
Saipem

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3 FEBRUARY 1998

SAIPEM ANNOUNCES 1997 RESULTS

Today, the Board of Directors of Saipem S.p.A., the leading Italian oilfield services contractor, approved the provisional financial results (unaudited and subject to change) of the Company for the year ended December 31, 1997.

- Operating revenues increased to ITL 3,189 billion in 1997, from ITL 2,802 billion in 1996;
- Operating income rose by approximately 10% to ITL 266 billion in 1997, from ITL 242 billion in 1996;
- Net income rose to ITL 200 billion in 1997 from ITL 175 billion in 1996, representing an increase of more than 14%;
- Cash flow (net income plus depreciation and amortisation) totalled ITL 352 billion (ITL 320 billion in 1996)
- Investment in fixed assets, undertaken in 1997, totalled ITL 447 billion (ITL 272 billion in 1996). The most significant investments, during 1997, relate to the conversion, in progress, of the SCARABEO 7 from a "Floatel" into a semisubmersible for deepwater drilling, and to the upgrading and installation of an FPSO (floating production, storage and offloading) system.
- Net financial debt at the end of 1997 stood at ITL 128 billion compared to ITL 11 billion at the end of 1996.
- During 1997, Saipem was awarded ITL 4,017 billion in new orders, of which 68% related to orders for its' drilling and off-shore construction business segments. This resulted in a record order backlog, at the end of 1997, of ITL 4,542 billion. Additionally, during January, 1998, Saipem received a further ITL 1,100 billion in new orders (including the contract, already announced, to provide drilling services through the new SAIPEM 10000 drill ship to the AGIP division of ENI S.p.A.).

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Forecasts for 1998

In the light of the considerable level of orders expected to be fulfilled in 1998 (including ITL 2,711 billion of the ITL 4,542 billion order backlog at the end of 1997), concentrated in the high margin businesses of Drilling and Offshore Construction (ITL 2,022 billion), together with the Company's expectations for stable market conditions in 1998, the Company believes that its' operating income in 1998 should grow by at least the same percentage rate as that achieved in 1997 (10%).

Since Saipem often undertakes complex projects in challenging environments, unforeseen events can have a significant impact on expected profitability.

Deputy Chairman Appointment

The Board of Directors of Saipem has been informed by the Chairman, Fabrizio d'Adda, that, in accordance with ENI's rotation policy for its' senior management, he will be taking up a new senior position within ENI S.p.A.

Fabrizio d'Adda will continue to serve as Chairman of Saipem for a transitional period. Afterwards, he will continue to remain a Director of the Company.

The Board of Directors of Saipem has, therefore, nominated as Deputy Chairman, Salvatore Russo, who is currently serving as a Director of Saipem and as the Executive Officer for Development, Planning and Industrial Control for ENI. In that capacity, he has participated in the conception and development of the Company's present strategy, and in its' investment programme.

Dividends

The Board of Directors intends to propose to shareholders, at the Annual General Meeting to approve 1997 results, the distribution of a dividend equivalent to approximately one-third of consolidated net income.

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Analysis of Profitability by Division

The Saipem Board has also analysed the profitability of the Group by its principal operating divisions:

- ***Offshore Drilling and Floating Production:*** Contribution from operations increased, from ITL 13 billion in 1996 to ITL 58 billion, in 1997. Revenues totalled ITL 259 billion (ITL 193 billion in 1996).
- ***Onshore Drilling:*** Contribution from operations totalled ITL 69 billion in 1997 (ITL 25 billion in 1996) while operating revenues amounted to ITL 252 billion over the same period (ITL 198 billion in 1996).

The rise in contribution from operations, for both of the above segments, is primarily attributable to higher fleet utilisation ratios and to higher tariffs experienced during 1997 .

- ***Offshore Construction:*** Contribution from operations totalled ITL 253 billion in 1997 (ITL 268 billion in 1996) while operating revenues amounted to ITL 1,809 billion for the same period (ITL 1,268 billion in 1996). Although contribution from operations increased in absolute terms during 1997, it declined as a percentage of revenues with respect to 1996. This is primarily attributable to an increase in procurement activity, related to “turnkey” contracts, as well as to lower levels of North Sea activity.
- ***Onshore Construction:*** Contribution from operations totalled ITL 7 billion in 1997 (ITL 29 billion in 1996). Operating revenues for 1997 amounted to ITL 865 billion (ITL 1,139 billion in 1996). The reduction in contribution from operations is primarily attributable to worsening market conditions in 1997.

The Saipem Board has acknowledged that the investment projects already underway, or expected to begin shortly, represent a commitment of ITL 1,043 billion, out of a ITL 1,700 billion four year investment programme.

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Comment

Fabrizio d'Adda, Chairman and Chief Executive Officer of Saipem S.p.A., said today:

“We are pleased with our provisional financial results for 1997, and, in particular, with the increase in operating revenues in our strategic business areas of drilling and offshore construction. This reflects, in part, the effect of our technological expertise on the industry.

Currently, Saipem's markets are undergoing a period of sustained growth, primarily driven by energy companies' growing investment with respect to exploration, drilling activities, development of offshore oil and gas fields and by the companies' outsourcing strategies.

The prospects for 1998 remain positive, notwithstanding the recent decline in oil prices. We do not believe that this recent volatility will have a material impact on our results; Saipem's future performance would only be affected by a sustained, long term reduction in the price of oil.”

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Summary Financial Information

Summary financial information follows, together with further details on the size and nature of the order backlog.

Summary Consolidated Income Statement Data by Destination:

	ITL billion	
	1996	1997
Operating revenues	2,802	3,189
Contribution from operations	335	386
General and administrative expenses	(117)	(121)
Other operating revenues (expenses)	24	1
Operating income	242	266
Financial income (expense)	5	(5)
Extraordinary income (expense)	(11)	0
Income before income taxes	236	261
Income taxes	(61)	(61)
Net Income	175	200

Summary Consolidated Income Statement Data by Nature:

	ITL billion	
	1996	1997
Operating revenues	2,802	3,189
Other income and revenues	81	46
Purchases, services and other costs	(1,922)	(2,187)
Payroll and related costs	(574)	(630)
Gross operating income	387	418
Amortisation, depreciation and write-downs	(145)	(152)
Operating income	242	266

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Summary Consolidated Balance Sheet Data:

	ITL billion	
	1996	1997
Net tangible and intangible fixed Assets	1,023	1,347
- Offshore construction	640	628
- Offshore drilling & floating production	212	502
- Onshore drilling	51	68
- Onshore construction	111	139
- Others	9	10
Investments	41	6
Net current assets	41	47
TFR (employees' termination benefits)	(63)	(50)
Net invested capital	1,042	1,350
Shareholders' equity	1,031	1,222
Net financial debt	11	128

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New orders in 1997:

	ITL billion
Offshore construction	2,361
Offshore drilling & floating production	360
Onshore drilling	302
Onshore construction	989
Infrastructure	5
TOTAL	4,017

Order Backlog as at December 31, 1997:

	ITL billion	
	Total 1997	Expected to be executed in 1998
Offshore construction	2,020	1,478
Offshore drilling & floating production	880	416
Onshore drilling	138	128
Onshore construction	953	679
Infrastructure	551	10
TOTAL	4,542	2,711

There are certain forward-looking statements contained herein which by their nature involve risk and uncertainty. Actual results may differ significantly from those expressed or implied by such forward-looking statements.

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NOTES TO EDITORS

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The Company

Saipem is a leading oilfield services contractor, offering a variety of offshore and onshore construction, drilling and engineering services to oil and gas companies worldwide. The Company believes that it is unique in its' ability to offer construction, drilling and engineering services, and that the breadth of its activities contributes to its ability to maintain profitability in a highly competitive industry. At December 31, 1997, Saipem had operations in approximately 30 countries around the world.

Saipem specialises in projects in deep water, challenging environments and in remote locations, where it believes that it features among the few leading-edge companies with the advanced technology, expertise and experience to meet the demands of oil and gas companies for increasingly complex projects. Saipem has formed a number of strategic joint ventures, with key oilfield services contractors having complementary operations and assets, particularly for off-shore construction activities, and recently formed a joint venture to further develop its engineering capabilities in response to growing demand for engineering procurement, installation and commissioning contracts. Saipem owns a world-class fleet of construction and drilling vessels which reflects the Company's commitment to invest in quality vessels, to perform upgrades, and to further enhance their capabilities, particularly in deep water.

Business Activities

Saipem's business is organised into the following areas:

- **Offshore Construction.** Saipem engages in a wide variety of offshore field development projects, with specialised heavy lift capabilities and has the ability to offer a wide range of services in both shallow and deep water. The Company is recognised as one of the leading companies for design, procurement and installation of fixed platforms and also engages in the design, procurement and instalment of floating production systems. Saipem has laid over 15,000 kilometres of offshore pipelines worldwide, primarily in the Mediterranean Sea, the North Sea, West Africa, the Middle East and Southeast Asia. The Company's offshore construction fleet consists of 22 vessels. Saipem also owns and operates a fleet of 40 remotely operated vehicles capable of performing advanced subsea operations.

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- ***Drilling and Floating Production.*** Saipem offers offshore and onshore drilling services to oil companies worldwide, primarily in Italy, the North Sea, West and North Africa and the Caspian Sea. Saipem's mobile offshore drilling fleet consists of five semisubmersibles and four jackups, and its active onshore drilling fleet consists of 35 land rigs.
- ***Onshore Construction.*** Saipem is a world leader in onshore pipeline installation and has developed considerable expertise in the construction of onshore refining, gas processing, petrochemical and other industrial plants. The Company has laid more than 65,000 kilometres of onshore pipelines worldwide and specialises in the laying of large-diameter pipelines. The Company's main areas of onshore construction activity are Europe, the Middle East, Africa, Latin America, the Far East and Australia.
- ***Other activities.*** Saipem engaged in non-oil infrastructure projects in Italy prior to 1994, following which it has focused on the activities described above. Substantially all of the remaining contract backlog for infrastructure projects relates to a contract awarded to a consortium in which Saipem has a minority interest for the construction of the Milan-Bologna segment of Italy's high speed railway system.