



Saipem

# Presentation to the Financial Community

## 1H 2007 Results



# Saipem

July 2007

## Forward-Looking Statements

Forward-looking statements are based on a number of assumptions and expectations that could ultimately prove inaccurate, as they are subject to risks and variables, outside the company's control, that could cause actual results to differ materially, including currency fluctuations, the level of capital expenditure in the oil and gas industry as well as other industries, the timing of development of energy resources, construction and project risks, armed conflict or political instability in the Arabic Gulf or other regions, the strength of competition and interest rate fluctuations.

# Presentation Outline

- 1H 2007 Financial Results
  - Saipem Strategy Spotlights:
    - 1. Focus on Risk Management
    - 2. 'Biting' into a Rich Market
    - 3. Local Content 'Pillar':  
Algeria Case Study
  - Disposal Programme Update
  - Conclusions



## 1H 2007 Financial Results

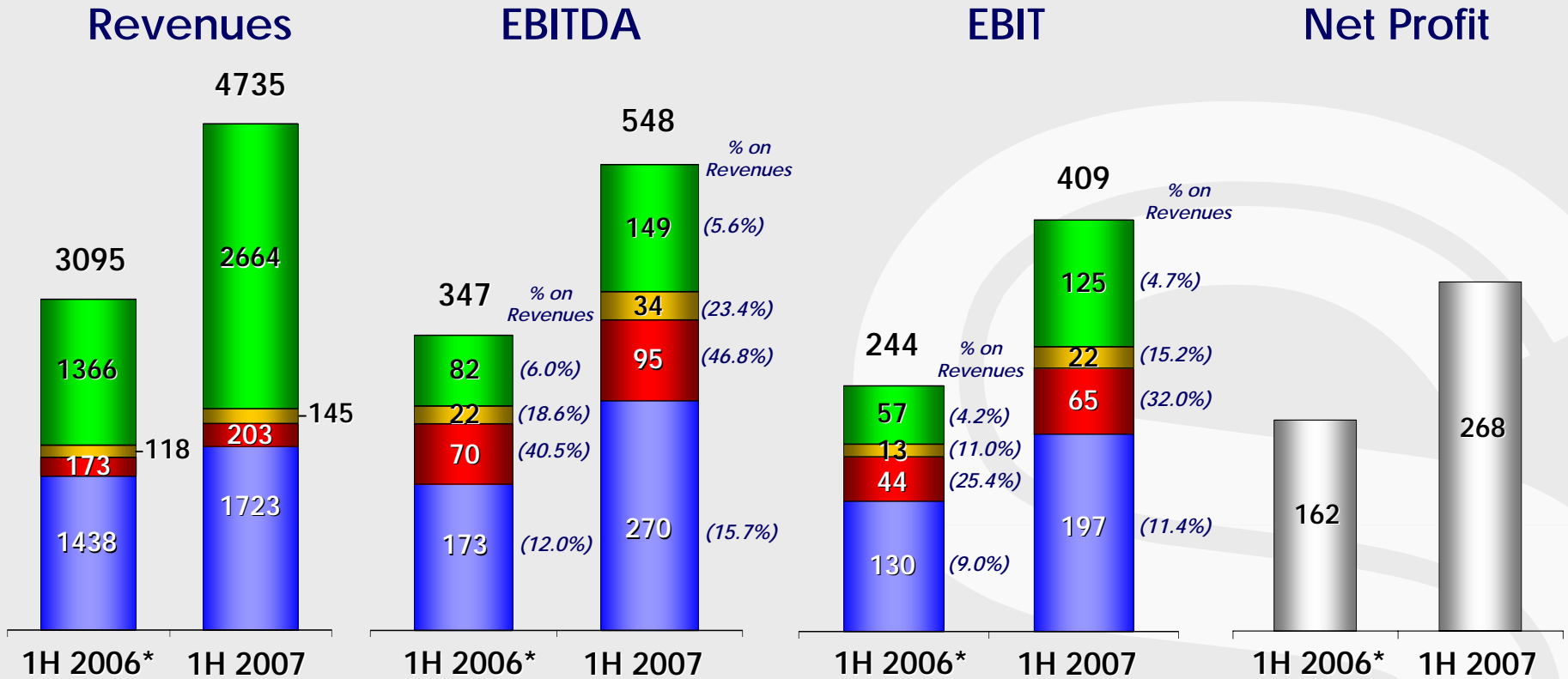
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# Financials

(Mln €)

## Saipem Group Figures\*



(\* ) 1H 2006 includes Snamprogetti for 2Q only

### Saipem Group Business Units

Offshore

Drilling

Offshore  
Onshore

Onshore

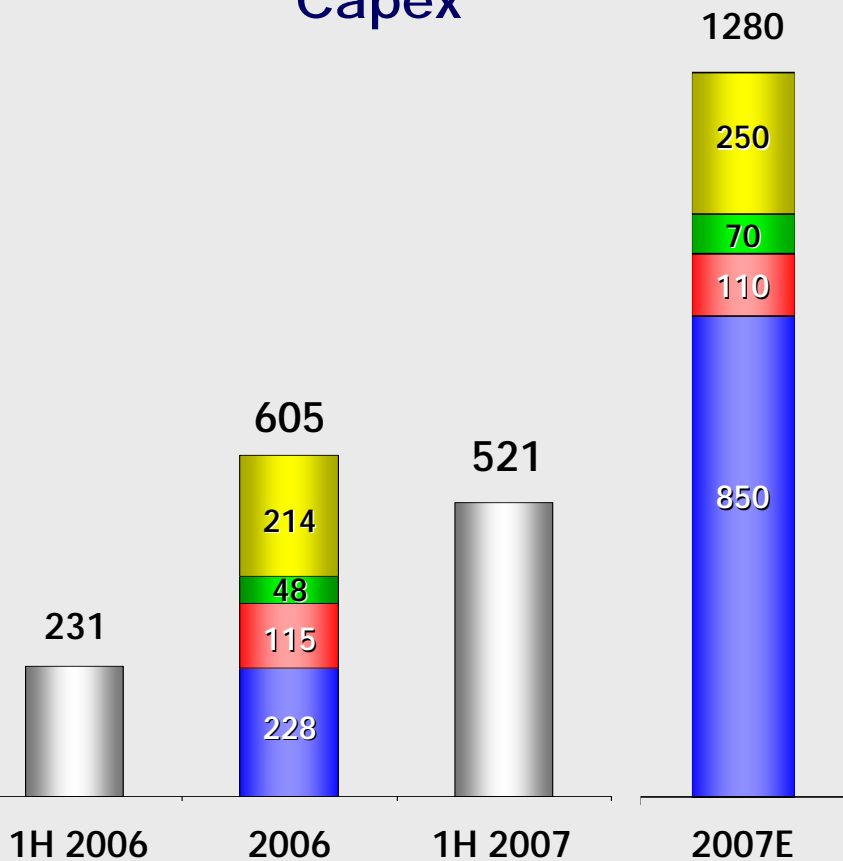
Record Quarter Results Boosted by Strong Performance across all the BUs



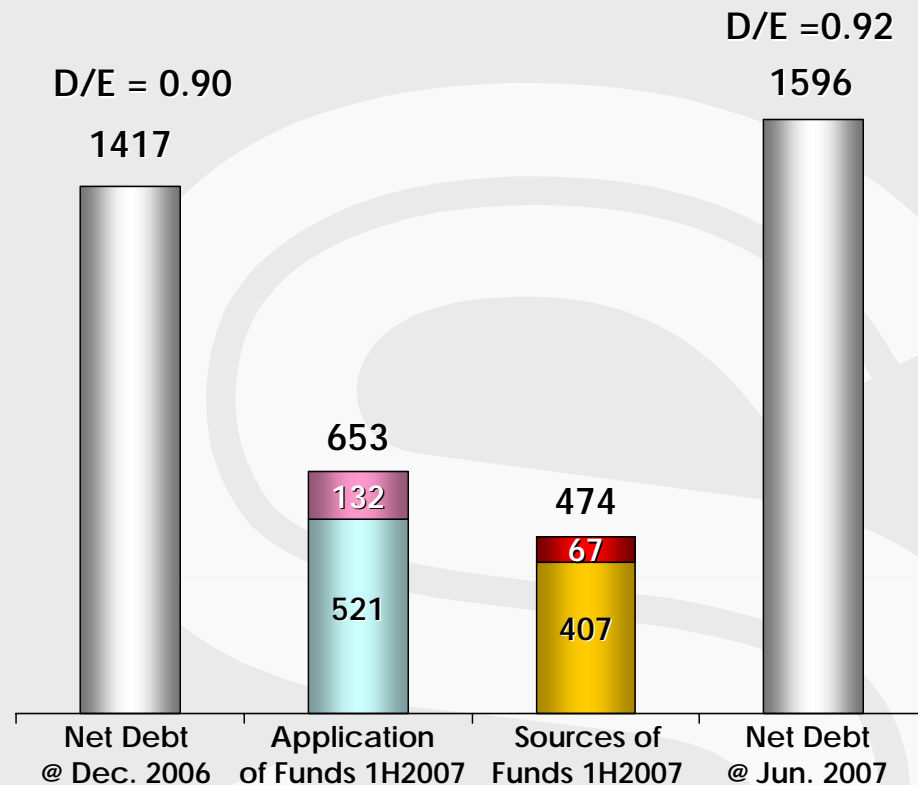
# Financials

(MIn €)

## Capex



## Sources and Application of Funds, Net Debt & D/E Ratio



- Fleet
- Project Related
- Local Content
- FPSO

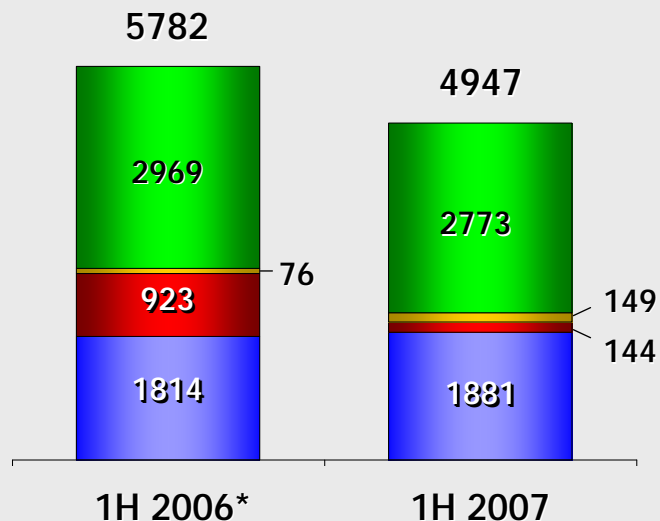
- | <u>Outflows</u>  | <u>Inflows</u>  |
|--|---|
| <span style="color: pink;">■</span> Dividends & Shares Buyback | <span style="color: yellow;">■</span> Cash Flow (Net Profit + Depreciation) |
| <span style="color: cyan;">■</span> Investments                | <span style="color: red;">■</span> $\Delta$ Working Capital and Others      |



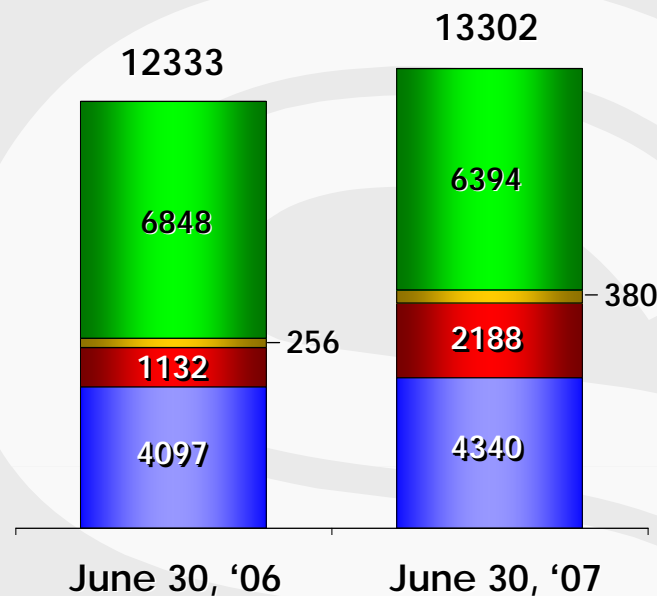
# Contract Acquisitions & Backlog (Mln €)

## Saipem Group Figures\*

### New Contract Acquisitions



### Backlog



(\* ) 1H 2006 includes Snamprogetti for 2Q only

### Saipem Group Business Units

Offshore

Drilling

Offshore  
Onshore

Onshore

Maintaining backlog record levels notwithstanding lull in 'big project' awards



## *Saipem Strategy Spotlight: – 1 : Focus on Risk Management*

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## Context

E&C Industry is Risky:

- Bigger projects
- More complexity
- Frontiers
- Technological challenges

Higher Risk also implies Potentially Higher Reward

Challenge: How to achieve appropriate Risk Level

## A. Risk Management: the Organisational Challenge

*Right balance between:*

Decentralised Operations

Area Managers:

- Ample decision-making autonomy
- Local knowledge
- 'On the spot' responsiveness

Centralised Risk Control

Capillary risk assessment process:

- Corporate controls overall Company risk
- 'Rules/Guidelines' establish 'default risk profile' for decentralised operations
- Corporate manages exceptions to 'Rules'

**B. Risk Management: Industrial Model - In-house control of Critical EPIC Phases**  
 Latest Example: Low Cost Fabrication

*Strategy to date*

Outsource 'Volume' Fabrication  
to Cost-Effective Yards

Own/Develop  
'Local Content' Fabrication Yards  
(West Africa and Caspian)

*New Threat*

*Updated Strategy*

Low Cost  
Fabrication  
'Capacity  
Crunch'

- Continue Local Content Focus
- New Saipem-Owned High Volume Low Cost Fabrication Yard
- Outsource when Risks are Manageable

Add Capacity

Manage Risk

Increase Options



## *Saipem Strategy Spotlight: – 2 : ‘Biting’ into a rich market*




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## - Saipem Strategy Spotlights - 2. 'Biting' into a rich market

### The 'Pie' Example 1: Trunkline Opportunities

Project name	ø Km	Main Challenges
Balearics Gas Pipeline - Enagas	20" 123 km +146 km	<i>Deepwater pipelaying (S-Lay) operations.</i>
GNE (ex Troll) - Statoil ( <i>alternative routes under consideration</i> ) Norway to Continental Europe (Belgium or Holland) or to UK	44" 1043 km or 42" 520 km	<i>Challenging schedule - Handling of large pipes.</i>
Nord Stream - Russia-Germany Gas Pipeline	48" 2 x 1210 km	<i>Environmental constraints, permitting (laying in waters in the EEZ of 5 Countries*), schedule and handling/availability of large pipes.</i>
Galsi- Algeria-Sardinia-Italy Gas Pipeline (offshore stretch)	26" 280 km + 32" 252 km	<i>Deepwater (up to 2880 m).</i>
Shtokman - Gazprom - Russian Barents Sea	44"/48" 2 x 650 km	<i>Environmental constraints, schedule in terms of vessel availability and handling/availability of large pipes.</i>
South Stream - Russia-Bulgaria (offshore stretch)	900 km	<i>Deepwater (up to 2200 m), heavy wall pipe manufacturing, laying along continental slope.</i>
Various medium-size projects		<i>(*) Nord Stream crossing EEZ: Exclusive Economic Zone of 5 Countries, including Territorial Waters of 2 of them.</i>

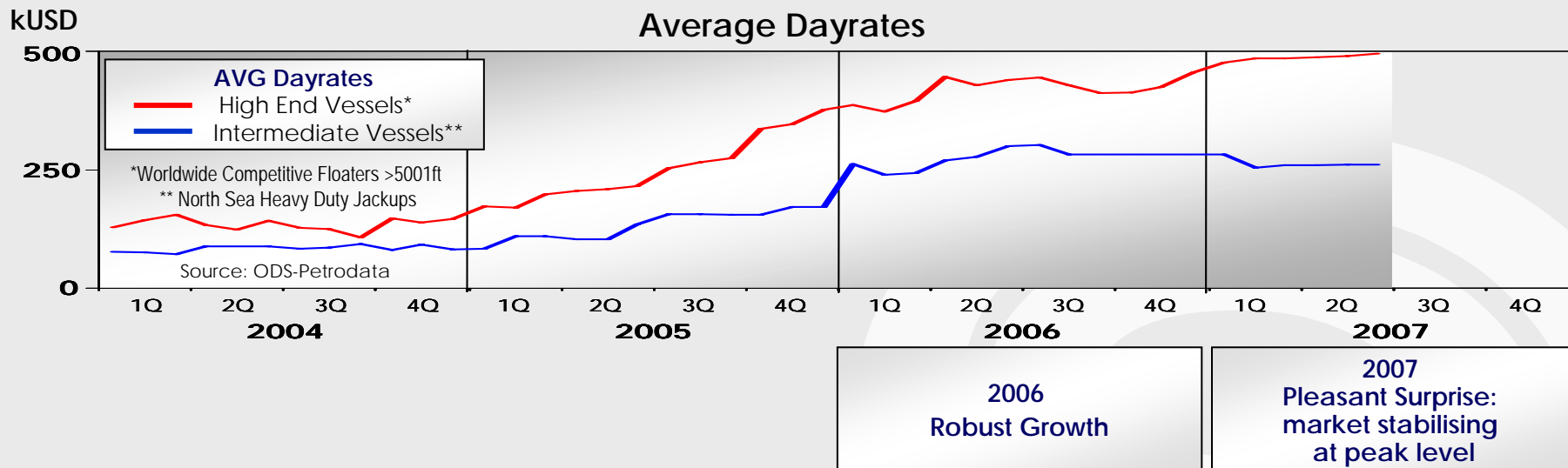
### The 'Teeth' Example 1: Saipem Assets - 'Doing' Power

Main Trunkline Vessels	Track Record - Major recent examples		
	Project name	ø Km	Main Challenges
 Saipem 7000	Blue Stream <i>Russia-Turkey</i>	24" 2 x 370 km	<i>Laying along continental slopes, max WD 2150 m</i>
 Castoro Sei	Green Stream <i>Libya-Sicily</i>	32" 540 km	<i>1127 m WD - World record in anchored S-lay</i>
 Semac 1	Bayu-Darwin <i>Timor Sea-Australia</i>	26" 502 km	<i>Largest and longest line in the Australasia region - Pipes logistics</i>
 New Pipelayer	Under construction – <i>Scheduled delivery Q2 2010</i>		

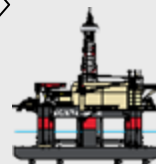
# - Saipem Strategy Spotlights -

## 2. 'Biting' into a rich market *contd.*

### The 'Pie' Example 2: Drilling Market



### The 'Teeth' Example 2: Saipem Assets - 'Doing' Power



#### 4Q 2006 Investment Decision

- Scarabeo 8 Semisub

Already Contracted

- Tender Assisted Drilling Unit

Already Contracted

- 3 New Onshore Drilling Rigs

Already Contracted



#### 1Q 2007

#### Investment Decision

- Saipem 12000 Drillship

Signed LOI with Total, subject to partner approval, 5Y firm period + 2Y option, for West Africa

- 5 New Onshore Drilling Rigs

3 Already Contracted  
2 Under Negotiation



## *Saipem Strategy Spotlight – 3 : Local Content 'Pillar' - Algeria Case Study*

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### 3. Local Content 'Pillar' - Algeria Case Study



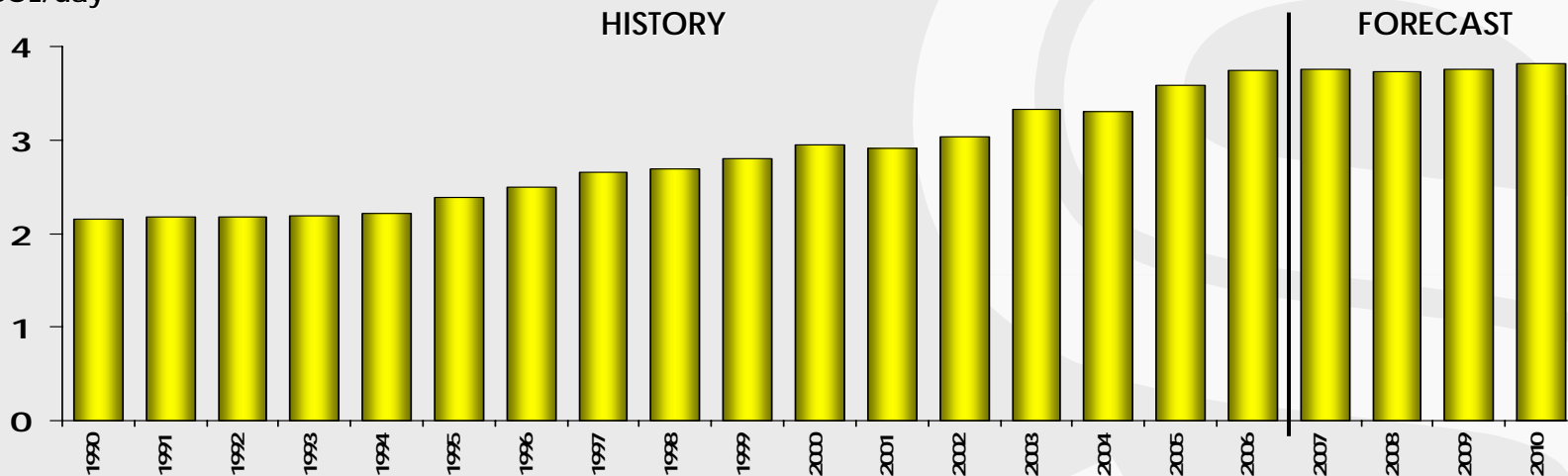
#### Algeria: Country Highlights

- Reserves: 9,797 mm bbl (Liquid); 73,990 bcf (Gas)
- Production: 2.2 mm bbl/day (Liquids); 8.9 bcf/day (Gas)
- Population: 34 million

Source: Deutsche Bank - Wood Mackenzie

#### Algeria Production

MM BOE/day



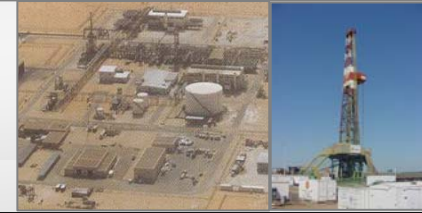
Source: Deutsche Bank-Wood Mackenzie

#### Saipem Presence

- Saipem Present since 1975
- Personnel in the Country: 580, of which 440 Algerians
- 9 contracts ongoing

*Main Current Activities*

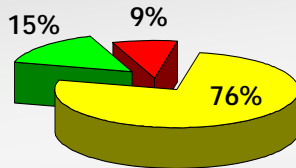
- MEDGAZ - Offshore pipeline from Algeria to Spain - 24" 208 km
- UBTS: 300.000 bbl/day Crude Oil Treatment and Stabilisation Plant
- Berrouaghia Power Plant - 540 MW
- Onshore Drilling Activity: 6 rigs in operations + 1 rig contracted (under construction)



**The People**

SPLIT PER NATIONALITY

- Algerian
- Cost Effective Expatriates
- High Cost Expatriates



**TECHNOLOGY TRANSFER & TRAINING**

- Engineering Introduction Training of local personnel in Saipem's Engineering Hubs of Milan, Paris and Fano
- Local Employee Training in Advanced Engineering Application Software
- Skills Improvement Schemes - Training programme



*Local Content Investment*

**Operational Engineering Centre ALGER**

Hub for EPC contracts, Engineering, Project Management and Services for the Energy Industry in Algeria

- Support engineering activity for projects worldwide (working jointly with Milan, Paris and Fano Engineering hubs)

*Currently recruiting experienced local engineers to consolidate Local Content Quality & Quantity*



Overall Office Capacity: 150 persons  
Overall available space: 2160 m<sup>2</sup>

**Hassi Messaoud Base**



- 42000 m<sup>2</sup> area
- Established in 1977

*Expansion / Improvement works undergoing*






# Disposal Programme Update

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# Disposal Programme Update

## Disposals of non-core assets

▶ 1° Step Completed:

Company	Activity Description	Date	Acquirer	Consideration Price
	Maintenance of Industrial Plants	July '07*	Forclum (Eiffage Group)	€ 47 Mln + € 2 Mln as share of 2007 Profit

(\*) Subject to Antitrust Authorisation

Overall proceeds expected: ~ Euro 700 million

Overall pre-tax capital gain expected: ~ Euro 350 million

Disposal will contribute to support Group's investment programme

No immediate impact on Saipem's dividend policy



# Conclusions

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# Conclusions

**2007  
Guidance  
(mid- year  
update)**

➤ Revenues in excess of € 9 Bln (unchanged)

➤ Net profit improvement of at least +30% vs 2006 record  
(previous guidance: "at least +20% vs 2006 record")  
– despite USD devaluation (€ 27 Mln negative impact at EBIT level)

➤ Backlog higher than 2006 record (unchanged)

2007 Guidance does not take into account effects of assets disposal  
(i.e.: capital gain and reduction in revenues and proceeds)