PRESS RELEASE

On July 30, 1998, the Board of Directors of Saipem S.p.A. reviewed the unaudited financial statements related to the six-month period ending on June 30, 1998.

Net income amounted to Lire 97 billion (first six months of 1997: Lire 84 billion) equivalent to net income per average share outstanding of Lire 230 (first six months of 1997: Lire 210).

Operating income reached Lire 137 billion compared to Lire 116 billion in the first six months of 1997.

Revenues totalled Lire 1,535 billion (first six months of 1997: Lire 1,593 billion).

Cash flow (net income plus depreciation) is Lire 188 billion (first six months of 1997: Lire 154 billion).

Investments for the six-month period were in accordance with the four-year plan figure of Lire 1,700 billion and amounted to Lire 274 billion (first six months of 1997: Lire 162 billion). They mainly related to the construction of the new deepwater drillship Saipem 10000, the upgrading of the Scarabeo 6, the conversion of the Scarabeo 7 from a floatel to a semi-submersible drilling vessel and the installation of a J-lay system on the Saipem 7000.

The **net financial position** of the Saipem Group, after the share capital increase of March 1998, shows a net debt of Lire 102 billion at the end of the period. At December 31, 1997, net debt totalled Lire 128 billion.

New Order - Backlog

In the first six months of 1998 new orders totalled Lire 2,288 billion, of which 64% in the core segments of Offshore Construction and Drilling.

At the end of June 1998 the backlog reached Lire 5,295 billion (Lire 4,542 billion at the end of December 1997).

Forecast for the Year 1998

Due to several factors including weather conditions and the programming of each project, year-end revenues and income in Onshore and Offshore Construction, and to a lesser degree in Drilling, cannot be considered a projection of the results of the first six months. In addition, six-month data may vary significantly from that of the equivalent period of prior years.

The execution of existing backlog foreseen during 1998 amounts to Lire 1,833 billion; it is therefore reasonable to expect higher revenues for 1998 than for 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 Group's financial data and the profitability by main segment of activity.

Financial Flows

The difference between the net debt of Lire 102 billion at the end of June 1998 and the net debt of Lire 128 billion at the end of 1997 is a result of:

Outflows

- investments in fixed and intangible assets of Lire 274 billion and financial investments of Lire 2 billion;
- an increase of net current assets of Lire 253 billion, mainly attributable to seasonal requirements of working capital;
- the distribution of dividends of Lire 66 billion;
- currency exchange differences of Lire 4 billion.

Inflows

- the Lire 396 billion of registered stock;
- the sale to Clough, 50% partner in SaiClo, of Saipem's 50% interest in the field-development vessel Maxita for a price of Lire 47 billion. The book value was Lire 38 billion;

- the increase of Employees’ termination benefits of Lire 3 billion;
- cash flow (net income plus depreciation and amortization) equal to Lire 188 billion.

Additional Information

On June 2, 1998, pursuant to the amendments of the Articles of Association approved by the general shareholders’ meeting of January 29, 1998, the members of the Board of Directors of the Company were increased to 9, of whom 3 represent minority shareholders.

On the June 10, 1998, the Board of Directors appointed Mr. Salvatore Russo as Chairman and CEO in replacement of Mr. Fabrizio d’Adda, who was appointed to an important office within the ENI Group. Mr. d’Adda will remain member of the Board of Directors of Saipem.

Mr. Russo previously was ENI Group Senior Vice President for Planning and Control. In this position he actively contributed to defining Saipem strategy.

In June 1997, Saipem was served in Houston, Texas, with a U.S. Federal Grand Jury subpoena requesting the production of documents in connection with an investigation by the U.S. Department of Justice of alleged anti-competitive activities related to “heavy-lift marine construction” in the Gulf of Mexico, North Sea and Far East.
In December 1997, HeereMac, a 50/50 Joint Venture between Heerema Offshore Construction Group Inc. and J. Ray McDermott S.A., and its commercial director, entered into plea agreements with the Department of Justice, pursuant to which they agreed to plead guilty of conspiracy to suppress and eliminate competition for the sale of “heavy-lift marine construction” in the Gulf of Mexico, North Sea and Far East. No charges have been brought against Saipem.

The Department of Justice announced in a press release following the plea agreements that its investigation will continue.

Subsequently in June 1998, Phillips Petroleum Company and various related Phillips entities, filed a lawsuit in the U.S. District Court for the Southern District of Texas in Houston, against a number of heavy-lift construction companies. The Company and a number of its affiliates are named as defendants. In general, the complaint alleges that the defendants acted together in an anti-competitive manner in providing heavy-lift marine transportation and installation of offshore oil and gas platform and related facilities in the Gulf of Mexico, North Sea and Far East. The complaint alleges that the defendants have violated the U.S. antitrust laws and certain provisions of Texas law. The plaintiffs have been requested actual damages, as well as punitive and treble damages. The answer date has not yet arrived, and the Company has not yet responded to the allegations in the complaint. However, the Company believes that it has good defences to the allegations in the complaint.

No significant events have been registered with relation to other legal proceedings involving Saipem. The Company believes overall provisions set aside for the latter are adequate.

Analysis by Business Segment

Offshore Drilling and Floating Production:

billions of lire

	1st six months 1997	1st six months 1998
Revenues	120	165
Operating expenses, before depreciation	(83)	(75)
Depreciation	(17)	(30)
Contribution from operations (*)	20	60
New orders	330	837

(*) Operating income before general expenses.

The backlog at the end of June amounts to Lire 1,552 billion of which Lire 152 billion is to be executed in 1998.

The increase in depreciation is mainly due to the completion of the conversion of the floating production vessel FPSO Firenze which started operations in March 1998.

The most significant orders acquired during the first six months of 1998 are:

- drilling services in deep waters for the years 2000-2005, on behalf of ENI - Agip Division, utilising the new build drillship, Saipem 10000.
- the extension of existing drilling contracts. The most significant relate to the charter of Scarabeo 4 in Nigeria on behalf of Elf and the charter of Scarabeo 6 in Norway on behalf of Statoil.

The operating days of the major equipment are:

Vessel Type	operating days	
Semi-submersible Drilling Vessel		
Scarabeo 3	181	
Scarabeo 4	144	**a**
Scarabeo 5	181	
Scarabeo 6	181	**b**
Jack Up		
Perro Negro 2	181	
Perro Negro 3	111	**a**
Perro Negro 4	181	
Perro Negro 5	181	
FPSO - Firenze	118	**c**

a - For the remaining days the vessel has been undergoing maintenance.
b - The vessel has been upgraded with the financial participation of the client.
c - The floating production vessel has been installed and commissioned as of March 2, 1998. Production started immediately after installation.

Onshore Drilling:

billions of lire

	1st six months 1997	1st six months 1998
Revenues	122	131
Operating expenses, before depreciation	(87)	(90)
Depreciation	(5)	(9)
Contribution from operations (*)	30	32
New orders	145	165

(*) Operating income before general expenses

The backlog at the end of June 1998 amounts to Lire 172 billion, of which Lire 134 billion will be executed in 1998.

- The most significant acquisitions of the first six-month period of 1998 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;
  - a drilling unit for 9 months, in Italy, on behalf of ENI - Agip division.

- Operations involved the use of 31 rigs owned by Saipem Group companies, of which: 15 rigs in Peru, 8 rigs in Italy, 2 rigs in Nigeria, 3 rigs in Algeria, 1 rig in Egypt, 1 rig in Kazakhstan and 1 in Malta. An additional rig has been used for training activities while an average of two rigs were being moved to their new location. Further, additional 14 rigs owned by third parties have been employed.

Offshore Construction:

billions of lire

	1st six months 1997	**1st six months 1998**
Revenues	827	831
Operating expenses, before depreciation	(704)	(706)
Depreciation	(34)	(36)
Contribution from operations (*)	89	89
New orders acquired	1,142	621

(*) Operating income before general expenses

The backlog at the end of June 1998 reached Lire 1,810 billion, of which Lire 1,013 billion will be executed in 1998.

- The contribution from operations includes a capital gain of Lire 9 billion, resulting from the sale of Saipem's 50% interest in Maxita to Clough, a partner in the joint venture SaiClo, and Lire 9 billion of provisions for risks related to the Jamnagar project in India. In relation to the latter, on June 9th a devastating hurricane caused heavy damage both to Saipem equipment and to the works carried out by Saipem and other contractors. The full extent of the damage is still under evaluation: that concerning equipment and works (covered by primary insurance companies) and that associated with delays and rescheduling of the works. The provision set aside in the consolidated financial accounts is considered adequate with the present level of knowledge of the situation.

- The most significant contracts acquired in the six-month period are:
  - Noordgastramp, North Sea:
    installation of a sealine. Contract execution by European Marine Contractors;
  - Statoil, North Sea:
    installation of a 16-leg mooring system for the platform Asgard "B" and relevant template;
  - Mossgas Dresser, South Africa:
    engineering, transport and installation of a gasline with a service line. Contract execution by SaiBos.
  - Saga, North Sea:
    installation of two sealines. Contract execution by European Marine Contractors;
  - Elf, Congo:
    transport and installation of production platforms Kombi and Likalala, installation of various pipelines. Contract execution by SaiBos.

The operating activity is represented by the following projects:

- JAMNAGAR (INDIA): Marine Terminal and two sealines using Castoro 5 and Castoro 7 - EPIC Contract;
- OSEBERG (NORWAY): Transport and installation of 3 platforms, one bridge and a production module with related accommodations;
- PINGHU (CHINA): Two sealines using Semac 1 and Bar 331 (Joint Venture between Saipem and European Marine Contractors);
- RAS LAFFAN (QATAR): Three pipelines using Castoro 2 - EPIC Contract;

- SABLE ISLAND (CANADA): Transport and installation of 5 platforms using S7000;
- DABHOL PROJECT (INDIA): Installation of a sealine and of a SPM using Castoro 5 - EPIC Contract;
- OSO 2Y2 (NIGERIA): Three platforms using Castoro 8 - EPIC Contract by SaiBos;
- TRANSCO (GULF OF MEXICO - USA): Installation of a sealine using Castoro 8. Contract execution by SaiBos;
- ZAFIRO PROJECT (EQUATORIAL GUINEA): Installation of modules and other components using Pearl Marine. Contract execution by SaiBos;
- CANTARELL (GULF OF MEXICO): Installation of a sealine - EPIC Contract by European Marine Contractor.

Onshore Construction:

billions of lire

	1st six months 1997	1st six months 1998
Revenues	522	407
Operating expenses, before depreciation	(472)	(370)
Depreciation	(11)	(11)
Contribution from operations (*)	39	26
New orders acquired	614	665

(*) Operating income before general expenses

The backlog at the end of June 1998 is Lire 1,211 billion, of which Lire 532 billion will be executed in 1998.

- The most significant contracts acquired in the six-month period are:
- a turnkey contract in Sudan on behalf of Greater Nile Petroleum Operating Company, consisting of seven pumping stations, a marine terminal including five tanks, an offshore pipeline and mooring buoy for the Muglad Basin Oil Development Project;

- a turnkey contract Hawiyah Gas Development Pipelines in Saudi Arabia on behalf of Aramco, awarded jointly with Techint, consisting of a new pipeline and the conversion of an existing oil line into a gas pipeline;
- Khuff Gas contract in Saudi Arabia on behalf of Aramco, requiring the laying of various flowlines of different lengths.

The major projects under construction are:

- LNG PROJECT (NIGERIA): various pipelines;
- PDO PROJECT (OMAN): gasline;
- CONTRADA-MELIZZANO (ITALY): gasline;
- MUGLAD BASIN OIL PROJECT (SUDAN): turnkey contract 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;
- SHOAIBA (SAUDI ARABIA): EPIC Contract for a water transmission system and upgrading of 4 pumping stations;
- UBT G-3 (SAUDI ARABIA): EPIC Contract for a gasline of variable diameter;
- JUAYMAH (SAUDI ARABIA): EPIC Contract for 2 pipelines and six pig launchers;
- RHO - MALPENSA (ITALY): product pipeline;
- SAHIL (ABU DHABI): EPIC contract for gas separation and treatment plant.

Tables with The reclassified consolidated balance sheet and income statements (by nature and destination of cost) are attached.

San Donato Milanese, July 30th, 1998

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(billions of lire)

	31 December 1997		30 June 1998 (*)	
Tangible and intangible fixed assets	1.346		1.497	
- Offshore Construction		627		649
- Offshore Drilling and Floating Production		502		604
- Land Drilling		68		70
- Onshore Construction		139		143
- Others		10		31
Financial investments	8		9	
Non-current assets		**1.354**		**1.506**
Net current assets		**42**		**295**
Employees' termination benefits		**(49)**		**(52)**
CAPITAL EMPLOYED		**1.347**		**1.749**
Share capital	400		440	
Reserves and net income for the period	819		1.207	
Group shareholders' equity		**1.219**		**1.647**
Minority interests in net equity		**0**		**0**
Net debt		**128**		**102**
COVER		**1.347**		**1.749**

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Number of Shares issued and outstanding as at December 31, 1997	:	400 million
Number of Shares issued and outstanding as at June 30, 1998	:	440 million
Average number of Shares issued and outstanding during the first six months of 1998 (40 million new shares were issued as of March 23rd, 1998)	:	422 million

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
NATURE OF COST

(billions of lire)

	1st half year 1997	1st half year 1998
Operating revenues	1.593	1.535
Other income and revenues	14	43
Purchases, services and other costs	(1.099)	(1.038)
Payroll and related costs	(322)	(312)
GROSS OPERATING INCOME	**186**	**228**
Amortization, depreciation and write-downs	(70)	(91)
OPERATING INCOME	**116**	**137**
Financial expenses, net	(2)	(7)
Income (Loss) from investments, net	(1)	1
INCOME BEFORE INCOME TAXES	**113**	**131**
Income taxes	(29)	(34)
NET INCOME FOR THE PERIOD	**84**	**97**
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	**84**	**97**

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
DESTINATION OF COST

(billions of lire)

	1st half year 1997	1st half year 1998
Operating revenues	1.593	1.535
Production costs	(1.359)	(1.307)
Idle costs	(38)	(21)
Selling expenses	(16)	(14)
Research and development expenses	(3)	(2)
Other operating income (expenses), net	(2)	15
CONTRIBUTION FROM OPERATIONS	**175**	**206**
General and administrative expenses	(59)	(69)
OPERATING INCOME	**116**	**137**
Financial expenses, net	(2)	(7)
Income (Loss) from investments, net	(1)	1
INCOME BEFORE INCOME TAXES	**113**	**131**
Income taxes	(29)	(34)
NET INCOME FOR THE PERIOD	**84**	**97**
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	**84**	**97**