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2016-2019 Strategy: Building a stronger Saipem

Capital increase, debt refinancing and new strategic objectives

London, 27 October, 2015. The Board of Directors of Saipem S.p.A, chaired by Paolo Andrea Colombo, today approved the company's new strategic plan, involving a share capital increase, extraordinary debt refinancing and updated four-year business plan. The Board also resolved to convene an Extraordinary Shareholders' Meeting for 2 December 2015, to approve the share capital increase.

Highlights

A stronger balance sheet:

- Rights issue of up to €3,500 million, expected to be completed in Q1 2016;
- Irrevocable commitment from Eni to exercise its rights (today equivalent to around 43% of total capital increase); subject to completion of the acquisition of 12.5% of Saipem share capital from Eni, Fondo Strategico Italiano ("FSI") to irrevocably commit to exercise its rights;
- Pre-underwriting commitment by a syndicate of global banks to subscribe unexercised rights, if any, at conditions in line with market practice;
- Transaction aimed at reducing net leverage from expected 4.6x at 2015 Year-End to 1.7x on a pro forma basis¹;
- Remaining €3,200 million gross debt at closing to be refinanced by new credit lines fully committed by banking syndicate.
- Expected provisional public rating: investment grade

¹ Net leverage is defined as the ratio between net debt expected at year end and 2015 underlying ebitda, expected at €1.2 billion

A leaner business, focused on Saipem's core strengths:

- "Fit for the future" cost cutting target increased from €1,300m announced in July to €1,500m (2015-17 cumulated);
- Focus on core business, with identified disposal opportunities;
- EBIT margin expected to increase from around 5.5% in 2016 to >7.5% over the plan period.

De-risking across segments:

- In-depth review of risk management and commercial processes;
- Business mix to re-focus on higher value-added/lower-risk activities.

Disciplined financial policy:

- Capex < €600 million per annum 2016 and 2017;
- Working capital management: positive contribution to cash flow from 2016;
- Net debt <€1,500 million in 2016; <€1,000 million by 2017;
- Strong commitment to investment grade credit rating.

Stefano Cao, Saipem CEO, commented:

"Today's announcement marks a turning point for Saipem: we have a new shareholder structure, a strengthened balance sheet a new strategic plan.

The capital raise of up to €3.5 billion, strongly supported by Eni and Fondo Strategico Italiano, will bring our net debt back in line with our peers, at a level which I believe will secure an investment grade credit rating and therefore obtaining a competitive rate for the refinancing of €3.2 billion of outstanding debt. This provides a strong financial platform on which to build Saipem's future.

Saipem has a number of distinctive advantages: long-term client relationships, exposure to defensive markets and expertise in delivering large-scale, complex projects - both offshore and onshore.

We have acted quickly and incisively to downsize the cost base as required by the new oil-price scenario. Over the past few months we have launched a series of initiatives to rationalise our activities, increasing our cost savings target to €1.5bn by 2017.

The new visual identity and logo are a symbol of the profound transformation the group is undertaking with this new strategic plan.

With a strong balance sheet, a leaner operating structure and its distinctive business model Saipem is well positioned to improve profitability, deliver cash generation and shareholder value."

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Saipem's new strategic plan

Saipem has unique characteristics and competitive advantages thanks to its integrated business model, world-class assets and unique capabilities. But in common with the wider sector, Saipem faces a challenging market environment. Clients are increasingly focused on cost reduction, resulting in tougher negotiations, pressure on supply-chain margins, delays in new contract awards and - in some cases - project cancellations.

Nevertheless, in the medium term Saipem expects E&P spending to recover and Oilfield service demand-supply to rebalance. In this context, Saipem has launched a new strategic plan that will allow the Company to improve its competitive position in the current phase of the cycle and capture the upside of the future recovery.

A strengthened balance sheet

Saipem's current net debt profile - which is projected to reach 4.6x underlying ebitda² at 2015 Year-End - does not allow the company to fully exploit its competitive advantage in the current market environment.

Consequently, Saipem's Board of Directors has convened an Extraordinary Shareholders' Meeting for 2 December 2015 to approve a share capital increase of up to €3,500 million inclusive of share premium, in divisible form, to be offered with pre-emptive rights to the shareholders owning ordinary shares and savings shares of the Company, pursuant to Article 2441 of the Italian Civil Code, and subject to the limitations and restrictions set forth in the U.S. securities laws and other applicable law. The Board of Directors has also resolved to propose to the Extraordinary Shareholders' Meeting the elimination of the indication of share nominal value, with consequent modification of Articles 5 and 6 of the By-laws. Subject to the issuance of the relevant authorisations by the competent authorities, the rights issue is expected to take place in the first quarter of 2016.

In the context of the rights issue, Eni S.p.A. has irrevocably agreed to subscribe all ordinary newly issued shares pertaining to its portion of the share capital equal to 42.9% of the ordinary share capital of Saipem. It is worth noting that today, Eni has also signed a share purchase agreement with Fondo Strategico Italiano S.p.A. ("FSI") concerning the purchase of a participation equal to approximately 12.5% of the share capital of Saipem, as well as a shareholders' agreement to regulate the governance and the ownership structure of Saipem. Therefore FSI has taken an irrevocable commitment to exercise the portion of the rights issue pertaining to the transferred shares, subject to the completion of the sale. Hence, Eni's commitment will be proportionally reduced to the amount corresponding to the participation owned by Eni upon completion of the sale to FSI.

² Expected underlying ebitda at year-end 2015: €1.2bn

With regard to the remaining part, the Company has entered into a pre-underwriting agreement with Goldman Sachs International and J. P. Morgan Securities plc, acting as Joint Global Coordinators and Joint Bookrunners, and Banca IMI S.p.A, Citigroup Global Markets Limited, Deutsche Bank AG London Branch, Mediobanca - Banca di Credito Finanziario S.p.A. and Unicredit Corporate and Investment Banking, acting as Joint Bookrunners for the subscription of the rights that may remain unexercised following the rights issue subscription period and the auction of the unexercised rights pursuant to Article 2441, par. 3, of the Italian Civil Code, at conditions in line with market practice.

Following the rights issue, Saipem will have a much stronger capital structure with a pro forma net debt/underlying ebitda ratio of 1.7x (2015 Year-End), strengthening its competitive position with clients and counterparties. The rights issue is also a key pillar in Saipem's strategy of reaching financial independence from Eni, which has hitherto been its main lender providing 93% of gross debt. To this aim, the cash proceeds from the rights issue will be used for the repayment of the Saipem Group's indebtedness. The decision to reimburse the indebtedness towards Eni S.p.A. - which, in its capacity as Saipem's controlling company, is a related party of Saipem - has been approved by the Board of Directors of Saipem upon prior unanimous favourable opinion of the Risk Control Committee, with Leonardo & Co acting as independent advisor, pursuant to the Saipem Related Party Procedure. Considering the overall amount of the indebtedness towards Eni, the procedure for the transactions of major significance was applied. The Risk Control Committee unanimously expressed a favourable opinion on the reimbursement of indebtedness towards Eni SpA. The parties have signed an acknowledgement agreement aimed at defining how the pending contractual relationships between Eni and Saipem will be settled, the substitution of the warranties currently provided by Eni to Saipem and its subsidiaries, and the closure of derivatives contracts that exist between Eni and Saipem. Within seven days from the date of the decision pertaining the reimbursement of the indebtedness (i.e.: by 3 November 2015), Saipem will make available to the public the explanatory report on the Rights Issue prepared by the Board of Directors, including also the information provided for in the Article 5 of Consob Regulation No. 17221/2010.

Saipem has today entered into a mandate letter with a pool of banks including (i) Banca IMI S.p.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit S.p.A. as Mandated Lead Arrangers and Bookrunners, (ii) Goldman Sachs International and J.P.Morgan Limited as Joint Lead Arrangers; (iii) Intesa Sanpaolo S.p.A., Citibank N.A., Milan Branch, Deutsche Bank AG, Filiale Luxembourg, Mediobanca - Banca di Credito Finanziario S.p.A., UniCredit S.p.A., Goldman Sachs Lending Partners LLC and J.P.Morgan Chase Bank, N.A., Milan Branch, as Original Lenders, for the structuring of a new banking facility to, *inter alia*, refinance its remaining gross debt. The enhanced credit profile of Saipem following the rights issue will permit access to a wide pool of lenders and bank facilities with diversified maturities and a competitive cost of debt. The credit lines, of which the new banking facility is composed, are as follows:

- a Bridge to Bond of Euro 1,600 million, with an 18-month maturity, extensible by 6 additional months;

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- a Term Loan of Euro 1,600 million, with a 5-year maturity;
- a Revolving Credit Facility of Euro 1,500 million, with a 5-year maturity.

The financial resources deriving from the Bridge to Bond and from the Term Loan will be used by the Company to refinance its residual indebtedness towards Eni, while the Revolving Credit Facility will grant the Company the necessary liquidity to meet its current financial needs.

In light of the announced rights issue and debt refinancing, the Company expects to be granted an Investment Grade provisional public rating by two primary rating agencies (Moody's and Standard & Poor's).

Chiomenti Studio Legale and Lazard have respectively acted as legal and financial advisor of Saipem.

A leaner business, focused on our core strengths

To maximize Saipem's capacity to compete in the current market environment, the company has increased the targeted cost savings from the "Fit for the Future" plan announced upon approval of its H12015 results last July, from €1,300 million over the period 2015-2017 to €1,500m. The additional initiatives include the optimization of external costs and a further rationalisation in engineering capacity.

Expected benefits in terms of operating profits are €150m in 2015, €370m in 2016 and €480m in 2017³, with upside potential from the new measures recently identified.

In addition to the cost saving initiatives, Saipem has identified non-core assets to be disposed, such as its FPSOs and its infrastructure business segment in Italy.

The outcome will be a leaner operating model and streamlined portfolio which will support a renewed focus on Saipem's core businesses, where it can leverage distinctive assets, competences and technologies and underpin margin growth.

As the result of a reduced cost structure and a focus on higher margin activities, Saipem expects its ebit margin to improve to around 5.5% in 2016 and >7.5% over the course of its strategic plan.

De-risking across segments

The de-risking of Saipem's business profile will be pursued via a combination of initiatives, including a revised commercial process to ensure greater selectiveness. This includes the engagement of senior management in all significant commercial decisions and a strengthened risk analysis.

Saipem will also pursue a lower-risk business mix, increasing the weight of value-added engineering services.

³ The remaining euro 300m included in the euro 1.300m relate to avoided cost

Disciplined financial policy

As a result of the €10bn investment programme Saipem completed between 2007 and 2013, our near-term capital requirements are limited. Per annum investments in 2016 and 2017 are expected to be below €600 million, mostly focused on maintenance of the state-of-the art offshore E&C and drilling fleets.

A positive contribution to cashflow from working capital management is expected from 2016.

These measures will support organic cash generation. Net debt is anticipated to decline below €1,500 million in 2016 and below €1,000 million in 2017.

The financial policy of Saipem will be driven by a strong commitment to maintaining investment grade credit rating.

This press release should be read in conjunction with the condensed interim consolidated financial statements at June 30, 2015 and the statutory and consolidated financial statements of Saipem S.p.A. at December 31, 2014, which are already available on the Company's website (www.saipem.com) under the section "Investor Relations - Financial Information".

Saipem's Chief Financial and Compliance Officer, Mr 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 accounting data corresponds to the Company's documents and accounting books and entries.

By their nature, "forward-looking statements" are subject to risk and uncertainty since they are dependent upon circumstances which should, or are considered likely, to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions. Actual results could therefore differ materially from the forward-looking statements. The Financial Reports contain in-depth analyses of some of the aforementioned risks. Forward-looking statements are to be considered in the context of the date of their release.

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The offering into Italy of the securities mentioned in this press release will be made exclusively on the basis of the prospectus to be approved by the National Commission for Companies and the Stock Exchange (CONSOB) and to be published in accordance with the law.

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Each of Goldman Sachs International, J.P. Morgan Securities plc, Banca IMI S.p.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Mediobanca – Banca di Credito Finanziario S.p.A. and UniCredit Bank AG, Milan Branch are acting on behalf of Saipem S.p.A. and no one else in connection with the rights issue and will not be responsible to any other person for providing the protections afforded to their clients of or for providing advice in relation to the rights issue or any other matter or arrangement referred to in this announcement. None of Goldman Sachs International, J.P. Morgan Securities plc, Banca IMI S.p.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Mediobanca – Banca di Credito Finanziario S.p.A. and UniCredit Bank AG, Milan Branch nor any of their respective directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to Saipem S.p.A., its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

Conference call and webcast

A conference call and webcast will be hosted in London on October 28th at 10.00am GMT (11.00 am CET, 6:00am EDT, 3:00am PDT). It can be followed on Saipem's website www.saipem.com by clicking on the webcast banner on the home page, via the following link <http://edge.media-server.com/m/p/jyjfbe3j>.

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 the www.saipem.com website, around 1 hour 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 operates in the Engineering & Construction and Drilling businesses, with a strong bias towards oil & gas-related activities in remote areas and deep-waters. Saipem is a leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetization and heavy oil exploitation.

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