



Interim Report at March 31, 2016
Approved by the Board of Directors on April 27, 2016



Saipem: First Quarter 2016 results, confirmation of guidance for 2016

San Donato Milanese, April 27, 2016 - The Board of Directors of Saipem S.p.A., chaired by Paolo Andrea Colombo, today approved Saipem Group's Interim Report as at March 31, 2016¹, confirmed the company's expectations for the full-year 2016 and adopted a "Euro Medium Term Notes Programme" (*EMTN Programme*) for an amount up to €2,000 million.

First quarter 2016:

- Revenues: €2,840 million (€3,020 million in the first quarter 2015)
- EBIT: €179 million (€159 million in the first quarter 2015)
- Net profit: €61 million (€77 million in the first quarter 2015)
- Investments: €45 million (€150 million in the first quarter 2015)
- Net debt as at March 31, 2016: €2,040 million (€5,390 million as at December 31, 2015)
- New contracts: €1,025 million
- Backlog: €14,031 million as at March 31, 2016

Guidance for full-year 2016 confirmed:

- Revenues: > €11 billion
- EBIT: > €600 million
- Net profit: ~€300 million
- Investments: ~€500 million
- Net debt: < €1.5 billion

Stefano Cao, Saipem CEO, commented:

"During the first quarter of 2016 we delivered an encouraging set of results in line with our full-year guidance. A robust performance in the offshore division, combined with improved profitability in the E&C onshore business, offset the deterioration in drilling.

Our focus continues to be on delivering the company's strategy. We are pursuing important and visible near-term project opportunities and have made good progress on our Fit for the Future programme, where we have identified €200 million of additional savings and raised our overall target to €1.7 billion by to 2017.

¹ Unaudited

Our revenue visibility, newly recapitalised balance sheet and the improvement in our efficiency programme mean that, despite the continuing market downturn, we can confirm our guidance for 2016.”

Financial highlights

	(million)			
	Q1 2015	Q4 2015	Q1 2016	Q1 2016 vs Q1 2015 (%)
Revenues	3,020	3,062	2,840	(6.0)
EBITDA	351	384	351	-
Operating result	159	188	179	12.6
Adjusted operating result	159	182	179	12.6
Net result	77	60	61	(20.8)
Adjusted net profit	77	54	61	(20.8)
Cash flow (net result + depreciation and amortisation)	269	256	233	(13.4)
Capital expenditure	150	154	45	(70.0)
New contracts	2,399	1,158	1,025	(57.3)

Revenues and associated profit 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.

Business update for the first quarter of 2016

In the first quarter of 2016, Saipem has achieved positive results despite continuing challenging market conditions.

Revenues amounted to 2.8 billion euro, a decrease of 6% compared to the first quarter of 2015, a trend that reflects the selectivity and commercial discipline adopted by the company.

EBIT for the quarter amounted to 179 million euro, an increase of 13% over the corresponding period of 2015. The improvement in profitability is driven by the E & C business, and the operational progress made on important projects such as Egina, Kashagan,, Jazan and Ichthys. The positive performance in E&C has mitigated the deterioration in Drilling, caused by the difficult market environment in South America.

Net income for the first quarter amounted to 61 million euro.

Capital expenditure in the first quarter of 2016 amounted to €45 million (€150 million in the first quarter of 2015) and included:

- €17 million in the Offshore Engineering & Construction sector, relating mainly to the maintenance and upgrading of the existing asset base;
- €1 million in the Onshore Engineering & Construction sector, relating to the purchase of equipment and the maintenance of existing assets;

- €12 million in the Offshore Drilling sector, mainly relating to class works for the semi-submersible drilling rig Scarabeo 6 and the jack-up Perro Negro 5, in addition to the maintenance and upgrading of other assets;
- €15 million in the Onshore Drilling sector, relating to the upgrade of two rigs due to start operations in Kuwait in connection with two contracts already in the backlog, in addition to the upgrade of other assets.

Net financial debt as at March 31, 2016 amounted to €2,040 million, a decrease of €5,390 compared to December 31, 2015 due to the share capital increase operation which was completed in the first quarter of 2016.

Backlog

During the first quarter of 2016, Saipem was awarded contracts amounting to €1,025 million (€2,399 million in the first quarter of 2015). Saipem's backlog as at March 31, 2016 stood at €14,031 million (€6,268 million in Offshore E&C, €5,120 million in Onshore E&C and €2,643 million in Drilling).

2016 Guidance

For 2016 Saipem confirms the guidance announced to the market at Q3 2015 in terms of revenues, profitability and net financial position at year-end.

The forecast for revenues (>€11 billion) is confirmed. EBIT for 2016 is expected to be in excess of €600 million, reflecting the benefits of the gradual completion of the low margin contracts in the Onshore E&C sector, the robust offshore performance and the effects of the ongoing efficiency programme, the target of which has been increased from €1,5bn to €1,7bn of cumulated savings by the end of 2017.

Consequently, net profit is expected to be around €300 million, benefiting from a reduced cost of debt thanks to the recently concluded share capital increase and debt financing operation.

Capital expenditure is expected to be around €500 million, down 10% compared to the figure for 2015, contributing to positive cash generation which will reduce debt to below €1,5bn by at year-end 2016.

With reference to the information provided on January 22, 2016 in the Registration Document (so-called prospectus) relating to the update of the strategic plan, the Board of Directors notes:

- The continued volatility of oil prices, albeit with an improving trend;
- The uncertainty that still characterizes the current market environment; and
- The evolution of the order book and the significant contract acquisition opportunities that will reasonably be finalized within the first half of the year.

In light of the above, the Board of Directors will continue to monitor the situation and will review the 2017-2020 strategic plan with the nine-month results, in October, when 2017 guidance will be published.

The Board of Directors today adopted a "Euro Medium Term Notes Programme" (" EMTN Programme ") for an amount up to 2 billion euro. The resources deriving from this program will

be allocated mainly to the repayment of the Bridge to Bond facility of EUR 1,600 million, which must be repaid by 1 July 2017 with an option to extend to 1 January 2018 . The adoption of the program will allow the company to seize funding opportunities provided by the capital markets and institutional investors through the future issuance of bonds.

This press release should be read jointly with the condensed interim consolidated financial statements at June 30, 2015 and the statutory and consolidated financial statements at December 31, 2015 of Saipem S.p.A., which are already available on the Company's website (www.saipem.com) under the section "Investor Relations - Financial Statements".

The publication of the interim report at 31 March 2016 was carried out in continuity with the past while waiting for the complete definition of the regulatory framework.

Saipem's Chief Financial Officer, Alberto Chiarini, 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 data and information correspond to the Company's evidence 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

A conference call and webcast will be hosted by CEO Stefano Cao today at 6:00pm CEST (5:00pm BST, 12:00pm EDT, 9:00am PDT). It can be followed on Saipem's website (www.saipem.com) by clicking on the webcast banner on the home page or via the following link <http://edge.media-server.com/m/p/zvm5gg36>. During the conference call and webcast, a presentation will be given, which will be available for download from the webcast window and from the 'Investor Relations / Financial Information' section on Saipem's website, around 15 minutes before the scheduled start time. This presentation will be also available for download from the authorised storage device "Nis Storage" at www.emarketstorage.com and Borsa Italiana S.p.A (www.borsaitaliana.it).

Saipem is one of the world leaders in drilling services, as well as in the engineering, procurement, construction and installation of pipelines and complex projects, onshore and offshore, in the oil & gas market. The company has distinctive competences in operations in harsh environments, remote areas and deepwater. Saipem provides a full range of services with "EPC" and "EPCI" contracts (on a "turn-key" basis) and has distinctive capabilities and unique assets with a high technological content.

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Analysis by business sector:

Engineering & Construction: Offshore

(million)

	Q1 2015	Q4 2015	Q1 2016	Q1 2016 vs Q1 2015 (%)
Revenues	1,751	1,781	1,608	(8.2)
Expenses	(1,603)	(1,591)	(1,443)	(10.0)
Gross operating profit (EBITDA)	148	190	165	11.5
Depreciation	(79)	(66)	(61)	(22.8)
Operating result	69	124	104	50.7
Asset write-downs	-	(5)	-	-
Adjusted operating result	69	119	104	50.7
EBITDA %	8.5	10.7	10.3	
Adjusted EBIT %	3.9	6.7	6.5	
New contracts	2,122	1,071	358	

Backlog as at March 31, 2016: €6,268 million, of which €3,233 due to be realised in 2016.

- Revenues for the first quarter of 2016 amounted to €1,608 million, down 8.2% compared to the same period in 2015. This was mainly attributable to lower volumes recorded in Australia, the Middle East and Russia, which were largely offset by higher volumes registered in West Africa, Azerbaijan and Kazakhstan.
- Operating result for the first quarter of 2016 amounted to €104 million, equal to 6.5% of revenues, versus €69 million, equal to 3.9% of revenues, in the first quarter of 2015. The increase is due mainly to higher profitability from projects under execution in Kazakhstan and Australia. EBITDA margin stood at 10.3% compared to 8.5% for the same period of 2015.

Engineering & Construction: Onshore

(million)

	Q1 2015	Q4 2015	Q1 2016	Q1 2016 vs Q1 2015 (%)
Revenues	758	854	830	9.5
Expenses	(766)	(838)	(809)	5.6
Gross operating profit (EBITDA)	(8)	16	21	..
Depreciation	(10)	(7)	(11)	10
Operating result	(18)	9	10	..
Asset write-downs	-	(1)	-	-
Adjusted operating result	(18)	8	10	..
EBITDA %	-1.1	1.9	2.5	
Adjusted EBIT %	-2.4	0.9	1.2	
New contracts	256	21	649	

Backlog as at March 31, 2016: €5,120 million, of which €1,827 due to be realised in 2016.

- Revenues for the first quarter of 2016 amounted to €830 million, up 9.5% compared to the same period in 2015, due mainly to higher volumes recorded in the Middle East.
- Operating result for the first quarter of 2016 amounted to €10 million, versus -€18 million in the first quarter of 2015. The increase is due mainly to the contribution of new projects in Saudi Arabia and to the reduced impact of low-margin projects which are in their final phases.
- Among the most significant awards of the first quarter 2016 was a contract with Italgas for the development of gas storage facilities in Cornegliano Laudense, located in the north of Italy. The storage facilities will be connected to the Italian gas network, which in turn is connected to the largest Italian and European high pressure gas pipelines.

Drilling: Offshore

(million)

	Q1 2015	Q4 2015	Q1 2016	Q1 2016 vs Q1 2015 (%)
Revenues	308	257	243	(21.1)
Expenses	(163)	(121)	(125)	(23.3)
Gross operating profit (EBITDA)	145	136	118	(18.6)
Depreciation	(59)	(73)	(55)	(6.8)
Operating profit	86	63	63	(26.7)
EBITDA %	47.1	52.9	48.6	
EBIT %	27.9	24.5	25.9	
New contracts	9	39	-	

Backlog as at March 31, 2016: €1,767 million, of which €542 due to be realised in 2016.

- Revenues for the first quarter of 2016 amounted to €243 million, representing a 21.1% decrease compared to the same period 2015, mainly attributable to reduced revenues from the drillship Saipem 12000, due to the early closure of a contract, and reduced revenues from the semi-submersible rig Scarabeo 6 and the jack-up Perro Negro 5, which underwent class reinstatement works. In addition, the semi-submersible rigs Scarabeo 3 and Scarabeo 4, which had both been in operation in the first quarter 2015, did not contribute, as the former was not under contract in the first quarter 2016 and the latter was scrapped in 2015. The decrease in revenues was partly offset by increased revenues from the full-scale operations of the jack-ups Perro Negro 2 and Perro Negro 8, which had undergone upgrading works in the same period 2015.
- Operating result for the first quarter of 2016 amounted to €63 million, compared to €86 million in the first quarter of 2015, with a margin on revenues of 25.9%, 2% lower than in the same quarter 2015, due to reduced revenues from the semi-submersible rigs Scarabeo 3 and Scarabeo 4, which had been under contract in the first quarter of 2015. The EBITDA margin stood at 48.6%, a 1% increase on the 47.1% achieved in the same quarter 2015.

- Vessel utilisation in the first quarter of 2016 and the impact of programmed maintenance for 2016 are as follows:

<i>Vessel</i>	<i>Q1 2016</i>		<i>2016</i>	
	<i>under contract (days)</i>	<i>Non-operating (days)</i>	<i>Non-operating (days)</i>	
Semi-submersible rig Scarabeo 3	-	91 (c)	366	(c)
Semi-submersible rig Scarabeo 5	91	-	-	
Semi-submersible rig Scarabeo 6	14	77 (a+c)	230	(a+c)
Semi-submersible rig Scarabeo 7	91	-	-	
Semi-submersible rig Scarabeo 8	91	-	61	(a)
Semi-submersible rig Scarabeo 9	91	-	31	(a)
Drillship Saipem 10000	91	-	7	(a)
Drillship Saipem 12000	91	-	30	(a)
Jack up Perro Negro 2	91	-	-	
Jack up Perro Negro 3	91	-	77	(a)
Jack up Perro Negro 4	89	2 (b)	2	(b)
Jack up Perro Negro 5	40	51 (a)	51	(a)
Jack up Perro Negro 7	91	-	62	(a)
Jack up Perro Negro 8	91	-	-	
Tender Assisted Drilling Barge	91	-	16	(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 not/will not be under contract.

Drilling: Onshore

(million)

	Q1 2015	Q4 2015	Q1 2016	Q1 2016 vs Q1 2015 (%)
Revenues	203	170	159	(21.7)
Expenses	(137)	(128)	(112)	(18.2)
Gross operating profit (EBITDA)	66	42	47	(28.8)
Depreciation	(44)	(50)	(45)	2.3
Operating profit	22	(8)	2	(90.9)
EBITDA %	32.5	24.7	29.6	
EBIT %	10.8	(4.7)	1.3	
New contracts	12	27	18	

Backlog as at March 31, 2016: €876 million, of which €271 due to be realised in 2016.

- Revenues for the first quarter of 2016 amounted to €159million, a 21.7% decrease on the same quarter 2015, due mainly to reduced volumes recorded in South America.
- The operating result for the first quarter of 2016 amounted to €2 million compared to €22 million in the first quarter of 2015, due to the increase of the cost of idleness of vessels in South America. EBITDA was 29.6%.

Average utilization of rigs in the first quarter of 2016 was 74.6% (96.2% in the same quarter 2015). At March 31, 2016, Company-owned rigs amounted to 100, located as follows: 28 in Saudi Arabia, 28 in Venezuela, 19 in Peru, 6 in Colombia, 4 in Ecuador, 5 in Kazakhstan, 3 in Bolivia, 2 in Chile, 1 in Italy, 1 in Congo, 1 in Morocco, 1 in Kuwait, and 1 in Tunisia.

In addition, 2 units owned by third parties were used in Peru, 1 third-party unit was used in Congo, and 1 in Chile.

Attachments:

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million)

	December 31, 2015	March 31, 2016
Net tangible assets	7,287	7,104
Intangible assets	<u>758</u>	<u>757</u>
	8,045	7,861
Investments	134	133
Non-current assets	8,179	7,994
Net current assets	941	1,402
Provision for employee benefits	(211)	(210)
Assets (liabilities) available for sale	-	-
CAPITAL EMPLOYED, NET	<u>8,909</u>	<u>9,186</u>
Shareholder's equity	3,474	7,061
Non-controlling interests	45	85
Net debt	5,390	2,040
FUNDING	<u>8,909</u>	<u>9,186</u>
Leverage (net borrowings/shareholders' equity including minority interest)	1.53	0.29

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million)

Q4 2015	Q1	
	2015	2016
3,062 Net sales from operations	3,020	2,840
- Other income and revenues	-	-
(2,211) Purchases, services and other costs	(2,047)	(2,019)
(467) Payroll and related costs	(622)	(470)
384 GROSS OPERATING PROFIT	351	351
(196) Depreciation, amortisation and impairment	(192)	(172)
188 OPERATING RESULT	159	179
(62) Finance expense	(52)	(35)
36 Income from investments	24	3
162 RESULT BEFORE TAXES	131	147
(85) Income taxes	(43)	(47)
77 RESULT BEFORE NON-CONTROLLING INTERESTS	88	100
(17) Net result attributable to non-controlling interests	(11)	(39)
60 NET RESULT	77	61
256 CASH FLOW (net result + depreciation and amortisation)	269	233

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million)

Q4 2015	Q1	
	2015	2016
3,062 Net sales from operations	3,020	2,840
(2,722) Production costs	(2,726)	(2,518)
(64) Idle costs	(43)	(58)
(24) Selling expenses	(32)	(29)
(4) Research and development expenses	(4)	(4)
(10) Other operating income (expenses), net	(5)	(4)
238 CONTRIBUTION FROM OPERATIONS	210	227
(50) General and administrative expenses	(51)	(48)
188 OPERATING RESULT	159	179
(62) Finance expense	(52)	(35)
36 Income from investments	24	3
162 RESULT BEFORE TAXES	131	147
(85) Income taxes	(43)	(47)
77 RESULT BEFORE NON-CONTROLLING INTERESTS	88	100
(17) Net result attributable to non-controlling interests	(11)	(39)
60 NET RESULT	77	61
256 CASH FLOW (net result + depreciation and amortisation)	269	233

RECLASSIFIED CASH FLOW STATEMENT

(million)

Q4 2015		Q1	
		2015	2016
60	Net profit (loss) for the period	77	61
17	Non-controlling interest	11	39
	<i>Adjustments to reconcile cash generated from operating profit before changes in working capital:</i>		
118	Depreciation, amortisation and other non-monetary items	134	118
303	Changes in working capital related to operations	(816)	(261)
498	Net cash flow from operations	(594)	(43)
(154)	Capital expenditure	(150)	(45)
-	Investments and purchase of consolidated subsidiaries and businesses	-	-
46	Disposals	97	-
390	Free cash flow	(647)	(88)
-	Buy-back of treasury shares/Exercise of stock options	-	
-	Share capital increase net of expenses	-	3,436
-	Cash flow from capital and reserves	(2)	-
(44)	Exchange differences on net borrowings and other changes	(120)	2
346	Change in net borrowings	(769)	3,350
5,736	Net borrowings at beginning of period	4,424	5,390
5,390	Net borrowings at end of period	5,193	2,040

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Società per Azioni
Share Capital €2,191,384,693 fully paid up
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