

## **SAIPEM PRESS RELEASE SIX MONTHS ENDING JUNE 30th, 1997**

The Board of Directors of Saipem SpA (an ENI Company) met on September 25th, 1997 and examined the results of the first semester 1997 on the state of the Company and of the Group. The Report has been presented to the Board of Statutory Auditors and to the Auditing Company.

Saipem Group realised consolidated revenues of 1,593 Bn. Lit., an increase of 24 % compared to the first semester of 1996. This has been due to the increase of the level of activities in the Drilling and Offshore Construction Segment; for the latter this is also due to an higher volume of procurement in turn key projects.

The net operating profit of the six months period was 116 Bn. Lit., compared to the 125 Bn. Lit. of the first six months in 1996. The reduction has been mainly due to the negative trend of some of the projects completed during the semester by the offshore construction segment.

Saipem Group net profit was 84 Bn. Lit. compared to 99 Bn. Lit. for the first semester of the prior year. The difference in after tax results between the two periods of 15 Bn. Lit. includes a 17 Bn. Lit. pretax decline in financial income, compared to the first semester of 1996, a direct consequence of the current intensive fixed investment programme.

Concerning economic results, we should underline that, for contractors such as Saipem, the profitability of individual projects can vary significantly, both in the activities and by geographic area; therefore the results of the period can not be simply extrapolated to those for the fiscal year.

Saipem SpA gross revenues for the six months amounted to 808 Bn. Lit. with a gain of 11% compared to the first semester 1996. The net profit for the period was 15 Bn. Lit. compared to the 24 Bn. Lit. of the first semester 1996 inclusive of 15 Bn Lit. extraordinary gains. In absence of extraordinary gains, the full 1997 year results may be forecasted in line with 1996.

In the first semester 1997 new contracts, added to the backlog, amounted to 2,232 Bn. Lit. (1,350 Bn. Lit. in the first six months 1996). The contract awards for the semester have increased the backlog to a total amount of 4,353 Bn. Lit. (3,715 Bn. Lit. at 31st December 1996), of which 3,043 Bn. Lit. is associated with Saipem SpA while 1,310 Bn. Lit. is with other companies of the Group.

Among the significant contracts awarded are the following:

- An oil products loading/unloading marine terminal in Gujarat State - India, on behalf of Reliance Petroleum Limited, for two single point moorings, two sea-lines ( of 48" dia. and 24 Km length and of 24" dia. and 4 Km length) and of 16 short pipelines of 7.7 Km cumulative length, with various diameters.

- The Shoaiba Project, an EPIC contract, in Saudi Arabia, on behalf of SWCC (Saline Water Conversion Corporation), which consists of a 60", 161 Km water line, a new pumping station and of the upgrading of four existing pumping stations.
- Portions of an LNG Project, in Nigeria (Rivers State - Port Harcourt), on behalf of the TSKJ Joint Venture (Technip, Snamprogetti, Kellogg, JGC) which consists of a gas transmission system, including: the laying of various gas pipelines with various diameters (20", 24", 28", 36") for a total length of 203 Km and the laying of a 18" dia., 5.8 Km water line.
- A two year contract (February 1998 - January 2000) for offshore drilling in the Congo, on behalf of Agip Recherches Congo, using the semisubmersible Scarabeo 3.
- The Oso 2y2 Project, in Nigeria, for Mobil, which includes the installation of five platforms for a total weight of 4,050 tonnes, and the laying of two sealines, of 12", 16" dia., each 47 Km. in length.
- The transportation and installation, in Canada, at Sable Island (Halifax), for Sable Offshore Energy, of five platforms respectively of 1,203, 783, 6,491, 3,169, 4,081, ton, using the Saipem 7000.
- The transportation and installation, in Norway, on behalf of Norsk Hydro, of the Oseberg D gas processing platform. The work includes a 13,300 ton module, with a connecting bridge to the Oseberg A platform 110m long, and one platform with a 250 ton flare.
- An EPIC Project, on behalf of Pemex, for a 36", 85 Km. marine pipeline in Mexico (Campeche Bay - Contarell Field).

**Subsequent to 30th June 1997 additional contracts have been awarded for 521 Bn. Lit., of which 146 Bn. Lit. were booked by Saipem SpA;** among these contracts we would like to highlight:

- For Exxon, the installation of offshore modules and the laying of ultra deep pipelines for the Hoover DDCV (Deep Draft Caisson Vessel), positioned in the "Diana" Field in the Gulf of Mexico. For this Project we will use the Saipem 7000. The award is important because it marks the entry of Saipem 7000 into deep water pipelaying activities and into the Gulf of Mexico market area.
- On behalf of Statoil, for the Asgard B, semisubmersible production platform, in the Norwegian sector of the North Sea, the fabrication and installation of a hydrocarbon separation module, to process water treatment and to provide condensate stabilisation, weighing 3,000 tonnes. The client and the EPC (engineering, procurement, construction) Contract make this a strategic project for the company.

- On behalf of Norsk Hydro, the transportation and installation of the Oseberg South Platform in the Norwegian sector of the North Sea. The work consists of the installation of a 7,800 tonnes jacket, of the flare, of the drilling package, and of the deck, for a total weight of 15,200 tonnes. We plan to use the Saipem 7000.
- On behalf of Total Indonesia the engineering, procurement and laying of two sealines of 24" and 25 Km each.
- On behalf of Snam SpA the laying, in Sicily, of onshore gas pipelines related to the improvement of gas utilisation in the Southern part of Italy, for a total length of 120 Km.

**The level of investment in fixed assets by the Saipem Group, during the first six months of 1997, amounted to 166 Bn. Lit. (131 Bn. Lit. in the first six months of 1996) and is mainly related to the conversion of a Flotel into a semisubmersible drilling rig, for deep waters, and the conversion of a tanker into a deep water floating production system.**

**These investments, undertaken to strengthen the fleet, have generated an increase in the group's net debt position which increased from 11 Bn. Lit. at the end of 1996 to 82 Bn. Lit. at the end of June 1997. The equity of the Saipem Group at 30th June 1997 is now 1,092 Bn. Lit. compared to 1,031 Bn. Lit. at the end of 1996.**

**The average, manpower census during the semester stands at 10,173 people for the Group and at 4,545 for Saipem SpA.**

**Concerning our anticipated results, for the second semester of 1997, we should consider that Saipem undertakes many projects in difficult environments. Therefore, events that can not be forecasted can have a significant impact on expected margins. However, according to the current estimates for the year, we anticipate 1997 performances at least as good as those achieved in 1996.**

Attached re-classified balance sheet and income statement both for Saipem Spa Annual Report and for the Consolidated Annual Report.

**SAIPEM S.p.A. - RECLASSIFIED BALANCE SHEET**

(million lire)

	30-06-97	31-12-96	30-06-96 (*)
Net tangible fixed assets	120.305	115.032	120.373
Net intangible fixed assets	20.921	25.942	29.235
Net financial investments	819.301	826.531	1.023.840
<b>Non-current assets (a)</b>	<b>960.527</b>	<b>967.505</b>	<b>1.173.448</b>
Inventory	228.779	182.051	127.102
Other current assets	748.748	780.321	657.917
Current liabilities	(815.392)	(748.833)	(655.323)
Provision for contingencies and other charges	(111.720)	(123.243)	(115.386)
<b>Net current assets (b)</b>	<b>50.415</b>	<b>90.296</b>	<b>14.310</b>
<b>Employees' termination benefits (c)</b>	<b>(61.355)</b>	<b>(58.315)</b>	<b>(66.698)</b>
<b>NET CAPITAL INVESTED (d=a+b-c)</b>	<b>949.587</b>	<b>999.486</b>	<b>1.121.060</b>
<b>Shareholders' equity (e)</b>	<b>710.510</b>	<b>751.801</b>	<b>696.566</b>
<b>Provisions made in order to achieve fiscal benefits (f)</b>	<b>3.237</b>	<b>3.408</b>	<b>2.694</b>
Net financial debt - medium and long term	339	477	613
Net financial debt - short term	235.501	243.800	421.187
<b>Net financial debt (g)</b>	<b>235.840</b>	<b>244.277</b>	<b>421.800</b>
<b>COVER (h=e+f+g)</b>	<b>949.587</b>	<b>999.486</b>	<b>1.121.060</b>

(\*) the figures relating to the first half of 1996 are not homogeneous with those relating to the first half of 1997 and the year ended december 31, 1996 since the wholly owned subsidiary, Saipem Italia S.p.A., has merged into Saipem S.p.A. as at october 31, 1996.

**SAIPEM S.p.A. - RECLASSIFIED INCOME STATEMENT**

(million lire)

	First half of 1997	Full year 1996	First half of 1996 (*)
<b>OPERATING REVENUES</b>	<b>808.315</b>	<b>1.590.657</b>	<b>631.468</b>
Other income and revenues	4.640	20.556	8.508
Purchases, services and other costs	(612.216)	(1.266.259)	(490.880)
Payroll and related costs	(173.056)	(344.525)	(133.842)
<b>GROSS OPERATING PROFIT (a)</b>	<b>27.683</b>	<b>429</b>	<b>15.254</b>
Depreciation, amortization and write-downs (b)	(20.458)	(60.537)	(22.165)
<b>OPERATING RESULT (c=a-b)</b>	<b>7.225</b>	<b>(60.108)</b>	<b>(6.911)</b>
Financial income (expenses) (d)	(16.572)	2.818	6.467
Income arising from shareholdings (e)	36.164	98.831	25.110
<b>PROFIT FROM ORDINARY ACTIVITIES (f=c±d+e)</b>	<b>26.817</b>	<b>41.541</b>	<b>24.666</b>
Non-recurring income (g)	-	49.710	14.704
<b>PROFIT BEFORE TAXATION (h=f+g)</b>	<b>26.817</b>	<b>91.251</b>	<b>39.370</b>
Taxation (i)	(12.441)	(18.501)	(16.157)
Net adjustments associated with fiscal benefits (l)	170	(361)	353
<b>PROFIT FOR THE PERIOD (m=h-±l)</b>	<b>14.546</b>	<b>72.389</b>	<b>23.566</b>

(\*) the figures relating to the first half of 1996 are not homogeneous with those relating to the first half of 1997 and the year ended december 31, 1996 since the wholly owned subsidiary, Saipem Italia S.p.A., has merged into Saipem S.p.A. as at october 31, 1996.

**SAIPEM GROUP - RECLASSIFIED BALANCE SHEET**

(billion lire)

	30-06-97	31-12-96	30-06-96
Net tangible fixed assets	1.114	983	925
Net intangible fixed assets	36	40	41
Net financial investments	<u>43</u>	<u>41</u>	<u>45</u>
<b>Non-current assets (a)</b>	<b>1.193</b>	<b>1.064</b>	<b>1.011</b>
Inventory	408	297	191
Other current assets	1.126	1.031	1.033
Current liabilities	(1.304)	(1.084)	(1.021)
Provision for contingencies and other charges	<u>(183)</u>	<u>(203)</u>	<u>(259)</u>
<b>Net current assets (b)</b>	<b>47</b>	<b>41</b>	<b>(56)</b>
<b>Employees' termination benefits (c)</b>	<b>(66)</b>	<b>(63)</b>	<b>(89)</b>
<b>NET CAPITAL INVESTED (d=a±b-c)</b>	<b>1.174</b>	<b>1.042</b>	<b>866</b>
<b>Group shareholders' equity (e)</b>	<b>1.092</b>	<b>1.031</b>	<b>947</b>
Net financial debt - medium and long term	98	102	104
Net liquid funds - short term	<u>(16)</u>	<u>(91)</u>	<u>(185)</u>
<b>Net financial debt (liquid funds) (f)</b>	<b>82</b>	<b>11</b>	<b>(81)</b>
<b>COVER (g=e±f)</b>	<b>1.174</b>	<b>1.042</b>	<b>866</b>

**SAIPEM GROUP - RECLASSIFIED INCOME STATEMENT**

(billion lire)

	<b>First half of 1997</b>	<b>Full year 1996</b>	<b>First half of 1996</b>
<b>OPERATING REVENUES</b>	<b>1.593</b>	<b>2.802</b>	<b>1.279</b>
Other income and revenues	14	81	16
Purchases, services and other costs	(1.099)	(1.922)	(811)
Payroll and related costs	(322)	(574)	(284)
<b>GROSS OPERATING PROFIT (a)</b>	<b>186</b>	<b>387</b>	<b>200</b>
Depreciation, amortization and write-downs (b)	(70)	(145)	(75)
<b>OPERATING PROFIT (c=a-b)</b>	<b>116</b>	<b>242</b>	<b>125</b>
Financial income (expenses) (d)	(2)	6	15
Charges arising from shareholdings (e)	(1)	(1)	(1)
<b>PROFIT FROM ORDINARY ACTIVITIES (f=c±d-e)</b>	<b>113</b>	<b>247</b>	<b>139</b>
Non-recurring charges (g)	-	(11)	-
<b>PROFIT BEFORE TAXATION (h=f-g)</b>	<b>113</b>	<b>236</b>	<b>139</b>
Taxation (i)	(29)	(61)	(40)
<b>GROUP PROFIT FOR THE PERIOD (l=h-i)</b>	<b>84</b>	<b>175</b>	<b>99</b>