Saipem

PRESS RELEASE

The Saipem S.p.A. Board of Directors has today reviewed the Group's unaudited preliminary consolidated financial statements for the six months, ending 30th of June 1999, which, have for the first time been expressed in Euros (Euro 1 = Lit. 1,936.27).

Revenues totalled 776 million Euros (793, in the first six months of 1998).

Operating income amounted to 56 million Euros (71, in the first six months of 1998).

Net income reached 37 million Euros (50, in the first six months of 1998), equal to an earning per share of 0.08 Euro per share, (0.12 Euro per share in the first six months of 1998).

Cash flow (net income plus depreciation and amortisation) amounted to 83 million Euros (97, in the first six months of 1998).

Investments for the period, were in accordance with the four-year plan of 878 million Euros, and amounted to 228 million Euros (142, in the first six months of 1998). These expenditures mainly regarded:

- the new, deep water drill ship, Saipem 10000;
- the new field development ship (FDS) for sub sea development;
- the conversion of Scarabeo 7, from a flotel into a fourth generation semi-submersible drilling rig and;
- the installation of an ultra deep water J-lay system on the Saipem 7000.

Net financial debt at the end of June 1999 amounted to 402 million Euros (135, at 31st of December 1998)

New Orders and Backlog

New orders acquired during the first six months of 1999 totalled 400 million Euros.

The backlog at the end of June was 2,087 million Euros (2,463, at 31st of December 1998) and does not include the "Blue Stream" project, which is at an advanced stage of negotiation.

Forecast for 1999 fiscal year

It's worth re-iterating, that the Onshore and Offshore Construction sectors, and, to a lesser extent both of the Drilling sectors, are influenced by seasonal climatic conditions, which in turn may affect the volume of work completed as well as the resultant profit levels in these sectors. Consequently, the results from one particular period may vary significantly from the same period of a preceding year, therefore precluding the simple extrapolation of figures in order to derive an estimate for the entire year.

It should be noted that the low price of crude oil, through March 1999, and Oil Company resultant consolidations have caused in reduced exploration activity, as well as constraints being placed on their development programmes. These conditions have reduced opportunities for service contractors, in both the construction and drilling sectors. In addition, the latter sector has been further penalised due to the re-negotiation of day rates on certain existing contracts. These composite negative factors have proved to be worse than previously estimated, and although the price of crude oil has recently recovered significantly, an improvement in capital spending should not be expected until the second half of the year 2000. On the basis of available information and despite the commencement of operations of the "Blue Stream" now expected in the month of October 1999, the already announced (in connection with the 1st quarter results) 15-20% reduction in operating income can be confirmed for the 1999 financial year, compared to the record level of 1998.

The Saipem S.p.A. Board of Directors has also reviewed the financial flows and the profitability by main business sectors.

Financial Flows

The increase in net debt of 267 million Euros compared to the end of 1998 is the result of:

Outflows

- Investments in fixed tangible and intangible assets of 228 million Euros;
- An increase in net working capital for the period of 80 million Euros, due mainly to seasonal factors relating to working capital;
- Distribution of dividends totalling 38 million Euros;

- Translation differences, 4 million Euros.

Inflows

- Cash flow (defined as net income plus depreciation and amortisation) of 83 million Euros.

Other information

The General Shareholders' meeting held on 26th July 1999, appointed Stefano Cao as Chairman and CEO (previously the Managing Director and COO) replacing Salvatore Russo who was appointed Chairman and CEO of Snam S.p.A. The Board today appointed Giancarlo Mazzone as Managing Director and CFO (previously Chairman and CEO of Sofid S.p.A. and Eni International Holding BV), replacing Pietro Franco Tali who was appointed Managing Director of Agip Petroli S.p.A.

As previously announced, a number of Oil companies, including Phillips and Statoil, filed lawsuits in federal court in Houston, Texas alleging anti-competitive acts in violation of the U.S. antitrust laws. In January 1999, the judge in the Phillips case dismissed all claims relating to projects and activities outside the Gulf of Mexico, concluding that the Court did not have jurisdiction over claims involving those projects.

On 9th July 1999, the Court re-affirmed its earlier ruling and denied Phillips' motion for reconsideration (the only remaining claim against Saipem in this case relates to a single project in the Gulf of Mexico, for which Saipem had not been formally invited to bid).

Also, on 9th July 1999, based on the same jurisdictional principles, the Court completely dismissed the Statoil case because all of the claims involved projects undertaken in the Norwegian sector of the North Sea.

Analysis by Business Sector

Offshore Drilling and Floating Production:

	millions of Euros		
	first six months of 1998		first six months of 1999
Revenues	85		83
Operating expenses	(39)		(46)
Depreciation	(15)		(15)
Contribution from operations (*)	31		22
New orders	432	(**)	26

The backlog of at 30th of June 1999 amounted to 692 million Euros, of which 89 are expected to be executed during the second half of 1999.

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

(**) *Includes the five-year deep water drilling contract, on behalf of the Agip division of Eni, using the new build Saipem 10000 drill ship.*

- The reduction in revenue of 2 million Euros, from the non-use of Scarabeo 4 and the re-negotiation of day rates, has been almost entirely offset by the complete utilisation of the FPSO Firenze and the Scarabeo 6;

- The increase in operating expenses of 7 million Euros, is mainly associated with the utilisation in 1999 of the semi-submersible vessel Scarabeo 6, which, although under contract, was not operational during the first six months of 1998. This was due to an upgrading of the vessel, requested and partially reimbursed by the Client;
- The most significant orders awarded to Saipem during the period were:
  - 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 Perro Negro 2 in Nigeria, on behalf of Elf.

- Major Equipment utilisation:

Vessel Type	Days under contract	
Semi-submersible Drilling Vessels		
Scarabeo 3	181	
Scarabeo 4	-	
Scarabeo 5	181	
Scarabeo 6	170	**a**
Jack Ups		
Perro Negro 2	181	
Perro Negro 3	181	
Perro Negro 4	179	**a**
Perro Negro 5	181	
FPSO – Firenze	181	

a - Maintenance was carried out on the vessels for the balance of the period.

Onshore Drilling:

	millions of Euros	
	first six months of 1998	**first six months of 1999**
Revenues	68	54
Operating expenses	(46)	(44)
Depreciation	(5)	(5)
Contribution from operations (*)	17	5
New orders	85	25

The backlog at 30th of June 1999 amounted to 69 million Euros, of which 38, are expected to be executed during the second half of 1999.

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

- The significant reduction recorded in revenue and contribution (14 and 12 million Euros respectively), is due to a general contraction in activity and re-negotiation of day rates on certain existing contracts.

- The most significant awards for the period were:
  - The charter of a drilling unit in Algeria for one well, with an option for six wells, on behalf of Lousiana Land & Exploration (L.L. & E.);
  - The extension of an existing contract, for 3 rigs in Italy, on behalf of the Agip division of Eni.

- Operations involved the average use of 31 of the 37 land rigs owned by the Group distributed as follows; 17 in Peru, 4 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt, 1 in Kazakhstan, 1 in India and 1 in Malta. In addition, 8 rigs have been employed by Saipem, under management agreements with third party owners.

Offshore Construction:

	millions of Euros			
	first six months of 1998		**first six months of 1999**	
Revenues	429		423	
Operating expenses	(365)		(362)	
of which materials		*(67)*		*(64)*
Depreciation	(19)		(15)	
Contribution from operations (*)	46		46	
New orders	321		180	

The backlog at 30th of June 1999 amounted to 656 million Euros (**), of which, 294, are expected to be executed during the second half of 1999.

(*) *Operating income before general and administrative expenses.*
(**) The outstanding orders do not include the Blue Stream project.

- The contribution, although stable, accounts for the loss of 20 million Euros of the Jamnagar project on the Indian peninsula, due to unforeseeable technical problems during execution. Such loss has been almost entirely offset by increased contribution generated by other projects.

The most significant contracts awarded to Saipem, during the period were:

- Engineering work for Snam relevant to the feasibility study, allowing finalisation of the economic offer for the Blue Stream project;
- Construction activities in 1999, off the Italian coast, on behalf of the Agip division of Eni;
- Transport and installation of a 1,300 ton jacket and deck, on behalf of Petrojet, Egypt.

The main operational projects were:

- Jamnagar (India): An EPIC contract (Engineering, Procurement, Installation and Commissioning) for a Loading Terminal and two sea lines using the Castoro II, Castoro 7 and Pearl Marine;
- Transportation and installation of a platform, off the Norwegian coast, in the Oseberg field;
- The Europipe II project for the laying of a sea line in the North Sea (work undertaken by the joint venture, European Marine Contractors) on behalf of Statoil (Norway);
- The transportation and installation of a platform off the East Coast of Canada, using the Saipem 7000 on behalf of the Sable Alliance;
- An EPIC contract (Engineering, Procurement, Installation and Commissioning) for three platforms off the Nigerian coast in the OSO 2Y2 field utilising the Castoro Otto. The work was performed by the joint venture, Saibos;
- The transport and installation of two platforms off the Congolese coast in the Kombi field using Castoro Otto and the work barge Saibos 230. The work was performed by the joint venture, Saibos;
- The transportation and installation of two jackets offshore Italy on behalf of the Agip division of Eni utilising the Crawler.

- **Onshore Construction:**

	millions of Euros	
	first six months of 1998	**first six months of 1999**
Revenues	210	215
Operating expenses	(191)	(190)
of which materials	*(36)*	*(68)*
Depreciation	(6)	(6)
Contribution from operations (*)	13	19
New orders	343	169

The backlog at 30th of June 1999 amounted to 388 million Euros, of which, 235, are expected to be executed during the second half of 1999.

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

The increase in contribution of 6 million Euros compared to 1998, is essentially due to improvements in operating efficiency.

The most significant contracts acquired during the period were:

- The EPC (Engineering, Procurement, Construction) “Ratchaburi to Wang Noi Gas Pipeline” project, in Thailand, for the construction of a gas line, from the existing Yadana Gas Pipeline to the future Power Station in Wang Noi, on behalf of the Petroleum Authority of Thailand. The contract was awarded to Saipem Asia in a consortium with Mitsui;
- The EPC “AG Gathering Pipelines Project – Obigbo Node Pipelines” on behalf of Shell Petroleum Development Company of Nigeria Ltd, for the construction of a gas transport system amongst the AG Plants at Imo River, Obigbo and Agdada in the Port Harcourt area;
- The “Nembe Associated Gas Gathering Project” on behalf of Willbros West Africa, which entails the laying of a 27 Km, 12 and 24” gas line. The project was awarded to Saipem S.p.A. together with Belfinger Berger.

The main operational projects were:

- Muglad (Sudan): EPC for the construction of seven pumping stations and a terminal which includes five tanks and an offshore loading line;
- Shoaiba (Saudi Arabia): EPC for the construction of a water line, pumping station and the enlarging of 4 existing stations;
- Hawiyah (Saudi Arabia): construction of a 580 Km gas line system and conversion of an existing gas line to an oil line;
- Mega (Argentina): EPC for the construction of a gas treatment plant, a pipeline, two pumping stations and a gas storage tank;
- Soku Gas Plant (Nigeria): an EPC contract for the construction of a gas treatment plant.

Attached please find the following statements:

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

San Donato Milanese, 27th July 1999

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

		31st of December 1998		30th of June 1999
		(millions of Euros) *		
Net tangible fixed assets		885		1,095
Intangible fixed assets		25		28
		910		1,123
of which:				
- Offshore Construction	382		487	
- Offshore Drilling and Floating Production	381		478	
- Onshore Drilling	57		61	
- Onshore Construction	70		73	
- Others	20		24	
Financial investments		4		4
Non-current assets		**914**		**1,127**
Net working capital	199		272	
Provision for contingencies	(62)		(55)	
Net current assets		**137**		**217**
Employees' termination benefits		**(21)**		**(21)**
CAPITAL EMPLOYED		**1,030**		**1,323**
Share capital	227		227	
Reserves and net income for the period	667		693	
Group shareholders' equity		**894**		**920**
Minority interests in net equity		**1**		**1**
Net debt		**135**		**402**
COVER		**1,030**		**1,323**

Average number of Shares issued and outstanding during the first six months 1998 (40 million new shares were issued as of 23rd of March 1998) : 422 million

Average number of Shares issued and outstanding during the first six months 1999 : 440 million

* (Euro 1 = Lit. 1,936.27)

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
NATURE OF COST

	1st six months of 1998	1st six months of 1999
	(millions of Euros) *	
OPERATING REVENUES	793	776
Other income and revenues	21	6
Purchases, services and other costs	(535)	(527)
Payroll and related costs	(161)	(153)
GROSS OPERATING INCOME	**118**	**102**
Amortisation, depreciation and write-downs	(47)	(46)
OPERATING INCOME	**71**	**56**
Financial expenses, net	(3)	(8)
INCOME BEFORE INCOME TAXES	**68**	**48**
Income taxes	(18)	(11)
NET INCOME FOR THE PERIOD	**50**	**37**
Income for the period attributable to third parties	--	--
GROUP NET INCOME FOR THE PERIOD	**50**	**37**

* (Euro 1 = Lit. 1,936.27)

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
DESTINATION OF COST

	1st six months of 1998	1st six months of 1999
	(millions of Euros) *	
OPERATING REVENUES	793	776
Production costs	(675)	(655)
Idle costs	(11)	(19)
Selling expenses	(7)	(7)
Research and development expenses	(1)	(2)
Other operating income net	8	--
CONTRIBUTION FROM OPERATIONS	**107**	**93**
General and administrative expenses	(36)	(37)
OPERATING INCOME	**71**	**56**
Financial expenses, net	(3)	(8)
INCOME BEFORE INCOME TAXES	**68**	**48**
Income taxes	(18)	(11)
NET INCOME FOR THE PERIOD	**50**	**37**
Income for the period attributable to third parties	--	--
GROUP NET INCOME FOR THE PERIOD	**50**	**37**

* (Euro 1 = Lit. 1,936.27)