Saipem announces results for the third quarter and the first nine months 2013

San Donato Milanese, October 28, 2013 - Today, the Board of Directors of Saipem S.p.A. approved Saipem Group's Interim Report at September 30, 2013 (not subject to audit).

<u>Third quarter of 2013</u>

- **Revenues: €3,522 million (-0.8%)**
- **EBIT: €209 million (-48.3%)**
- **Net result: €101 million (-59.6%)**

<u>First nine months of 2013</u>

- **Revenues: €8,708 million (-12.4%)**
- **EBIT: €-259 million**
- **Net result: €-474 million**
- **Capital expenditure: €684 million (€778 million)**
- **New contracts: €8,561 million (€9,140 million)**
- **Backlog: €19,520[1] million at September 30, 2013 (€19,739 million at December 31, 2012)**
- **New contracts awarded since period end: €1,250 million including early works for South Stream**
- **Continuing cooperation with CONSOB: 2013 pro forma data presented; no incremental costs on disclosed results for 2013**

<u>Guidance for 2013</u>

- **Revenues expected at around €12.5 billion**
- **EBIT at break even and net loss of €300-350 million**
- **Capital expenditure confirmed at approximately €1 billion**

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[1] *Includes effects of the cancellation from the backlog, in Q3, of the residual part of the lease contract of the jack-up Perro Negro 6, following the accident on July 1, 2013, amounting to €72 million.*

Umberto Vergine, Saipem CEO commented:

"Saipem has achieved positive results in the third quarter. I am pleased our efforts to step up operational performance are also achieving an improvement of our commercial position with clients. We are rebuilding a better margin portfolio through new contracts won since January 2013 and we continue to see opportunities in the market although the timing of some contract awards remains uncertain."

Financial Highlights

(million euro)

Q3 2012	Q2 2013	Q3 2013	Q3 2013 vs Q3 2012 (%)		First nine months 2012	First nine months 2013	Sept. 2013 vs Sept. 2012 (%)
3,549	2,097	3,522	(0.8)	Revenues	9,946	8,708	(12.4)
594	(489)	393	(33.8)	EBITDA	1,705	284	(83.3)
404	(670)	209	(48.3)	Operating result	1,170	(259)	ns
250	(685)	101	(59.6)	Net result	724	(474)	ns
440	(504)	285	(35.2)	Cash flow (Net result + Depreciation and amortisation)	1,259	69	(94.5)
230	152	192	(16.5)	Investments	778	684	(12.1)
2,837	4,268	1,410		New contracts	9,140	8,561	

Revenues and associated result levels, particularly in the Engineering and Construction sector, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

Capital expenditure in the third quarter of 2013 amounted to €192 million (€230 million in the third quarter of 2012) and included:

– €79 million in the Offshore Engineering & Construction sector relating mainly to the final stages of the construction of a new pipelayer, the ongoing development of a new fabrication yard in Brazil and the maintenance and upgrading of the existing asset base
– €14 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and facilities for the fabrication yard in Canada, in addition to the maintenance of existing assets
– €58 million in the Offshore Drilling sector, relating mainly to class reinstatement works for the semi-submersible rig Scarabeo 5, in addition to the maintenance and upgrading of the existing asset base
– €41 million in the Onshore Drilling sector relating to preparation works on four new rigs due to begin operations in Saudi Arabia, in addition to the upgrading of the existing asset base.

Net financial debt at September 30, 2013 amounted to €5,082 million, an increase of €804 million compared to December 31, 2012. This increase in the first nine months of the year is ascribed to investments, payment of dividends and to a deterioration in working capital. The latter was negatively affected by the full scale operation of projects with a penalizing financial profile, the investigation in Algeria, which is causing significant delays in the approval of progress reports of Algerian projects, of invoices and their payments, and deferral in the award of new Engineering and Construction projects.

New contracts and backlog
During the third quarter of 2013, Saipem was awarded contracts amounting to €1,410 million (€2,837 million in the third quarter of 2012).

The Saipem Group backlog at September 30, 2013 stood at €19,520 million (€9,731 million in the Offshore Engineering & Construction sector, €5,472 million in the Onshore Engineering & Construction sector, €4,317 million in the Drilling sectors), of which €2,557 million is due to be realised in 2013.

In October 2013, Saipem was awarded contracts amounting to approximately €1.2 billion, of which approximately €600 million in the Offshore E&C sector and approximately €600 million in the Drilling sector.

In the Offshore E&C sector, Saipem and South Stream Transport B.V. have signed a contract for preparatory construction works relating to the South Stream Offshore Pipeline, which encompasses, amongst others, engineering and procurement activities required before construction starts. The South Stream offshore pipeline will connect the Russian Black Sea shore, in the area of Anapa, to the Bulgarian coast near Varna, crossing the Turkish Exclusive Economic Zone of the Black Sea, for a total length of 931 kilometres.

In Saudi Arabia, Saipem won an EPCI contract for the engineering, procurement, fabrication, transport and installation of offshore facilities, including three platforms, three jackets and associated pipelines (approximately 30 kilometres) and subsea cables (25 kilometres). Fabrication activities will be carried out at the STAR yard in Saudi Arabia.

Also, Saipem was awarded two T&I contracts for the transport and installation of two offshore platforms in Mexican waters in the Gulf of Mexico. The platforms, whose topsides weigh around 16,000 and 17,000 tons respectively, will be installed using the float-over method, never used before in the Gulf of Mexico.

In the Offshore Drilling sector, Saipem won the ten-year contract for the lease of the Jack-Up Perro Negro 5 from the fourth quarter of 2014. Perro Negro 5 is currently operating in the Arabian Gulf.

In the Onshore Drilling sector, Saipem was awarded new contracts by several clients for the utilization of 11 rigs in the Middle East, North Africa and South America. The duration of contracts for 8 of these rigs ranges from 2 to 5 years, while the remaining 3 will be contracted out for less than one year.

Operational update
Saipem is focused on improving operational performance on critical E&C projects.
The two projects in Canada and Mexico, which led to the change in guidance of last June, are starting to show significant operational progress over recent months. This has led to positive feed-back from clients on the work executed so far. In Algeria, the LNG Arzew project is now in the last phase, the commissioning stage, while the other projects in the country are now complete and have been issued with Provisional Acceptance Certificates (PAC) by the client.

The timing of operations on certain projects in Asia Pacific and Brazil may be affected by rescheduling, for reasons that cannot be ascribed to Saipem. The Company is committed to redefining, together with the relevant Clients, the utilization schedules for the vessels involved, based on the availability of vessels and the Clients' operational requirements, in order to minimize the impact, both in terms of operational timeframes and costs.

Management Outlook for 2013

In 2013 Saipem expects to achieve revenues of approximately €12.5 billion. EBIT guidance is confirmed at break even, and net loss at approximately €300-350 million. Capex should be in the region of €1 billion as planned, while net financial debt at year end is expected to be between €5.0 and €5.2 billion.

The increased cost profile and complexity of new projects causes Oil Companies to delay contract awards and makes it more difficult for contractors to forecast their backlog prospects. For Saipem, this is expected to result in some hurdles in achieving new orders yearly target for the E&C business unit. This, together with a slight postponement of scheduled activities, will determine a slight decrease in revenues for 2013.

Furthermore, the working capital and the net debt expected for 2013 will be affected by the timing of contract awards and the full-scale operation of penalizing financial profile projects won in previous years. In addition, the delays in payments in Algeria due to the ongoing investigations, and in Egypt and Venezuela, due to political tensions and economic difficulties, will also have an impact.

However, the short-term market outlook remains positive and Saipem maintains a solid competitive positioning.

The extent of the expected recovery in profitability for 2014 will be driven by: improved management execution and completion of low margin contracts won up to 2012 and higher margin contracts won in 2013 under a more stringent commercial policy. These recently won contracts are already supporting our target of achieving improved profitability. The timing of new contract awards in the forthcoming months will determine the pace of recovery for 2014 and the medium-term. The market continues to present good opportunities both in terms of quality and quantity of new projects.

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This press release should be read jointly with the statutory and consolidated financial statements as of 31 December 2012 and the condensed interim consolidated financial statements as of 30 June 2013 of Saipem SpA, which are already available on the Company's website (www.saipem.com) under the section "Investor Relations – Financial Statements."

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The evaluation and measurement criteria used for the preparation of the Interim Report at September 30, 2013 are comparable with those used in the preparation of the Company's 2012 Annual Report, barring the application of the International Accounting Standards which came into effect on January 1, 2013.
Main changes pertain to the introduction of a new version of IAS 19 'Employee benefits' (approved by the European Commission through Regulation No. 475/2012 dated June 5, 2012) which, amongst other things, introduces: (i) the requirement to recognise immediately all actuarial gains and losses through other comprehensive income, thereby eliminating the option to apply the corridor method. The actuarial gains and losses recognised in the statement of comprehensive income are not subsequently taken to the income statement; (ii) the recognition in the "net interest" expense of the return of plan assets and interest costs to the income statement. The "net interest" is determined by applying the discount rate for liabilities to liabilities net of plan assets. The "net interest" of defined benefit plans is posted to "Financial income (expenses)". The new provisions of IAS 19 will be applied retrospectively beginning January 1, 2013. The opening values of the balance sheet at January 1, 2012 and the economic data for 2012 will be adjusted accordingly, as if the new IAS 19 provisions had always been applied. In the consolidated interim report at September 30, 2013, the application of the new IAS 19 provisions, gross and net of the tax effect, have implied the following: (i) a reduction of shareholders' equity at January 1, 2012 of €20 million and €16 million respectively; (ii) a reduction of shareholders' equity at December 31, 2012 of €38 million and €28 million of which €19 million and €13 million for actuarial gains and losses in 2012 recognised in other items of comprehensive income. The effect on the first nine months of 2012 income statement is not significant. In addition, the inclusion of the "net interest" expense on employee benefit plans as an interest expense in lieu of operating expenses (payroll costs) has implied a positive variation in operating results in the first nine months of 2012 of €7 million.

Saipem's Chief Financial Officer, Mr Stefano Goberti, in his capacity as manager responsible for the preparation of the Company's financial reports, certifies, pursuant to art. 154-bis paragraph 2 of Legislative Decree no. 58/1998, that the data and information disclosed in this press release, other than the pro forma data, corresponds to the Company's documents and accounting books and entries.

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent 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: monetary exchange 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.

Conference call and webcast
This press release will be illustrated during a conference call and webcast hosted today at 5.30pm CET by Saipem's CEO Umberto Vergine.
The conference call can be followed on Saipem's website www.saipem.com by clicking on the webcast banner on the home page, or through the following URL: http://www.media-server.com/m/p/ygxr5f2q.
A presentation will be given during the conference call and webcast, which will be available for download from the webcast window and from the 'Investor Relations / Presentations' section on the www.saipem.com website, around 30 minutes before the scheduled start time.

Saipem is organized into two Business Units: Engineering & Construction and Drilling, with a strong bias towards oil & gas-related activities in remote areas and deep-waters.
Saipem is a leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetization and heavy oil exploitation.

Website: www.saipem.com
Switchboard: +39-025201
Shareholder Information
Saipem S.p.A., Via Martiri di Cefalonia, 67 - 20097 San Donato Milanese (MI), Italy

Institutional relations and communication:
Tel.: +39-02520.34088
E-mail: erika.mandraffino@saipem.com

Relations with institutional investors and financial analysts:
Tel.: +39-02520.34653
Fax: +39-02520.54295
E-mail: investor.relations@saipem.com

Media relations:
Barabino & Partners

Italy: a.paganomariano@barabino.it
Tel: +39-0272023535
Cell: +39-3358304074

International: g.sanfelice@barabino.co.uk
Tel:+44 20 71526425
Cell: +44-7775858152

Analysis by business sector

Engineering & Construction: Offshore

(million euro)

Q3 2012	Q2 2013	Q3 2013	Q3 2013 vs Q3 2012 (%)		First nine months 2012	First nine months 2013	Sept. 2013 vs Sept. 2012 (%)
1,432	922	1,646	14.9	Revenues	3,950	3,856	(2.4)
(1,175)	(1,023)	(1,473)	25.4	Expenses	(3,232)	(3,650)	12.9
(70)	(72)	(77)	10.0	Depreciation and amortization	(201)	(217)	8.0
187	(173)	96	(48.7)	Operating result	517	(11)	ns
17.9	-11.0	10.5		EBITDA %	18.2	5.3	
13.1	-18.8	5.8		EBIT %	13.1	-0.3	
1,432	3,150	711		New contracts	5,661	4,866	

The backlog at September 30, 2013 stood at €9,731 million, of which €1,117 million is due to be realised in 2013.

- Revenues for the first nine months of 2013 amounted to €3,856 million, representing a 2.4% decrease compared to the first nine months of 2012, mainly due to lower levels of activity in the North Sea, Kazakhstan and Australia.

- Operating results for the first nine months of 2013 amounted to €-11 million compared to €517 million in the first nine months of 2012. This reduction is ascribed mainly to higher costs generated during the period on a project involving the construction of a vessel for a client, increased costs resulting from technical problems and lower productivity initially generated by the new pipelayer Castorone, in addition to the different profit mix of projects under execution in the two periods.

- The main contracts acquired in the third quarter of 2013 include:

– for Agip Kazakhstan North Caspian Operating Company N.V., the EPC contract for the EP Clusters 2 and 3 project in the framework of the Kashagan field development in Kazakhstan. The contract includes engineering, procurement, fabrication, load-out and transportation of three topside production manifold modules. All fabrication activities will be carried out in the Country, at the ERSAI yard in Kuryk, as well as all fabrication engineering;

– the contract for the fabrication of offshore structures off the coast of Congo. The scope of work encompasses the fabrication of the conductor pipes and of the mooring and tendon piles for a tension leg platform;

– two EPCI contracts in Saudi Arabia for the construction of a new platform and the upgrade of the obsolete control and safety systems on three existing platforms located in the Arabian Gulf. All fabrication activities will be carried out at the STAR yard in Saudi Arabia.

Engineering & Construction: Onshore

(million euro)

Q3 2012	Q2 2013	Q3 2013	Q3 2013 vs Q3 2012 (%)		First nine months 2012	First nine months 2013	Sept. 2013 vs Sept. 2012 (%)
1,649	691	1,404	(14.9)	Revenues	4,664	3,405	(27.0)
(1,523)	(1,292)	(1,401)	(8.0)	Expenses	(4,275)	(3,980)	(6.9)
(9)	(8)	(8)	(11.1)	Depreciation and amortization	(25)	(25)	–
117	(609)	(5)	ns	Operating result	364	(600)	ns
7.6	-87.0	0.2		EBITDA %	8.3	-16.9	
7.1	-88.1	-0.4		EBIT %	7.8	-17.6	
1,040	1,043	220		New contracts	2,456	2,176	

The backlog at September 30, 2013 stood at €5,472 million, of which €1,058 million is due to be realised in 2013.

- Revenues for the first nine months of 2013 amounted to €3,405 million, representing a 27% decrease compared to the first nine months of 2012, mainly attributable to lower levels of activity in North and West Africa and the Middle East.

- Operating results for the first nine months of 2013 amounted to €-600 million, compared to €364 million in the first nine months of 2012. This reduction is mainly ascribed to higher costs and provisions for contingencies on projects currently experiencing difficulties in Algeria, Canada and Mexico.

Drilling: Offshore

(million euro)

Q3 2012	Q2 2013	Q3 2013	Q3 2013 vs Q3 2012 (%)		First nine months 2012	First nine months 2013	Sept. 2013 vs Sept. 2012 (%)
274	304	284	3.6	Revenues	783	892	13.9
(125)	(143)	(128)	2.4	Expenses	(361)	(413)	14.4
(76)	(65)	(64)	(15.8)	Depreciation and amortization	(209)	(195)	(6.7)
73	96	92	26.0	Operating result	213	284	33.3
54.4	53.0	54.9		EBITDA %	53.9	53.7	
26.6	31.6	32.4		EBIT %	27.2	31.8	
126	8	107		New contracts	531	1,020	

The backlog at September 30, 2013 stood at €3,294 million, of which €281 million is due to be realised in 2013. This includes effects of the cancellation from the backlog, in Q3, of the residual part of the lease contract of the jack-up Perro Negro 6, which sank on July 1, 2013, amounting to €72 million.

- Revenues for the first nine months of 2013 amounted to €892 million, representing a 13.9% increase on the first nine months of 2012, mainly attributable both to the full-scale operations of the semi-submersible rigs Scarabeo 8, Scarabeo 3 and Scarabeo 6, the first having been under construction in the first part of 2012 and the other two having undergone upgrading works in the third quarter of 2012, and also to the start of operations of the vessel Ocean Spur, leased from third parties.

- Operating results for the first nine months of 2013 amounted to €284 million, compared to €213 million in the first nine months of 2012, with the margin on revenues increasing from 27.2% to 31.8%. The EBITDA margin stood at 53.7%, in line with the 53.9% achieved in the same period of 2012.

- The main contracts acquired in the third quarter of 2013 include:

– the two-year extension of the contract for the lease of the Saipem TAD in Congo;
– the one-year extension of the contract for the lease of the jack-up Perro Negro 5 currently operating in Saudi Arabia.

– Vessel utilisation in the first nine months of 2013 and the impact of programmed maintenance for 2013 are as follows:

Vessel	***September 2013***			***Year 2013***	
	Under contract	***Idle***		***Idle***	
	(days)			***(days)***	
Semi-submersible rig Scarabeo 3	266	7	(b)	7	(b)
Semi-submersible rig Scarabeo 4	199	74	(b)	74	(b)
Semi-submersible rig Scarabeo 5	155	118	(a+b)	147	(a+b)
Semi-submersible rig Scarabeo 6	214	59	(a+b)	59	(a+b)
Semi-submersible rig Scarabeo 7	270	3	(b)	64	(a+b)
Semi-submersible rig Scarabeo 8	271	2	(b)	7	(a+b)
Semi-submersible rig Scarabeo 9	254	19	(b)	19	(b)
Drillship Saipem 10000	264	9	(b)	9	(b)
Drillship Saipem 12000	267	6	(a)	6	(a)
Jack-up Perro Negro 2	263	10	(a)	10	(a)
Jack-up Perro Negro 3	202	71	(a+b)	71	(a+b)
Jack-up Perro Negro 4	273	–		–	
Jack-up Perro Negro 5	273	–		31	(a)
Jack-up Perro Negro 6	181	–		184	(c)
Jack-up Perro Negro 7	273	–		–	
Jack-up Perro Negro 8	264	9	(a)	9	(a)
Tender Assisted Drilling Barge	265	8	(b)	8	(b)
Ocean Spur	273	–		10	(a)

(a) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.
(b) = the vessel underwent maintenance works to address technical problems.
(c) = the vessel was lost following the incident that occurred on July 1, 2013.

Drilling: Onshore

(million euro)

Q3 2012	Q2 2013	Q3 2013	Q3 2013 vs Q3 2012 (%)		First nine months 2012	First nine months 2013	Sept. 2013 vs Sept. 2012 (%)
194	180	188	(3.1)	Revenues	549	555	1.1
(132)	(128)	(127)	(3.8)	Expenses	(373)	(381)	2.1
(35)	(36)	(35)	–	Depreciation and amortization	(100)	(106)	6.0
27	16	26	(3.7)	Operating result	76	68	(10.5)
32.0	28.9	32.4		EBITDA %	32.1	31.4	
13.9	8.9	13.8		EBIT %	13.8	12.3	
239	67	372		New contracts	492	499	

The backlog at September 30, 2013 stood at €1,023 million, of which €101 million is due to be realised in 2013.

- Revenues for the first nine months of 2013 amounted to €555 million, representing a 1.1% increase over the first nine months of 2012, mainly due to higher levels of activity of rigs in Saudi Arabia, Kazakhstan and Mauritania, which have offset the lower levels recorded in Algeria.

- Operating results for the first nine months of 2013 amounted to €68 million, compared to €76 million recorded in the first nine months of 2012, with the margin on revenues decreasing from 13.8% to 12.3%. The EBITDA margin stood at 31.4%, compared to 32.1% in the same period of 2012, owing to higher costs for personnel and equipment demobilization in Algeria.

- During the third quarter, Saipem was awarded new contracts by several clients, signed under different terms ranging from 6 months to 5 years, for the utilization of 17 rigs in the Middle East, Caspian, South America, West Africa, Turkey and Ukraine.

Average utilization of assets in the first nine months of 2013 stood at 95.9% (96.8% in the first nine months of 2012). At September 30, 2013, the Company owned 95 rigs (in addition to 2 rigs under completion) located as follows: 28 in Venezuela, 19 in Peru, 19 in Saudi Arabia, 7 in Colombia, 5 in Kazakhstan, 4 in Bolivia, 3 in Ecuador, 2 in Algeria, 2 in Chile, 1 in Congo, 1 in Italy, 1 in Ukraine, 1 in Mauritania, 1 in Turkey and 1 in Morocco.
In addition, 7 third-party rigs were deployed in Peru, 3 third-party rigs in Kazakhstan by the joint-venture company SaiPar and 1 third-party rig in Congo.

Attachments:

Reclassified consolidated balance sheet, consolidated income statements reclassified by nature and function of expenses and reclassified statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

		December 31, 2012*		September 30, 2013
Net tangible fixed assets		8,254		8,232
Net intangible fixed assets		756		756
		9,010		8,988
- Engineering & Construction: Offshore	4,064		4,099	
- Engineering & Construction: Onshore	513		581	
- Drilling: Offshore	3,535		3,363	
- Drilling: Onshore	898		945	
Financial investments		116		127
Non-current assets		**9,126**		**9,115**
Net current assets		**932**		**900**
Employee termination indemnities		**(255)**		**(257)**
CAPITAL EMPLOYED		**9,803**		**9,758**
Shareholders' equity		**5,377**		**4,589**
Minority interest in net equity		**148**		**87**
Net debt		**4,278**		**5,082**
COVER		**9,803**		**9,758**
Leverage (net debt/shareholders' equity+ minority interest)		**0.77**		**1.09**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

** data were restated due to the application of IAS 19, see note on page 5*

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES

(million euro)

Q3 2012	Q2 2013	Q3 2013		first nine months 2012	first nine months 2013
3,549	2,097	3,522	Operating revenues	9,946	8,708
3	1	2	Other revenues and income	7	5
(2,454)	(2,002)	(2,544)	Purchases, services and other costs	(6,806)	(6,719)
(504)	(585)	(587)	Payroll and related costs	(1,442)	(1,710)
594	**(489)**	**393**	**GROSS OPERATING RESULT**	**1,705**	**284**
(190)	(181)	(184)	Amortization, depreciation and write-downs	(535)	(543)
404	**(670)**	**209**	**OPERATING RESULT**	**1,170**	**(259)**
(36)	(54)	(54)	Financial expenses	(119)	(146)
3	5	4	Income from investments	8	12
371	**(719)**	**159**	**INCOME BEFORE INCOME TAXES**	**1,059**	**(393)**
(108)	37	(50)	Income taxes	(307)	(65)
263	**(682)**	**109**	**INCOME BEFORE MINORITY INTEREST**	**752**	**(458)**
(13)	(3)	(8)	Minority interest	(28)	(16)
250	**(685)**	**101**	**NET RESULT**	**724**	**(474)**
440	**(504)**	**285**	**CASH FLOW (Net result + Depreciation and amortization)**	**1,259**	**69**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
FUNCTION OF EXPENSES

(million euro)

Q3 2012	Q2 2013	Q3 2013		first nine months 2012	first nine months 2013
3,549	2,097	3,522	Operating revenues	9,946	8,708
(3,016)	(2,640)	(3,176)	Production costs	(8,409)	(8,576)
(41)	(40)	(43)	Idle costs	(101)	(124)
(35)	(35)	(38)	Selling expenses	(107)	(106)
(3)	(4)	(3)	Research and development costs	(9)	(10)
(3)	(3)	(4)	Other operating income (expenses), net	(9)	(12)
451	**(625)**	**258**	**CONTRIBUTION FROM OPERATIONS**	**1,311**	**(120)**
(47)	(45)	(49)	General and administrative expenses	(141)	(139)
404	**(670)**	**209**	**OPERATING RESULT**	**1,170**	**(259)**
(36)	(54)	(54)	Financial expenses	(119)	(146)
3	5	4	Income from investments	8	12
371	**(719)**	**159**	**INCOME BEFORE INCOME TAXES**	**1,059**	**(393)**
(108)	37	(50)	Income taxes	(307)	(65)
263	**(682)**	**109**	**INCOME BEFORE MINORITY INTEREST**	**752**	**(458)**
(13)	(3)	(8)	Minority interest	(28)	(16)
250	**(685)**	**101**	**NET RESULT**	**724**	**(474)**
440	**(504)**	**285**	**CASH FLOW (Net Result + Depreciation and amortization)**	**1,259**	**69**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q3 2012	Q2 2013	Q3 2013		first nine months 2012	first nine months 2013
250	(685)	101	Net result	724	(474)
13	3	8	Minority interest	28	16
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
177	285	272	Depreciation, amortization and other non-monetary items	510	719
(708)	1,044	(683)	Variation in working capital relating to operations	(1,387)	(64)
(268)	**647**	**(302)**	**Net cash flow from operations**	**(125)**	**197**
(230)	(152)	(192)	Investments in tangible and intangible fixed assets	(778)	(684)
13	42	–	Disposals	7	42
(485)	**537**	**(494)**	**Free cash flow**	**(896)**	**(445)**
7	–	–	Buy back of treasury shares/Exercise of stock options	29	–
(23)	(299)	(38)	Cash flow from share capital and reserves	(352)	(375)
29	37	20	Effect of exchange rate differences on net debt and other changes	4	16
(472)	**275**	**(512)**	**Change in net debt**	**(1,215)**	**(804)**
3,935	**4,845**	**4,570**	**Net debt at beginning of period**	**3,192**	**4,278**
4,407	**4,570**	**5,082**	**Net debt at end of period**	**4,407**	**5,082**

Update on the relationship with Consob

As previously disclosed in Saipem's interim report as of 30 June 2013, on 19 July 2013 Consob advised the Company that it was commencing proceedings based upon an alleged failure to comply with international accounting standards in the preparation of Saipem's standalone and consolidated financial statements as of 31 December 2012, particularly IAS 11, concerning the valuation of certain longterm contracts. In its notice dated 19 July 2013, Consob made particular reference to the contracts that were the subject of a profit warning on 14 June 2013, the economic impact of which was reflected in the interim report as of 30 June 2013. Consob alleged that the impact of the revised expected profitability of these contracts did not pertain to 2013.

Saipem promptly provided its response to Consob, producing documentation supporting the assessments that were made of the longterm contracts and the opinion of a qualified, independent expert on the conformity of the valuation methodologies used with IAS 11. At that time, Saipem also illustrated the procedures and criteria adopted, consistent with and in continuation of practice in prior years, for measuring the performance of specific longterm contracts. Saipem highlighted the facts and circumstances which have from time to time occurred and periodically led to revisions in the estimates of the economic value attached to each of the individual contracts.

The Company reiterates that it performed the assessments made in its standalone and consolidated financial statements as of 31 December 2012 and applied accounting principles (in particular IAS 11) in line with best practices adopted by companies operating in the Engineering & Construction industry. This view is supported by further analysis and reviews, which have been carried out with the assistance of independent experts. The cumulative effect of the individual facts and circumstances that arose during the execution of the contracts, and which was analyzed by Consob, was evaluated separately by the Company. In doing so, Saipem took into account the timing and evolution of contractual relationships with clients and sub-contractors, based on the assessment and evaluation of the Company's management (drawing upon the Company's extensive experience in dealing with clients and sub-contractors) of its contractual position, the strategy for the management of these contracts (including in its relationship with sub contractors) and the progress of work undertaken by the Company in each case.

Saipem emphasizes that the application of generally accepted accounting principles in the preparation of its interim and full year financial statements requires management to make accounting estimates based on complex and subjective factors, including drawing upon past experience. Furthermore, management must make hypotheses and assumptions that are considered reasonable and realistic, taking into account information that is known and available at the time of the estimate. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the reported amounts of revenues and costs during the period in question.

In particular, the determination of income and work in progress is based on estimated revenues and costs over the lifetime of projects lasting more than one year, which, by its nature is significantly influenced by the aforementioned evaluation criteria.

In preparing its standalone and consolidated financial statements as of 31 December 2012 and its interim report as of 30 June 2013, Saipem provided a full and detailed disclosure of assets and liabilities, as well as revenues and costs related to all works in progress that were the subject of longterm contracts. Saipem notes that during the process of preparing its financial reports, all assets and liabilities relating to longterm contracts, including those under review by Consob, were collected, described, analyzed and evaluated in accordance with Company procedures for the determination of costs and revenues over the entire lifetime of each project.

Beginning at the end of 2012, as has been promptly and fully disclosed to the market, Saipem was confronted with a series of extraordinary and exceptional events that have had important, concrete and ongoing developments over the course of 2013, including international criminal investigations into the operations of its clients and sub-contractors as well as Company personnel. Furthermore, sudden management changes in the Company's important international operations were also accompanied by significant changes in the operational management of its contracts.

The culmination of these factors was of major significance and impact, not only in relation to specific contracts but also more generally to the overall operations of the Company in certain countries and geographic areas that are of particular importance. This situation continued to evolve over the course of the first half of 2013, with a series of events that were beyond the Company's control and that were difficult to predict.

In light of the comments made by Consob in its notice of 19 July 2013, and for the sole purpose of preventing any possible differences with Consob in relation to the interpretation and application of accounting principles (in particular IAS 11) to its financial statements, Saipem prepared pro forma balance sheets as of 1 January 2013, 30 June 2013 and 30 September 2013, which reflect the allocation of costs related to the aforementioned longterm contracts; the pro forma shareholdings' equity as of 1 January 2013 has been decreased of € 245 million, while € 245 million were added to 2013 revenues as a result of the above-mentioned adjustment pro forma shareholders' equity as of 1 January 2013. In doing so, the Company took into account its relevance for domestic and international capital markets, and as a sign of continued cooperation with the authorities, has prepared these pro forma presentations even though it does not share the opinions expressed by Consob regarding the interpretation of the paragraphs of IAS 8 which relate to the accounting treatment of "revised estimates" and the "correction of errors."

Saipem points out that, in its view, the amounts included in the pro forma balance sheets cannot be considered as evidence of "errors" in the estimates, but they are solely the result of estimates which do not entail any objective inconsistencies with those used in the preparation of the standalone and consolidated financial statements of the Company as of 31 December 2012 and the interim report as of 30 June 2013. In this regard, with particular reference to the actual conduct of the business that was the subject of valuation for the contracts, Saipem reaffirms that at the time it prepared its standalone and consolidated financial statements as of 31 December 2012 and the interim financial report as of 30 June 2013, in the context of the aforementioned exceptional and extraordinary circumstances that the Company had faced since the end of 2012 and continued to face during the first half of 2013, the facts and circumstances that subsequently manifested themselves proved to be consistent with the foreseen evolution of these contracts. The subjective assessment of these complex circumstances led to estimates that were made for the purposes of preparing the financial statements.

Saipem also reiterates that management and the board of directors have, in their respective capacities, fulfilled their tasks and duties to the corporation in accordance with the law and in observance of applicable accounting standards. Each has acted in the sole interest of the Company, promptly providing the market with financial information and updates on the Company as events have evolved – against the backdrop of the exceptional and extraordinary circumstances beyond the Company's control, as described above – since the end of 2012 and through the first half of 2013, as well as correct information on the profit and loss, balance sheet and cash flow position of the Company.

The pro forma balance sheets as of 1 January 2013, variations with regard to 31 December 2012, and balance sheets as of 30 June 2013 and 30 September 2013, which reflect these estimates, as well as the income statement and the reclassified cash flow statement as of 30 September 2013 will follow below.

Balance sheet and income statement will include, pursuant to IAS 8, par. 42, although the Company does not share Consob’s interpretation, the effects of the pro-forma data also in the statutory and consolidated financial statements as of December 31, 2013.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

		31-Dec-12		01-Jan-13	Delta		30-Jun-13		30-Sept-13
				PROFORMA					
Net tangible fixed assets		8,254		8,254	0		8,389		8,232
Net intangible fixed assets		756		756	0		756		756
		9,010		**9,010**	**0**		**9,145**		**8,988**
- Engineering & Construction: Offshore	4,064		4,064			4,126		4,099	
- Engineering & Construction: Onshore	513		513			579		581	
- Drilling: Offshore	3,535		3,535			3,482		3,363	
- Drilling: Onshore	898		898			958		945	
Financial investments		116		116	0		123		127
Non-current assets		**9,126**		**9,126**	**0**		**9,268**		**9,115**
Net current assets		**932**		**687**	**-245**		**103**		**900**
Employee termination indemnities		**-255**		**-255**	**0**		**-263**		**-257**
CAPITAL EMPLOYED		**9,803**		**9,558**	**-245**		**9,108**		**9,758**
Shareholders' equity		**5,377**		**5,132**	**-245**		**4,418**		**4,589**
Minority interest in net equity		**148**		**148**	**0**		**120**		**87**
Net debt		**4,278**		**4,278**	**0**		**4,570**		**5,082**
COVER		**9,803**		**9,558**	**-245**		**9,108**		**9,758**
Leverage (net debt/shareholders' equity)		**0.77**		**0.85**			**1.01**		**1.09**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**			**441,410,900**		**441,410,900**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES

(million euro)

3° quarter 2012	2° quarter 2013	3° quarter 2013		first six months 2012	first six months 2013	first nine months 2012	first nine months 2013
3,549	2,342	3,522	Operating revenues	6,397	5,431	9,946	8,953
3	1	2	Other revenues and income	4	3	7	5
-2,454	-2,002	-2,544	Purchases, services and other costs	-4,352	-4,175	-6,806	-6,719
-504	-585	-587	Payroll and related costs	-938	-1,123	-1,442	-1,710
594	**-244**	**393**	**GROSS OPERATING RESULT**	**1,111**	**136**	**1,705**	**529**
-190	-181	-184	Amortization, depreciation and write-downs	-345	-359	-535	-543
404	**-425**	**209**	**OPERATING RESULT**	**766**	**-223**	**1,170**	**-14**
-36	-54	-54	Financial expenses	-83	-92	-119	-146
3	5	4	Income from investments	5	8	8	12
371	**-474**	**159**	**INCOME BEFORE INCOME TAXES**	**688**	**-307**	**1,059**	**-148**
-108	37	-50	Income taxes	-199	-15	-307	-65
263	**-437**	**109**	**INCOME BEFORE MINORITY INTEREST**	**489**	**-322**	**752**	**-213**
-13	-3	-8	Minority interest	-15	-8	-28	-16
250	**-440**	**101**	**NET RESULT**	**474**	**-330**	**724**	**-229**
440	**-259**	**285**	**CASH FLOW**	**819**	**29**	**1,259**	**314**
			(Net result + Depreciation and amortization)				

€ 245 million to 2013 revenues were added, starting from the first quarter, as a result of the adjustment pro forma shareholders' equity at January 1, 2013.

TABLE OF COMPARISON OF CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES AND PRO-FORMA (QUARTERS AND NINE MONTHS)

(million euro)

1° quarter 2013	2° quarter 2013	3° quarter 2013	First nine months		PRO-FORMA 1° quarter 2013	PRO-FORMA 2° quarter 2013	PRO-FORMA 3° quarter 2013	PRO-FORMA First nine months	Delta first nine months
3,089	2,097	3,522	8,708	Operating revenues	3,089	2,342	3,522	8,953	245
2	1	2	5	Other revenues and income	2	1	2	5	0
-2,173	-2,002	-2,544	-6,719	Purchases, services and other costs	-2,173	-2,002	-2,544	-6,719	0
-538	-585	-587	-1,710	Payroll and related costs	-538	-585	-587	-1,710	0
380	**-489**	**393**	**284**	**GROSS OPERATING RESULT**	**380**	**-244**	**393**	**529**	**245**
-178	-181	-184	-543	Amortization, depreciation and write-downs	-178	-181	-184	-543	0
202	**-670**	**209**	**-259**	**OPERATING RESULT**	**202**	**-425**	**209**	**-14**	**245**
-38	-54	-54	-146	Financial expenses	-38	-54	-54	-146	0
3	5	4	12	Income from investments	3	5	4	12	0
167	**-719**	**159**	**-393**	**INCOME BEFORE INCOME TAXES**	**167**	**-474**	**159**	**-148**	**245**
-52	37	-50	-65	Income taxes	-52	37	-50	-65	0
115	**-682**	**109**	**-458**	**INCOME BEFORE MINORITY INTEREST**	**115**	**-437**	**109**	**-213**	**245**
-5	-3	-8	-16	Minority interest	-5	-3	-8	-16	0
110	**-685**	**101**	**-474**	**NET RESULT**	**110**	**-440**	**101**	**-229**	**245**
288	**-504**	**285**	**69**	**CASH FLOW**	**288**	**-259**	**285**	**314**	**245**
				(Net result + Depreciation and amortization)					

€ 245 million to 2013 revenues were added as a result of the adjustment pro forma shareholders' equity at January 1, 2013.

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

3° quarter 2012	2° quarter 2013	3° quarter 2013		first six months 2012	first six months 2013	first nine months 2012	first nine months 2013
250	-440	101	Net result	474	-330	724	-229
13	3	8	Minority interest	15	8	28	16
			Adjustments to reconcile cash generated from operating income before changes in working capital:				
177	285	272	Depreciation, amortization and other non-monetary items	333	447	510	719
-708	799	-683	Variation in working capital relating to operations	-679	374	-1,387	-309
-268	**647**	**-302**	**Net cash flow from operations**	**143**	**499**	**-125**	**197**
-230	-152	-192	Investments in tangible and intangible fixed assets	-548	-492	-778	-684
13	42		Disposals	-6	42	7	42
-485	**537**	**-494**	**Free cash flow**	**-411**	**49**	**-896**	**-445**
7			Buy back of treasury shares/Exercise of stock options	22		29	
-23	-299	-38	Cash flow from share capital and reserves	-329	-337	-352	-375
29	37	20	Effect of exchange rate differences on net debt and other changes	-25	-4	4	16
-472	**275**	**-512**	**Change in net debt**	**-743**	**-292**	**-1,215**	**-804**
3,935	**4,845**	**4,570**	**Net debt at beginning of period**	**3,192**	**4,278**	**3,192**	**4,278**
4,407	**4,570**	**5,082**	**Net debt at end of period**	**3,935**	**4,570**	**4,407**	**5,082**