

PRESS RELEASE

On May 1998, the Board of Directors of Saipem S.p.A. reviewed the unaudited financial statements related to the first quarter of 1998 which ended 31 March, 1998.

Net income is Lire 35 billion (Lire 31 billion in the first quarter, 1997) equivalent to income per average share outstanding of Lire 86.5 (Lire 77.5 in the first quarter, 1997).

Operating income is Lire 51 billion compared to Lire 43 billion in the first quarter, 1997.

Revenues are Lire 618 billion (Lire 773 billion in the first quarter, 1997).

Cash flow (net income plus depreciation) is Lire 76 billion (Lire 69 billion in the first quarter, 1997).

New **investments** made in the first quarter, 1998 following the launch of the four years plan of Lire 1.700 billion, total Lire 183 billion (Lire 67 billion in the first quarter, 1997) mainly related to the construction of the new drillship Saipem 10000, the upgrading of the Scarabeo 6 and the conversion of the Scarabeo 7 from a floatel to a semi-submersible drilling vessel.

Net financial position of Saipem Group, after the share capitale increase of March 1998, shows a surplus of Lire 3 billion at the end of the period (at 31 December 1997 there was a net debt of Lire 128 billion).

New Order - Backlog

In the first quarter of 1998 new orders acquired totalled Lire 1,883 billion, of which 61% was in the two core areas of Offshore Construction and Drilling.

The acquisitions includes a multi-year contract with ENI - Agip Division for the provision of drilling services utilising the new build Saipem 10000.

At the end of March 1998 the backlog reached a record level of Lire 5,807 billion as compared to Lire 4,542 billion, at the end of December 1997.

Forecast for the year 1998

Full year revenues and income in onshore and offshore construction, and to a lesser degree in drilling, cannot be considered a projection of first quarter results, depending, amongst other things, on weather factors and the programming of each project. Data of one quarter may vary significantly compared with that of the equivalent period of prior years. As a result, simple linear extrapolation of one quarter's results, as an estimate for the entire year, is not practical. Furthermore first quarter 1998 results benefit from a Lire 9 billion capital gain from the sale of a 50% interest in the vessel Maxita. Annual estimates of 1998 are provided below.

The run off of existing backlog foreseen during 1998 amounts to Lire 2,525 billion.

Given the level of backlog, and the current strength of our markets, it is reasonable to foresee higher revenues for 1998 than those achieved in 1997.

With respect to annual operating income, we continue to forecast an increase for the year of at least 10%.

The Board of Directors of Saipem S.p.A. has also reviewed the financial data of the Group as well as profitability by main sectors of activity.

Financial Flows

The difference between the situation of a net surplus of Lire 3 billion at the end of March 1998 and of a net debt of Lire 128 billion at the end of 1997 is a result of:

Outflows

- new investments in fixed and intangible assets of Lire 183 billion
- an increase of net current assets of Lire 198 billion, mainly attributable to seasonal requirement of working capital

Inflows

- the increase of the registered stock by Lire 396 billion

- the sale to Clough (50% partner in SaiClo) of 50% interest on the fixed development vessel Maxita for a price of Lire 47 billion (book value was Lire 38 billion)
- the increase of Employee's termination benefit of Lire 2 billion
- cash flow (net income plus depreciation) equal to Lire 76 billion.

Analysis by Business Segment

Offshore Drilling and Floating Production:

Quarterly revenues are Lire 79 billion in 1998, compared with Lire 53 billion in the first quarter, 1997. The backlog at the end of March amounts to Lire 1,574 billion of which Lire 231 billion is to be executed in 1998.

The Contribution from Operations (operating income before general expenses) is Lire 28 billion (Lire 9 billion in the first quarter, 1997) including depreciation of Lire 12 billion (Lire 9 billion in the first quarter, 1997).

The operating days of the major equipment are:

Vessel Type	operating days	
Semi-submersible Drilling Vessel		
Scarabeo 3	90	
Scarabeo 4	57	a
Scarabeo 5	90	
Scarabeo 6	90	b
Jack Up		
Perro Negro 2	90	
Perro Negro 3	23	a
Perro Negro 4	90	
Perro Negro 5	90	
FPSO - Firenze	27	c

a - For the remaining days the vessel has been undergoing maintenance.

b - The vessel is being upgraded with the financial participation of the client.

c - The floating production vessel has been installed and commissioned as of 2 March, 1998. Production started immediately after installation.

The order acquisitions of the first quarter of 1998 amount to Lire 773 billion (Lire 14 billion in the first quarter, 1997). As already mentioned, the most significant contract covers drilling services in deep water for the years 2000-2005, on behalf of ENI - Agip Division, utilising the new build drillship, Saipem 10000.

Onshore Drilling:

Revenues are Lire 65 billion compared with Lire 50 billion in the first quarter, 1997. The backlog at the end of March 1998 amounts to Lire 171 billion of which Lire 134 billion will be executed in 1998. The Contribution from Operations is Lire 21 billion (Lire 9 billion in the first quarter, 1997) including depreciation of Lire 5 billion (Lire 3 billion in the first quarter, 1997).

Operations involved the use of 30 rigs (other 4 rigs were being moved) of which: 12 rigs in Peru, 10 rigs in Italy, 3 rigs in Nigeria, 3 rigs in Algeria, 1 rig in Egypt and 1 rig in Kazakhstan.

Order acquisitions in the first quarter of 1998 amount to Lire 98 billion (Lire 88 billion in the first quarter, 1997). The most significant are:

- a drilling unit for 12 months, in Algeria, on behalf of Agip Africa;
- a drilling unit for 9 months, in Algeria, on behalf of Petrocanada;
- a drilling unit for 7 months, in Malta, on behalf of the Maltese Government;
- a drilling unit for 7 months, in Italy, on behalf of Lasmo.

Offshore Construction:

Revenues are Lire 329 billion compared with Lire 429 billion in the first quarter, 1997. The backlog at the end of March 1998 is Lire 2,073 billion of which Lire 1,447 billion will be executed in 1998.

The Contribution from Operations is Lire 31 billion (Lire 34 billion in the first quarter, 1997), including depreciation of Lire 16 billion (Lire 17 billion in the first quarter, 1997). The contribution includes a capital gain of Lire 9 billion realised from the sale of 50% interest in Maxita to Clough, partner in the joint venture SaiClo.

The operating activity is represented by the following projects:

- JAMNAGAR (INDIA): Marine Terminal and two sealines using Castoro 5 and Castoro 7 - EPIC Contract;

- PINGHU (CHINA): Two sealines using Semac 1 and Bar 331 (joint venture between Saipem and European Marine Contractors);
- SABLE ISLAND (CANADA): Transport and installation of 5 platforms totalling 16,000 tonnes using S7000;
- RAS LAFFAN (QATAR): Three pipelines for a total length of 107 Km using Castoro 2. EPIC Contract;
- OSO 2Y2 (NIGERIA): Three platforms for a total weight of 6,000 tonnes using Castoro 8. EPIC Contract by Saibos;
- AYDINER (TURKEY): installation of four sealines using the Crawler;
- TRANSCO (GULF OF MEXICO - USA): installation of a sealine for a total length of 91 Km using Castoro 8. Contract execution by Saibos;
- DESTIN DOME (USA): installation of a sealine for a total length of 100 Km using Castoro 6 and Castoro 10. Contract execution by European Marine Contractors;
- DABHOL PROJECT (INDIA): installation of a sealine and a SPM using Castoro 5;
- ZAFIRO PROJECT (EQUATORIAL GUINEA): installation of modules and other components using Pearl Marine. Contract execution by Saibos;

Contract acquisition in the first quarter, 1998 amounts to Lire 382 billion (Lire 496 billion in the first quarter, 1997). The most significant contracts are:

- Statoil, North Sea:
installation of a 16-leg mooring system for the platform Asgard "B" and relevant template of about 500 tonnes;
- Mossgas Dresser, South Africa:
engineering, transport and installation of a gasline for a total length of 50 Km with a service line. Contract execution by Saibos.
- Saga, North Sea:
installation of two sealines for a total length of 42 Km. Contract execution by European Marine Contractors;
- Elf, Congo:
transport and installation of production platforms Kombi and Likalala for a total weight of 3,500 tonnes, installation of various pipelines for a total length of 50 Km. Contract execution by Saibos.

Onshore Construction:

Revenues are Lire 144 billion compared with Lire 240 billion in the first quarter, 1997. The backlog, as of end of March 1998, amounts to Lire 1,439 billion, of which Lire 708 billion is to be executed in the year 1998. The operating income is Lire 5 billion (Lire 19 billion in the first quarter, 1997) including depreciation of Lire 5 billion (Lire 8 billion in the first quarter, 1997).

The major projects under construction are:

- LNG PROJECT (NIGERIA): pipelines for a total length of 203 Km;
- PDO PROJECT (OMAN): gasline for a total length of 352 Km;
- CONTRADA-MELIZZANO (ITALY): gasline for a total length of 60 Km;
- SAHIL (ABU DHABI): gas separation and treatment plant. EPIC contract;
- OIL RIM (NIGERIA): flow station in Soku field. EPIC Contract;
- RIYADH (SAUDI ARABIA): EPIC Contract for a bulk plant and multiproduct pipelines;
- UBT G-3 (SAUDI ARABIA): EPIC Contract for two gaslines for a total length of 157 Km;
- LNG UPSTREAM (OMAN): EPIC Contract for two gas separation and treatment plants.

Contract acquisition in the first quarter, 1998 amounted to Lire 630 billion (Lire 427 billion in the first quarter, 1997). The most significant acquisitions are:

- turnkey contract in Sudan for Greater Nile Petroleum Operating Company Ltd; seven pumping stations, marine terminal including five tanks, offshore pipeline and mooring buoy for the Muglad Basin Oil Development Project;
- turnkey contract for Hawiyah Gas Development Pipelines acquired in joint venture with Techint, in Saudi Arabia for Aramco. Gas pipeline system for a total length of 583 Km, conversion of oil pipeline to a gas pipeline of 150 Km length;
- Aramco, Saudi Arabia: Khuff Gas project consisting of flowlines of various lengths.

Tables with reclassified consolidated balance sheet and income statement are attached.

San Donato Milanese, 8th May 1998

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(billions lire)

	31 December 1997	31 March 1998 (*)
Tangible and intangible fixed assets	1.346	1.450
- Offshore Construction	627	625
- Offshore Drilling and Floating Production	502	590
- Land Drilling	68	66
- Onshore Construction	139	140
- Others	10	29
Financial investments	<u>8</u>	<u>8</u>
Non-current assets	1.354	1.458
Net current assets	42	240
Employees' termination benefits	(49)	(51)
CAPITAL EMPLOYED	<u>1.347</u>	<u>1.647</u>
Share capital	400	440
Reserves and net income for the period	<u>819</u>	<u>1.210</u>
Group shareholders' equity	1.219	1.650
Minority interests in net equity	0	0
Net debt (liquidity)	128	(3)
COVER	<u>1.347</u>	<u>1.647</u>

(*) the amounts do not include the effect of translation adjustments incurred in the first quarter of 1998.

Number of Shares issued and outstanding as at December 31, 1997 : 400 million

Number of Shares issued and outstanding as at March 31, 1998 : 440 million

Average number of Shares issued and outstanding during the first quarter 1998
(40 million new shares were issued as of March, 23 1998) : 404 million

SAIPEM GROUP**RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
NATURE OF COST**

(billions of lire)

	1st quarter 1997	1st quarter 1998
Operating revenues	773	618
Other income and revenues	7	24
Purchases, services and other costs	(541)	(387)
Payroll and related costs	(158)	(163)
GROSS OPERATING INCOME	81	92
Amortization, depreciation and write-downs	(38)	(41)
OPERATING INCOME	43	51
Financial expenses, net	(1)	(3)
Loss from investments, net	0	(1)
INCOME BEFORE INCOME TAXES	42	47
Income taxes	(11)	(12)
NET INCOME FOR THE PERIOD	31	35
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	<u>31</u>	<u>35</u>

SAIPEM GROUP**RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
DESTINATION OF COST**

(billions of lire)

	1st quarter 1997	1st quarter 1998
Operating revenues	773	618
Production costs	(676)	(531)
Idle costs	(17)	(10)
Selling expenses	(7)	(6)
Research and development expenses	(2)	(1)
Other operating income, net	3	15
CONTRIBUTION FROM OPERATIONS	74	85
General and administrative expenses	(31)	(34)
OPERATING INCOME	43	51
Financial expenses, net	(1)	(3)
Loss from investments, net	0	(1)
INCOME BEFORE INCOME TAXES	42	47
Income taxes	(11)	(12)
NET INCOME FOR THE PERIOD	31	35
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	<u>31</u>	<u>35</u>

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Saipem

Invitation to SAIPEM conference telephone call

Following the press release concerning Saipem Results for the **first quarterly period** ended March 31, 1998 , we hereby invite you to join a conference telephone call with Saipem management team .

The conference will take place at 17.00 hrs Italian time (16.00 hrs **British Summer Time** and 11.00 hrs **Eastern Standard Time**) on Monday 11th May , 1998 .

To participate in the call, please dial

01296 333 400 (if calling from the United Kingdom)

0044 1296 333 400 (if calling from outside the United Kingdom)

ten minutes before the scheduled start time and ask for the Saipem SPA call hosted by Mr D'Adda .It is envisaged that the conference will last 30 to 45 minutes.

The conference call will be replayed starting from the end of the call for 48 hours .

SAIPEM - INVESTOR RELATIONS

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Saipem

May, 1998

Dear Investor / Analyst,

With a view to forming a focused ,comprehensive and updated Mailing List in order to reach the actual users with all the documents issued by this Company (Financial Statements , Press Releases , Brochures etc) , could you please have the following schedule filled and returned to us.

We are particularly interested in the E-Mail address because we are planning to use e-mail to send press releases in the future.

Contact Name	
Company Role	
Company Name	
Address	
Phone	
Fax	
E-Mail	

We thank you in advance for your help,

F Ballarini
Investor Relations

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