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Operational Review & Strategy Update Positioning Saipem for Margin Recovery

London Stock Exchange, April 24, 2013



Forward-Looking Statements

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent on upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: forex and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions.

Actual results could therefore differ materially from the forward-looking statements.

The Financial Reports contain in-depth analyses of some of the aforementioned risks.

Forward-looking statements are to be considered in the context of the date of their release. Saipem S.p.A. does not undertake to review, revise or correct forward-looking statements once they have been released, barring cases required by Law.

Forward-looking statements neither represent nor can be considered as estimates for legal, accounting, fiscal or investment purposes. Forward-looking statements are not intended to provide assurances and/or solicit investment.

Presentation Outline

1. New CEO First 100 Days *Umberto Vergine*
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 - III. E&C Business Unit *Giuseppe Caselli*
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1. New CEO First 100 Days

Umberto Vergine - CEO

New CEO – initial impressions of Saipem

Saipem business model founded on unique combination of notable strengths:

- Large/complex EPC project management
- State-of-the-art offshore fleet, continuously upgraded
- Several deep-water and heavy lift records
- Unique and valuable local content footprint resulting in distinctive and well established ties with countries of operation
- Distinctive engineering capability
- In-house availability of expertise for onshore-like engineering content and execution on big and complex Offshore and Floater projects
- Positive and solid outlook for Drilling business
- Development and application of cutting edge technology
- Strong safety culture and positive record

New CEO – immediate steps

Initiated process of scrutiny all key projects, financial forecasts and operations
- Particular emphasis on client relationships



Identification of some E&C shortcomings



Appointment of new E&C COO with strong operational experience



Revision of 2012 and release of 2013 guidance at the end of January



Launch of E&C operational review

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2. Operational Review

Umberto Vergine - CEO

Operational Review – Two objectives

1. Comprehensively review E&C operations to identify causes of margin reduction and necessary actions, with a focus on:
 - I. Risk management rules and guidelines
 - II. Approach to new business
 - III. Execution quality/performance
 - IV. Client relationships
2. Optimally position Saipem to capture market opportunities



**DRIVE MARGIN
RECOVERY**

What went wrong – analysis of shortcomings

Context

- Aggressive NOC-dominated Market (2009-2011)

Shortcomings during Commercial Phase:

- e.g. Accepted Contracts with Low Margins and Onerous Terms & Conditions
- => deviations from Golden Rules, without counterbalance of adequate actions and compensation.
- Some examples:
 - FEED Endorsement
 - Acceptance of soil conditions
 - Impact of community disturbances
 - Impact of change of law
 - Milestone payments

Shortcomings during Execution Phase:

- e.g. Failure to put Client first (esp. Quality & Schedule)
- Client rejected Saipem 'optimization' (Saipem had endorsed FEED and V.O. seen as too commercial)
- Saipem relied too heavily on Subcontractor Quality: Lack of quality=> Some Rework
- Lack of focus on schedule

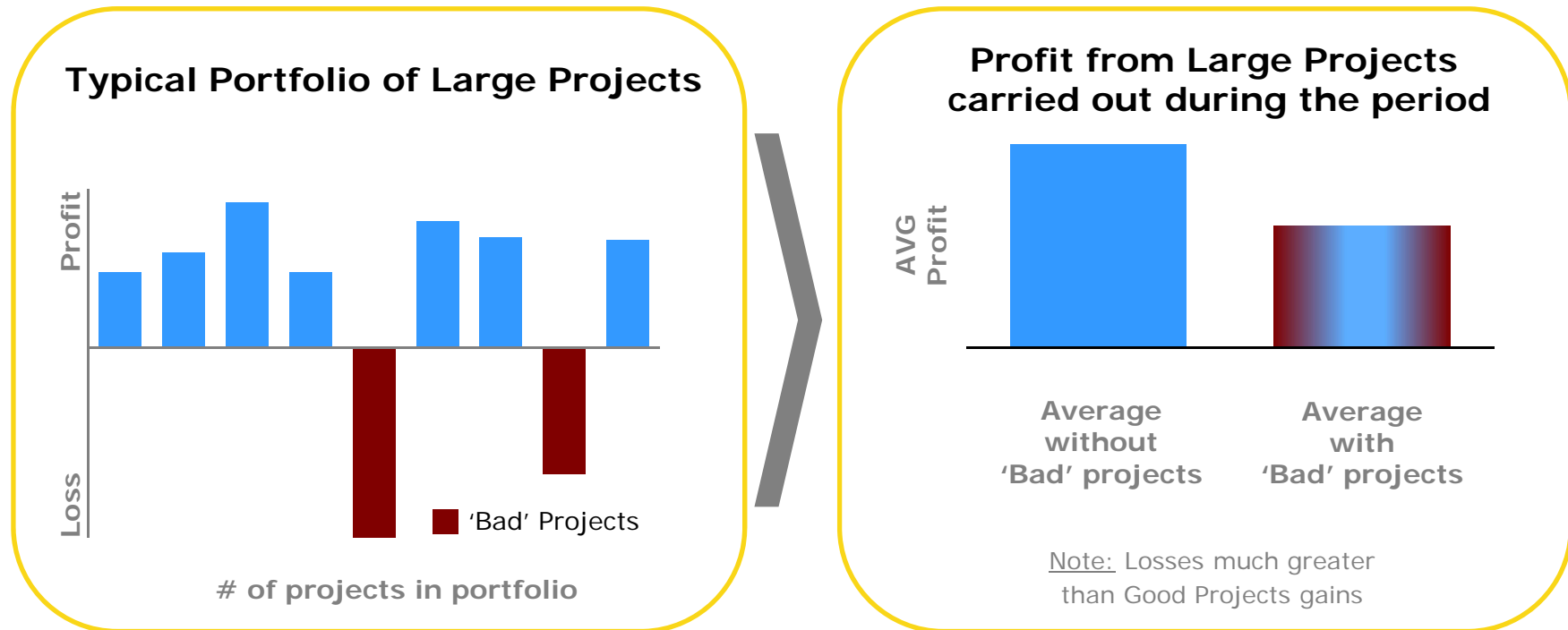
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2(i) Risk Management System

Hugh O'Donnell – Deputy CEO

Saipem Risk Management System: History and Background

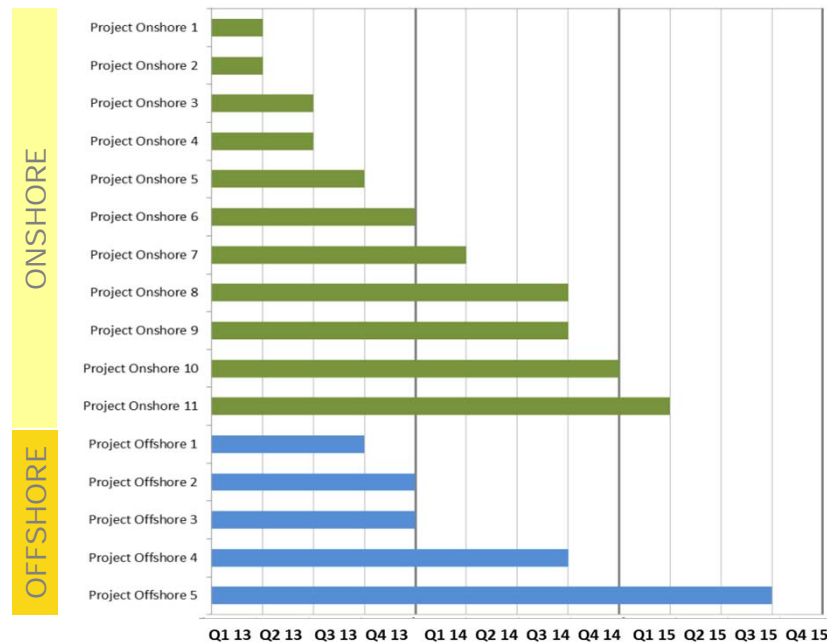
- Up to 2005 a few 'bad' contracts in Saipem's portfolio mix impacted the value generated by the remaining order book



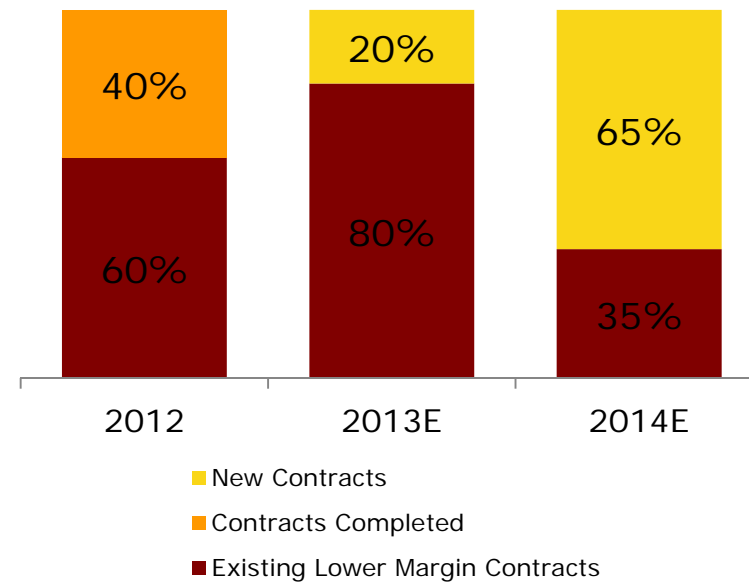
'No Contract' is better than a 'Bad' Contract

Successful Tool in eliminating 'Bad' Contracts: focus now on 'Poor' Contracts

'Poor' contracts in E&C Portfolio



Evolution of portfolio mix in E&C



Risk Management system successful in avoiding **'Bad Contracts'**



The aim is now to reduce/eliminate the **'Poor' Contracts** from Saipem Portfolio

Saipem's General Approach to Risk

TYPICAL CONTRACTOR'S RISKS

- Engineering quality
- Procurement
- Subcontractors
- Logistics
- Construction
- Commissioning
- Installation
- Local Content
- Interfaces
- Contractor security
- etc.

TYPICAL RISKS TO BE NEGOTIATED

- FEED quality
- Soil conditions
- Weather, climate
- Commodity pricing (Fuel, Steel, Bulk Item etc.)
- Exchange rates
- Legal framework
- etc.

TYPICAL CLIENT'S RISKS

- Geo-politics
- Country politics
- Overall/Project profitability
- Civil strife/General security
- Site access
- Pollution
- etc.

A good EPC/EPIC contractor will:

Structure itself to control
"Contractor's risks"

Accept "Negotiated risks" only if it can:

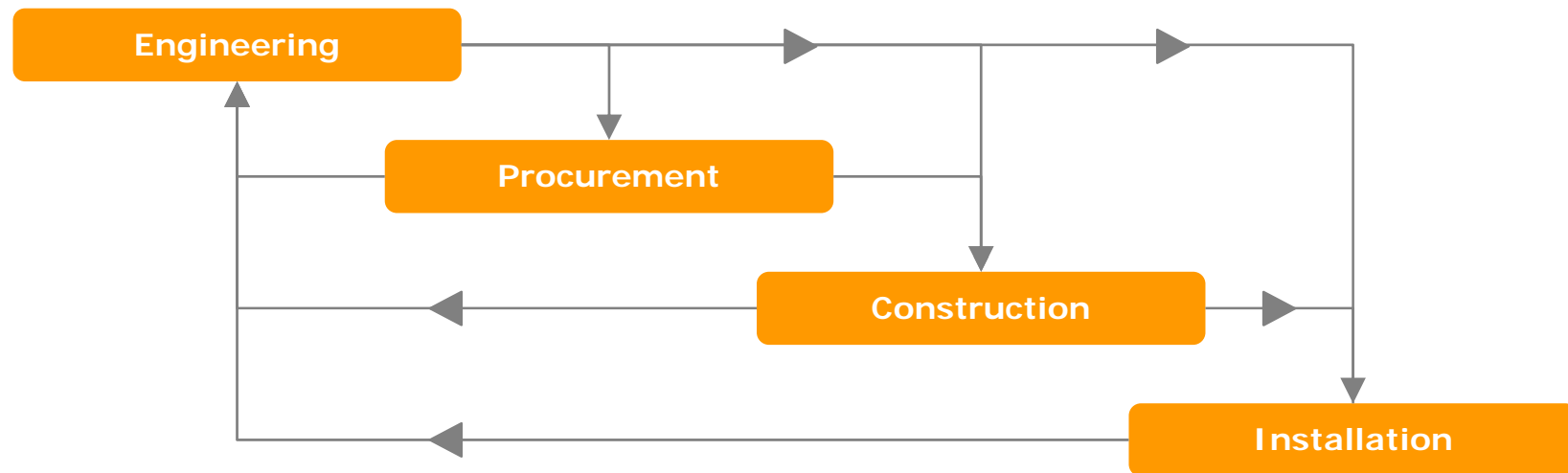
- Hedge risk
- Exercise control/strong influence or be compensated

Avoid "Client's risks"

Saipem takes a highly proactive approach to risk management

There are typical contractor risks inherent in Oil & Gas contracting

► Saipem is structured to manage/control these with a particular focus on *Project Risk*



Saipem's industrial model enables:

- Strict adherence to the unwritten rule: "do a good job" (i.e. put the client first)
- Control of most critical project phases to reduce risk
- Integration of Engineering and Construction/Installation
- Project-to-project improvement

Saipem Risk Management System

CLEAR

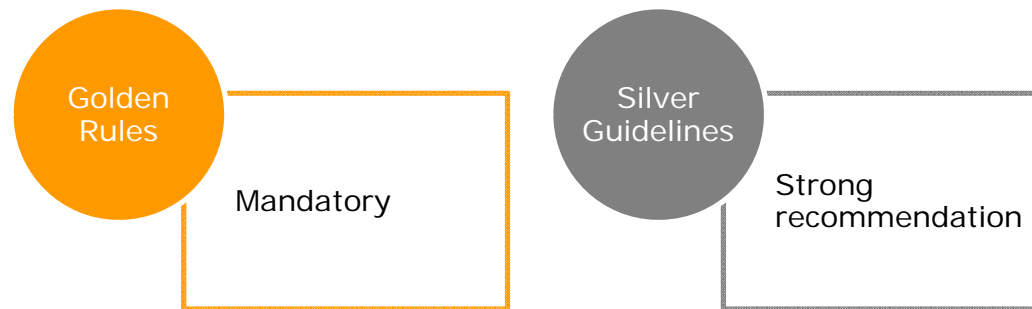
STRUCTURED

PROPRIETARY

COMPREHENSIVE

Saipem's Risk Management System: CLEAR

- Project based: covering Commercial and Execution phases and expanding to Operations
- The body of "Golden Rules" articulates Saipem Risk Tolerance and provides guidance and thresholds on risk acceptance
 - "Golden Rules": No deviations, unless approved by CEO/COO
 - "Silver Guidelines": Established principles, allow some customization
- Corporate Management defines the "Risk Tolerance"
 - "Thresholds beyond which risks are not acceptable"
 - "Readiness to bear the risk after risk treatment to achieve objectives"



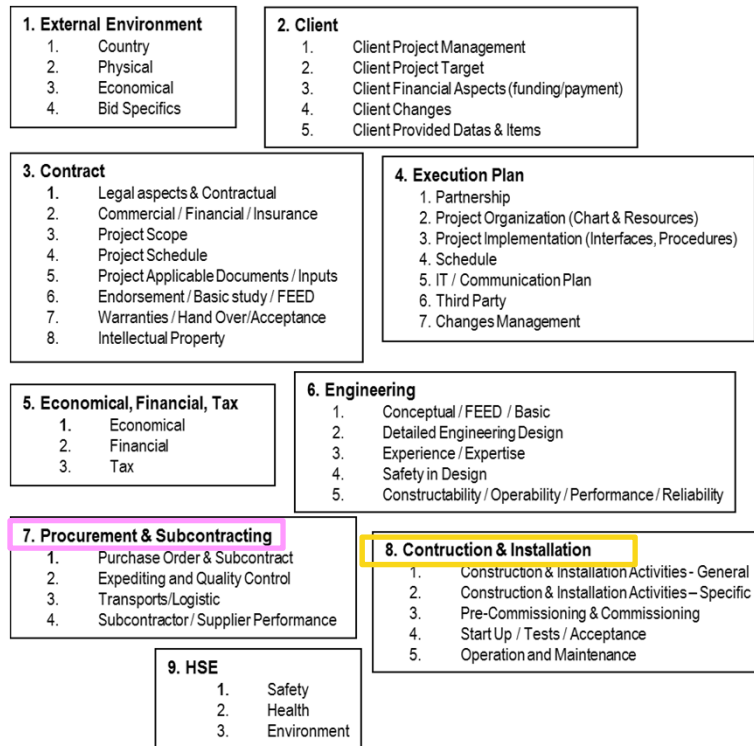
31100:2008 "define control, permissions and sanctions environment, including delegation of authority in relation to approving the Organization's risk acceptance, highlighting the escalation points, and identifying the escalation process for risks outside acceptance criteria, capability or capacity"

Saipem's Risk Management System: STRUCTURED

Supports analysis and management at Corporate/Business Unit level:

- Individual project
- Risk category
- Opportunity category
- Portfolios

Risk Breakdown Structure



ROBS Cod	Description
6.3	Experience/ Expertise
6.4	Safety in Design
6.5	Constructability / Operability / Performance / Reliability
7	Procurement and Subcontracting
7.1	Purchase Order & Subcontract
7.1.1	The ability to get firm proposals for main equipment
7.1.2	The issuance of requisition in line with the needs (PR: Purchase Request)
7.1.3	The selection of suppliers / subcontractors (knowledge, pre-qualification including factory visits, comprehensive audits, financial analysis ...)
7.1.4	The knowledge of MWS (Marine Warranty Surveyor) requirement and the clear understanding of the transports subject to MWS approval
7.1.5	The acceptance of an unrealistic/unfeasible subcontractor offer (very low in price or optimistic in schedule)
7.1.6	Vendor and Subcontractors availability and variations of the prices versus the budget (monopoly situation, market status, overloading of vendors, very low number of vendors for a specific item, shortage of raw materials, subcontractors/suppliers imposed by client...)
7.1.7	The placement of PO (Purchase Order) in time or not for critical items (e.g. complexity of the PO issuance scheme, Client impact, organization, delay ...)
7.1.8	Purchase Order placement: the quality of scope definition, the contractual aspects, the change of technical requirements after PO...
7.1.9	Organization of the vendors representative involvement (budget, availability...) and/or utilities including the follow-up plan and formal process during all phases of the project
7.1.10	The necessity for the supplier to develop new tools or fabrication methodology including the corresponding qualification program (delay, costs, feasibility)
7.1.11	The necessity to extend the suppliers guarantees to comply with the main contract guarantees
7.2	Expediting and Quality Control
7.3	Transports/Logistic
7.4	Subcontractor/Supplier performance
8	Construction & Installation

Saipem Risk Management System: PROPRIETARY

- Initiative launched in 2006 (with analysis of loss-making projects)
 - Incorporates several years of project-by-project ROKM experience and regularly updated
 - Aligned with the main Global Standards of Risk Management

Risk and Opportunity Knowledge Management System

Administrator Utility --> Project Administration

Internal Code	Project Title	Project Code	Business Unit	Country	Client	Input Phase
864	150 MBORD Early Production Facility for Lureas Production	ONSH 0515	Onshore	Kuwait	Kharaf National	Execution
1,070	18' LULA NE CERAMBI GAS PIPELINE	ONSH 2158	Onshore	Brazil	PETROBRAS E&P	Execution
408	213443 ETHYLENE FACILITY AT COATZACOACOCS MEXICO	ONSH 0359	Onshore	Mexico	PEMEX PETROQUIMICA	Commercial
216	32' Danisa pipeline Project	OPSH 0315	Offshore	Egypt	Laffan Refinery Company Limited	Execution
1,012	54k-8500 diesel hydrocracker and associated facilities	ONSH 2137	Onshore	Qatar	Laffan Refinery Company Limited	Commercial
305	Access to Knowledge Database	TRT 0019	Training & Test		SAIPEM users	Execution
183	Adaptation compression 2005-2010	ONSH 0191	Onshore	France	ORT Gas	Commercial
430	ADCO B&B GAS COMPRESSION PROJECT (217922)	ONSH 0366	Onshore	Utd.Arab.Emir.	ABU DHABI COMPANY FOR OILFIELD OIL OPERATIONS (ADCO)	Commercial
649	ADDAX TCF PROJECT	ONSH 0508	Onshore	Gabon	ADDAX Petroleum	Commercial
643	Adria FEED LNG	ONSH 0418	Onshore	Croatia	ADRIAC	Commercial
59	Adriatic LNG	OPSH 0183	Offshore	Italy	Enxontal	Execution
225	ADRENATIC LNG	TRT 0056	Training & Test	Italy	EXON MOBIL	Execution
807	Aigra Independent Power Project EPC	ONSH 0489	Onshore	Nigeria	Chevron Nigeria Limited	Commercial

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Project General Data

Internal project code - not changeable

Project Title: _____ Project Code: _____ Consolidation Code: _____

Client: _____ Final Client: _____

Business Unit: _____ Business Line: _____ Commercial Area: _____

Country: _____ Company: _____

Sub project: _____ Other main project (not managed in this tool): _____

Project Description And Scope of Work: _____

Project Status: _____ Time size: _____ Project R&D Matrix: _____

Economical

Project Cost: _____ Contingency: _____

GR & SG Conformity Report

CREATE NEW CONFORMITY REPORT

Here is the list of GR&SG Conformity Reports previously created and stored

Document Code	Document Number	Rev.	Rev. Date	Project Name	Status
DR-C-0001	0001	01	08/05/2010	Samak Kaz	Released
DR-C-0001	0001	02	08/05/2010	Samak Kaz	Draft
DR-C-0002	3	01	21/07/2010	Laail	Released
DR-C-0003	3	01	17/08/2010	Drilling Services - Toulegad	Released
DR-C-0004	0002	00	26/11/2010	NDC FERRO2	ITT Analysis
DR-C-0005	0003	01	26/11/2010	CABINDA ANGOLA	Released
DR-C-0007	0004	01	26/11/2010	ghauron shai	Released
DR-C-0009	0005	01	03/03/2011	SAUDI ARAMCO 3000363414 e 3000363415	Released
DR-C-0010	0002	01		NDC FERRO2	Draft
DR-C-0011	Dr - C - 0010	00		Ory Oman	ITT Analysis
DR-C-0012	2011.01	00		PlusPetrol Cabinda Angola Onshore	ITT Analysis
DR-C-0014	2011.01	01		PlusPetrol Cabinda Angola Onshore 001	Draft
DR-C-0016	Dr - C - 0010	01		Ory Oman	Draft
DR-C-0017	PE 001/11	00		Petromineralis 5825	ITT Analysis
DR-C-0019	PE 001/11	01	02/03/2011	Petromineralis 5825	Released
DR-C-0020	030311	00		TULLOW 011	ITT Analysis
DR-C-0021	PE002/11	00		PlusPetrol Workover San Martin	ITT Analysis
DR-C-0022	PE002/11	01		PlusPetrol Workover San Martin	Draft
DR-C-0023	CO - 001 - 11	00		Petromineralis 5933 Colombia	ITT Analysis
DR-C-0024	CO - 001 - 11	01		Petromineralis 5933 Colombia	Draft

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Saipem Risk Management System: COMPREHENSIVE

- Categories: From "Arbitration" through to "Vendor Selection"
- Global – utilized throughout Saipem world thanks to dedicated, secure intranet databases and workflow support tools

NUMBER OF GOLDEN RULES AND SILVER GUIDELINES				
		Offshore	Onshore	Drilling
Commercial Phase	Golden	62	56	42
	Silver	57	49	54
Execution Phase	Golden	39	35	28
	Silver	31	29	19

Golden Rules & Silver Guidelines: Examples (partial texts)

Rule Code	General Area	Specific Issue	Guideline	Status of conformance	Deviation or Not applicable Description / Notes	Approved by Top Manager
ON.C.G.03.03	Company/Payment Risks	Conditions of Payment	Ensure Neutral Cash Flow. Ensure Down Payment (not amortised) or else Advance Payment (amortised as slowly as possible). In case of reimbursable contracts (...) Ensure progress payments (...). Avoid (...)	-		
OF.C.G.06.06	Liabilities	Liquidated Damages	Ensure a cap for Liquidated Damages. Ensure that if "penalties" are stipulated, they operate as (...)	-		
OF.C.G.07.01	Execution Risks	Endorsement of Company's docs	a) Endorsement of Company's docs before Contract award. Avoid endorsement of Technical Documentation provided by Company. In particular those data which are non endorsable for their nature (i.e. basis and/or criteria of design or Client specifications) as well as those which are potentially verifiable but cannot be checked during the bidding phase (...)	-		
OF.C.G.17.01	All	Security	Ensure the implementation of the instructions related to Security as included in the Corporate Document System (refer to STD-COR-SECU-005-E). Ensure that security risks are identified in the PSEP (Project Security Execution Plan) in order to estimate the needed security mitigating measures. Should any deviation be deemed necessary (...)	-		

Legend: ON=Onshore OF=Offshore DR=Drilling C=Commercial E=Execution G=Golden S=Silver

Optimisation of risk management system

- Fine tuning of existing Golden Rules (GR) and Silver Guidelines (SG)
- More rigorous approval of GR deviations
- New authorization level for deviation from most important GR
- Across-the-board GR SG Conformity report (commercial phase) prior to contract award
- More rigorous GR SG implementation (execution phase) during project implementation

'No Contract' is better than a 'Poor' Contract

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2(ii) E&C Business Unit

Giuseppe Caselli - E&C COO

Operational review – Analysis of shortcomings

The E&C Operational Review revealed the following shortcomings:

Organisational

- Overly centralized organization, large number of direct reports to former COO of E&C, creating:
 - Bottleneck in decision-making process
 - Lack of integration ► poor communication within BU
 - ‘Cloudy’ accountability within the organization

Commercial

- Commercial approach (aggressive bidding in weak market) resulting in:
 - Acceptance of onerous Terms & Conditions negatively impacting cash flow and net debt
 - Imperfect client relationships
 - Challenging Project Portfolio

Execution

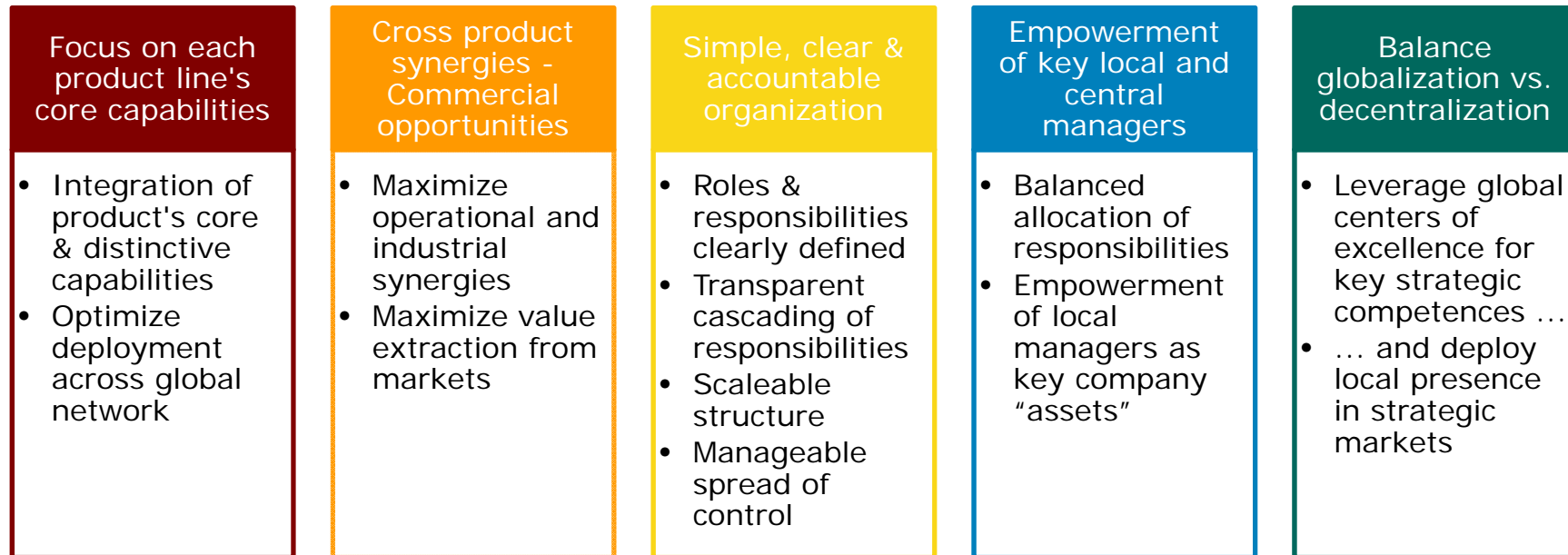
- Challenging Project Portfolio lead to suboptimal Execution including some examples of:
 - (Rejected) ‘Optimization’ initiatives causing delays
 - Over reliance on ‘weak’ partners & subcontractors
 - Onerous Terms & Conditions:
 - large close-out claims (vs. progressive Variation Orders)

Operational Review – Actions

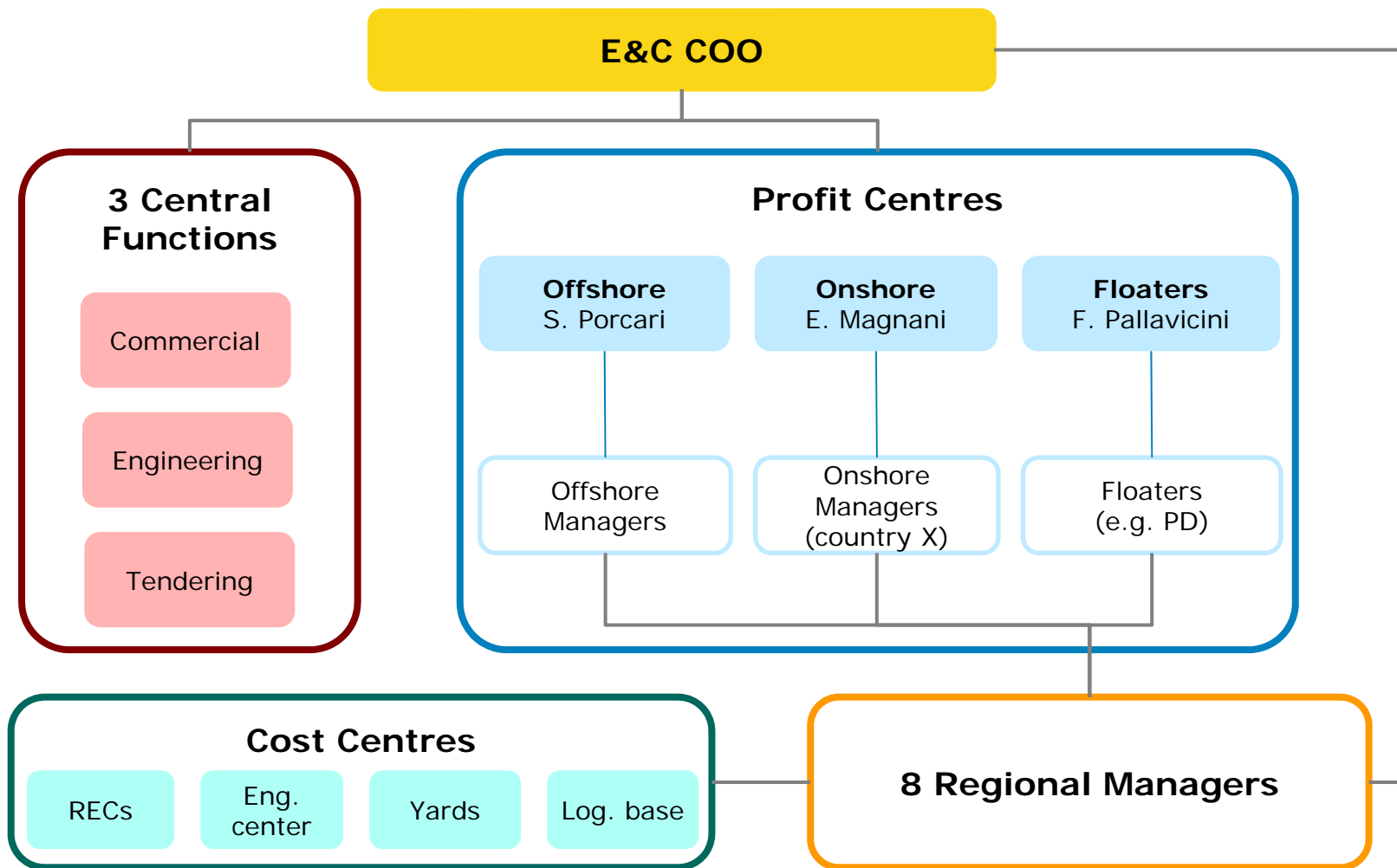
As a result, the following actions are being taken:

- 1 Reorganize the E&C BU
- 2 Revise commercial approach
- 3 Enhance execution efficiency
- 4 Improve relationship with clients

1 – Reorganization of E&C Business Unit - Principles



1 - Reorganization of E&C Business Unit - Structure



2 – Revised commercial approach

New initiatives to focus on profitability vs. turnover:

- more selective approach
- leverage unique Saipem strengths
- stronger and more distinctive competitiveness
- more effective risk mitigation measures:
 - ensure expected margins are achieved
 - actions with clients, partners, subcontractors/suppliers
 - accurate comprehensive technical evaluation
- Systematically pursue opportunities to increase project profitability starting from tender stage
- Improvement of market position through strong and strategic partnerships (e.g. with Chiyoda on LNG) and/or more project-specific consortia
- Reassessment of existing bids according to new commercial approach



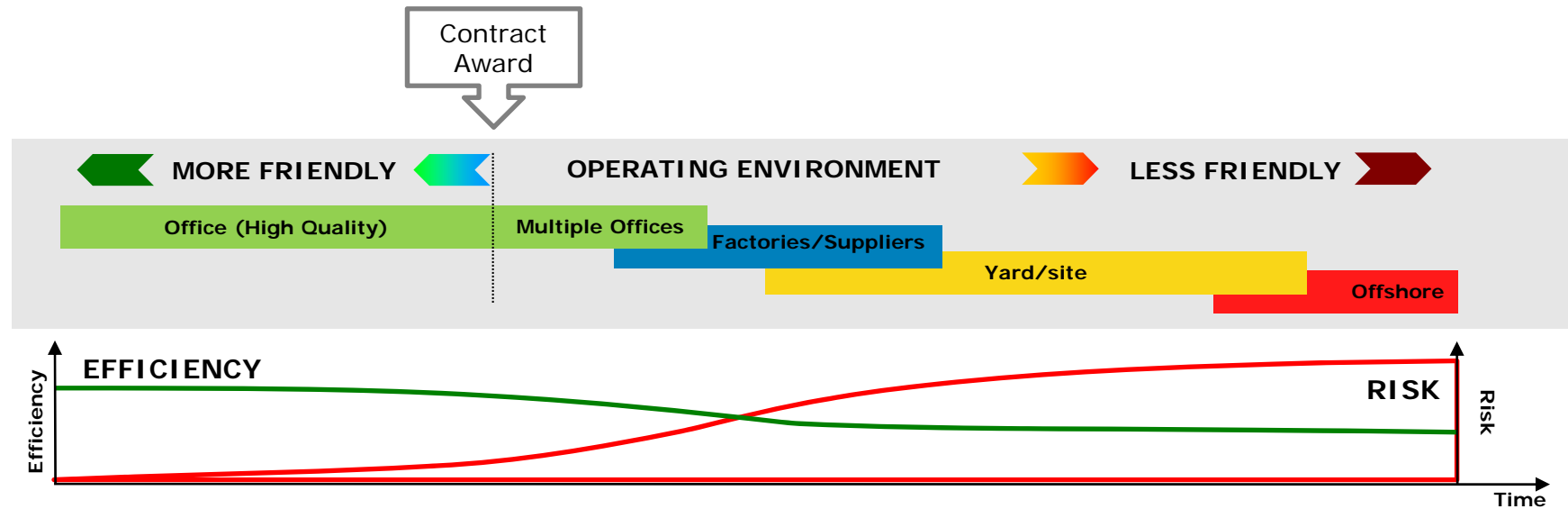
3 - Enhanced Execution Efficiency - Immediate

- In addition to our Organization Overhaul, we must be more rigorous in:
 - **'Optimisations'**: only with Client pre-agreement
 - **Partners, Subcontractors**: more careful selection (when in doubt, direct hire etc.)
 - **Project Management**: Rigorous, continuous resolution vs. close-out claims



Restore 'Put Client First' Culture

3 - Enhanced Execution Efficiency - Continuous



- Enhance Execution Efficiency through Powerful Engineering & Construction Integration

Major Focus on Methods* on:

- Onshore Construction
- Offshore Fabrication
- Small & Medium Projects

4 - Improved relationship with Clients

Regional Managers reporting directly to COO as key contact points to:

- Increase proximity to Clients
- Manage critical issues 'on the spot'
- Support commercial strategy

Clear, early agreement on allocation of respective client-contractor risks to:

- Improve relationships
- Facilitate subsequent work process

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2(iii) Summary of Key Actions

Umberto Vergine - CEO

Actions Driving Margin Recovery

**Organisational
Shortcomings**

**Commercial
Shortcomings**

**Execution
Shortcomings**

Clear set of actions to remedy shortcomings already under implementation:

- Reorganized structure to improve efficiency and clarify responsibility and reporting lines
- Fine-tuned commercial approach to position Saipem to win the 'right business'
- Execution efficiency enhanced to improve performance against service delivery KPIs
- Client relationship management a key priority to generate business growth

Margin Recovery

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3. Positive Outlook for Saipem

Umberto Vergine - CEO

Saipem remains an industry leader

- Unique industrial model, carefully developed over years, ideal for frontier Oil & Gas Challenges of the future
- Saipem franchise not impacted by recent events
 - Continuous good relations with major clients
 - Invitation to tender flow not affected
 - No key personnel retention problems
- Significant changes to the organizational structure

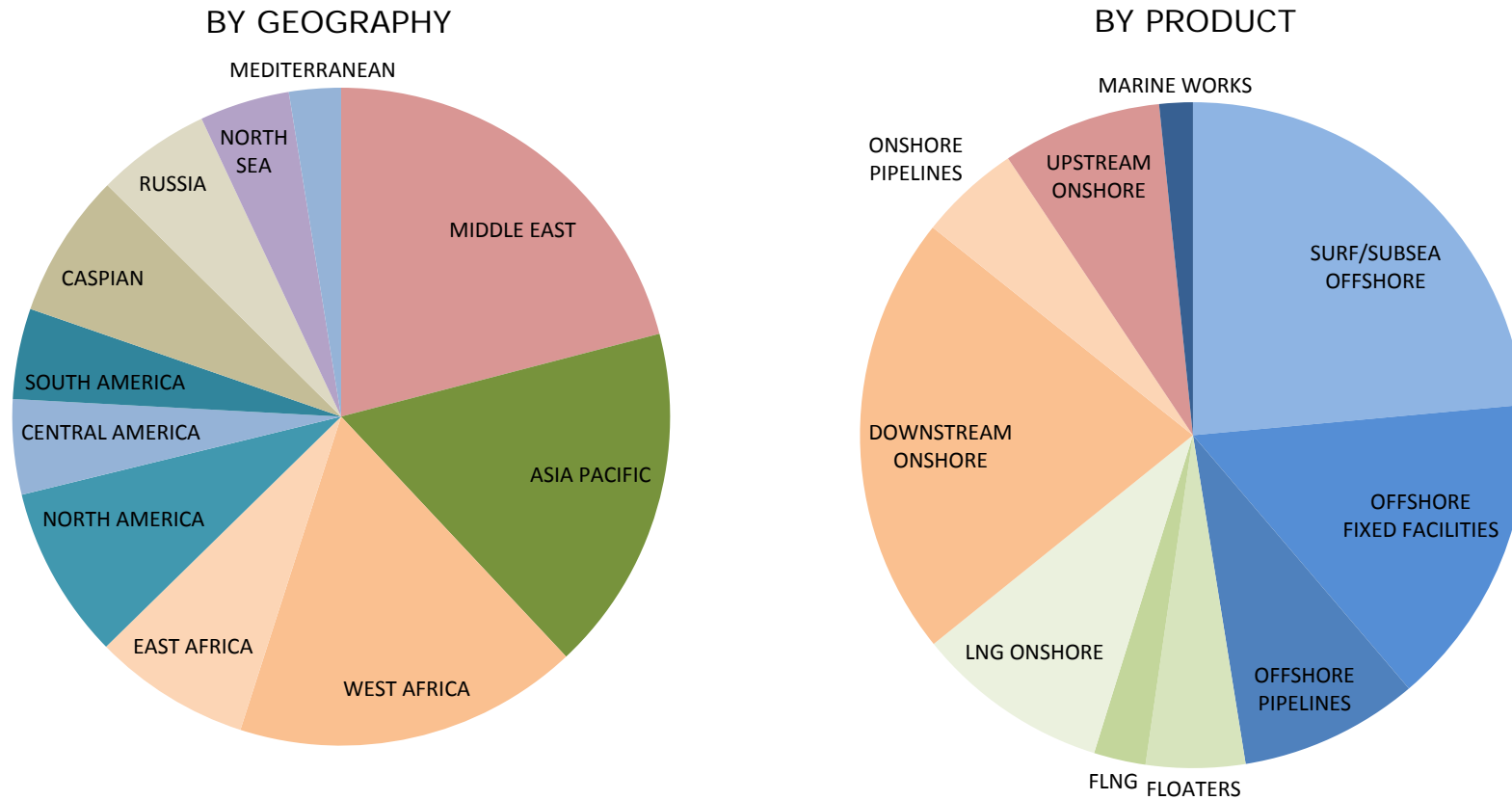


No shift in Saipem's strategy



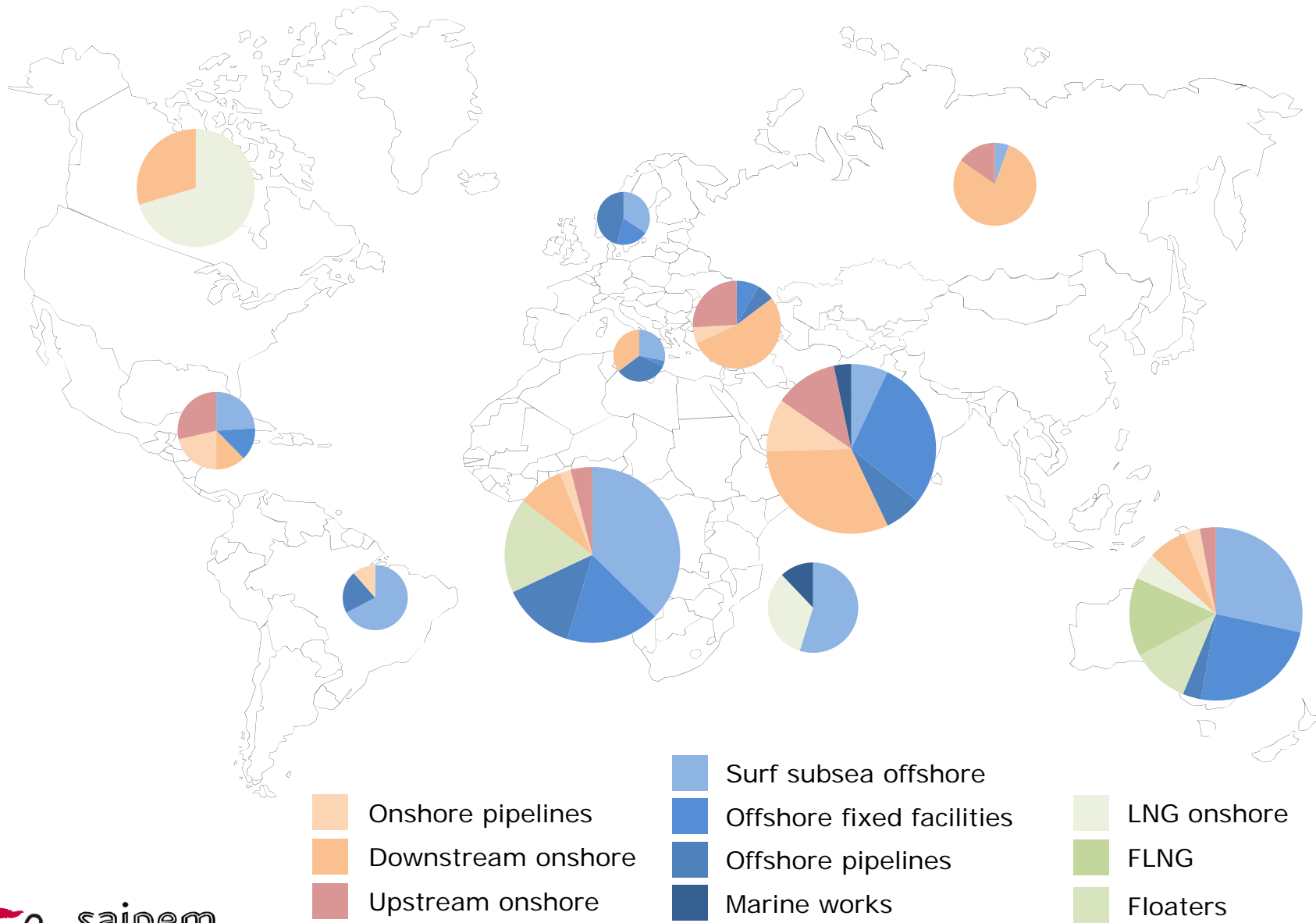
The market opportunities support margin recovery

Market outlook over the next 24 months



Opportunities for more than 100 Billion Euro identified

Strongly positioned to capture global market opportunities



Capex outlook

Recent evolution of Capex

- Robust Capex program of recent years has put Saipem at the forefront of the industry today in terms of best-in-class assets

Short term Capex outlook

- No requirements for significant new investments
- Maintenance and upgrading /enhancement to maintain high standards of quality
- Completion of current initiatives

Medium term Capex outlook

- Reassessment of strategic needs in the medium term to target:
 - Activities in unexplored/undeveloped areas of the Arctic region
 - Development of new Oil & Gas provinces
 - New level of deepwater and ultra-deepwater markets



View on Drilling: integral part of Saipem business model

Drilling activities exceed pure economic value for Saipem:

- Competence and international track record enhance Saipem's reputation
- Client relationships complement E&C
- Synergies from overall fleet management

Expansion of Saipem drilling fleet, both onshore and offshore, over the last few years

- Very remunerative business on day-rate basis
- Fleet committed long-term at top-end of range
- Distinctive competence and business relationships: key values for clients



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Conclusion

Umberto Vergine - CEO

Conclusion

- Comprehensive review of our business
- Honest analysis of shortcomings and actions taken
- Confirm robust business model based on distinctive strengths
- Assessed market potential in our core businesses



Saipem optimally positioned for margin recovery

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Q&A

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Appendix



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Umberto Vergine's background

- Appointed CEO in December, 2012
- Career background:
 - Civil engineer
 - Three decades of corporate and operational management experience in the Oil & Gas sector
 - Previously Country and Senior Regional Manager in key regions
 - 2009: EVP of Eni E&P division
 - 2010: Senior EVP at Eni
 - Saipem Director since 2010
 - 2011: COO of Eni G&P division
- ▶ Long-standing knowledge of business and market dynamics in key Oil & Gas regions
- ▶ Close to Oil & Gas contracting world as a former client of Saipem and its competitors

Giuseppe Caselli's background

- Appointed COO of E&C BU in January, 2013
- Career background:
 - Mechanical Engineer
 - 27 years at Saipem
 - Over 20 years in Engineering & Construction
 - 6 years as Head of Drilling Business Unit
 - Project Director in the most critical phases of the design and construction of Scarabeo 8
 - Decades of international experience in key countries including Kazakhstan, Saudi Arabia, Nigeria, Qatar, Abu Dhabi, Norway
- ▶ Deep knowledge of Saipem at operating and corporate levels with a 360 degree view of the business
- ▶ Strong experience of contracting dynamics in key Oil & Gas regions
- ▶ Excellent relationship with NOCs and IOCs
- ▶ Proven experience in managing complex and challenging activities

Stefano Porcari's background

- Appointed Executive Vice President Offshore Business Line, E&C BU, in March, 2013
- Career background:
 - Mechanical Engineer
 - 26 years at Saipem, mainly in the Offshore business
 - Managerial positions in different companies within the Group
 - Significant contribution to the development of Saipem's offshore activities in key geographic areas, including the Mediterranean, Caspian and Atlantic areas, the North and the Baltic Sea, as well as the Middle East and the Far East
 - Responsible for Saipem's Offshore activities worldwide and E&C Area Manager for North Sea, Baltic, Arctic and North Atlantic since 2011

Ettore Magnani's background

- Appointed Executive Vice President Onshore Business Line, E&C BU, in February, 2013.
- Career background:
 - 25 years at Saipem, mainly in the Onshore business
 - Tendering Department Manager for almost 10 years
 - Saipem Senior Vice President since 2010

Fabio Pallavicini's background

- Appointed Senior Vice President Floaters Business Line, E&C BU, in March, 2013
- Career background:
 - Civil Engineer
 - 18 years at Saipem; 28 years in the Oil & Gas Industry
 - Project Director in the Sabratha Platform project, the first offshore gas platform in Libya
 - Managerial positions in different companies within the Group
 - Senior Vice President, BU Offshore Mediterranean, Middle East, Caspian and West India Area from 2005 to 2011
 - Offshore Execution Manager and E&C Area Manager for Mediterranean, Middle East and Caspian Sea and since 2011

Egidio Palliotto's background

- Appointed Senior Vice President, Drilling Business Unit in December, 2012
- Career background:
 - Mining Engineer
 - 22 years at Saipem, mainly in the Drilling business
 - Managerial positions in different companies within the Group
 - Extensive experience in Drilling activities in key countries including Italy, India, Angola, Namibia, Nigeria, Congo and Norway
 - Responsible for Saipem Drilling activities worldwide for almost 8 years