

PRESS RELEASE DATED 28th of JULY 2000

HALF YEAR PRELIMINARY RESULTS – 30th of JUNE 2000

The Saipem S.p.A. Board of Directors has today reviewed the Group's unaudited preliminary financial statements related to the half year ending 30th of June 2000.

Revenues totalled 543 million euros (776 million in the first half of 1999).

Operating income amounted to 28 million euros (56 million in the first half of 1999).

Net income amounted to 9 million euros (37 million in the first half of 1999).

Cash flow (net income plus depreciation and amortization) amounted to 71 million euros (83 million in the first half of 1999).

It should always be remembered that the Onshore and Offshore Construction sectors, and to a lesser extent both of the Drilling sectors, are frequently influenced, besides by the market trends, by the programming of works and 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, thereby precluding the simple extrapolation of figures in order to derive an estimate for the entire year.

Investments for the first half of the year amounted to 146 million euros (228 million euros in the first half of 1999). They mainly related to the completion of the construction of the new deep water drillship Saipem 10000, the completion of the conversion of the semi-submersible drilling rig Scarabeo 7 and the construction of the new Field Development Ship (FDS) for the development of subsea fields.

Net financial debt at the end of June 2000 amounted to 753 million euros (566 million euros at the end of 1999). The completion of the most significant investments followed by the commencement of the operations of the new vessels supports the expectation of

a significant reduction in the present level of debt by the end of the year.

New Orders and Backlog

During the first months of the year Oil Companies gradually recommenced their investments, enabling Saipem the acquisition of new orders totalling 555 million euros (206 million in the first half of 1999), of which 400 million in the Offshore Drilling and Construction strategic sectors.

After the end of June new orders have been acquired totalling 127 million euros.

The ongoing intense bidding activity supports the expectations of further significant acquisitions in the near future.

The backlog at the end of June was 2,601 million euros (2,588 million euros, at 31st of December 1999).

Expectations for 2000 and 2001

The results of the first half of 2000 are in line with previous expectations. Consequently, on the basis of current information and taking into account that the Blue Stream project, whose preliminary operations are now ongoing, will provide an important contribution to the result of the current fiscal year, it is reconfirmed that operating income is expected to increase by at least 20% compared to 1999.

During the first half of the year the volumes and profits of the Onshore and Offshore Drilling sectors were positively influenced by the recovery of market conditions and by the commencement of the operations of Scarabeo 7 and Saipem 10000. The increased equipment utilization due to the commencement of contracts already awarded or under final negotiation, and the longer period of utilization of Scarabeo 7 and Saipem 10000, confirm the expectation of a further improvement in the second half of the year.

The Offshore Construction sector was affected by the past delays in the acquisition and commencement of new contracts, resulting in a higher idle cost of vessels and equipment. Nevertheless in the second quarter the sector was already positively influenced by the market recovery, that will produce more significant benefits in the second half of the year.

On the basis of current information the 2001 is expected to be a year of growth due to ongoing projects, the commencement of projects acquired during 2000 and a general market recovery both in traditional and technologically advanced sectors.

Financial Flows

The increase in net financial debt of 187 million euros, compared to 31th of December 1999, results from:

Outflows

- Investments in fixed tangible and intangible assets of 146 million euros;
- The increase in net current assets, of 81 million euros, mainly due to the effects of currency hedging contracts associated to long term projects and to Blue Stream operations whose considerations will be cashed after the effective date of the contract;
- Distribution of dividends totalling 23 million euros
- Translation differences 9 million euros.

Inflows

- Cash flow (net income plus depreciation and amortization), of 71 million euros and 1 million euros of employees' termination benefits.

Other Information

Stock Grant Plan 2000-2001

The Board of Directors resolved today to submit to the Extraordinary Shareholders' Meeting to be held on 21st or 22nd of September 2000, first and second call respectively, the proposal of delegating authority to the Board of Directors to increase the share capital of Saipem S.p.A. by issuing up to a maximum of 900,000 ordinary shares, corresponding to 0.20% of Saipem current share capital, to be offered as stock grant under the Article 2349 of the Italian Civil Code ("Offer") to Saipem managers who have achieved the annually pre-set individual and corporate targets within a month from the expiration of a three-year term beginning as of the Offer.

The Board of Directors, delegated by the Extraordinary Shareholders' Meeting, will resolve this increase to be executed by using the reserve included for this purpose in the financial statements.

Stock Options Plan

In addition to the above Stock Grant Plan, the Board of Directors resolved today to submit to the same Extraordinary Shareholders' Meeting the proposal to delegate authority to the Board of Directors to increase within 31st of December 2000, the share capital by issuing up to 1 million shares of ordinary stock, corresponding to 0.23% of Saipem current share capital. This increase is aimed at implementing the 2000/2001 and 2001/2002 Stock Option Plan for Senior Managers.

The subscription price of the shares to be issued is the arithmetic average of the official prices of Saipem shares recorded on the electronic stock market in each of the 30 calendar days preceding the date of the Board resolution of the capital increase.

The Options will be exercisable up to 50% of their number from 1st of August 2001 to 31st of July 2005 and up to 100% of their number from 1st of August 2002 to 31st of July 2005 subject to the achievement of Saipem shares pre-set target prices.

The achievement of the sole target price for the year 2002 enables the exercise of the entire number of options assigned.

Analysis by Business Sector

OFFSHORE CONSTRUCTION

	(Millions of euros)	
	First half 1999	First half 2000
Operating revenues	424	208
Operating expenses	(362)	(174)
of which: cost of materials	(64)	(41)
Depreciation	(15)	(27)
Contribution from operations (*)	47	7
New orders acquired	180	337

(*) Operating income before general and administrative expenses.

The backlog at 30th of June 2000 amounted to 1,492 million euros, of which, 418 million euros will be executed during the second half of 2000.

- In line with previous announcements, the first half of the year confirms the significant decline in results following the suspension and postponement of investment programmes by the Oil Companies.

Despite the strong recovery in the oil price during 1999, the Oil Companies, also because of the merging processes, were extremely cautious in recommencing their investment programmes thus causing reduced number of projects and the rescheduling of the existing ones. These factors resulted in lower operational activity executed by Saipem in the traditional areas of North Sea, Far East and West Africa and caused a significant non-utilization of certain vessels, whose idle costs for the first half year totalled 22 million euros (12 million in the first half of 1999).

The most significant contracts acquired during the first half of the year were:

- The Bucaneer project in the US, on behalf of Transco Williams Energy for the construction of a 36" diameter, 675 Km long pipeline from Alabama to Florida. The contract has been awarded to a joint-venture between EMC Ltd. and Saipem Inc.;
- The Cakerawala project in Thailand on behalf of CTOC (Carigali-Triton

- Operating Company Sdn. Bhd.) for the detailed engineering, supply of materials, construction, installation and commissioning of three wellhead platforms. The contract has been awarded by a joint-venture including Saipem, Technip and Samsung;
- The Fukanda-Mwafi project (EPC - Engineering, Procurement and Construction) in Congo on behalf of Agip Recherches Congo for the engineering, supply of materials and construction of two platforms. The contract was awarded to an association comprising Intermare Sarda S.p.A., Sasp Offshore Engineering S.p.A. and Marino Rossetti S.p.A.;
 - The Kvitebjorn project in the Norwegian sector of the North Sea on behalf of Statoil, for the transport and installation of a 23,000 ton platform;
 - The Espoir Field Development project in the Ivory Coast on behalf of Ranger Côte d'Ivoire, for the engineering, construction, installation and commissioning of a platform with a 550 ton deck, a 120 metre tripod, and two sealines of 8" and 20" diameter. The contract has been awarded to Saibos;
 - The Ivana phase II project in Croatia on behalf of INAGIP, for the installation of the Ivana B, D and E platforms totalling 1,035 tons and connecting sealines;
 - The Helang project in Malaysia on behalf of Nippon Oil for the transport and installation of a platform on the Helang field in northern Borneo.

The main projects under execution in the first half of the year were:

- The Blue Stream project (Russia and Turkey side of the Black Sea) on behalf of the Blue Stream Pipeline Company B. V.: preliminary engineering and abyssal survey activities for the laying of two, 24" diameter sealines totalling 390 Km each, which will be laid at a maximum depth of 2,150 metres;
- The Diana Hoover project in the Gulf of Mexico on behalf of Exxon, for the transport and installation of a platform and the laying of risers and sealines in deep waters (1400 m) with the new "J-lay" system on Saipem 7000;
- The EPIC (Engineering, Procurement, Installation and Commissioning) Cantarell 28 project in the Gulf of Mexico on behalf of Pemex, for the laying of various diameter and length sealines, for a total of 62 Km;
- The Clara Complex project in Italy on behalf of the Eni-Agip Division, for the

construction of four platforms (Clara Est, Clara Nord, Calpurnia and Naomi Pandora);

- The year 2000 Offshore Campaign (Italy) on behalf of the Eni-Agip Division, for the installation of structures and the laying of sealines in the Adriatic Sea;
- The Oseberg South in Norway on behalf of Norsk Hydro for transport and installation of a jacket in North Sea (norwegian sector) by means of Saipem 7000.

OFFSHORE DRILLING AND FLOATING PRODUCTION

(Millions of euros)

	First half 1999	First half 2000
Operating revenues	83	110
Operating expenses	(46)	(60)
Depreciation	(15)	(18)
Contribution from operations (*)	22	32
New orders acquired	26	63

(*) Operating income before general and administrative expenses.

The backlog at 30th of June 2000 amounted to 575 million euros, of which, 121 million euros will be executed during the second half of 2000.

- Revenues for the first half of the year increased by 33% compared to the same period of 1999. This was mainly due to the full utilization of the semi-submersible Scarabeo 4, which was completely idle during the same period of 1999, the commencement of the operations of the semi-submersible Scarabeo 7 in the egyptian offshore and of the new deep water drillship Saipem 10000. Consequently, the contribution from operations increased to 32 million euros, 10 million more than the same period of 1999.
- The most significant contracts acquired during the first half of the year relate to the extension of the existing contracts for the charter of Scarabeo 4 in Nigeria, on behalf

of Belbop and NAOC, the charter of Perro Negro 5 in Nigeria on behalf of Belbop, the charter of Scarabeo 3 in Congo on behalf of Agip Recherches Congo and the acquisition of a new contract in Nigeria, to be executed by Perro Negro 2, on behalf of ELF.

- Major Equipment utilization:

Vessel Type	Days under contract
Semi-submersible Drilling Vessels	
Scarabeo 3	181 a
Scarabeo 4	182
Scarabeo 5	176 a
Scarabeo 6	182
Scarabeo 7	68 b
Jack Ups	
Perro Negro 2	182
Perro Negro 3	104 a
Perro Negro 4	182
Perro Negro 5	182
Drillship	
Saipem 10000	44 b
FPSO – Firenze	
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a – The balance was spent in maintenance activities

b – Days remunerated from the contract commencement

ONSHORE DRILLING

(Millions of euros)

	First half 1999	First half 2000
Operating revenues	54	61

Operating expenses	(44)	(44)
Depreciation	(5)	(6)
Contribution from operations (*)	5	11
New orders acquired	25	124

(*) Operating income before general and administrative expenses.

The backlog at 30th of June 2000 amounted to 128 million euros, of which 34 million euros, will be executed during the second half of 2000.

- The operating revenues increased by 13% compared to the same period in 1999, due to the higher utilization, confirming the positive trend of the end of the first quarter 2000.

The improved utilization, associated with a small recovery in day rates, resulted in a contribution from operations of 11 million euros (5 million euros for the same period in 1999).

- The most significant awards in the first half of the year were:
 - **The charter of six drilling units, on behalf of KPO B.V., a Joint Company including British Gas, Eni-Agip, Texaco and Lukoil, for the development of the Karachaganak oil field in Kazakhstan. The three years contract, with three one year options, has been awarded to SaiPar B.V., a 50-50 joint venture formed by Saipem and Parker, one of the leading american drilling company;**
 - The charter of a drilling unit in Nigeria, on behalf of ELF Nigeria Ltd.;
 - The charter of two drilling units in Nigeria, on behalf of NAOC;
 - The charter of rigs in Peru, on behalf of Pluspetrol, for workover activities;
 - The charter of a drilling unit in Bolivia, on behalf of Intergas/Dong Won;
 - The charter of a drilling unit in Algeria, on behalf of Oryx Algerie (Timissit) Energy Company.
- Operations involved the average use of 60.9% of the rigs (46.5% in the first half 1999) distributed as follows: 11 in Peru, 3 in Italy, 3 in Nigeria, 3 in Algeria, 1 in

Egypt, 1 in Kazakhstan and 1 in Georgia. In addition, 6 third parties rigs have been operated by Saipem and three rigs have been utilized by Saipem under management agreements with third party owners.

ONSHORE CONSTRUCTION

(Millions of euros)

	First half 1999	First half 2000
Operating revenues	215	164
Operating expenses	(190)	(146)
of which: cost of materials		(32)
(68)		
Depreciation	(6)	(7)
Contribution from operations (*)	19	11
New orders acquired	169	31

(*) Operating income before general and administrative expenses.

The backlog at 30th of June 2000 amounted to 130 million euros, of which 72 million euros will be executed during the second half of 2000.

- The reduction of volumes, compared to the first half of 1999, is mainly due to projects under completion and to the impact of lower volume of material supply.
- The contribution from operations decreased by 8 million euros mainly due to unforeseeable delays in some projects carried out jointly with other international Contractors in countries where operating conditions are particularly difficult.
The half year results benefitted from the operations related to the High Speed Train Milano-Bologna project. The sharing of the contract revenues among the CEPAV 1 consortium partners has been agreed on 12th of May 2000.
- **After the end of June, the bidding activity resulted in a new contract awarded by Oman Gas Company to a joint venture, including Saipem, Snamprogetti and Consolidated Contractors International Company, for the 305 km of 32" Fahud-Sohar gas pipeline in Oman. Other significant contracts are expected shortly.**

The main projects under execution in the first half of the year were:

- The EPC (Engineering, Procurement, Construction) “Ratchaburi to Wang Noi Gas Pipeline” project, in Thailand, for the construction of a Gas Line System from the existing Yadana Gas Pipeline, to the future Power Station in Wang Noi, on behalf of the Petroleum Authority of Thailand;
- The EPC (Engineering, Procurement, Construction) “AG Gathering Pipelines Project” on behalf of Shell Petroleum Development Company of Nigeria Ltd, for the construction of a gas transport system near AG Plants of Imo River, Obigbo and Agdada in the Port Harcourt area;
- The “Nembe Associated Gas Gathering Project” in Nigeria on behalf of Willbros West Africa for the laying of 27 km of 12” and 24” gas lines. The work is performed by Saipem S.p.A. and Belfinger Berger jointly;
- The EPC Muglad (Sudan) contract for the construction of seven pumping stations, a terminal including five tanks and an offshore pipeline;
- The EPIC Shoiba project – Jeddah water transmission system in Saudi Arabia on behalf of SWCC for the construction of a water pipeline, a pumping station and increasing the capacity of four existing pumping stations;
- Hawiyah (Saudi Arabia): construction of a 580 Km gas line system and the conversion of an existing gas line to an oil line;
- The EPC (Engineering, Procurement, Construction) Ngl Recovery project in Argentina on behalf of Mega S.A. for the construction of a gas treatment plant, a gas line, two pumping stations and a storage plant.

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

The final version of the half year report will be reviewed by the Board of Directors on 8th of September 2000 and consequently, in compliance with art. 82, second comma of the CONSOB resolution n. 11971 dated 14th of May 1999, the second quarter report will not be issued.

Saipem



San Donato Milanese, 28th July 2000

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Millions of euros)

	31 st of December 1999	30 st of June 2000 (*)
Net tangible fixed assets	1,223	1,316
Intangible fixed assets	<u>32</u>	<u>34</u>
	1,255	1,350
- Offshore Construction	526	530
- Offshore Drilling and Floating Production	571	660
- Onshore Drilling	61	62
- Onshore Construction	68	65
- Others	29	33
Financial investments	<u>5</u>	<u>5</u>
Non-current assets	1,260	1,355
Net working capital	348	432
Provision for contingencies	<u>(58)</u>	<u>(61)</u>
Net current assets	290	371
Employees' termination benefits	(22)	(23)
CAPITAL EMPLOYED	<u>1,528</u>	<u>1,703</u>
Group shareholders' equity	961	950
Minority interests in net equity	1	-
Net financial debt	566	753
COVER	<u>1,528</u>	<u>1,703</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT BY NATURE OF COST

(Millions of euros)

	1 st Half 1999	1 st Half 2000
OPERATING REVENUES	776	543
Other income and revenues	6	4
Purchases, services and other costs	(527)	(322)
Payroll and related costs	(153)	(135)
GROSS OPERATING INCOME	102	90
Amortisation, depreciation and write-downs	(46)	(62)
OPERATING INCOME	56	28
Financial expenses, net	(8)	(15)
INCOME BEFORE INCOME TAXES	48	13
Income taxes	(11)	(4)
NET INCOME FOR THE PERIOD	37	9
Income for the period attributable to third parties	-	-
GROUP NET INCOME FOR THE PERIOD	<u>37</u>	<u>9</u>

SAIPEM GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT BY DESTINATION OF COST

(Millions of euros)

	1 st Half 1999	1 st Half 2000
OPERATING REVENUES	776	543
Production costs	(655)	(446)
Idle costs	(19)	(26)
Selling expenses	(7)	(9)
Research and development expenses	(2)	(1)
Other operating income, net	-	1
CONTRIBUTION FROM OPERATIONS	93	62
General and administrative expenses	(37)	(34)
OPERATING INCOME	56	28
Financial expenses, net	(8)	(15)
INCOME BEFORE INCOME TAXES	48	13
Income taxes	(11)	(4)
NET INCOME FOR THE PERIOD	20	3
Income for the period attributable to third parties	-	-
GROUP NET INCOME FOR THE PERIOD	<u>37</u>	<u>9</u>