Saipem

PRESS RELEASE

On November 10, 1998, the Board of Directors of Saipem S.p.A. reviewed the unaudited financial statements related to the nine-month period ended 30 September, 1998.

Net income amounted to Lit. 171 billion (first nine months of 1997: Lit. 159 billion) equivalent to net income per average share outstanding of Lit. 400 (first nine months of 1997: Lit. 398).

Operating income reached Lit. 237 billion compared to Lit. 215 billion in the first nine months of 1997.

Revenues totalled Lit. 2,435 billion (first nine months of 1997: Lit. 2,416 billion).

Cash flow (net income plus depreciation and amortization) amounted to Lit. 309 billion (first nine months of 1997: Lit. 279 billion).

Investments for the nine months period were in accordance with the four-year plan figure of Lit. 1,700 billion, and amounted to Lit. 488 billion (first nine months of 1997: Lit. 271 billion). They mainly related to the construction of the new deepwater drillship Saipem 10000, the upgrading of the semi-submersible Scarabeo 6, the conversion of the Scarabeo 7 from a flotel to a semi-submersible drilling vessel and the installation of an ultra deep water 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 Lit. 63 billion at the end of the period (at December 31, 1997, prior the share capital increase, net debt totalled Lit. 128 billion).

New Order - Backlog

In the first nine months of 1998, new orders totalled Lit. 2,909 billion, of which 69% were associated with the two core segments of Offshore Construction and Offshore Drilling.

At the end of September 1998 the backlog amounted to Lit. 5,016 billion (Lit. 4,542 billion, at the end of December 1997).

Forecast for the Year 1998

Due to several factors, such as weather conditions and the programming of each project, year-end revenues and income in Onshore and Offshore Construction, and, to a lesser degree in Onshore and Offshore Drilling, cannot be considered a linear projection of the results of any interim period. Quarterly data may also vary significantly from that of the equivalent period in prior years.

The revenues of the first nine months together with the planned implementation in the 4th quarter of existing backlog amounting to Lit. 921 billion, indicate higher revenues for 1998 than for 1997.

With respect to annual operating income, we continue to forecast an increase for the year at least in line with the growth achieved in 1997 (10%).

The Board of Directors of Saipem S.p.A. has also reviewed the Group's financial flows and the profitability by main segment of activity.

Financial Flows

The difference between the net debt of Lit. 63 billion at the end of September 1998 and the net debt of Lit. 128 billion at the end of 1997 is a result of:

Outflows

- investments in fixed and intangible assets of Lit. 488 billion and financial investments of Lit. 1 billion;
- an increase of net current assets of Lit. 112 billion;
- the distribution of dividends of Lit. 66 billion;
- utilization of Employees' termination benefits provision of Lit. 11 billion.

Inflows

- the Lit. 396 billion of new registered stock;
- the sale to Clough, joint partner in SaiClo, of 50% of Saipem interest in the field-development vessel Maxita for a price of Lit. 47 billion. The net book value was Lit. 38 billion;
- cash flow (net income plus depreciation and amortization) equal to Lit. 309 billion.

Analysis by Business Segment

Offshore Drilling and Floating Production:

billions of Italian Lire (Lit.)

	30th September 1997	30th September 1998
Revenues	196	249
Operating expenses, before depreciation	(138)	(104)
Depreciation	(26)	(48)
Contribution from operations (*)	32	97
New orders	334	853

(*) Operating income before general expenses.

The backlog at the end of September 1998 amounts to Lit. 1,484 billion of which Lit. 57 billion is to be executed in the 4th quarter of 1998.

The decrease in production costs before depreciation is associated with the fact that the semi-submersible vessel Scarabeo 6, although under contract, did not undertake operational activities during the first six months, due to a planned upgrading of the vessel, requested and partially reimbursed by the Client.

The increase in depreciation is mainly due to the completion and capitalisation of the investment relative to the floating production vessel FPSO Firenze, which started operations in March 1998, and to the accelerated depreciation on improvements to the Scarabeo 5, requested and partially reimbursed by the Client.

The most significant orders acquired during the period are:

- drilling services in deep waters for the years 2000-2005, on behalf of ENI - Agip Division, utilizing the new build drillship, Saipem 10000.
- the extension of existing drilling contracts, the most significant of which relate to the charter of Perro Negro 4 in Egypt on behalf of Petrobel and the charter of Scarabeo 6 in Norway on behalf of Saga/Statoil.

The operating days of the major equipment during the period were:

Vessel Type	operating days	
Semi-submersible Drilling Vessels		
Scarabeo 3	273	
Scarabeo 4	236	**a**
Scarabeo 5	273	
Scarabeo 6	273	**b**
Jack Ups	**operating days**	
Perro Negro 2	273	
Perro Negro 3	203	**a**
Perro Negro 4	263	
Perro Negro 5	273	
FPSO – Firenze	202	**c**

a - For the remaining days the vessels have been undergoing maintenance.
b - The vessel has been undergoing an upgrading, which ended by the end of June, with the financial participation of the Client.
c - The floating production vessel was installed and commissioned as of March 2, 1998. Production started immediately after installation.

Onshore Drilling:

billions of Italian Lire (Lit.)

	30th September 1997	30th September 1998
Revenues	182	204
Operating expenses, before depreciation	(124)	(145)
Depreciation	(15)	(11)
Contribution from operations (*)	43	48
New orders	192	211

(*) Operating income before general expenses

The backlog at the end of September 1998 amounts to Lit. 145 billion of which Lit. 49 billion is to be executed in the 4th quarter of 1998.

In July 1998, Saipem acquired the remaining 50% of the stock held by the partner in the companies Petrex and Saipem Perfurações e Construções Petroliferas America do Sul, both operating in Peru. Effective from August 1998 both companies have been consolidated utilizing the full consolidation method. Changes in the consolidation method gave rise to an increase of revenues of Lit. 3.5 billion, an increase of operating expenses before depreciation of Lit. 2.4 billion and an increase in depreciation of Lit. 0.7 billion.

- The most significant acquisitions of the period 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 9 months, in Italy, on behalf of ENI - Agip division;
  - 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;
  - Workover activities in Kazakhstan, on behalf of Karachaganak Operating Structure.
  - a drilling unit for 18 months, in Nigeria, on behalf of Chevron Nigeria;

- Execution of several contract options by various Clients in Peru.
- During the period, operations involved the use of 32 land rigs owned by Saipem Group companies. Of these, 15 were in Peru, 8 were in Italy, 3 were in Nigeria, 3 were in Algeria, 1 was in Egypt, 1 was in Kazakhstan and 1 was in Malta. A rig, utilized in Italy for training activities in Cortemaggiore, has been dismantled. Further, an additional 9 rigs, owned by third parties, have been employed under management agreements

Offshore Construction:

billions of Italian Lire (Lit.)

	30th September 1997	30th September 1998
Revenues	1,333	1,379
Operating expenses, before depreciation and cost of material	(847)	(927)
Cost of material	(223)	(244)
Depreciation	(58)	(53)
Contribution from operations (*)	205	156
New orders acquired	1,877	1,155

(*) Operating income before general expenses.

The backlog at the end of September 1998 amounts to Lit. 1,796 billion of which Lit. 538 billion is to be executed in the 4th quarter of 1998.

- In relation to the Jamnagar Project (India), as already anticipated with the press release relating to the first six months of 1998, a devastating hurricane on June 9th caused heavy damage both to Saipem equipment and to work-in-progress being carried out both by Saipem and other contractors. The full extent of the damage, to equipment and to works, is still under evaluation by the insurance companies. In particular, Saipem has notified the insurance companies the abandonment of the lay-barge Castoro V, having ascertained that it is a total loss.

In the meanwhile, negotiations with the Client, and with other parties involved in the valuation and allocation of costs associated with the reorganization of the works, are still in progress. The accompanying financial statement as of September 30, 1998, include, with respect to the said project, operating revenues amounting to Lit. 172 billion and a provision of Lit. 9 billion, which was already accrued as of June 30, 1998, pending the completion of the above mentioned negotiation.

The backlog to be executed in the 4th quarter of 1998, totalling Lit. 538 billion, includes Lit. 149 billion of revenues associated with the Jamnagar project.

- The most significant contracts acquired in the nine-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;
  - Elf, Congo:
    transportation and installation of production platforms Kombi and Likalala, installation of various pipelines. Contract execution by SaiBos;
  - Pemex , Mexico:
    laying of 14 sealines of various diameters, totalling 85 kilometers, in the Gulf of Mexico. Contract execution by European Marine Contractors;
  - Inagip Operation Oil Company, Croatia:
    installation of one platform and laying of 67 kilometers sealines;
  - Statoil, North Sea:
    transportation and installation of one platform of 11,900 tons, in the norwegian sector of the North Sea.

The operating activity is represented by the following main projects:

- Jamnagar (India): Epic contract (Engineering, Procurement, Installation and Commissioning) for Marine Terminal and two sealines using Castoro V and Castoro Sette;
- Oseberg (Norway): transportation and installation of 3 platforms, one bridge and a production module with related accommodations;
- Pinghu (China): two sealines using Semac 1 and Bar 331 - Epic contract (Joint Venture between Saipem and European Marine Contractors);

- Ras Laffan (Qatar): three pipelines using Castoro II - Epic contract;
- Sable Island (Canada): transportation and installation of 5 platforms using S7000;
- Dong – South Arno Nybro (Denmark): sealine using Castoro Sei. Contract execution by European Marine Contractors;
- Asgard B (Norway): hydrocarbon treatment plant and waste water treatment unit relating to the Asgard B platform - Epic contract;
- Oso 2Y2 (Nigeria): three platforms using Castoro 8 - Epic contract 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 Italian Lire (Lit.)

	30th September 1997	30th September 1998
Revenues	703	600
Operating expenses, before depreciation and cost of material	(550)	(432)
Cost of material	(111)	(110)
Depreciation	(16)	(18)
Contribution from operations (*)	26	40
New orders acquired	708	690

(*) Operating income before general expenses.

The backlog at the end of September 1998 is Lit. 1,043 billion, of which Lit. 532 billion is to be executed in the 4th quarter of 1998.

- The most significant contracts acquired in the nine-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;
- Ubtg-3 (Saudi Arabia): Epic contract for a gasline of variable diameters;
- Mega Project (Argentina): Epic contract for a pipeline of 600 kilometers, two pumping stations and one storage plant;
- Soku Gas Plant (Nigeria): Epic contract for a gas treatment plant;
- Hawiyah (Saudi Arabia): construction of 500 kilometers of gasline and conversion of a gasline in a flowline.

Share Capital Increase, in Accordance with Article 2349 of the Italian Civil Code, Aimed to Implement a Performance Share Plan for All Saipem Managers

The Board of Directors ha approved a three-year incentive plan (1999-2001) for Saipem managers linking their performance to the attainment of company and individual objectives. This plan aims at further acknowledging and encouraging managers' commitment to continuous performance improvement and shareholder value creation.

This plan foresees the assignment of Saipem shares for no consideration, in accordance with article 2349 of the Italian civil code, to Saipem managers who reach their set objectives. Assignees of new shares shall be prevented from transferring such shares over a period of three years. A “Compensation Committee” will be appointed.

The Board of Directors will propose to the extraordinary Shareholders’ Meeting, called for mid-December 1998, to be granted the power to increase Saipem’s share capital over a three-year term up to a maximum of Lit. 1.6 billion, equal to 0.36% of Saipem’s share capital, by way of issuing 1,600,000 ordinary shares with a nominal value of Lit. 1,000 per share. In order to finance the increase of Saipem share capital the Board of Directors will propose to the Shareholders’ meeting to create a designated-purpose reserve to be funded by a portion of net income on a year-to-year basis or by free assignable reserves.

Other information

Shell Oil Company filed a lawsuit, with the Harris County Court, in Houston, Texas. This law suit alleges that certain companies, not including Saipem, violated U.S. antitrust law, as well as certain Texas statutes, while engaging in transportation and installation projects, in the US Gulf of Mexico, the North Sea, and in the Far East. The Shell case is seeking payments equal to damages incurred, the imposition of a punitive fine, and treble damages. Saipem is not named as a defendant in this Shell suit.

On September 17, 1998, Amoco Production Company, and its subsidiaries, filed documents seeking “leave to intervene” in the Shell case. The intervention argues that Amoco should be allowed to join the Shell Oil case. Although Saipem is not named as a defendant, the Amoco filing does include Saipem as a company that participates in the heavy lift construction market.

The first procedural action of the Court, will be to establish if Amoco’s request, that it be given leave to intervene in the Shell lawsuit, will be honored.

The company believes that it has good defences to the allegations raised by Amoco.

Attached please find the following statements:
- Reclassified Consolidated Balance Sheet
- Reclassified Consolidated Income Statements (by nature and destination of costs).

San Donato Milanese, November 10, 1998

Saipem

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(billions of lire)

	31st December 1997		30th September 1998 (	
Tangible and intangible fixed assets	1.346		1.658	
- Offshore Construction		627		701
- Offshore Drilling and Floating Production		502		678
- Land Drilling		68		105
- Onshore Construction		139		140
- Others		10		34
Financial investments	8		9	
Non-current assets		**1.354**		**1.667**
Net current assets		**42**		**154**
Employees' termination benefits		**(49)**		**(38)**
CAPITAL EMPLOYED		**1.347**		**1.783**
Share capital	400		440	
Reserves and net income for the period	819		1.280	
Group shareholders' equity		**1.219**		**1.720**
Minority interests in net equity		**0**		**0**
Net debt		**128**		**63**
COVER		**1.347**		**1.783**

(*) Figures don't include the value of "Translation Adjustments" relevant to the conversion of the statements of those companies which are expressed in other currencies than Italian lire.

Number of Shares issued and outstanding as at December 31, 1997	:	400 million
Number of Shares issued and outstanding as at September 30, 1998	:	440 million
Average number of Shares issued and outstanding during the first nine months of 1998 (40 million new shares were issued as of March 23rd, 1998)	:	428 million

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
NATURE OF COST

(billions of lire)

FOR THE NINE-MONTH PERIOD ENDED	30th September 1997	30th September 199
OPERATING REVENUES	2.416	2.435
Other income and revenues	27	43
Purchases, services and other costs	(1.643)	(1.623)
Payroll and related costs	(465)	(480)
GROSS OPERATING INCOME	**335**	**375**
Amortization, depreciation and write-downs	(120)	(138)
OPERATING INCOME	**215**	**237**
Financial expenses, net	(2)	(10)
Income (Loss) from investments, net	(1)	1
INCOME BEFORE INCOME TAXES	**212**	**228**
Income taxes	(53)	(57)
NET INCOME FOR THE PERIOD	**159**	**171**
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	**159**	**171**

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
DESTINATION OF COST

(billions of lire)

FOR THE NINE-MONTH PERIOD ENDED	30th September 1997	30th September 199
OPERATING REVENUES	2.416	2.435
Production costs	(2.023)	(2.047)
Idle costs	(59)	(29)
Selling expenses	(23)	(23)
Research and development expenses	(6)	(3)
Other operating income (expenses), net	(1)	8
CONTRIBUTION FROM OPERATIONS	**304**	**341**
General and administrative expenses	(89)	(104)
OPERATING INCOME	**215**	**237**
Financial expenses, net	(2)	(10)
Income (Loss) from investments, net	(1)	1
INCOME BEFORE INCOME TAXES	**212**	**228**
Income taxes	(53)	(57)
NET INCOME FOR THE PERIOD	**159**	**171**
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	**159**	**171**