PRESS RELEASE

On February 22, 1999, the Saipem S.p.A. Board of Directors has reviewed the un-audited financial statements relating to the fiscal year ended 31st December, 1998.

Revenues totalled Lit. 3,302 billion (Lit. 3,189 billion in 1997).

Operating income amounted to Lit. 303 billion (Lit. 266 billion in 1997).

Net income reached Lit. 220 billion (Lit. 200 billion in 1997), equal to an income per average share outstanding of Lit. 510 per share; (Lit. 500 per share in 1997).

Cash flow (net income plus depreciation and amortization) amounted to Lit. 405 billion (Lit. 352 billion in 1997).

Investments for the period were in accordance with the four-year plan figure of Lit. 1,700 billion, and amounted to Lit. 666 billion (Lit. 447 billion in 1997). They mainly related to the construction of the new deep water drill ship Saipem 10000, the upgrading of the semi-submersible Scarabeo 6, the conversion of the Scarabeo 7, from a flotel to a 4th generation semi-submersible, the installation of an ultra deep water J-lay system on the Saipem 7000 and initial spending on a DP Field Development Ship.

Net financial debt amounts to Lit. 263 billion at 31st December 1998 (Lit. 128 billion at 31st December 1997).

Dividends

The Board of Directors of Saipem S.p.A. intends proposing to the general shareholders meeting, to be convened to approve the 1998 financial report, the distribution of a dividend equal to approximately one third of the net consolidated income, in line with the payout of the previous year.

New Orders and Backlog

New orders for 1998 totalled Lit. 3,529 billion, of which 71% were associated with the two core sectors of Offshore Construction and Offshore Drilling - Floating Production.

The backlog remaining at year end is Lit. 4,769 billion (Lit. 4,542 billion, at 31st December 1997).

Forecast for 1999 fiscal year

Due to the price of crude oil falling below $10 per barrel (Brent dated), the lowest point in the last 25 years, and with low prices forecast throughout 1999, Oil Companies have significantly reduced their investment programs and are pursuing the renegotiation of existing drilling contracts. The cuts announced relate mainly to exploration activities and to development of onshore/ shallow water fields. This will have a negative effect on the utilization and profitability of the Saipem vessels and equipment used in conventional activities. On the other hand, a positive result for 1999 is expected from the less volatile, technologically advanced, more remunerative, deep water sector. Saipem’s deep water activities in 1999 will include operations, in the second half of the year, by the new semi-submersible drilling vessel Scarabeo 7, and the commissioning of Saipem 7000, with its new J - lay capability, in the last quarter of the year.

The benefits associated with the deep water sector and the increase in the relevant operating capabilities are expected to substantially offset the reduction in contribution from conventional activities. Consequently, based on currently available information and assuming no further deterioration of the market conditions, operating income for 1999 is expected to approximate the record level achieved in 1998. It should be noted that Saipem frequently carries out complex projects in harsh environmental conditions. Unforeseen circumstances may significantly impact the expected profitability of specific projects.

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

Financial Flows

The difference, between net debt of Lit. 263 billion at 31st December 1998 and the net debt of Lit. 128 billion at the end of 1997, results from:

Outflows

- investments in fixed and intangible assets of Lit. 666 billion and financial investments of Lit. 1 billion;
- an increase of net current assets of Lit. 223 billion;
- the distribution of dividends of Lit. 66 billion;
- a net decrease of Employees' termination benefits provision of Lit. 9 billion.
- translation differences of Lit. 13 billion.

Inflows

- Lit. 396 billion from new registered stock;
- Divestments of fixed assets amounting to Lit. 42 billion;
- Cash flow, defined as: net income plus depreciation and amortization, of Lit. 405 billion.

Analysis by Business Sector

Offshore Drilling and Floating Production:

billions of Italian Lire

	f y 1997	f y 1998
Revenues	259	328
Operating expenses	(172)	(151)
Depreciation	(29)	(62)
Contribution from operations (*)	58	115
New orders	360	898

The outstanding backlog of orders at 31st December 1998 amounted to Lit. 1,450 billion (**), of which Lit. 328 billion is expected to be executed in 1999.

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

(**) *Includes effects of modifications of dayrates on certain existing drilling contracts.*

- The increase in revenues were the result of higher day rates as well as the deployment of the new FPSO – Firenze.
- The decrease in operating expenses, is associated with the semi-submersible vessel Scarabeo 6, which, while under contract, was not operational during the first six months of the year. This was due to an upgrading program, requested and partially reimbursed by the Client.
- The increase in depreciation is mainly due to the completion and capitalization of the floating production vessel FPSO Firenze, which started operations in March 1998, and to accelerated depreciation of improvements to the Scarabeo 5, requested and reimbursed by the Client.
- The most significant orders acquired during the period were:
  - deep water drilling services for the years 2000-2005, on behalf of ENI - Agip Division, utilizing the Saipem 10000 drillship which is now in the construction phase;
  - the extension of existing drilling contracts, the most significant of which relate to the charter of the Perro Negro 4 in Egypt, on behalf of Petrobel, and the charter of the Scarabeo 5 in Norway, on behalf of Saga.

Major Equipment utilization during 1998:

Vessel Type	**Days under contract**	
Semi-submersible Drilling Vessels		
Scarabeo 3	365	
Scarabeo 4	241	**a**
Scarabeo 5	365	
Scarabeo 6	365	**b**
Jack Ups		
Perro Negro 2	365	
Perro Negro 3	299	**c**
Perro Negro 4	317	**c**
Perro Negro 5	365	
FPSO – Firenze	304	**d**

a - For 92 days, the vessel was on standby and for 32 days it underwent scheduled maintenance.
b - Upgrading of the vessel was carried out during the first six months of 1998 at the request of and with the financial participation of the client.
c - The vessel underwent scheduled maintenance for the remaining period.
d - The floating production vessel was commissioned on 2nd March, 1998 and production started immediately thereafter.

Onshore Drilling:

billions of Italian Lire

	f y 1997	**f y 1998**
Revenues	252	269
Operating expenses	(164)	(195)
Depreciation	(19)	(15)
Contribution from operations (*)	69	59
New orders	302	321

The outstanding backlog at 31st December 1998 amounted to Lit. 189 billion (**) to be entirely executed in 1999.

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

(**)*Includes effects of modifications of dayrates on certain existing drilling contracts.*

- The higher revenues and operating expenses in respect of 1998 versus 1997, are attributable to an increase in the utilization of rigs at a lower aggregate dayrate.

- In July 1998, Saipem purchased the outstanding 50% of shares, held by the other partner, in the companies Petrex and Saipem Perfurações e Construções Petroliferas America do Sul, both operating in Peru. Consequently, from August 1998 both companies have been fully consolidated. Changes in the consolidation percentage gave rise to an increase in revenues of Lit. 8.7 billion, an increase in operating expenses before depreciation of Lit. 5.9 billion and an increase in depreciation of Lit. 1.9 billion.
- The most significant awards for the period were:
  - the charter of a drilling unit in Algeria for 12 months, on behalf of Agip Africa;
  - the charter of a drilling unit in Malta for 9 months, on behalf of Oil Explorer Malta;
  - the extension of an existing contract in Kazakhstan on behalf of K.O.S.;
  - the charter of a drilling unit in Nigeria for 18 months, on behalf of Chevron Nigeria;
  - the extension of an existing contract in Egypt, on behalf of Petrobel; and
  - the exercising of numerous options by various clients in Peru.
- During the year, operations involved the use of 33 land rigs owned by the Saipem Group and distributed as follows; 15 in Peru, 8 in Italy, 3 in Nigeria, 3 in Algeria, 1 in Egypt, 1 in Kazakhstan, 1 in India and 1 in Malta. One rig, previously utilized in Italy for training activities at Cortemaggiore, has been dismantled. In addition, 8 rigs have been employed by Saipem under management agreements with third party owners.

Offshore Construction:

	billions of Italian Lire	
	f y 1997	**f y 1998**
Revenues	1,809	1,880
Operating expenses before cost of material	(1,106)	(1,250)
Cost of material	(380)	(358)
Depreciation	(70)	(73)
Contribution from operations (*)	253	199
New orders acquired	2,361	1,602

(*) Operating income before general and administrative expenses.

The outstanding backlog of orders at 31st December 1998 amounted to Lit. 1,742 billion, of which Lit. 1,391 billion is expected to be executed in 1999.

- The drop in contribution is associated with the Jamnagar project in India. The loss is also a function of damages resulting from a major hurricane which hit India on 9th June 1998, as communicated in earlier press releases. Quantification of the damage to Saipem's construction equipment and to the relevant work scope has now been substantially agreed with the insurance companies.
  Negotiations with the Client, and with other parties involved in the valuation and allocation of costs associated with the disruption to the works, have been finalized. The 1998 Profit and Loss accounts includes all expected losses associated with the completion of the project, totaling Lit. 41 billion.

- The most significant contracts acquired during the year were:

  - the EPC-28 Cantarell project, in Mexico on behalf of Pemex, which entails the laying of 12 pipelines of various diameter. The contract is being executed by E.M.C. our joint venture company with Brown & Root;
  - the Europipe II project in Norway on behalf of Statoil, for the laying of a sea line was awarded to E.M.C.;
  - a project in the Dutch sector of the North Sea, on behalf of Noordgastransport for the laying of a sea line, was won by E.M.C.;
  - the Asgard "C" project which includes the installation of the platforms Asgard "B" and Asgard "C", on behalf of Statoil in Norway;
  - the Ivana "A" Field Development project which involves the installation of a jacket, an integrated deck, accommodation modules and flare; as well as the laying of a sea line, being carried out on behalf of INAGIP Operation Oil Company;
  - the Huldra project which involves the transport and installation of a jacket and topsides, on behalf of Statoil in Norway; and
  - the EM Field Development, a Mossgas project in South Africa, which includes Engineering, Procurement and Installation of a sealine, using the Castoro 8. The work will be performed by SAIBOS our joint venture with Bouygues Offshore.

The main operational projects were:

- Jamnagar (India): an EPIC contract (Engineering, Procurement, Installation and Commissioning) for a Marine Terminal and two sea lines using Saipem's vessels, Castoro II, Castoro V, Castoro VII and Pearl Marine;
- Oseberg (Norway): transportation and installation of 3 platforms, a connecting bridge and a production module with related accommodation;
- Pinghu (China): an EPIC contract for the laying of two sea lines using Castoro V, Semac 1 and Bar 331. Work was performed by a Joint Venture between Saipem and E.M.C.;
- Ras Laffan (Qatar): an EPIC contract for the laying of three pipelines using Castoro II;
- Sable Island (Canada): the transportation and installation of 5 platforms using the S-7000;
- Asgard B (Norway): an EPIC contract for the installation of a hydrocarbon treatment plant and waste water treatment unit on the Asgard B platform;
- Oso 2Y2 (Nigeria): the installation of three platforms using Castoro Otto, the work being performed by SAIBOS;
- Cantarell (Gulf of Mexico): an EPIC contract for the installation of a sea line performed by E.M.C.; and
- Bonaccia (Italy): a contract for the installation of a natural gas sealine, with the Crawler.

Onshore Construction:

billions of Italian Lire

	f y 1997	**f y 1998**
Revenues	865	820
Operating expenses, before cost of material	(667)	(561)
Cost of material	(163)	(166)
Depreciation	(28)	(26)
Contribution from operations (*)	7	67
New orders acquired	989	708

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

The outstanding backlog of orders at 31st December 1998 amounted to Lit. 841 billion, of which Lit. 648 billion is expected to be executed in 1999.

The Lit. 60 billion increase in contribution for 1998, includes a Lit. 22 billion release of pre-existing provisions. The balance of the improvement resulted from greater operational efficiency.

- The most significant contracts acquired during the year were:
  - the Muglad Basin Oil Development Project, an EPIC contract in Sudan on behalf of Greater Nile Petroleum Operating Company Ltd., including seven pumping stations, a marine terminal with five tanks, an offshore pipeline and mooring buoy, awarded to a joint venture between Saipem and Techint;
  - the Hawiyah (Saudi Arabia) project, an EPIC contract, on behalf of Aramco, consisting of the laying of new pipelines and the conversion of an existing oil line into a gas pipeline, was awarded to a consortium of Saipem companies and Techint;
  - the Khuff Gas contract in Saudi Arabia, on behalf of Aramco, requiring the laying of various flow lines, trunk lines, collection units, transfer lines and other lines of varying lengths and diameters; and
  - the EPIC Gas Supply project in Nigeria, on behalf of National Nigerian Petroleum Corporation, which involves the construction of a gas supply system, was acquired by a joint venture between Saipem and Snamprogetti.

- Major projects active during the year were:
  - PDO Project (Oman): an EPIC contract for the laying of a gas line;
  - Shoaiba (Saudi Arabia): an EPIC contract for a water distribution system, the construction of a pumping station and the upgrading of 4 existing pumping stations;
  - UBTG-3 (Saudi Arabia): an EPIC contract for gas lines of varying diameters;
  - Soku Gas Plant (Nigeria): an EPIC contract covering construction of a gas plant;
  - Hawiyah (Saudi Arabia): (See above);
  - TSKJ (Nigeria): the construction of a gas distribution system and a 209 kilometer water pipeline; and
  - OBIGBO Project (Nigeria): an EPIC contract for Shell consisting of a natural gas transmission system.

Share Plan for Saipem Managers

The extraordinary shareholders meeting held on 16th December 1998, authorized the Board of Directors the power to increase the stock capital of Saipem S.p.A., over three fiscal years, up to a maximum of Lit. 1.6 billion by issuing 1.6 million new shares with a nominal value of Lit. 1.000 each, the new capital representing approximately 0.36% of the stock capital. These shares will be granted, in accordance with the provisions of article 2349 of the Italian Civil Code, to those managers who reach their set objectives. Transfer of these shares is restricted for three years. The funding of the new shares will be covered, on an annual basis, by an allocation of a portion of the net income for the year or by the use of available reserves.

The aforementioned award of shares is intended to motivate, to reward and to further encourage the participation of Saipem managers, and those of the subsidiaries, in the continual improvement of results and in the creation of value for the shareholders.

Other information

We have already announced the filing of a civil lawsuit, by Phillips Petroleum Company and various related Phillips entities, in the U.S. Federal District Court for the Southern District of Texas in Houston, against a number of heavy-lift construction companies, including Saipem SpA and certain Saipem subsidiaries.

Saipem S.p.A., and certain Saipem subsidiaries, were also sued by other oil companies, inter-alia, Shell, Conoco, Texaco, Elf, B.P., Chevron, Marathon, Total and Statoil. The plaintiffs allege that Heerema, HeereMac, McDermott and Saipem violated U.S. antitrust laws while engaging in Heavy Lift construction activities in the US Gulf of Mexico, the North Sea, and in the Far East. The plaintiffs seek unspecified amounts for actual damages, punitive damages and treble damages.

In January 1999 the judge responsible for the Phillips case, the original of the civil actions, ordered that the Court did not have jurisdiction for claims in that case that related to projects outside of the United States.

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

San Donato Milanese, 22nd February 1999

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(billions of lire)

	31st December 1997		31st December 1998 (*)	
Tangible and intangible fixed assets	1,346		1,762	
- Offshore Construction		627		740
- Offshore Drilling and Floating Production		502		738
- Land Drilling		68		110
- Onshore Construction		139		136
- Others		10		38
Financial investments	8		8	
Non-current assets		**1,354**		**1,770**
Net current assets		**42**		**265**
Employees' termination benefits		**(49)**		**(40)**
CAPITAL EMPLOYED		**1,347**		**1,995**
Share capital	400		440	
Reserves and net income for the period	819		1,292	
Group shareholders' equity		**1,219**		**1,731**
Minority interests in net equity		**0**		**1**
Net debt		**128**		**263**
COVER		**1,347**		**1,995**

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

Number of Shares issued and outstanding at 31st December , 1998 : 440 million

Average number of Shares issued and outstanding during 1998
(40 million new shares were issued as of March 23rd, 1998) : 431 million

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
NATURE OF COST

(billions of lire)

FOR THE YEAR ENDED	31st December 1997	31st December 1998
OPERATING REVENUES	3,189	3,302
Other income and revenues	45	61
Purchases, services and other costs	(2,186)	(2,251)
Payroll and related costs	(630)	(624)
GROSS OPERATING INCOME	**418**	**488**
Amortization, depreciation and write-downs	(152)	(185)
OPERATING INCOME	**266**	**303**
Financial expenses, net	(5)	(17)
Income from investments, net	0	1
INCOME BEFORE INCOME TAXES	**261**	**287**
Income taxes	(61)	(67)
NET INCOME FOR THE PERIOD	**200**	**220**
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	**200**	**220**

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT
BY
DESTINATION OF COST

(billions of lire)

FOR THE YEAR ENDED	31st December 1997	31st December 1998
OPERATING REVENUES	3,189	3,302
Production costs	(2,697)	(2,797)
Idle costs	(69)	(49)
Selling expenses	(31)	(28)
Research and development expenses	(6)	(6)
Other operating income, net	1	17
CONTRIBUTION FROM OPERATIONS	**387**	**439**
General and administrative expenses	(121)	(136)
OPERATING INCOME	**266**	**303**
Financial expenses, net	(5)	(17)
Income from investments, net	0	1
INCOME BEFORE INCOME TAXES	**261**	**287**
Income taxes	(61)	(67)
NET INCOME FOR THE PERIOD	**200**	**220**
Income for the period attributable to third parties	0	0
GROUP NET INCOME FOR THE PERIOD	**200**	**220**