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PRESENTATION

Operator

Good day, and welcome to the Saipem First Half 2013 Results. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Umberto Vergine, CEO. Please go ahead, sir.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you. Good afternoon, and welcome to our conference call to discuss Saipem's first half result. With me I have Stefano Goberti and Hugh O'Donnell.

Before we go to the financial result, the 2013 update and the market evolution analysis, let me present a new appointment to (inaudible) Board as announced today. Professor Piergaetano Marchetti has been appointed from today to the newly created role of Deputy Chairman of the Board. He is one of Italy's foremost experts on corporate governance, has made a great contribution to [regulatory] standards in Italy. His appointment



will bring a great depth of expertise to Saipem in these important areas. He will oversee the ongoing improvement program relating to Saipem's governance and control systems, as well as ongoing dialogue with [ConSub] and other Italian regulatory authorities.

Hugh O'Donnell has announced his retirement after 17 years at the Company. As a result, he has stepped down from his Board position and as Deputy Chief Executive. He will retain his current responsibilities in the position of COO of Drilling and Business Report until the end of 2013. During this period, he will work with me to implement a successful transition plan.

The Board and I are very grateful to Hugh for his many years of service to Saipem. During this time, he helped to transform the Company into a market leader. In particular, and on a personal note, since my appointment in December as the CEO, Hugh has provided valuable continuity and stability, and has [really supported me] as we address the difficult challenges faced by the Company.

I will now start with slide number five to review the financial results. As you already know, the first half has been heavily impacted by a number of (inaudible) challenges that we have faced, some of which we have discussed in depth during the various conference calls this year. As you can see, on our first half numbers, our first half numbers carry the entire impact of the revision to our profit forecast that we made in June, resulting in first half EBIT of minus EUR468 million and a net loss of EUR575 million. As we disclosed in our previous communications with the market, the problem contracts are all in the E&C divisions and mainly in onshore.

Turning to our balance sheet in the next slide, the evolution of our net debt to the end of June has been impacted by the negative cash flow resulting from the losses booked in the period coupled with the payment of the 2012 dividend and execution of the CapEx program. We can report that [we have] improved the position on our working capital over the half, releasing EUR700 million to bring working capital down to EUR400 million as of June. This is the result, in equal measure, of downpayments on new contracts won since the beginning of the year, and of the combination of two factors - first, a reduction in the outstanding payments from our clients due to the lower value of some of the [existing] projects as announced in June, with, second, approximately EUR250 million of cash receipts received as of today out of EUR500 million of pending claims.

Looking to the end of the year, [net debt] is now expected to increase by some EUR700 million compared to the previous year. As indicated in slide number seven, this increase is due to the lower contribution from the full year in terms of operating cash flow estimated to be in the range of EUR400 million. CapEx estimated to remain in line with the prior assumption of around EUR1 billion and the dividend of EUR300 million already paid in second quarter. These are only slightly compensated by the positive release in working capital. The contribution to debt reduction is expected to be approximately EUR200 million predominantly due to the refit of claims worth in total approximately EUR500 million, but this gain will be partially offset by the progress of contracts with not favorable payment terms, resulting in a negative impact of EUR300 million on the full year.

Moving now to 2013 update, we had a number of operational challenges (inaudible) in 2013 as we continued to work, and we are completing contracts under execution. I want to update you on how we are doing with these as we focus relentlessly on execution. I will also look at little more widely at Saipem's performance in certain regions where the industry has encountered operational difficulties, notably the Middle East and Brazil. Notwithstanding these industry-wide challenges, as of today, [projects] in these regions remain on track for Saipem.

Now, looking first at 2013 guidance on slide nine, with regards to the situation in Nigeria and the working out of the contracts in Canada and Mexico, we have nothing further to update you since our call in June. I can report that the plan to work our way to the [problems] of the contracts in Canada and Mexico remains on track, and that our relationship with Sonatrach has seen no further development.

As a result of that, we are now forecasting revenues up to EUR13 billion mainly due to the delay of the execution of some projects that we already announced. EBIT will be at break-even, and we will have a net loss in the range of EUR300 million, EUR350 million. CapEx of the year are expected to be around EUR1 billion.

I want to now briefly address Saipem's performance into regions where our industry is currently facing a number of challenges, as I said, the Middle East and Brazil. In the Middle East, as we already discussed, certain projects were signed with unfavorable terms and conditions, and project execution has been, in the recent past, affected by a delay of our activity due to a combination of issues connected to the Arab Spring impacting us and a large number of project changes requested by clients. With regard to cash flow, our renewed efforts in project execution are showing



positive results with a [restore] constructive [balance] of clients who are willing to improve payment terms, of course with positive impact on our [forecast].

Going to the major countries in the Middle East in which we are present, in Saudi Arabia, we have the long-lasting and close relationship with [Iraq], thanks to the wide offering of service we provide offshore and onshore, both in E&C and in drilling. And we have today a backlog of approximately EUR2.5 billion, which is the majority of the region (inaudible). Large and complex projects, both delivered and currently in execution, are critical for the production of the Kingdom, such as Manifa, that has almost been completed, and Al Wasit, that is 50% complete. We have also seen increased drilling activity with the recent renewal of Perro Negro 5 and extension of the onshore drilling fleet in the country.

Moving to Abu Dhabi, here we operate both in drilling and in E&C, with a current backlog in excess of EUR700 million. We are carrying out the Shah gas project, one of the biggest contracts in our portfolio. The progress of the project is satisfactory. It is almost 90% completed. And due to our current good performance, the client has awarded us improved payment terms.

In Kuwait, we are engaging in new dialogue at the highest level to further enforce our long-term [progress] in the country and to manage the remaining outstanding on Project BS 171 that is already 70% completed with a backlog of approximately EUR500 million.

Brazil is another area where (inaudible) [recently] experienced some problems and where, as we already announced, we won the very first contract in 2010 under challenging conditions, but which provided us with an entry ticket into the country. Today, Saipem operates seven contracts with a backlog of EUR1.6 billion. These contracts are currently under execution, and what we previously said about the satisfactory level of (inaudible) is today confirmed. We are not seeing any deterioration in terms of schedule and budget compared to the situation we presented following the operational review.

As already indicated, we decided to enter this new market as it is one of the most interesting (inaudible), where Saipem could exploit the high end of fleet capabilities coupled with [its own] local purpose-built [publication arm], Guaruja. And about Guaruja, I would like to say that the operating permits are progressing according to schedule, and the yard is expected to be completed by the first quarter of 2013. More than 50% of the yard's construction is in place and is already providing logistical support for the Rota Cabiunas projects. Upon completion, the yard will directly support our Brazilian contract without the involvement of subcontractors, therefore reducing execution risks.

Let's now look at (inaudible) is playing out and how Saipem's position has evolved over the last six months. In slide 12, we see how the backlog has increased from December 31, 2012, and (inaudible) at a record level of EUR21.7 billion. This is due to strong new contract acquisition in the first half in excess of EUR7.1 billion, and decreased revenues driven by the impact of delays on contract execution and by the reverse impact of lower margin recognition on critical projects as highlighted in the announcement we made in June. Thanks to the sustained flow of new orders won [in combination with] attractive terms mainly in the more profitable offshore segment, we now see an improved and [better] profitability in the current backlog.

During the first half, we have been able to exploit good momentum in the drilling market, both in deepwater with the new contracts signed for the Saipem 10000 and in shallow water with the Scarabeo 4, as well as in offshore. All the new contracts also reflect a sustained increase in day rates. Here on slide 13, also we show the E&C new orders. We have won new awards in areas ranging from Nigeria to Turkey in onshore, and in offshore on South America to the Mediterranean Sea, as well as in West Africa, where we signed an EUR80 billion Egina contract.

This flow of new contract wins underscores the strength of Saipem's franchise, which remains very much intact. The Company's operational capability is widely recognized by clients, which in the new orders includes some of the biggest names in the global oil and gas industry, such as Exxon, Total, BG, Petrobras, and Pedevesa.

The new contracts are also supporting revenues for 2014. The revenues in 2014 that will (inaudible) for the backlog at the end of June are EUR7 billion, of which EUR1.2 billion in drilling and EUR5.8 billion in E&C. In E&C, although the share of 2014 revenues from contracts won before 2013 will be higher than previously assumed as a result of the delay on some of these projects, the positive trends that we are seeing in terms of order inflow are contributing to increased visibility in 2014.



Although the overall picture for 2014 will depend on the success of commercial activities over the remainder of the year, these intermediate result in terms of new award is encouraging. In addition, our new stricter commercial policy is starting to deliver results, as we are confident that the embedded margins on recently won contracts are superior to the contracts won in previous, more challenging years. This gives us confidence in the recovery of Saipem's profitability and in the fact that 2013 results will be considered an exceptionally tough year.

On slide 15, we want to look at (inaudible) opportunity we [have a view] in the second half. So, we'll start with onshore. The Middle East is still a crowded and competitive market, but we think we can leverage on our well-established brand in the area to play a role in the upcoming opportunities while always maintaining our strict commercial criteria. Australia and Italy, so there are opportunities both in terms of geography and of type of business - fertilizer, power plants, oil sales, refineries and pipelines.

On the other end, the prospects in Australia in LNG are likely to come to market later than initially anticipated due to labor market pressure and clients' [standard] reviews of their optimal solution for the project. Outside Australia, and as a medium-term prospect, we are looking at LNG initiatives in different country such as Mozambique, where we are already coming out a field with Chiyoda. We are also following other opportunities with Chiyoda in Canada, as well as in Indonesia, where we can leverage on our yards to effectively support the local construction activities.

In offshore, West Africa continues to play an important role thanks to subsea, mainly in Angola and Nigeria. There are good opportunities from Brazil subsea pipeline, even if the market is difficult to predict, with Petrobras possibly rebidding the tenders.

Southeast Asia, despite the very active competition, clearly represents a market with good prospects in subsea and floaters, and we are interested to some projects for which we could use our Karimun yard.

In summary, the prospects for the remainder of the year are generally good, with assumption of continuing strong CapEx of the larger companies. However, it is important to note that, due to recent trends [of the] bidding and scope of work reduced, the timing of awards remain difficult to predict, with the possibility of further (inaudible) into 2014.

So, to summarize today's announcement, we have moved to strengthen Saipem's capability in the total areas of governance with the Board appointment of Professor Marchetti. Saipem's main priority right now is a relentless focus on execution of our current book of business, and we are doing everything possible to consistently deliver the high standard and the level of excellence that our clients likely expect, at least report of that (inaudible) client base that we serve has continued to award us new contracts during 2013. And we see a broad range of opportunities in the market in the months ahead, though, as I mentioned, the timing of some of these is not always clear.

Thank you for your attention. The team and I are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions.) Fiona Maclean from Merrill Lynch.

Fiona Maclean - Merrill Lynch - Analyst

Thank you. Yes, it's Fiona Maclean from Merrill Lynch. I want to discuss margin progression as we move into 2014 and try to get an understanding of the visibility that you have in your backlog, particularly given the strong order intake we've had in the second quarter. So, can you maybe give us some commentary around the pace of the recovery that we're seeing in consensus margins for 2014, please?



Umberto Vergine - *Saipem S.p.A. - CEO*

Well, I'm sure that you recall when we announced the new orders intake after Egina, even though we not disclose at the time the name of the contract, when we gave an indication on how was the average margin associated with the new contract taken in 2013 compared to the one taken in 2012, and we said that the marginality was approximately 40% higher than the contracts taken in the past year that was already a relatively good year for new orders.

Today, with a margin increase in the number of contract taken, we can not only confirm that figure, but indicate a slight increase. And I think that, if you translate that into something that is maybe more measurable, that is a result in the marginality of our full backlog having increase of 2 percentage points that -- considering the size of our backlog [to synergy] of how impacting is this new marginality.

I think that there are no reason, considering the project that we are targeting, not to state that we will be able to consolidate this positive trend into new orders for the remaining part of the year.

Fiona Maclean - *Merrill Lynch - Analyst*

Okay. I think one of the difficulties the market is having with that 40% number is that we don't know what the base case is for those margins. So, can you just try and give us a little bit more flavor so that we can better predict where margins are going to be in 2014?

Umberto Vergine - *Saipem S.p.A. - CEO*

No, I cannot give you more details, but I think that, even though numerically that is not, of course, [somehow] satisfactory for you, I believe that that gives you a clear indication on the changes that not only are in the market, but the changes that Saipem is applying in its commercial strategy.

Fiona Maclean - *Merrill Lynch - Analyst*

Okay. My last question, I promise, should we wait until February results before we get guidance for 2014, or do you think you'll be able to have enough visibility in October, November, when you publish your Q3 results to give us an indication for 2014?

Umberto Vergine - *Saipem S.p.A. - CEO*

Well, our Board is due to approve the budget in February 2014, and that is the timing when we will announce the budget of next year.

Fiona Maclean - *Merrill Lynch - Analyst*

Okay, very clear. Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.

Operator

Mick Pickup from Barclays.



Mick Pickup - *Barclays Capital - Analyst*

Good evening, gents, a bit of help, accounting-wise, if I may ask. For Mr. Stefano, can you just talk through the mechanics behind the low revenues in the quarter? I understand there's revenue expectations on some contracts, and probably (inaudible) completion was -- gone lower, but the drop-off seemed to be significantly higher than expected.

More importantly, particularly in the offshore business, if I look at the reasons you gave for the poor quarter back in the profit [warning], I don't seem to read anything there which says that the offshore should have fallen that far. And if I look at the margin in the onshore at minus EUR173 million, that just seems significantly higher than what I was backing out previously. So, could you just tell me what's going on in that offshore business in particular? Because it does seem particularly weak.

Umberto Vergine - *Saipem S.p.A. - CEO*

Stefano, please?

Stefano Goberti - *Saipem S.p.A. - CFO*

Okay. Mick, good afternoon, first of all. Okay, the mechanics. I think what Umberto during the presentation explained that there are two main factors there. The first one is of course taking into account the effect of the profit volume we announced in June, the 14th of June, and this effect is -- or the major part of it impacting in the number reducing revenues, because we recognized lower profitability on the project, and that's of course impact on the revenue numbers.

Our profit [volume] was mainly due to onshore contract, and that's the impact of these reduction in revenues is evident in the onshore part of the contracts. The second effect is a certain slowing down of the activity I think is indicated in North Africa by Umberto during the presentation, and this is a second effect, of course. As also Umberto was saying, we are projected for year-end around EUR13 billion of total revenue (inaudible).

Mick Pickup - *Barclays Capital - Analyst*

Yes. And just in that, though, just in that second half, it means there's a step-up to EUR4 billion. There's no [oddities] because of the accounting in Q2 that means that Q3 and Q4 are going to be higher than you would have previously expected?

Stefano Goberti - *Saipem S.p.A. - CFO*

Q3 and Q4 would be, by definition, a little bit higher than the Q1 and Q2, even excluding the effect of the profit warning reversal. If I remember correctly, we have almost EUR7 billion to account for in the -- yes?

Mick Pickup - *Barclays Capital - Analyst*

Yes, okay. And on the offshore profit, why it was so low, because I seem to think, from the calculations out previously, I was thinking minus 90 combined with 140, [but you're saying you're] coming up minus 173. Is there something else going on in that business?

Stefano Goberti - *Saipem S.p.A. - CFO*

No. I think that's more than the two effect that we have explained in our previous call in June, where we mentioned two elements that has impacted, or will impact, in [2017] the result. One is one project for the delivery of a LEED certification plant offshore Italy, and the second one was delaying the Castorone. So, we're taking into account from the delay of the Castorone the impact of the marginality of the -- ensuring (inaudible) that Castorone is going to perform [in there], so that makes mainly the impact of the onshore.



Mick Pickup - Barclays Capital - Analyst

Okay. Cheers. Thanks.

Umberto Vergine - Saipem S.p.A. - CEO

And if I can add something on that, the recertification ship is on location off the coast of Tuscany since yesterday morning seven o'clock, and the Castorone is working, is -- all the [phase] of completing (inaudible) and some [notification] we had to do has been performed within the time expected at the time of the announcement in the middle of June and is now under contract creating revenues.

Mick Pickup - Barclays Capital - Analyst

Okay, cheers.

Umberto Vergine - Saipem S.p.A. - CEO

Thank you.

Operator

Ryan Kauppila from Citi.

Ryan Kauppila - Citi - Analyst

Yes, good afternoon. Could you just elaborate which geographies the remaining outstanding claims are at? And then, too, can you provide any color to your press release on the 17th of July, just what contact you've had with the US authorities on Algeria?

Stefano Goberti - Saipem S.p.A. - CFO

This is Stefano. Ryan, right?

Ryan Kauppila - Citi - Analyst

Yes.

Stefano Goberti - Saipem S.p.A. - CFO

Yes, okay. I think you refer to -- I understand you are referring to the claim, the EUR500 million claim we highlighted last year. Is that correct?

Ryan Kauppila - Citi - Analyst

That's right. And I believe, in the prepared remarks, did you say half of that has been recovered?



Stefano Goberti - *Saipem S.p.A. - CFO*

Yes. Out of that have been paid from clients, and we are remaining with outstanding amount a portion in Algeria and a smaller portion in West Africa from two different clients. Then, the Department of Justice and the interaction we had with the Department of Justice, we did it on a voluntary basis. We have been contacted by the Department of Justice. We signed a so-called [towing] agreement. I think we explained that in our recent press release, as well. And this is just to show cooperation and transparency to the Department of Justice, but so far Saipem do not recognize [eradication] of the case in the US.

Ryan Kauppila - *Citi - Analyst*

Okay. That's clear. Thanks for that.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.

Operator

Alejandro Demichelis from Exane.

Alejandro Demichelis - *Exane BNP Paribas - Analyst*

Yes, good afternoon, gentlemen, Alejandro Demichelis from Exane BMP Paribas. A couple of questions here. The first one is coming back to Algeria. Could you please indicate if you had had any kind of discussions regarding liquidity damages and where you stand on that? And Umberto, I think you mentioned that Castorone 1 is now kind of on contract. And so, maybe you can give us some indication in terms of when you're expecting the Gulf of Mexico projects to finish and go to Brazil, because from the offshore project schedule that you gave us, you still have a very small percentage of completion on those projects.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay. On Algeria, we had to know for the evolution the relationship with Sonatrach, as I indicated during the presentation. On the other side, I think that it's good to report that basically, of the three outstanding projects there, the pipeline, the GK3 pipeline, we got the provisional [certain] certificate at the beginning of July, so the project is still (inaudible), and we have entered [guarantee] period.

On [MLA], the (inaudible) grant, we just plant some [top provision] generally. We have now completed the performance test in early July, and this week we are completing a discussion with the client to receive also there the provisional certain certificate, the few [not in least] items to be sorted out. So, I think that also there very soon we can say project completed.

On [our view] LNG, the completion was started by November of this year. As I indicated, (inaudible) damages. We have not entered remaining discussion with them. And we are preparing our position to recover legally our right.

I would like Hugh maybe to comment on the progress activity of the Castorone.

Hugh O'Donnell - *Saipem S.p.A. - Deputy CEO*

Yes. The Castorone, as Umberto was saying, is now in production, and productivity seems to be improving. So, what we're trying to do is to evaluate what that will look like when it's extrapolated over the three contracts that we have in the Gulf of Mexico. Originally, they were due to be completed

towards the end of the year. What we're doing at the moment is try and evaluate. Obviously there's the potential for some delay on that, but we still haven't completed the evaluation.

Alejandro Demichelis - *Exane BNP Paribas - Analyst*

So, if I follow up, if you get some delay on those projects in the Gulf of Mexico, could those impact your share -- [do you own] the Brazilian projects?

Hugh O'Donnell - *Saipem S.p.A. - Deputy CEO*

Yes. Well, I don't think that that's likely. That's our evaluation at the moment. We think that we should be able to complete all the work.

Alejandro Demichelis - *Exane BNP Paribas - Analyst*

Okay, that's great. Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

And of course, we plan to remain within the contingency that we have, and effectively the delay that could be accumulated is a matter of only a few weeks. So, we're not talking about a major time period to accommodate between [new con] jobs.

Alejandro Demichelis - *Exane BNP Paribas - Analyst*

That'd be from going from the Gulf of Mexico into (inaudible) field, right?

Umberto Vergine - *Saipem S.p.A. - CEO*

Yes.

Hugh O'Donnell - *Saipem S.p.A. - Deputy CEO*

That's the way it looks at the moment, yes.

Alejandro Demichelis - *Exane BNP Paribas - Analyst*

Okay, thank you.

Operator

Jaideep Pandaya from Berenberg.

Jaideep Pandaya - *Berenberg - Analyst*

Yes, thank you. The question is basically on your comment about your confidence that the margins in the new projects are better. I just want to understand the mechanics here just a little bit, because obviously if two years ago we were discussing the backlog, I suppose it would have been hard for you to say to us that you would book losses on the contracts. So, I suppose there's been a combination of bad pricing combined with

execution issues. So, what gives you the confidence that the backlog that you have -- you've sort of stress-tested it so much that you will not have any execution issues. That's my first question.

And my second question is basically around the order book dynamic in sort of the offshore, shallow water and onshore business in the Middle East region. Are you seeing improvement in confidence from your clients in those two areas, please? Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

On your first question, because I didn't understand the second one, your first question, that you're touching two different issues. One issue is the quality of execution, and the second is the quality of the contract. So, the quality of the contract reflect into margins and proper terms and condition is where now we have the guarantee (inaudible) of our approach. So, we are taking contracts for each. We are looking offers that translate with strategy that we have to take contract that are not implying for us risks potentially bigger that what we could manage, both in terms of commercial result and general implication on the definition of the contract.

Then, there is an issue about the quality of the execution that could always be a negative surprise if you're not properly preparing yourself, or if you're not properly organizing your activity. I think that, on the quality of our execution, we are already guaranteed [relief] even from recovery that you have done in difficult projects that we were facing at the beginning of the year, and on the commercial strategy business exactly what we are following in tendering for new contracts. Of course, the combination of the two is the guarantee of success. If our performance will not be according to our standard, all the effort done commercially of course will be wasted. But, we are putting, I will say, all our focus on the quality of the execution and on the quality of the people that is managing this business.

On your second question--?

Jaideep Pandaya - *Berenberg - Analyst*

--Yes, my second question is just sort of tied in a way to the first one, because it just seems a bit like, in a way, a bit abrupt from the outside, that you are coming off a very difficult sort of order book execution environment, and you are very confident that your new order book is very solid. So, it's sort of tying in with what you're seeing from your client side on both offshore and onshore, I mean -- which is allowing you to price these projects better than in the past. So, I'm just wanting to understand from the client side now obviously the demand environment that is allowing you to price these contracts better.

Umberto Vergine - *Saipem S.p.A. - CEO*

Well, there is a different market environment, there is no doubt. I mean, there is not anymore the market environment of not many projects concentrated in an area with a lot of contractor competing the one against each other to secure the work. Still, we are fighting each other to get the projects, but the offer of work has increased, and we are unable to attract more value from a situation that is not as terribly competitive as it was at that time.

The quality of the execution also has, of course, became an issue of attention for our clients. Most of the projects, or many of the projects awarded this year maybe were very low priced, but then suffer many delays. And that is something that for the client is more costly than the price itself of the project. So, I think that the combination of the two is playing a good (inaudible) in our favor.

Jaideep Pandaya - *Berenberg - Analyst*

Can I just ask in a different way? Sorry to sort of hammer on this point, but if Egina was awarded two years ago, do you think that you would have done the job for significantly less than EUR3 billion?



Umberto Vergine - *Saipem S.p.A. - CEO*

Well, I don't know how to answer to this question. I have trouble today to [totally accepting] that position.

Jaideep Pandaya - *Berenberg - Analyst*

All right. Thank you so much. Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

[Here's that] -- I can say that the price that we got was the right price.

Jaideep Pandaya - *Berenberg - Analyst*

Okay, thank you.

Operator

Rob Pulleyn from Morgan Stanley.

Rob Pulleyn - *Morgan Stanley - Analyst*

Hi, good afternoon, gentlemen, a few questions if I may. First of all, from the annual report, it seems like you have around about EUR2.2 billion of refinancing to do this year. I was just wondering how that was going to be facilitated, whether it's through E&I as usual, or a different source, and whether you would expect the same cost of debt as you had in the past.

The second question is you previously highlighted that you expected EUR11 billion worth of E&C order intake this year when you announced that large amount of new contracts. Is that still the case, or is the uncertainty around contract timing mean that we should be expecting slightly lower for the full year?

And thirdly, if I could ask on the tax rate, could you give us a bit of a steer to what the tax rate would be for 2013 on an ongoing basis, going forward? Thanks very much.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay. I give your question one and three to Stefano to ask.

Stefano Goberti - *Saipem S.p.A. - CFO*

Okay. On the refinancing, today we have more than the 93% of our gross debt taken [through] E&I, and we are not changing our strategy, meaning that the refinancing will be through E&I.

On the tax rate, on a normalized basis, I understand you would like me to calculate a tax rate for this year is [not singled up] and internal profit volume. Is that your question? Then I would say assume a 30% tax rate. But, of course, the tax rate of this year will be, and it is, heavily impacted by the profit warning. You know that, because of the losses we are making in certain countries, we were not able to book any tax asset on those



countries because we don't see any profitability on certain countries for the future, while in other countries where we are still making profit, we will pay tax.

So, the total amount of tax for this year will be -- if I put a number to year-end between EUR120 million, EUR150 million.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay, thank you. About the order intake, as I indicated, there are clear signs that there are volatility in the way that a prediction will be made considering the way that most of the operators are behaving, I would say, to what we have observed in the past month, month and a half. On the other side, difficult to predict a (inaudible) trends that we'll consolidate. And our objective of securing about EUR11 billion of new contract will be achieved or not.

I think that it's always difficult to comment on that because, in many respect, you can get a good contract on the 30th of December or you could have it on the second of January. Business-wise, doesn't make any difference, but of course changes the figure for the year. So, what is more important is to consider that we are not seeing cancellation but possibly some delays, and that will continue to fuel our order intake. I think that we will have more clarity about this in the next month or part these summer months. July has not given us a very positive indication. This is what I can say at the moment.

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay, that's very clear. Thank you very much. And just a quick follow-up. In terms of the refinancing through E&I, I understand the answer there. Do you think that will be at similar terms as to what you have signed in the past, or do you expect the cost of debt to go higher?

Stefano Goberti - *Saipem S.p.A. - CFO*

No, the cost of debt will be the one that E&I take on the market, because we -- and that's just a pass-through. This year is [2.3%, 2.55%, for instance].

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay, thank you very much.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.

Operator

Philip Lindsay from HSBC.

Philip Lindsay - *HSBC - Analyst*

Yes, good evening, gentlemen, a couple of questions, please. First one's just more of a general question on onshore and how the business evolves. I suppose with Algeria perhaps a dead market for you now, when we look forward and think about the overall shape of the onshore business, given your assessment of the market opportunity in the coming years and the returns that you're now targeting, how do you see the onshore business evolving in the coming years from a volume perspective, i.e. would you anticipate significant shrinkage in onshore over the next two to three years? That's the first question.



Umberto Vergine - *Saipem S.p.A. - CEO*

Well, as I indicated in the presentation and comments that were made in previous call, so far there are no reason to believe that onshore is necessarily a shrinking market because the diversity is still [a premium] on defense of type of projects and geography. For example, activities in countries like Canada remains for us a key target, and the fact that Algeria will be for some time probably a difficult market for us. It has to be seen also from the point of view that there are not many new projects coming out of Algeria in the medium term expected because there are no new activities, and this big wave of projects technically has almost completed the cycle of new developments in the country. So, if maybe we suffer for that, it's not that the market will see Algeria as a major area for further projects. As you said, the LNG is an important area of activity, too, and we are extremely focused on that also for the onshore.

Philip Lindsay - *HSBC - Analyst*

Okay. Second question is on Brazil. There's been some press around -- well, firstly, you bidding low on a Brazilian pipeline contract, but then subsequently Petrobras rejecting your bid. I know that these [masses] can be quite sensitive, but I just wonder whether you could help clarify that situation.

And then, just as a sort of follow-up to that, a more general question just around doing business in Brazil, you're obviously a relative newcomer to the market compared with some of your peers. So, knowing what you know now about doing business in Brazil, obviously you've got quite a backlog of contracts, as you referred to in the presentation. But, what's your sort of -- what's your appetite to expose yourself further to building an even larger business in Brazil?

Umberto Vergine - *Saipem S.p.A. - CEO*

(Inaudible) on the recent bid, it's not that we bid low. We bid lower than our competitor, and even though we bid lower than our competitor, Petrobras consider our offer too expensive. So, is always [to a relatively] matter to consider something how you (inaudible). And that is the reason why Petrobras is considering either rebidding, or rebidding more likely with a different -- or reorganize the scope of work in order to bring the cost of the project to within the figure that they had in their budget. So, I think that our offer was a good offer. It was not a cheap offer. And that is proof to the fact that Petrobras could be reconsidering the matter.

The appetite for Brazil, as I explained, was high. It remains high, we believe to have all the right components to be successful there. And is not only the yard, is also the fleet that we have and our ability to perform specific business that are exactly what will be associated with the full development of the (inaudible) [basing] that will provide a lot of work when we be at full speed.

We are maybe new in the market, but not so new, and our presence there with the number of contracts that I've indicated getting [defense] are also how deep is already our relationship with the client.

Philip Lindsay - *HSBC - Analyst*

Okay. All right, thanks very much.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.



Operator

Andrew Dobbing from JPMorgan.

Andrew Dobbing - JPMorgan - Analyst

Yes, good afternoon. I assume you're adding another layer of control over your bidding process. Perhaps more senior management are involved in that. Is that the case? I mean, is that a fair comment? And if so, is this constraining your bidding activity kind of below previous levels? And could we see this leading to some negative impact on market share potentially, going forward as a result? Thank you.

Umberto Vergine - Saipem S.p.A. - CEO

Just to clarify, are you referring to the appointment of the new Board Vice-Chairman?

Andrew Dobbing - JPMorgan - Analyst

No, not -- I mean, in general. I assume you're bidding more carefully, just getting more senior management involved in the whole process in general. And isn't that slowing down the whole process? Is that constraining the amount of work you can bid for? And could that result in a kind of -- a reduction in market share, near-term?

Umberto Vergine - Saipem S.p.A. - CEO

No, we are not change our bidding process. We have reconfirm -- I mean, we have confirmed the bidding strategy that will put margin up front. So, it's not any more time consuming or energy-consuming process that we are now carrying out. It is simply a target readjustment.

I think that to give you a measure of how this is not the case, actually for the second half I had decided to put a little bit under control our commercial cost, because actually the activity of bidding is going so fast that we are spending even more money in [fix] this year in (inaudible) where we can accommodate growth in cost. Even the commercial cost has to be looked very carefully. So, I think that the indication that (inaudible) from the first half of the year is actually the other direction.

Andrew Dobbing - JPMorgan - Analyst

Okay. I hope that's encouraging. Thanks very much.

Umberto Vergine - Saipem S.p.A. - CEO

Thank you.

Operator

Henry Tarr from Goldman Sachs.

Henry Tarr - Goldman Sachs - Analyst

Hi, I just have two questions. I mean, I guess coming back to the revenue issue, it looks as though you have around sort of EUR6 billion of revenue left to be accounted for or from the existing backlog. But, obviously you need sort of closer to EUR8 billion to hit the EUR13 billion full year target.



Well, are you expecting that extra EUR2 billion effectively to be new work bid in the second half, or is there -- can you give me any greater color around how you get to those numbers? Thanks.

Stefano Goberti - *Saipem S.p.A. - CFO*

Yes. Henry, this is Stefano again. We expect to -- we have now a portfolio already EUR6.3 billion of revenues out of the EUR8 billion, you are correct, not EUR7 billion as I said before, EUR8 billion that we need to do at the end -- to the end of the year. That represents more or less the 88% of the ratio of coverage of revenues to year-end. And this 88% is very much in line with the same percent as we've recorded in the last four years, from 2009, '10, '11, and '12. At this time of the year, we had over -- almost the -- from 87% to 89% of the -- so that makes us believing that we are cruising to the right direction toward this almost EUR12 billion, EUR13 billion of revenues.

Henry Tarr - *Goldman Sachs - Analyst*

Okay. That's great. One other question. I guess we've seen some large contracts signed in the offshore business over the past six to 12 months, Egina, et cetera, so West Africa's picked back up. How do you see the market at this point in terms of supply and demand? You said the demand environment has picked back up, and clearly you're getting better pricing today than you were back in sort of 2009, '10. But, do you see, going forward, an improving environment again, given utilization is picking up, or how do you see the demand-supply balance in the offshore market, particularly for [Surf]? Thanks.

Hugh O'Donnell - *Saipem S.p.A. - Deputy CEO*

Yes, I think as Umberto had said previously, the offshore market seems to be strong. The predictability of project sanctioning is difficult. And I think that in terms of the -- that's on the demand side. On the supply side, I think we stick to our opinion, which we've given you on several occasions, that for the really big projects, on the supply side there hasn't been much addition. So, I think we're in pretty good shape, but always bearing in mind what Umberto emphasized during the presentation, that the predictability of sanction of big projects hasn't gotten better.

Henry Tarr - *Goldman Sachs - Analyst*

Okay, that's great. Thanks.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.

Operator

Asad Farid from Berenberg.

Asad Farid - *Berenberg - Analyst*

Hi, good evening. Most of the questions have been answered. I have two remaining questions. My first question is regarding your net debt. Are you still targeting to lower your net debt to EUR1 billion into the future? And if yes, how do you plan to do -- manage that? And does it mean that Saipem would be in a low CapEx mode for several years to come?



And my second question is regarding the backlog review process. I just wanted to ask whether you have completed the backlog review process for your entire order book after the second profit warnings from contracts which came from Canada and Mexico, or are you still in the process of assessing your backlog in other geographies? Thank you.

Umberto Vergine - Saipem S.p.A. - CEO

Okay, maybe I give you the first answer.

Stefano Goberti - Saipem S.p.A. - CFO

Yes. The net debt, of course the target of the Company is to reduce its net debt, and we said that, in the four-year plan, we aim at reducing net debt at least at the EBITDA level. We are working on these but maintaining a reasonable level of CapEx investment. This year we are projecting EUR1 billion as Umberto said earlier, and we are projecting lower figures for the next year. But, keeping in mind that we have a sort of level below which we cannot go because this is a level of investment we need to maintain, between EUR400 million and EUR500 million to maintain a good standard in the asset base.

Having said that, meaning that in two, three years, we should aim at reducing the net debt toward the EBITDA number.

Umberto Vergine - Saipem S.p.A. - CEO

Okay, thank you. About the review of our backlog, I think that -- how can I assure you on the fact that we are not -- we have completed our view? First of all, by saying that of course operational issues can always happen, matters like a surprising problem with a supplier as we had for the recertification ship components. That cause a certain delay. This can happen because of the quality of the work also performed from our supplier is always potentially a risk. We try to manage it. We try to anticipate these potential problems, but that can always happen.

We (inaudible) in the other country with issues like Algeria, so [that I] don't see why we could expect a big blow in our relationship with any of our client. And we have no project that is not fully review, discuss and tested also with our client, so for which we should have any surprise of (inaudible) is the present status and not having properly forecasted revenues and returns on this project.

So, I think that really, after this month of continuous review, and of course painful -- very painful decision about our forecast, we have completed the analysis of one of our projects.

Asad Farid - Berenberg - Analyst

And lastly, one remaining question. It's regarding your outlook for idle costs in 2014.

Umberto Vergine - Saipem S.p.A. - CEO

Sorry, you said?

Asad Farid - Berenberg - Analyst

Outlook for idle costs for 2014.



Stefano Goberti - *Saipem S.p.A. - CFO*

[Sayid], I'm afraid we are not disclosing any number for 2014, so this year the number we said is more in line -- more or less in line with the number of last year, 2012, but we never disclose the 2014 number. I'm afraid you have to wait till when we announce our budget.

Asad Farid - *Berenberg - Analyst*

All right, no worries. Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.

Operator

Katherine Tonks from RBC.

Katherine Tonks - *RBC Capital Markets - Analyst*

Good afternoon. Could I ask firstly for a breakdown of the E&C backlog for 2014 by onshore and offshore? And then, I've got some follow-up questions.

Stefano Goberti - *Saipem S.p.A. - CFO*

Okay. The onshore and offshore breakdown is EUR3 billion for E&C offshore and EUR2.5 billion for E&C Onshore.

Katherine Tonks - *RBC Capital Markets - Analyst*

Okay. And if I take that EUR2.5 billion for E&C onshore and apply the kind of visibility that we had this time last year to generate a forecast of revenues for 2014, that would imply quite a significant reduction in revenues, going forward, of about 30%. Are you very constant that you will get new orders in the second half of this year, and maybe in early 2014? I understand that timing is difficult, but just how much visibility do you have on new orders that you could get, say, in the next six to nine months? I mean, it seems like a very big gap to fill.

Umberto Vergine - *Saipem S.p.A. - CEO*

Well, I mean, we know that we are participating offering many new projects, and as I say, that this is a process that we, in order to get clarity on the final awarding, it's taking longer than we expect it will, but is an ongoing process. So, I think that today we should not consider these as a possible number to be forecasted, but we will have to wait and observe how the market evolves.

On the other side, you could have (inaudible) two, three awards very close to each other, because it is the nature of this matter. So, I think it'd be difficult to help you in getting more clarity. We don't have that clarity ourselves. We only have the assessment of the potential evolution.

Katherine Tonks - *RBC Capital Markets - Analyst*

Okay, thank you. And a more minor question just on onshore drilling. I think day rates have fallen a bit. I wondered what the outlook is for day rates in the onshore drilling division as a whole, and also the five rigs that you have in Algeria which are being mobilized. Will they be utilized in the second half of the year, or should we assume that those five rigs are idle?

Umberto Vergine - *Saipem S.p.A. - CEO*

No, they are already under contract with better rates that we had in Algeria. That is not a miracle. It's the fact that they were in Algeria since some time, so it was difficult of course moving from project to project to make big increases. But, that has been possible as we brought them into new countries, as we're doing from Morocco to Saudi Arabia. And I think that, in general, we are observing an improvement in the rate across all the drilling, including onshore I think [right] for the type of rigs that we have, that are kind of (inaudible) cases.

Katherine Tonks - *RBC Capital Markets - Analyst*

Okay. That's all my questions. Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you, Katherine.

Operator

Christyan Malek from Nomura.

Christyan Malek - *Nomura - Analyst*

Hi, good evening, gentlemen, just two questions, please. First, in a worst-case scenario, there are sort of more loss-making projects. What sort of number do you have, or do you carry, as a contingency? And is it more or less than the EUR700 million that you wrote down earlier this year? The second question is regarding Brazil in the context -- the yard that you're bringing online, to what extent do the projects that you've bid on and are executing dependent on that yard coming out on time? And that's it.

Stefano Goberti - *Saipem S.p.A. - CFO*

Christyan, worst-case scenario, you ask about our inability to execute the projects. Well, I don't think I have a number for that. We maintain our guidance just quarter [by investors] during the presentation. I'm afraid I cannot say more than that.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay. On Brazil, Hugo, (inaudible)?

Hugh O'Donnell - *Saipem S.p.A. - Deputy CEO*

Yes.

Umberto Vergine - *Saipem S.p.A. - CEO*

(Inaudible) projects on the yard?

Hugh O'Donnell - *Saipem S.p.A. - Deputy CEO*

Yes, Christyan. As Umberto was saying in the presentation, the mobilization of the construction of the yard is going well, and we're already utilizing the yard for logistic support for one of the big pipeline jobs which is to start next year. And then, as we move on, we will increasingly utilize the yard. That doesn't mean that we don't have any alternatives. If there are any, we will go. But, what we've done on the pre-existing jobs, we've been working in Brazil for 30 years, but we just haven't been permanently in Brazil.

So, we know how to use subcontractors. It's just that we don't want to have to rely on them as the business builds up in Brazil. So, I think we're in a reasonably strong position. We're already using the yard as a logistics base, and increasingly we'd be using the yard till the end of this year, into early next year, to support the [cert] jobs that we have.

Christyan Malek - *Nomura - Analyst*

And then, just to be clear, there's progression on time, on track, and there are no sort of delays that you foresee on that yard?

Umberto Vergine - *Saipem S.p.A. - CEO*

No, we have no delay, and (inaudible). Even if that was the case, that is not the case, it will not impact on our ability to execute to the new (inaudible).

Christyan Malek - *Nomura - Analyst*

Sure. And just Stefano, just to come back to you, sorry, what I meant were not in terms of just to make the order of magnitude of sort of the projects that you're executing and potential provisions. You don't -- the number, if there is a sort of further loss because you don't foresee problems, could you even just perhaps put some color? Is it (inaudible) -- is it a lot less than what we've already seen, or can you give any sort of color around what the order of magnitude can be?

Umberto Vergine - *Saipem S.p.A. - CEO*

Yes, there is not the -- there is no such a number, basically. In the first [place], our number reflects the community result of what we expect to be the outcome of our 150 projects under execution in terms of assessing the (inaudible) of the projects, the revenue, the result associated to the remaining part net of the risk that we are considering and sometimes managing 100%, sometimes having to account for. So, our numbers are the result of this assessment where we already built in the reasonable evaluation of what our projects are valued.

Christyan Malek - *Nomura - Analyst*

Thank you very much, very clear.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.



Stefano Goberti - *Saipem S.p.A. - CFO*

Okay. Before we go to the next question, Stefano here, I need to come back to Katherine, because she asked me the backlog for 2014. Instead, I answered on the remaining [net out] for 2013. So, the number for 2014 are EUR3.6 billion for offshore and EUR2.2 for onshore in E&C. Sorry for this (inaudible). Now we can go to the next question, yes.

Operator

David Farrell from Macquarie.

David Farrell - *Macquarie - Analyst*

Good evening, a couple of questions for me. Just -- firstly, just to clarify something, in the press release you talk about a net loss of EUR330 million to EUR350 million, and in the presentation you're still sticking to EUR300 million to EUR350 million loss. So, I'm wondering which one it is, and if it is the first one, what has caused you to kind of guide towards the upper end of that loss?

And then, the second question, I was just wondering kind of where we stand with regards to the Edmonton yard in Canada and what level of utilization you're expecting that to have as you bring it on through commissioning towards the back end of this year and start up next year, and whether or not that utilization expectation has changed over the last 18 months or so with regards to the deferral of some Canadian oil sands projects.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay. In our press release, we issued two press release, one in English, one in Italian. In the English version, there was a typo that was the 330. So, the right number is the number that I presented now that was also in the Italian version of the press release that is between EUR300 million and the EUR350 million.

David Farrell - *Macquarie - Analyst*

Okay, thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

Sorry about that. On Edmonton, we are scheduling our evaluation possibly in October, during October, either beginning or late part of the month of this year. And our plan for utilization of the yard have not changed in light of the amount of work that we have already in the country.

David Farrell - *Macquarie - Analyst*

Okay. Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

Thank you.



Operator

[Faisal Goree] from OFI Global.

Faisal Goree - OFI Global - Analyst

Hi, I was just curious if you could elaborate on the comment that you had made about spending on -- I guess in terms of cost for new bids. I was just curious to hear what you saw as the competitive environment for bidding for new contracts, especially given [Technik's] arrangement with [Harima]. I was just curious as to how that was impacting you and kind of what your view is on the -- particularly for the offshore environment two to three years out.

Umberto Vergine - Saipem S.p.A. - CEO

Sorry, you're coming in very low in terms of volume. Can you maybe speak a little bit louder? Because--.

Faisal Goree - OFI Global - Analyst

--Sure. I apologize. I hope you can hear me better now. My question was you had mentioned about kind of controlling costs in terms of bidding. I was just curious if you could comment on what the bidding environment looks like for offshore projects, and particularly what the competitive environment looks like especially in light of Technik's arrangement with Harima. I was just curious as to kind of how that's impacting you and what your view is specifically for offshore contracts two to three years out.

Umberto Vergine - Saipem S.p.A. - CEO

Well first of all, just to be clear, before I refer to this as a positive indication in the sense that the market is generating even 100-flow of tendering that we have planned, that's why for now our commercial cost are going up. And of course, as I said, we are trying to look at our figures with a lot of control this year due to our financial situation.

In terms of the competitive environment and the (inaudible) strategy of our competitors, we have Hugh to comment on that specifically.

Hugh O'Donnell - Saipem S.p.A. - Deputy CEO

Yes. Obviously we try to refrain from talking about specific competitors, but I think it seems to be a logical thing that -- where one of the competitors perhaps lacks engineering and project management procurement on a kind of an epic lump-sum turnkey basis, and the other competitor perhaps lacks [investors] in particular to the big -- to do the big stuff, then it seems to be a good move from their point of view to join forces and to develop a strategic arrangement.

In our humble opinion, we've had seven joint ventures in the past, and we dissolved them because, while they're good from a tactical point of view, strategically they tend to kind of be a bit of a straightjacket. So, neither of the partners tends to be able to develop much because of the existence of the joint venture. However, for us, it means that instead of having potentially two competitors who can provide a certain part of the scope, we have one that can provide the entire part of the scope. And you could look at it as kind of being either positive or negative from that point of view.

From where we are, I think the most critical aspect of all of it is generally the big vessel, and that really hasn't changed because of the joint venture that you were referring to. That would be our opinion.



Faisal Goree - *OFI Global - Analyst*

Got it. Thank you.

Operator

Guillaume Delaby from Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

Yes, good evening. In fact, all my questions have been answered, so, till next time, yes.

Operator

Dave Thomas of Credit Suisse.

Dave Thomas - *Credit Suisse - Analyst*

Yes, good afternoon. I'll try and make this quick. A couple of questions, please. Firstly, on the backlog and really alluding to what Christyan was saying, after 2014, can you just say what of your current backlog to be executed next year is still what you term the poor legacy contracts, and that might help to give us an idea of what you've still got to execute next year that may be at a very low or zero margin.

And secondly, can you just say where you are into your view on consensus for 2014? If you can't give us guidance on margins, perhaps you could maybe give us a qualitative view on what you think about 2014 consensus and whether you're comfortable with that.

And finally, I just want to ask about the regrettable incident with the Perro Negro 6. Can you just advise what the proceeds and timing would be for any insurance recovery? Thanks.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay. On the issue of the backlog to be executed in 2014, I can suggest you would look at the slide 14, where we specifically indicated that the component as of June -- at the end of June of new contracts and existing lower margin contracts. And this is something (inaudible) today (inaudible) the majority of the backlog represented by the ongoing old contract, some of which of course, as we all know, have low margin, and that we expect second half of the year to rebalance with the impact of new contracts that we have to win not too late in the year in order to have more scope to be executed in 2014.

So, what related to the Perro Negro 6, we had declared a total loss of the vessel. Our insurer accepted our claim, and payments are already coming in, including -- already coming in. The second component, of course, of insurance would be the wreck removal. That has also be presented to our insurer and for which we have already mobilized a specialized contractor in order to perform this work. So, in other words, no insurance issue at all. It was only a very unfortunate accident with a extremely regrettable fatality associated from a point of view of covering these costs to insurance, as I said, no problem.

On the other question, maybe I give Stefano to tell you that we have no constraints for the time being. So, Stefano doesn't want to answer, so I'll answer. We are not (inaudible) indication for 2014 for (inaudible).



Dave Thomas - *Credit Suisse - Analyst*

You can't blame me for trying, but I'll come back to the first two questions, then. I understand what you mean about the EUR4.1 billion for execution in 2014 of existing contracts but what proportion of that is what you would -- is the poor performing contracts, were the 16 contracts that you had in your January presentation, some of which were being executed next year. And that's -- coming back to that first one.

And secondly, just on the Perro Negro, are you able to say how much money you will be recovering under the insurance?

Stefano Goberti - *Saipem S.p.A. - CFO*

Okay. On the page 14 slide, you see that the EUR4.1 million is indicate existing lower margin contract, so that is the part of the [unedited] or legacy contract we had in our backlog before 2015. The EUR1.7 million new contract refer to workload to be executed in 2014 on contract one this year. And this is what maximum I would say.

Then, on the Perro Negro 6, a total loss was declared, and insurance company provided -- will pay in EUR160 million in damages.

Dave Thomas - *Credit Suisse - Analyst*

That's very helpful. Thank you.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay, thank you.

Operator

[Caroline Hixson] from EVS.

Caroline Hixson - *EVS - Analyst*

Hi, all my questions have actually been answered.

Umberto Vergine - *Saipem S.p.A. - CEO*

Okay. Thank you, Caroline.

Operator

Jaideep Pandaya from Berenberg.

Jaideep Pandaya - *Berenberg - Analyst*

Thanks for the follow-up. It's a little bit of a complicated question, but I'd just try. If I just ask you conceptually, going back to 2010 days, and excluding the execution issues that you have on those contracts right now, conceptually, the margin that you would target on a typical [EPSE] project versus what you're targeting today, could you give us some qualitative sense what is it in the sense, if it was 10% back then, because times were very



difficult, is it 15% today? Is it 20% today? Is it 12% today? Just to sort of understand what have you changed when you're bidding from your point of view? And this is, of course, blanking out execution problems.

Umberto Vergine - Saipem S.p.A. - CEO

We have indicated the relative improvement in marginality of the new contracts of 2013 first half compared to the one last year. And what I can tell you is that the improvement is not only in offshore or in drilling that could maybe mask the figure underneath from offshore, but is also in the onshore project. So, this is really something that is across the board and is feasible as an approach at a time when the market is able, of course, to sustain this approach. If I was bidding -- always overbidding any of my competitors, I will not have been able to win any contract, of course.

Jaideep Pandaya - Berenberg - Analyst

Okay, thank you.

Umberto Vergine - Saipem S.p.A. - CEO

Thank you.

Operator

(Operator instructions.) There are no further questions queued at this time.

Umberto Vergine - Saipem S.p.A. - CEO

Okay. So, we thank you all for the attention. (Inaudible.)

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

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