



SAIPEM
ENGINEERING
ENERGY

THIRD QUARTER 2016 RESULTS AND STRATEGY UPDATE

25 October 2016

Saipem. Engineering Energy



FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this presentation regarding future events and future results are based on current expectations, estimates, forecasts and projections about the industries in which Saipem S.p.A. (the “Company”) operates, as well as the beliefs and assumptions of the Company’s management.

These forward-looking statements are only predictions and are subject to known and unknown risks, uncertainties, assumptions and other factors beyond the Company’s control that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. These include, but are not limited to: forex and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders’ expectations and other changes affecting business conditions.

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TODAY'S PRESENTATION

1 OPENING REMARKS

2 STRATEGY UPDATE

3 9 MONTHS 2016 RESULTS

4 2017 GUIDANCE AND CLOSING REMARKS

OPENING REMARKS

- **Strategy update: decisive response to delayed market recovery**
 - Organisational transformation:
 - Enhancing effectiveness, efficiency and business accountability
 - Creation of a new high value engineering services division
 - Asset base rationalisation and write off
 - Renewed focus on technology and innovation to enhance competitiveness

- **9M 2016 Highlights**
 - Strong performance in Offshore continued in Q3
 - Net debt reduced below €1.7bn, €1bn inaugural bonds issued
 - 9M good order intake of €6.6bn increasing backlog at €14.6bn
 - 9M 2016 adjusted result in line with expectations, full year guidance confirmed
 - Write down and impairment for around €2bn impacting 2016 reported result

- **2017 Outlook**



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STRATEGY UPDATE

MARKET OUTLOOK

2017 scenario

- Oil price delaying E&P capex recovery post 2017
- Further reduction in development costs needed to boost E&P spending
- Strict cash flow management by Oil Companies
- Industry consolidation and alliances expected to continue

Offshore E&C

- Offshore fleet underutilization
- Technology and cost effectiveness supporting brownfield and a few greenfield projects
- Gas-led developments more resilient

Onshore E&C

- Sustained pressure on margins
- Sanctioning delays (e.g. LNG)
- Middle East, downstream and non-oil related segments more resilient

Offshore Drilling

- Global fleet overcapacity
- Deepwater dayrates down over 50% from historic peak

Onshore Drilling

- Still good visibility in Middle East
- South America impacted by demand decline

STRATEGY UPDATE

DECISIVE RESPONSE TO DELAYED MARKET RECOVERY

Saipem's Strategic pillars

ACTIONS

1 Business portfolio refocus

2 De-risking the business model

3 Cost optimisation & process efficiency

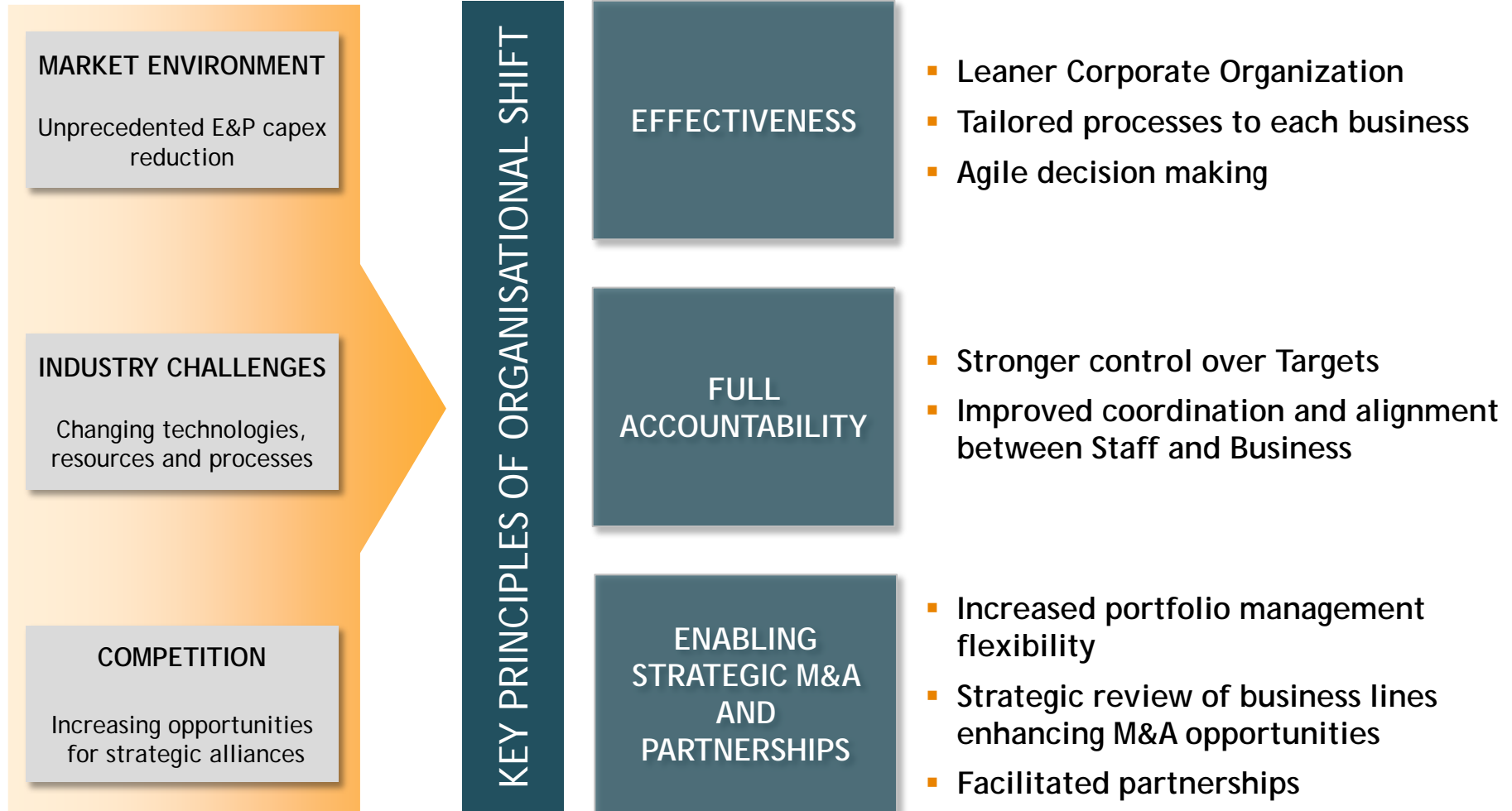
4 Technology and innovation

5 Debt reduction and capital discipline

- FIT FOR THE FUTURE 2.0
 - NEW BUSINESS MODEL IMPLEMENTATION
 - 2015 COST OPTIMISATION PROGRAMME €1.7BN PROCEEDING AS SCHEDULED
 - ASSET BASE RATIONALIZATION
 - COMMERCIAL SELECTIVITY
-
- ENHANCING INNOVATION CULTURE
 - BUDGET INCREASE
 - FOCUS ON COST-EFFECTIVE SOLUTIONS
-
- FOCUS ON WORKING CAPITAL MANAGEMENT
 - CAPEX CONTROL

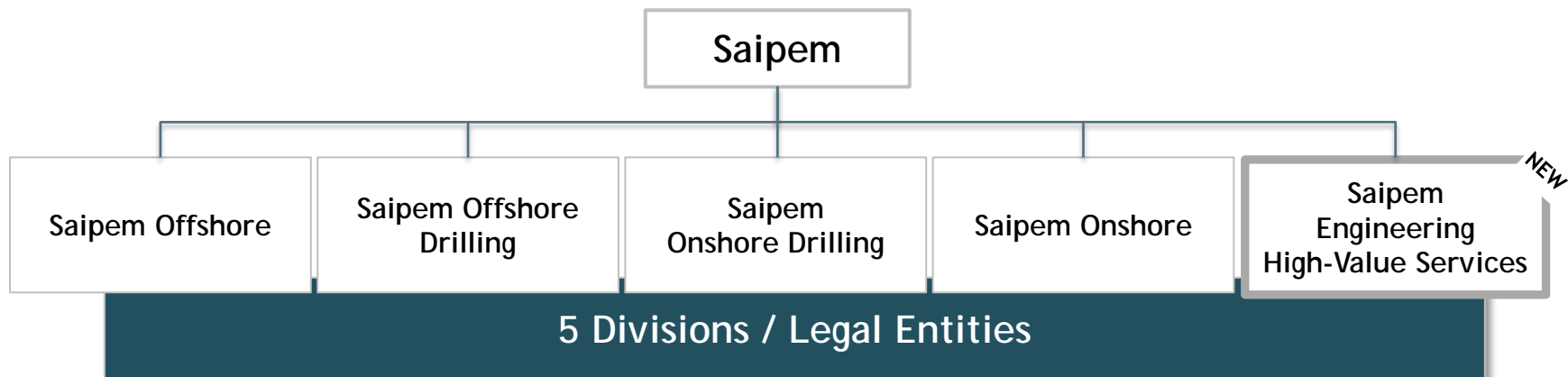
FIT FOR THE FUTURE 2.0

NEW BUSINESS MODEL - RATIONALE



FIT FOR THE FUTURE 2.0

LEANER ORGANIZATION AND DECENTRALIZED MODEL



OLD

- Business Units focused on operations with shared Corporate / Staff Functions
- Engineering and Procurement Functions serving each Business Unit
- Multiple coordination layers among Businesses
- Standardized and complex processes derived from the oil company model

NEW

- Divisions / Legal Entities with dedicated Staff functions and leaner Corporate structure
- Allocation of Key Engineering and Procurement resources to each Division / Legal Entity
- Reduced coordination layers among Businesses
- Customized and simplified processes

c.800 staff headcount reduction in Europe
Anticipated cost savings through process efficiencies

HIGH VALUE ENGINEERING SERVICES BUSINESS

ADDING VALUE FOR CLIENTS FROM EARLY PHASES OF PROJECT DEVELOPMENT

RATIONALE

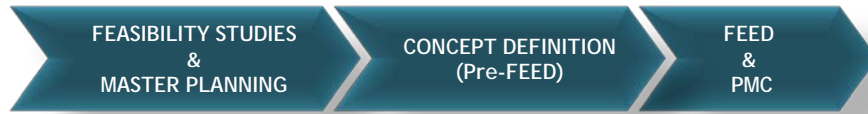
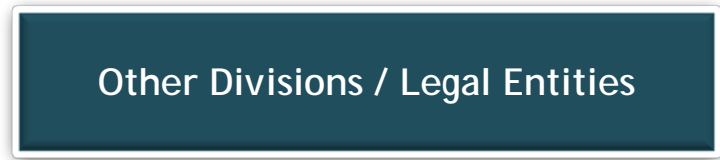
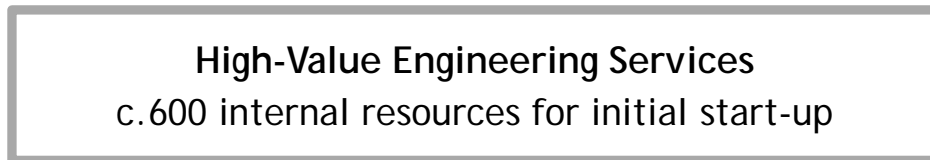
- Enter a new market to:
 - Capture increasing demand for cost effective and innovative solutions
 - Capitalise on Saipem licenses (around 200 units) and patents (more than 2,100)
 - Generate new partnerships based on technological content

COMPETITIVE ADVANTAGES

- Expertise covering the entire Oil&Gas value chain
- Unparalleled track record in breakthrough and frontier projects in harsh environment
- Leverage EPC(I) experiences to reduce costs and risks for clients

SYNERGIES WITH CURRENT BUSINESS

- Improving commercial effectiveness
- Smoother transition from FEED to EPC(I)/EPCM phase
- Exchange of high value engineering resources to accelerate young talents growth
- Capitalising on lessons learned

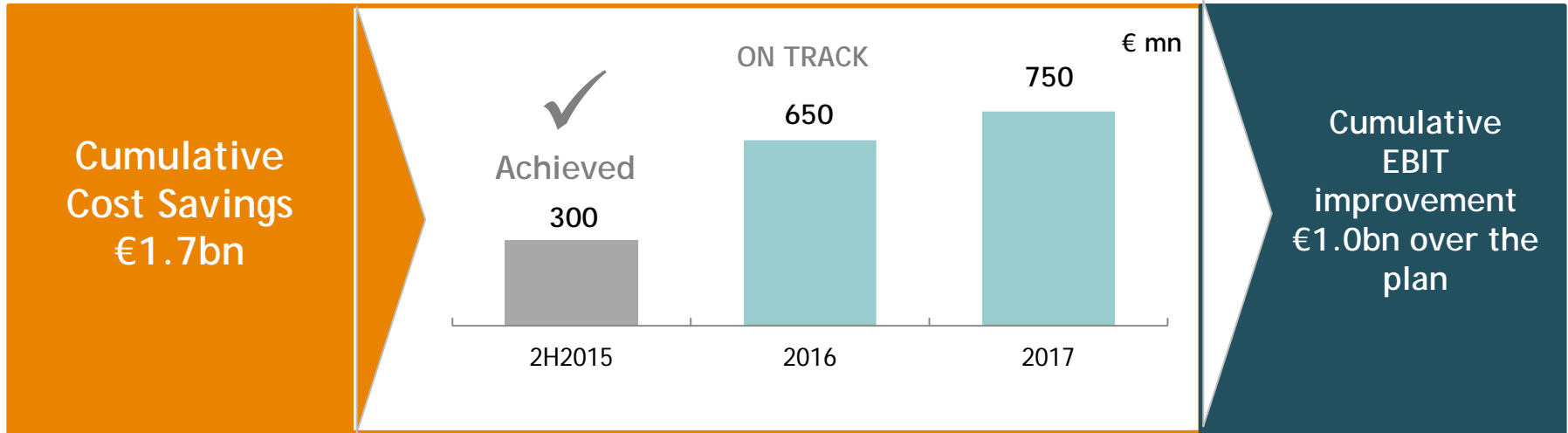


NEW BUSINESS OPPORTUNITIES

DE-RISKING OPERATIONS

FIT FOR THE FUTURE

2015 COST SAVING PROGRAMME ON TRACK



- 36% of the planned initiatives completed, the balance in line with targets
- Overall headcount reduction trend in line with schedule

DELIVERING EXPECTED TARGETS

ASSET BASE RATIONALISATION

Fleet

Right-sizing offshore and drilling fleet

- Write off of 2 old generation jackups, 1 semisub and 1 E&C offshore vessel
- Impairment of 5 offshore drilling semisubs and on our floating production units due to lower expected dayrates
- Onshore drilling impacted by asset write off in Latin America and CIS

Yards

Further optimisation of fabrication yards and logistic bases portfolio

- Write down of yards in Canada, Brazil and Iraq
- Ongoing assessment of monetization options

Non core assets

Disposal processes ongoing

(leased FPSOs, Yards, engineering offices, etc.)

TECHNOLOGICAL INNOVATION

INNOVATION LEADERSHIP TO DRIVE GROWTH

“INNOVATION FACTORY”

- *Competitive advantage:* bringing ideas into reality by adopting new processes and technologies
- *Focusing on Talent & Culture:* cluster of young talents placed in a new, high-tech and creative environment
- *Disruptive Innovation:* contamination of experiences and technologies used in other sectors

FIELD OF ACTIVITIES

OFFSHORE

SURF, SUBSEA PIPELINE

- New materials, Welding and Laying new techniques
- Subsea Efficient Solutions

ONSHORE

PLANTS

- Optimizing proprietary technologies (Fertilizers and CO2 management)
- Enhance technologies portfolio (Petrochemical and LNG)

ASSETS

FLEET MODERNIZATION

- Automation and digitalization
- Continuous improvement (processes and technologies)
- Concept selection for the ‘future’ construction vessels

KEY FEATURES

- More than 100 resources (FTE) dedicated
- Around €200mn Innovation spending planned over the 4y plan
- 5 main centres

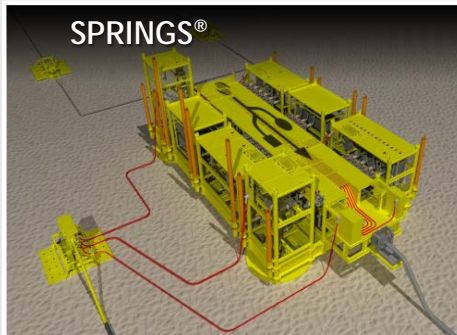
SELECTED DEVELOPMENTS

INNOVATIVE SUBSEA AND LNG SOLUTIONS TO ENHANCE COMPETITIVENESS

INNOVATIVE SOLUTIONS OPTIMIZING EXISTING / NEW INFRASTRUCTURES

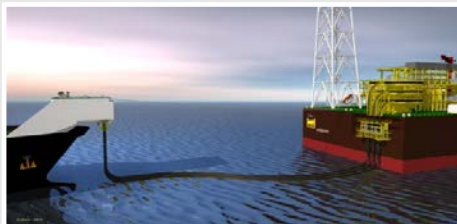
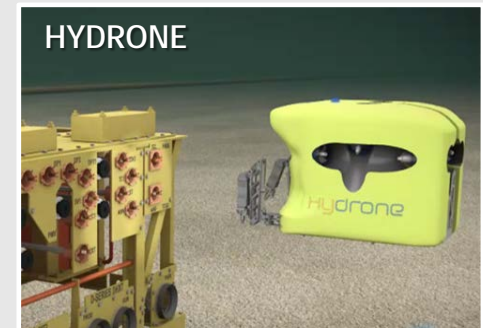


- New tie-back solutions for longer distances and larger diameters



- SPRINGS® is a subsea resident technology, to reduce sulphates in sea water injected in the reservoir, developed in collaboration with Total and Veolia

- HYDRONE, a new hybrid ROV/AUV technology, as a permanent subsea infrastructure for Life of Field management services

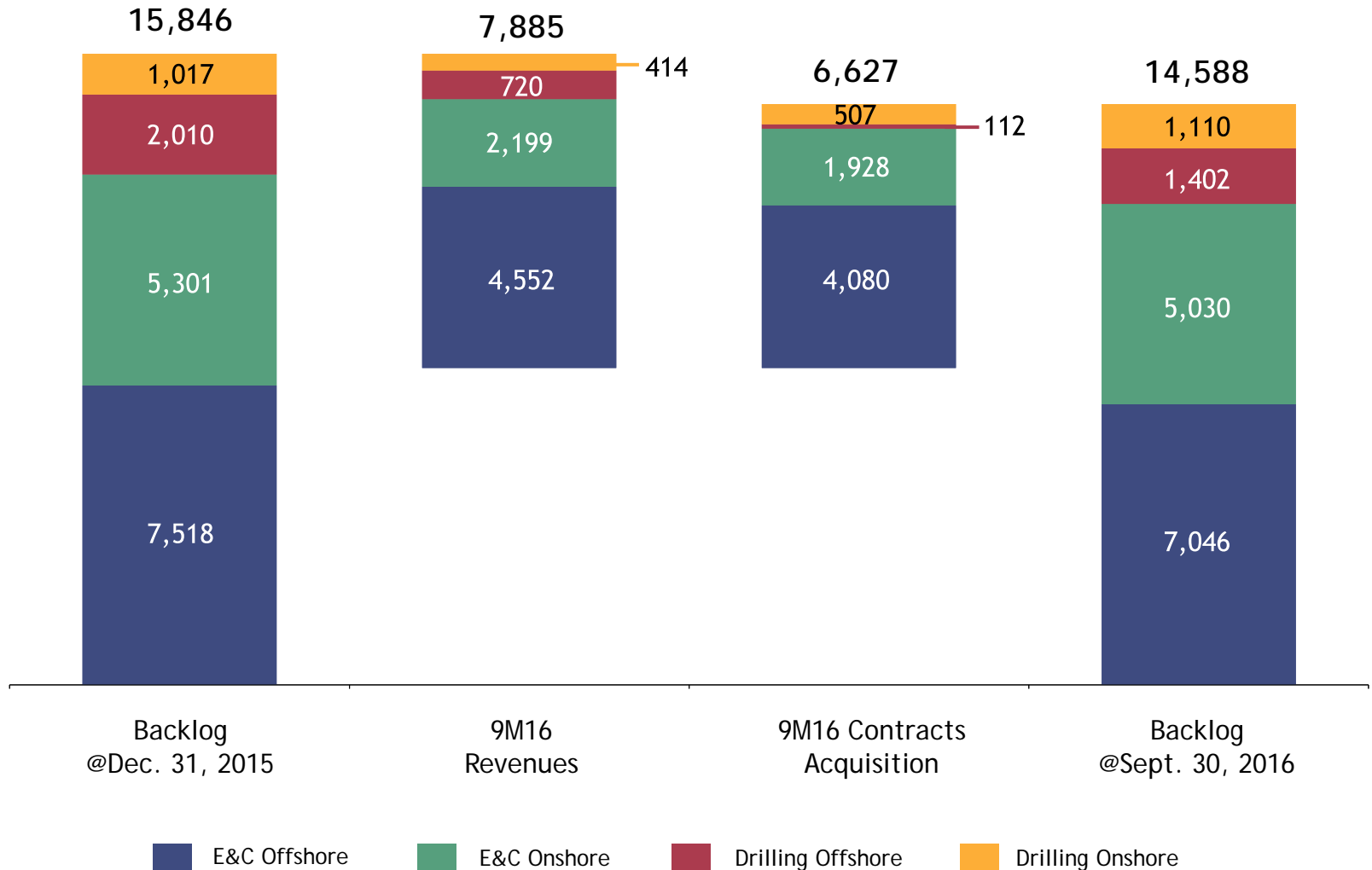


EXPLOIT LNG TECHNOLOGY AND MARKET KNOW-HOW

- Tandem Offloading Floating System for FLNG applications
- Pioneering experiences in the market of conversion of LNG Carriers

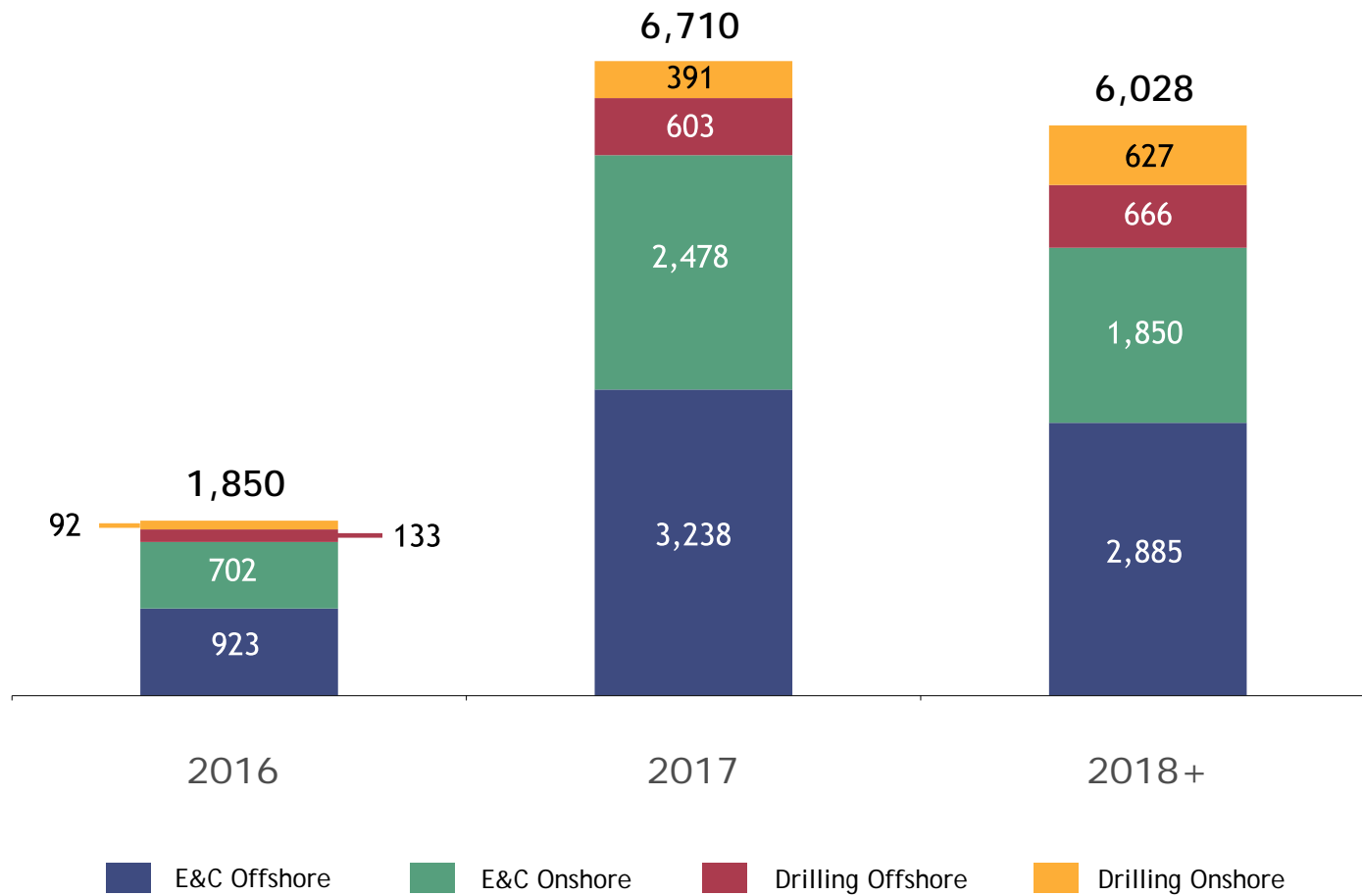
9M 2016 BACKLOG

(€ mn)



BACKLOG BY YEAR OF EXECUTION

(€ mn)



E&C OPPORTUNITIES

LEGEND

- OFFSHORE
- ONSHORE

Americas

- ExxonMobil Liza - subsea
- Sable Decommissioning - fixed facilities
- Kinder Morgan - onshore pipelines
- Codelco Rodomiro Tomic - onshore pipelines¹
- CFE pipelines - onshore pipelines
- Shell LNG Canada - LNG² (delayed)

West and North Africa

- Eni Shorouk future dev. - subsea/pipelines
- BG Burullus Phase IXB - subsea (delayed)
- Eni Zabazaba - FPSO and subsea
- Eni West Hub - subsea
- New Age FLNG FEED - FLNG
- Eni Loango field development - fixed facilities
- BP Platina URF - subsea
- BlackRhino Qua Iboe Power Plant - downstream
- Okpai Phase II Power Plant - downstream
- Quantum Methanol (early works) - downstream³
- E-Chem Petrochemical Complex - downstream
- GASCO Ethane Deep Cut Phase II - upstream - New

Asia Pacific

- Hess Equus - subsea/offshore pipelines
- Chevron Gehem Gendalo - FPU (post 2017)
- Shell Inpex Masela - FPU (post 2017)
- ONGC KG-98/2 - subsea - New
- Agri Nutrients Ballance Ammonia/Urea - downstream

Europe/ CIS and Central Asia

- Nord stream 2 - offshore pipelines
- BP Miller Decommissioning - fixed facilities
- CAT3 Ekofisk - fixed facilities
- INA Refinery - downstream
- SOCAR Baku Refinery - downstream - New
- Gazprom Moscow Refinery Upgrading FEED - downstream
- BUP Ammonia Plant - downstream (delayed)
- SEIC Sakhalin 2 LNG extension - LNG
- RFI TAV Brescia Verona - infrastructures
- High Speed Railway Moscow - Kazan - infrastructures - New

Middle East

- S. Aramco LTA development - offshore fixed facilities
- QP Bul Hanine EPCI - offshore fixed facilities (post 2017)
- KNPC New Refinery pipeline - onshore pipelines
- ADCO BAB Integrated Facilities - upstream (delayed)
- BGC Ar Ratawi NGL Gas Plant - upstream (post 2017)
- KOC GC32 - upstream
- ADCO Al Dabbi'ya ASR Development - upstream (delayed)
- DUQM Refinery - downstream (delayed)
- Oman TTC Ras Markaz Terminal - downstream (delayed)

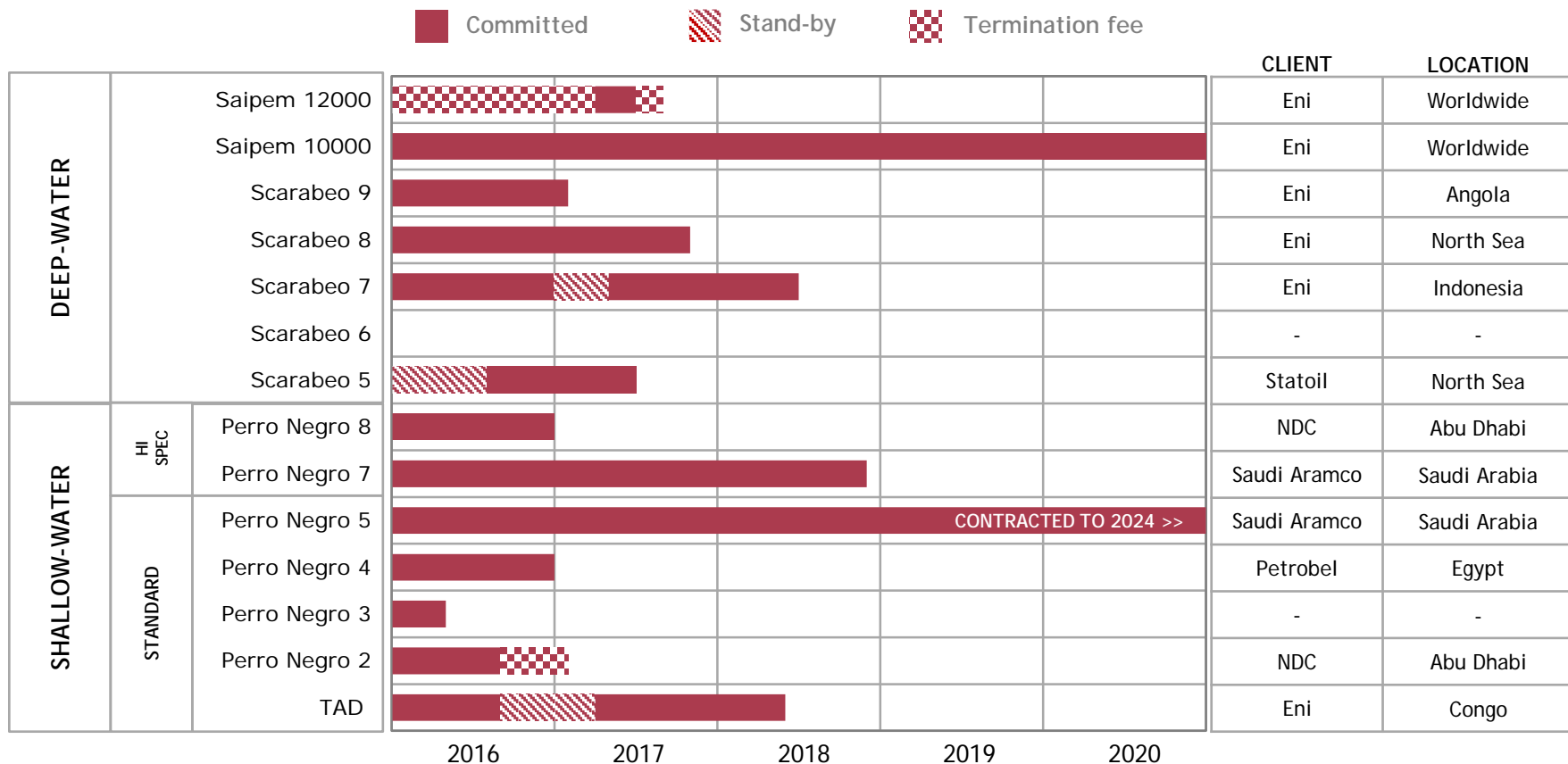
East Africa

- Eni Mamba - subsea (post 2017)
- Anadarko Golfinho - subsea (post 2017)
- Eni Onshore - LNG
- Anadarko Onshore - LNG⁴

1. Engineering phase ongoing. Execution phase subject to obtainment of environmental permits. 2. Preselected contractor for FEED and EPCM execution. Ongoing OBE updating to consolidate basis for client final investment decision. 3. Early Works awarded. 4. Selected contractor, award subject to client final investment decision.

UPDATE ON DRILLING

OFFSHORE DRILLING FLEET CONTRACTS



ONSHORE DRILLING FLEET 9M16 UTILISATION RATE: 66.7%



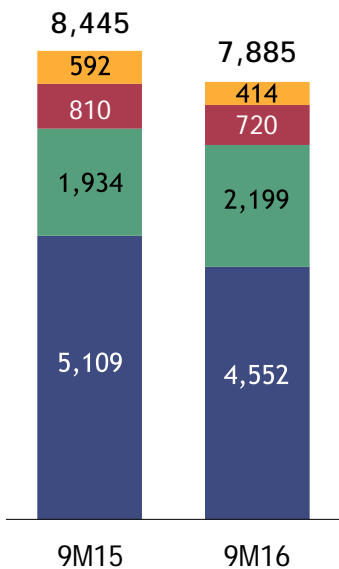
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9 MONTHS 2016 RESULTS

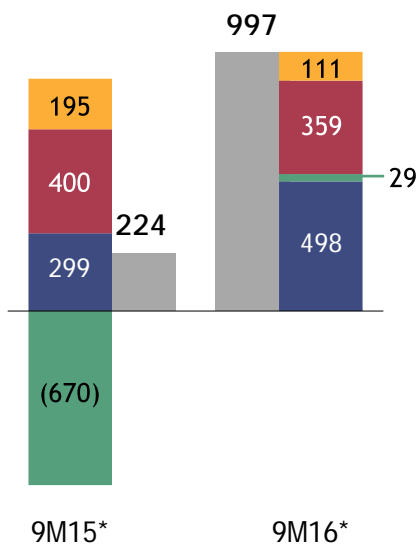
9M 2016 RESULTS

YoY COMPARISON (€ mn)

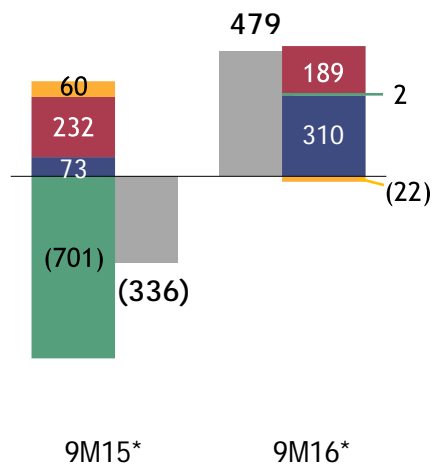
Revenues



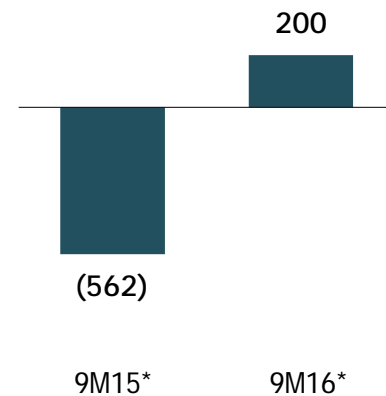
Adjusted EBITDA



Adjusted EBIT



Adjusted Net Profit

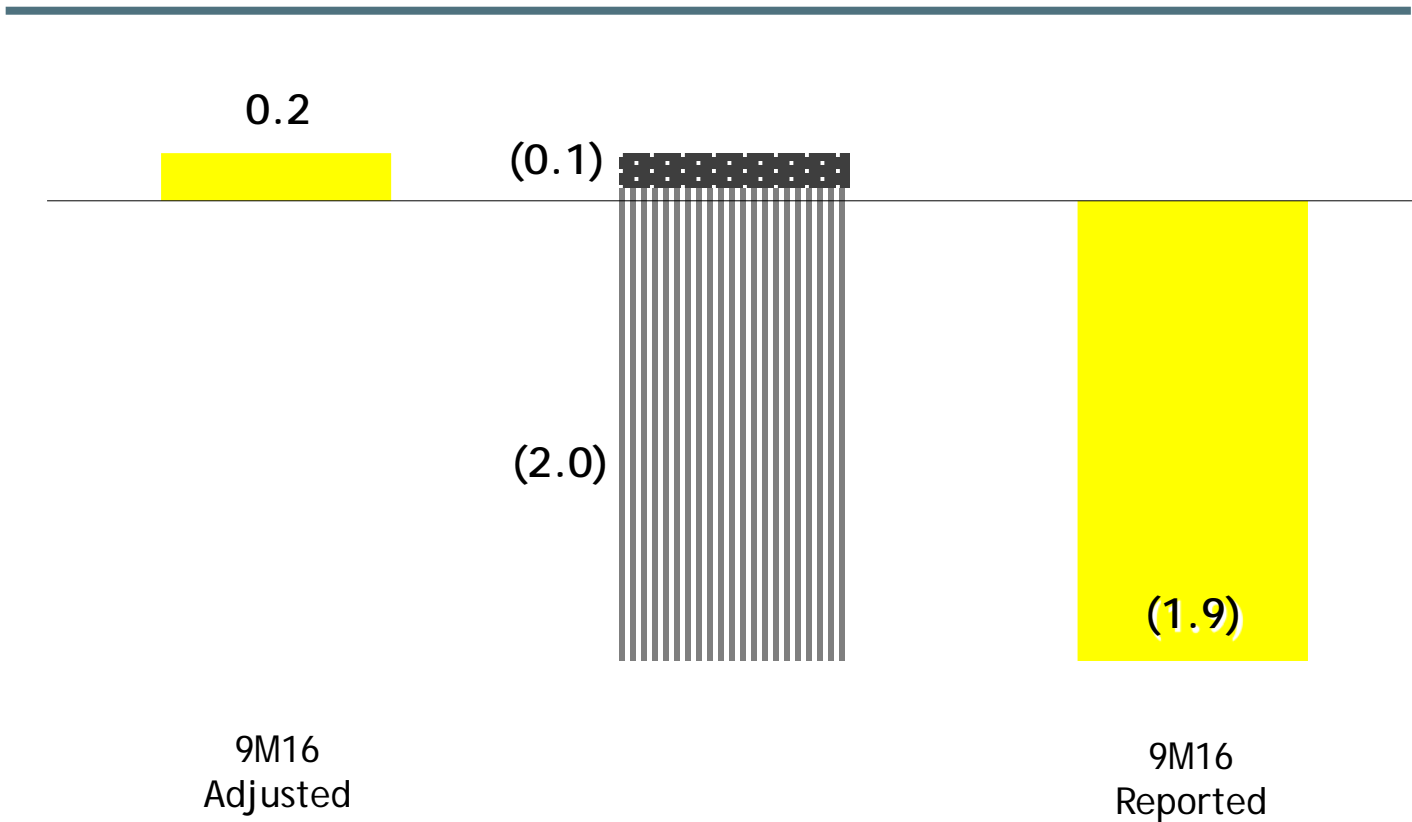


* EBITDA EBIT and Net Profit adjusted for special items

9M 2016 NET PROFIT REPORTED/ADJUSTED BRIDGING

(€ bn)

Net Profit



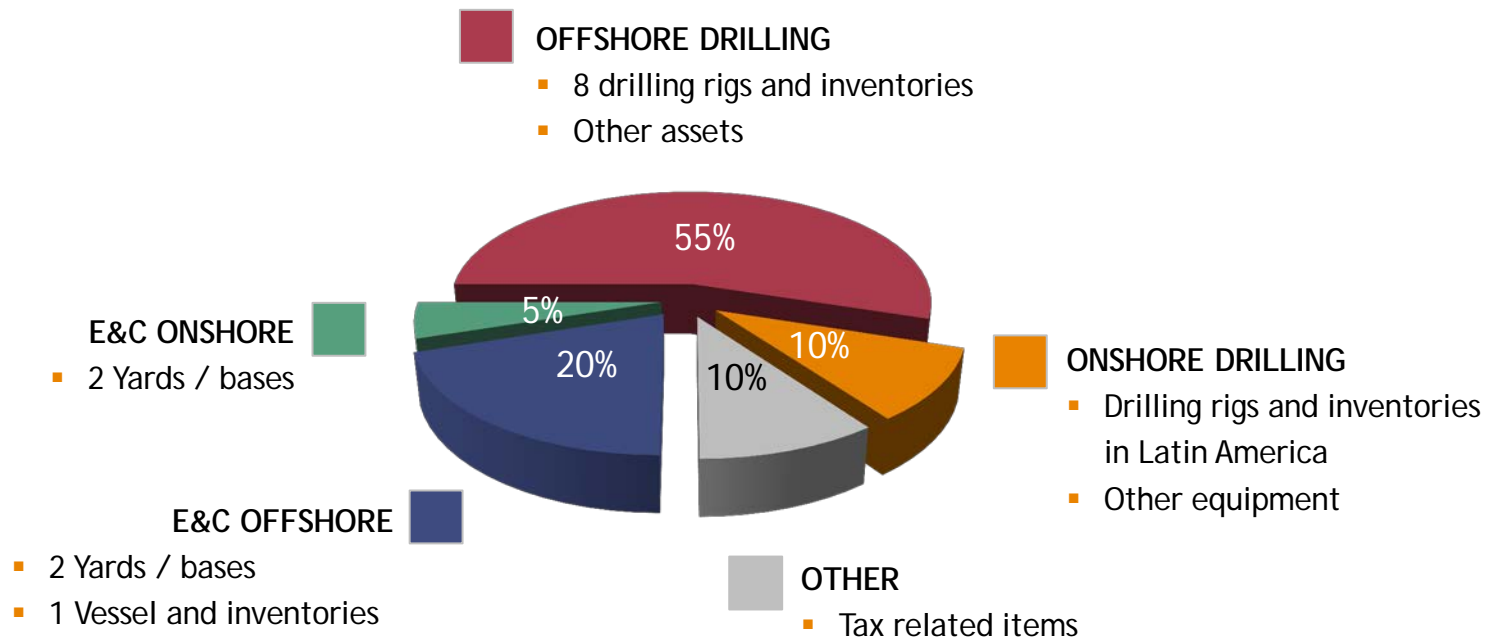
Receivables Write-off



Assets write off and impairment

PRELIMINARY ASSET WRITE OFF AND IMPAIRMENT

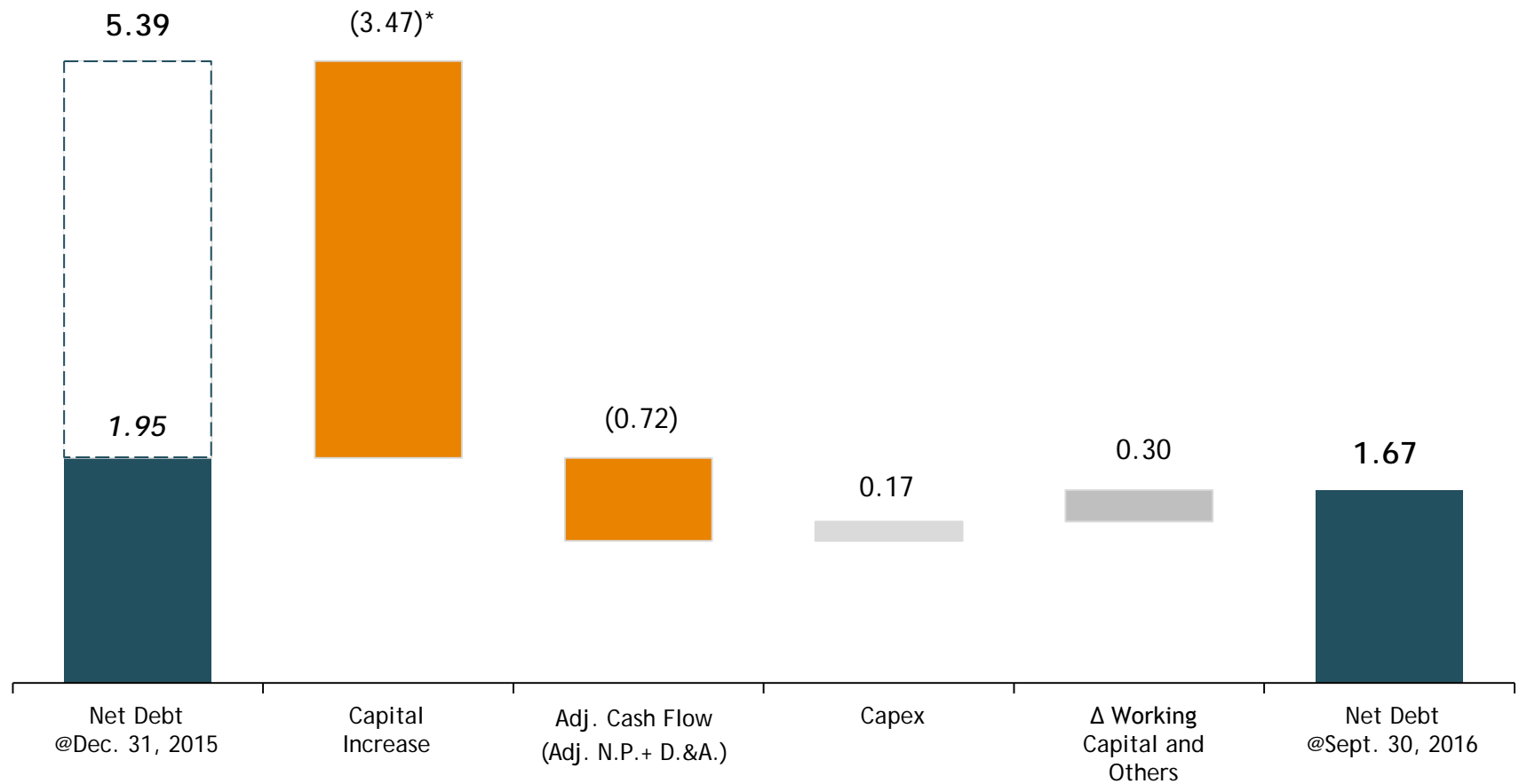
Total* c.€ 2 bn



* The final write off and impairment will be available with the annual financial accounts

9M 2016 NET DEBT EVOLUTION

(€ bn)



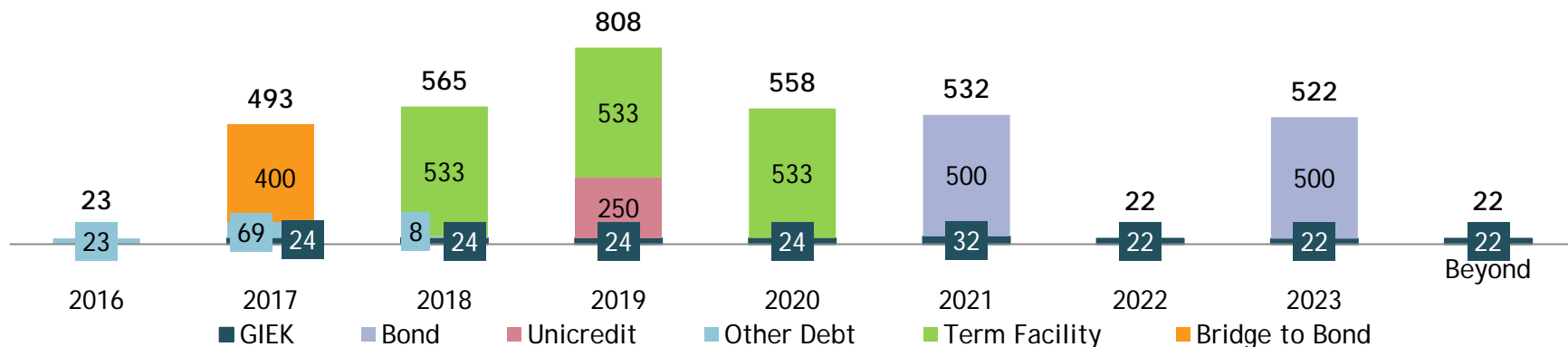
* Net of fees

STRENGTHENED DEBT PROFILE

Overall €1bn Inaugural Bonds completed

- €500mn 4.5y bond - fixed annual coupon 3.0%
- €500mn 7y bond - fixed annual coupon 3.75%
- Proceeds reducing bridge to bond to €400mn
- Listed on the Euro MTF of the Luxembourg Stock Exchange

Debt Maturity Profile (€ mn)



Liquidity and Available Financial Sources

- Significant cash available around €1.1bn (in addition to c.€0.7bn trapped)
- Cash facilities for c.€1.9bn: RCF €1.5bn and GIEK export facility c.€0.35bn
- Total guarantee lines of €8.8bn; €7.2bn utilised (including €2.3bn lines with eni)



2017 GUIDANCE AND CLOSING REMARKS

2017 GUIDANCE

Metrics	FY 2017
Revenues	<ul style="list-style-type: none"> ■ c.€10bn
EBITDA <i>% margin</i>	<ul style="list-style-type: none"> ■ c.€1bn ■ c.10%
Net profit	<ul style="list-style-type: none"> ■ Higher than €200mn*
CAPEX	<ul style="list-style-type: none"> ■ c.€400mn
Net financial position	<ul style="list-style-type: none"> ■ Below €1.4bn

CLOSING REMARKS

ROBUST 2016 OPERATIONAL PERFORMANCE AND STRENGTHENED FINANCIAL PROFILE

DECISIVE RESPONSE TO DELAYED MARKET RECOVERY

LEANER, MORE FOCUSED ORGANISATION TO ENHANCE STRATEGIC FLEXIBILITY,
PREPARING FOR MARKET UPTURN

2017 GUIDANCE SUPPORTED BY BACKLOG COVERAGE



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APPENDIX

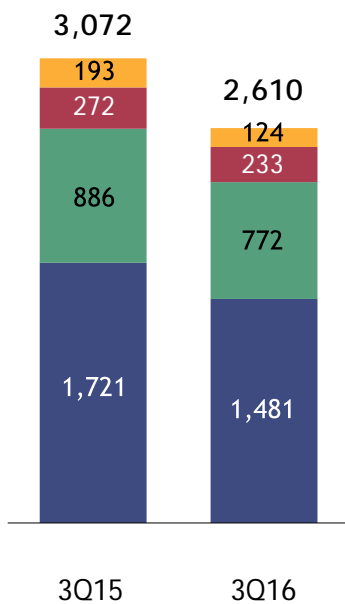
2016 GUIDANCE

Metrics	FY 2016
Revenues	<ul style="list-style-type: none"> c. €10.5bn
EBITDA Adjusted <i>% margin</i>	<ul style="list-style-type: none"> c. € 1.3bn* c. 12%*
EBIT Adjusted <i>% margin</i>	<ul style="list-style-type: none"> c. €600mn* ** c. 5.5%*
Net profit Adjusted	<ul style="list-style-type: none"> c. €250mn* **
CAPEX	<ul style="list-style-type: none"> Below €400mn
Net financial position	<ul style="list-style-type: none"> c. €1.5bn

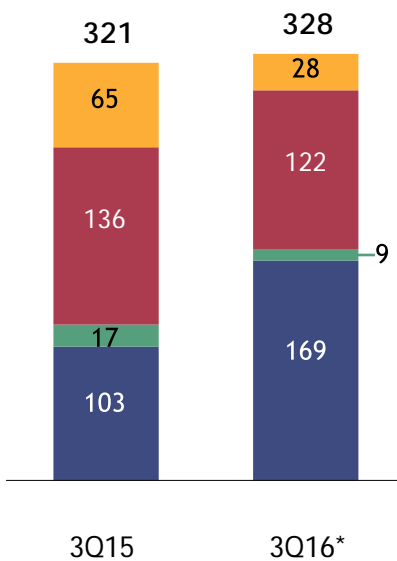
3Q 2016 RESULTS

YoY COMPARISON (€ mn)

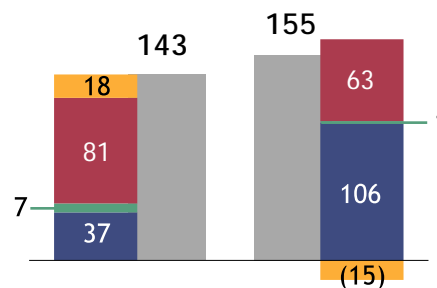
Revenues



Adjusted EBITDA



Adjusted EBIT



Adjusted Net Profit

