*

*(Data pertaining to the first nine months 2002 only include Saipem s.a.'s results from 1<sup>st</sup> July 2002).*

**Revenues** totalled € 3,003 million (2,178 million in the first nine months 2002).

**Operating Income** amounted to € 219 million (240 million in the first nine months 2002).

**Net Income** amounted to € 138 million (153 million in the first nine months 2002).

**Cash flow** amounted to € 332 million (350 million in the first nine months 2002).

*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 of 2003 amounted to € 198 million, of which 189 million on plant and equipment (1,347 million in the same period 2002, of which 141 million on plant and equipment) and consisted mainly of the following: the almost completed conversion of the FPSO (floating production storage and offloading) unit “Mystras”, due to operate in the Okono/Okpoho oil field in Nigeria; the completion of the conversion of the vessel Maxita into the new field development vessel Saipem 3000; completion of upgrading works on the semi-submersible drilling platform Scarabeo 7 to enable it to execute a contract in Nigeria; initial upgrades to plant and equipment required to carry out the Sakhalin project.

**Net financial debt** at 30<sup>th</sup> September 2003 amounted to € 1,109 million, a decrease of € 139 million versus 31<sup>st</sup> December 2002. The decrease in net debt is attributable to the cash flow generated during the year in addition to a particularly favourable trend in working capital.

## **New contracts and backlog**

In the first nine months of 2003, Saipem was awarded new contracts totalling 3,409 million euros (3,388 million euros in the same period 2002), of which 2,102 million euros were in the Offshore sectors (Construction and Drilling).

The most significant orders awarded in the third quarter 2003 include:

### Offshore Construction:

- on behalf of AIOC, the “AIOC Phase II” project in Azerbaijan, for the fabrication of two platforms.

### Onshore Construction:

- on behalf of Sakhalin Energy Investment Company Ltd. (SEIC), the “Sakhalin” project on the Russian island of the same name, comprising engineering, procurement and construction (EPC) of an oil and gas pipeline system.

## Onshore Drilling:

- on behalf of Eni Dacion BV, the one-year lease of the G200 installation in Venezuela;
- on behalf of Burlington, the six-month lease of the 5892 installation in Algeria.

At end of September 2003, the backlog stood at € 5,564 million (€ 5,158 million at 31<sup>st</sup> December 2002).

## Management expectations for 2003

Volumes realised in the first nine months of the year and the substantial order backlog at the end of September underpin expectations for 2003 of exceeding the projected revenues of € 4,000 million.

As previously stated, the phenomenon having negative repercussions on Saipem's profitability is the appreciation of the Euro against the US Dollar (Euro/USD ratio: 2002 average: 0.945; first nine-month 2003 average: 1.11; appreciation: 17.5%), considering that approximately 70% of projected revenues for 2003 are in US Dollars.

The effects of the Euro's appreciation are twofold: a reduction in the euro-equivalent contribution from USD-denominated contracts (translation effect), and a contraction in margins, due to the fact that costs from the Milan and Paris operating centres as well as almost all depreciation and amortisation, approximately 600 million per year, are denominated in euros. The increased competitiveness of US contractors makes it difficult to pass on to clients the effect of the Euro's appreciation in certain business sectors and certain geographic areas. The effects of this phenomenon in 2003 are mitigated by the fact that contracts had been hedged against foreign currency risks at the time of acquisition. The same policy of contract hedging will cause the income from contracts won during the first nine months of 2003, whose execution extends to 2004/2005, to be affected by the Euro appreciation even in the event of a subsequent US Dollar recovery.

However, in view of the positive trend in new contract acquisitions, which will enable the company to exceed the revenue target of € 4,000 million, and encouraging signs from the

efficient execution of ongoing projects, in particular large turnkey contracts, management believes that, in 2003, the Group can maintain the record level of results achieved in 2002, despite the euro's appreciation.

Estimated capital expenditure is confirmed at approximately € 220 million. This includes capital allocated to the maintenance and upgrade of the fleet and the conversion of a tanker into an FPSO facility due to operate in the Okono/Okpoho field in Nigeria. Project specific investments for 2003 are estimated at approximately € 55 million, on account of the significant size and complex nature of recently acquired contracts.

*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 decrease in net financial debt of € 139 million versus 31<sup>st</sup> December 2002 was due to the following:

### *Outflows*

- capital expenditure on tangible and intangible fixed assets amounting to € 198 million;
- distribution of dividends of € 63 million;
- purchase of treasury shares of € 10 million.

### *Inflows*

- cash flow (net income plus depreciation and amortisation) of € 332 million;
- decrease in net current assets of € 66 million;
- sale of tangible assets of € 9 million;
- increase in employee termination benefits of € 2 million;
- increase in minority interest of € 1 million.

## Analysis by business sector

### Offshore Construction:

(million euros)

	Third Quarter		First nine months	
	2002	2003	2002 (**)	2003
Operating revenues	378	730	1,219	1,763
Operating expenses, net of cost of materials	(216)	(518)	(747)	(1,222)
Cost of materials	(83)	(120)	(202)	(297)
Depreciation and amortisation	(23)	(24)	(88)	(71)
Contribution from operations (*)	56	68	182	173
Depreciation of purchase cost allocated to Saipem s.a. equipment	(1)	(1)	(1)	(1)
Saipem s.a. goodwill amortisation	(4)	(4)	(4)	(15)
Contribution from operations, net	51	63	177	157
New orders awarded	1,297	243	2,493	1,871

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

(\*\*) *Saipem s.a. (formerly Bouygues Offshore) figures pertain to the third quarter only*

The backlog at 30<sup>th</sup> September 2003 amounted to € 3,384 million, of which € 720 million are to be realised in the fourth quarter 2003.

- Revenues for the first nine months of 2003 amounted to € 1,763 million, a 45% increase versus those for the same period 2002, due to (in addition to the consolidation of Saipem s.a. for the whole period) full-scale operations of EPIC (Engineering, Procurement, Installation, Construction) type projects in North and West Africa.
- Contribution from operations in the first nine months of 2003 amounted to € 173 million, equal to 9.8% of revenues, versus € 182 million, equal to 14.9% of revenues in the same period 2002. This decrease in profitability is related to the greater incidence of EPIC type projects.  
Contribution from operations, net of goodwill amortisation, stood at € 157 million, with profitability at 8.9% of revenues.

## Onshore Construction:

	(million euros)			
	Third Quarter		First nine months	
	2002	2003	2002 (**)	2003
Operating revenues	240	160	428	543
Operating expenses, net of cost of materials	(145)	(87)	(265)	(331)
Cost of materials	(68)	(45)	(105)	(130)
Depreciation and amortisation	(9)	(8)	(22)	(25)
Contribution from operations (*)	18	20	36	57
Saipem s.a. goodwill amortisation	(2)	(2)	(2)	(6)
Contribution from operations, net	16	18	34	51
New orders awarded	31	536	331	862

(\*) Operating income before general and administrative expenses

(\*\*) Saipem s.a. (formerly Bouygues Offshore) figures pertain to the third quarter only

The backlog at 30<sup>th</sup> September 2003 amounted to € 975 million, of which € 234 million are to be realised in the fourth quarter 2003.

- Full-scale operations on projects in Kazakhstan, North Africa, Saudi Arabia and Russia (in addition to the consolidation of Saipem s.a. for the whole period) allowed the company to achieve, in the first nine months of the year, revenues € 115 million greater (+27%) than those for the same period 2002. The downturn in the third quarter is attributed to the completion of projects in Saudi Arabia.
- Contribution from operations, in the first nine months of 2003, amounted to € 57 million, equal to 10.5% of revenues, versus € 36 million, equal to 8.4% of revenues for the same period 2002. The level of profitability in the third quarter 2003 is also due to the positive performance on a small number of projects nearing completion.  
Contribution from operations, net of goodwill amortisation, stood at € 51 million euros, with profitability at 9.4% of revenues.

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

(million euros)

	Third Quarter		First nine months	
	2002	2003	2002 (**)	2003
Operating revenues	50	52	56	149
Operating expenses	(41)	(40)	(43)	(116)
Depreciation and amortisation	(3)	(2)	(6)	(7)
Contribution from operations (*)	6	10	7	26
Saipem s.a. goodwill amortisation	(2)	(2)	(2)	(6)
Contribution from operations, net	4	8	5	20
New orders awarded	68	13	74	226

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

(\*\*) *Saipem s.a. (formerly Bouygues Offshore) figures pertain to the third quarter only*

The backlog at 30<sup>th</sup> September 2003 amounted to € 327 million, of which € 54 million are to be realised in the fourth quarter 2003.

- Operations carried out mainly in India, Spain and Santo Domingo enabled the company to achieve revenues of € 149 million in the first nine months of 2003. Revenues in the third quarter are in line with those of the same period the previous year.
- In the first nine months 2003, contribution from operations, net of goodwill amortisation, amounted to € 20 million, with profitability equal to 13.4% of revenues. This very high level of profitability in the third quarter 2003 is also as a result of the positive performance on a small number of projects nearing completion.



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

(million euros)

	Third Quarter		First nine months	
	2002	2003	2002 (**)	2003
Operating revenues	39	56	39	144
Operating expenses	(35)	(51)	(35)	(134)
Depreciation and amortisation	(1)	(1)	(1)	(2)
Contribution from operations (*)	3	4	3	8
Saipem s.a. goodwill amortisation	(1)	(1)	(1)	(3)
Contribution from operations, net	2	3	2	5
New orders awarded	37	45	37	148

(\*) Operating income before general and administrative expenses

(\*\*) Saipem s.a. (formerly Bouygues Offshore) figures pertain to the third quarter only

The backlog at 30<sup>th</sup> September 2003 amounted to € 65 million, of which € 31 million are to be realised in the fourth quarter 2003.

- Operational activities, carried out mainly in France and West Africa enabled revenues for the third quarter 2003 to total € 56 million, a 44% increase over the same period 2002. The growth in this sector was also underpinned by operations performed in Italy on behalf of Eni Exploration & Production.
- Contribution from operations, in the first nine months 2003, amounted to € 5 million, net of goodwill amortisation, with profitability equal to 3.5% of revenues. Profitability in the third quarter 2003 is in line with that for the same period 2002.

## Offshore Drilling:

(million euros)

	Third Quarter		First nine months	
	2002	2003	2002	2003
Operating revenues	85	73	254	226
Operating expenses	(54)	(51)	(154)	(150)
Depreciation and amortisation	(11)	(10)	(33)	(27)
Contribution from operations (*)	20	12	67	49
New orders awarded	172	20	346	220

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

The backlog at 30<sup>th</sup> September 2003 amounted to € 544 million, of which € 65 million are to be realised in the fourth quarter 2003.

- Operating revenues for the first nine months 2003 showed an 11% reduction versus the same period 2002, attributable to the temporary suspension of operations by the semi-submersible platforms Scarabeo 5 and Scarabeo 7, necessary to carry out project specific upgrades and weaker utilisation of other semi-submersibles, which were only partially compensated for by the full-scale operations of the drill ship Saipem 10000 and the jack-up Perro Negro 2.
- Contribution from operations in the first nine months of 2003 decreased by € 18 million versus the same period 2002, with a margin on revenue declining from 26.4% to 21.7%. The reduction in profitability is attributable to the aforementioned upgrading works and weaker utilisation of other semi-submersibles, in addition to the effects of the US dollar devaluation.

- Vessel utilisation was as follows:

<i>Vessel</i>	<i>days under contract</i>	
Semi-submersible platform Scarabeo 3	112	<b>a</b>
Semi-submersible platform Scarabeo 4	197	<b>a</b>
Semi-submersible platform Scarabeo 5	136	<b>b</b>
Semi-submersible platform Scarabeo 6	176	<b>c</b>
Semi-submersible platform Scarabeo 7	185	<b>d</b>
Drillship Saipem 10000	273	
Jack-up Perro Negro 2	273	
Jack-up Perro Negro 3	265	<b>a</b>
Jack-up Perro Negro 4	273	
Jack-up Perro Negro 5	273	

**a** = for the remaining days (to 273) the vessel underwent structural repairs.

**b** = the vessel underwent upgrading works in readiness for a new contract in Norway.

**c** = for the remaining days (to 273) the vessel underwent structural repairs (26 days) and was idle.

**d** = the vessel underwent upgrading works in readiness for a new contract in Nigeria.

## Onshore Drilling:

(million euros)

	Third Quarter		First nine months	
	2002	2003	2002	2003
Operating revenues	54	53	157	150
Operating expenses	(41)	(43)	(120)	(116)
Depreciation and amortisation	(7)	(5)	(20)	(16)
Contribution from operations (*)	6	5	17	18
New orders awarded	14	22	90	71

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

The backlog at 30<sup>th</sup> September 2003 amounted to € 116 million, of which € 33 million are to be realised in the fourth quarter 2003.

- Operating revenues for the first nine months of 2003 show a modest decrease versus those of the same period 2002, mainly attributable to reduced activities in South America.
- Contribution from operations in the first nine months of 2003 increased by € 1 million versus the same period last year, with a margin on revenues rising from 10.8% to 12%. This increase in profitability, despite the negative effects of the US dollar devaluation, is mainly attributable to a recovery in efficiency by the rigs operating in Saudi Arabia.
- Average utilisation of rigs stood at 82% (89% in the first nine months 2002); rigs were located as follows: 10 in Peru, 3 in Italy, 3 in Nigeria, 2 in Algeria, 1 in Egypt, 1 in Kazakhstan, 1 in Russia and 8 in Saudi Arabia.  
In addition, 5 third-party rigs were deployed in Peru and 1 in Kazakhstan by the joint-venture company SaiPar.  
Finally, 3 rigs owned jointly with third parties operated as follows: 1 in Italy, 1 in Venezuela and 1 in Kazakhstan.

## Leased FPSO:

(million euros)

	Third Quarter		First nine months	
	2002	2003	2002	2003
Operating revenues	8	11	25	28
Operating expenses	(2)	(7)	(5)	(13)
Depreciation and amortisation	(4)	(3)	(13)	(10)
Contribution from operations (*)	2	1	7	5
New orders awarded	–	–	17	11

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

The backlog at 30<sup>th</sup> September 2003 amounted to € 153 million, of which € 14 million are to be realised in the fourth quarter 2003.

- In the first nine months of 2003, operating revenues were slightly higher than those of the same period 2002, due to preparatory activities for the installation of the unit FPSO-Mystras. Contribution from operations amounted to € 5 million, equal to 17.8% of revenues, versus € 7 million, equal to 28% of revenues for the first nine months 2002. This decrease is attributed to unfavourable euro/dollar exchange rates.
- The production units FPSO–Firenze and FPSO–Jamestown 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, 10<sup>th</sup> November 2003

## RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euros)

	31 <sup>st</sup> December 2002	30 <sup>th</sup> September 2003
Net tangible fixed assets	1,708	1,731
Net intangible fixed assets	<u>906</u>	<u>878</u>
	2,614	2,609
- Offshore Construction	1,202	1,170
- Onshore Construction	265	257
- LNG	212	203
- MMO	90	89
- Offshore Drilling	621	647
- Onshore Drilling	129	117
- Leased FPSO	46	74
- Other	49	52
Financial investments	24	24
<b>Non-current assets</b>	<b>2,638</b>	<b>2,638</b>
Working capital	67	4
Provision for contingencies	<u>(132)</u>	<u>(125)</u>
<b>Net current assets</b>	<b>(65)</b>	<b>(121)</b>
<b>Employee termination benefits</b>	<b>(26)</b>	<b>(28)</b>
<b>CAPITAL EMPLOYED</b>	<b><u>2,547</u></b>	<b><u>2,484</u></b>
<b>Net equity</b>	<b>1,275</b>	<b>1,350</b>
<b>Minority interest in net equity</b>	<b>24</b>	<b>25</b>
<b>Net debt</b>	<b>1,248</b>	<b>1,109</b>
<b>COVER</b>	<b><u>2,547</u></b>	<b><u>2,484</u></b>
<b>SHARES ISSUED AND OUTSTANDING</b>	<b>440,697,000</b>	<b>440,700,400</b>

**RECLASSIFIED CONSOLIDATED INCOME STATEMENTS  
BY  
DESTINATION OF COSTS**

(million euros)

	Third Quarter		First nine months	
	2002	2003	2002 (*)	2003
Operating revenues	854	1,135	2,178	3,003
Other revenues and income	3	3	13	7
Purchases, services and other costs	(513)	(811)	(1,306)	(2,061)
Payroll and related costs	(205)	(181)	(448)	(536)
<b>GROSS OPERATING INCOME</b>	<b>139</b>	<b>146</b>	<b>437</b>	<b>413</b>
Amortisation, depreciation and write-downs	(59)	(55)	(187)	(163)
Depreciation of purchase cost allocated to Saipem s.a. equipment	(1)	(1)	(1)	(1)
Saipem s.a. Goodwill amortisation	(9)	(9)	(9)	(30)
<b>OPERATING INCOME</b>	<b>70</b>	<b>81</b>	<b>240</b>	<b>219</b>
Financial expenses	(15)	(16)	(35)	(42)
Income from investments	–	1	–	9
<b>INCOME BEFORE EXTRAORDINARY ITEMS &amp; INCOME TAXES</b>	<b>55</b>	<b>66</b>	<b>205</b>	<b>186</b>
Extraordinary expenses, net	–	(1)	(2)	(1)
<b>INCOME BEFORE INCOME TAXES</b>	<b>55</b>	<b>65</b>	<b>203</b>	<b>185</b>
Income taxes	(14)	(16)	(49)	(46)
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>41</b>	<b>49</b>	<b>154</b>	<b>139</b>
Minority interest	–	(1)	(1)	(1)
<b>NET INCOME</b>	<b><u>41</u></b>	<b><u>48</u></b>	<b><u>153</u></b>	<b><u>138</u></b>
<b>CASH FLOW</b>	<b><u>110</u></b>	<b><u>113</u></b>	<b><u>350</u></b>	<b><u>332</u></b>
<b>(Net income + Depreciation and amortisation)</b>				

(\*) Saipem s.a. (formerly Bouygues Offshore) figures pertain to the third quarter only

**RECLASSIFIED CONSOLIDATED INCOME STATEMENTS  
BY  
DESTINATION OF COSTS**

(million euros)

	Third Quarter 2002	2003	First nine months 2002 (*)	2003
Operating revenues	854	1,135	2,178	3,003
Production costs	(719)	(988)	(1,808)	(2,581)
Idle costs	(14)	(19)	(32)	(60)
Selling expenses	(17)	(16)	(31)	(52)
Research and development costs	(1)	(2)	(2)	(6)
Other operating income/(expenses)	(2)	–	4	1
<b>CONTRIBUTION FROM OPERATIONS</b>	<b>101</b>	<b>110</b>	<b>309</b>	<b>305</b>
General and administrative expenses	(31)	(29)	(69)	(86)
<b>OPERATING INCOME</b>	<b>70</b>	<b>81</b>	<b>240</b>	<b>219</b>
Financial expenses	(15)	(16)	(35)	(42)
Income from investments	–	1	–	9
<b>INCOME BEFORE EXTRAORDINARY ITEMS &amp; INCOME TAXES</b>	<b>55</b>	<b>66</b>	<b>205</b>	<b>186</b>
Extraordinary expenses, net	–	(1)	(2)	(1)
<b>INCOME BEFORE INCOME TAXES</b>	<b>55</b>	<b>65</b>	<b>203</b>	<b>185</b>
Income taxes	(14)	(16)	(49)	(46)
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>41</b>	<b>49</b>	<b>154</b>	<b>139</b>
Minority interest	–	(1)	(1)	(1)
<b>NET INCOME</b>	<b>41</b>	<b>48</b>	<b>153</b>	<b>138</b>
<b>CASH FLOW (Net income + Depreciation and amortisation)</b>	<b><u>110</u></b>	<b><u>113</u></b>	<b><u>350</u></b>	<b><u>332</u></b>

(\*) Saipem s.a. (formerly Bouygues Offshore) figures pertain to the third quarter only