# Presentation to the Financial Community
1Q 2014 Consolidated Results

San Donato Milanese, April 24, 2014

# Forward-Looking Statements

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent on 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: 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.

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. Saipem S.p.A. does not undertake to review, revise or correct forward-looking statements once they have been released, barring cases required by Law.

Forward-looking statements neither represent nor can be considered as estimates for legal, accounting, fiscal or investment purposes. Forward-looking statements are not intended to provide assurances and/or solicit investment.

## Presentation Outline

1. Financial Results
2. Operational Update
3. 2014 Guidance
4. Q&A

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Good afternoon and welcome to the conference call to discuss Saipem first quarter 2014 results.

I'm here with Alberto Chiarini, Saipem's Chief Financial and Compliance Officer and Salvatore Colli, Saipem's Investor Relations.

Today we are going to go over the main points relating to our first quarter financial results, give you an update on the current backlog of both new and legacy projects, as well as update you on the operations within the Drilling and E&C business units.

I will finish with our comments on 2014 guidance, and then we will be happy to take your questions.

## 1Q 2014 Overview

- Further progress on execution of legacy contracts
- On-going working capital volatility impacting net debt at 31 March
- Strong order intake in Q1 on improved commercial terms
- 2014 guidance maintained, no impact from P55 operational incident

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Before we go into the detail, I would like to give you an overview of the first quarter.

As you know, our management objective has been to take actions which will stabilise Saipem in order to put in place the foundations for a sustainable recovery in profitability.

During the first quarter, we have continued to make progress on the physical execution and commercial discussion of our legacy contracts as we work with the clients to achieve the best outcome on these projects.

In the past few months we have experienced headwinds on working capital, which has impacted net debt in the first quarter. Saipem's management is focused on tackling the issue of payments.

We got a strong order intake in the first quarter, boosted by the significant South Stream contract win, and since the quarter end, I am pleased to say that we have won further contracts in excess of 3 billion euros all of them, in line with our commercial strategy implemented since the beginning of 2013.

Of course, the pace of our recovery is contingent on both these higher margin new business awards, and, on the progressive delivery of the low margin legacy contracts.

So, the details we will run through now, will provide the ground on which we are maintaining our guidance for 2014.

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# 1. Financial Results

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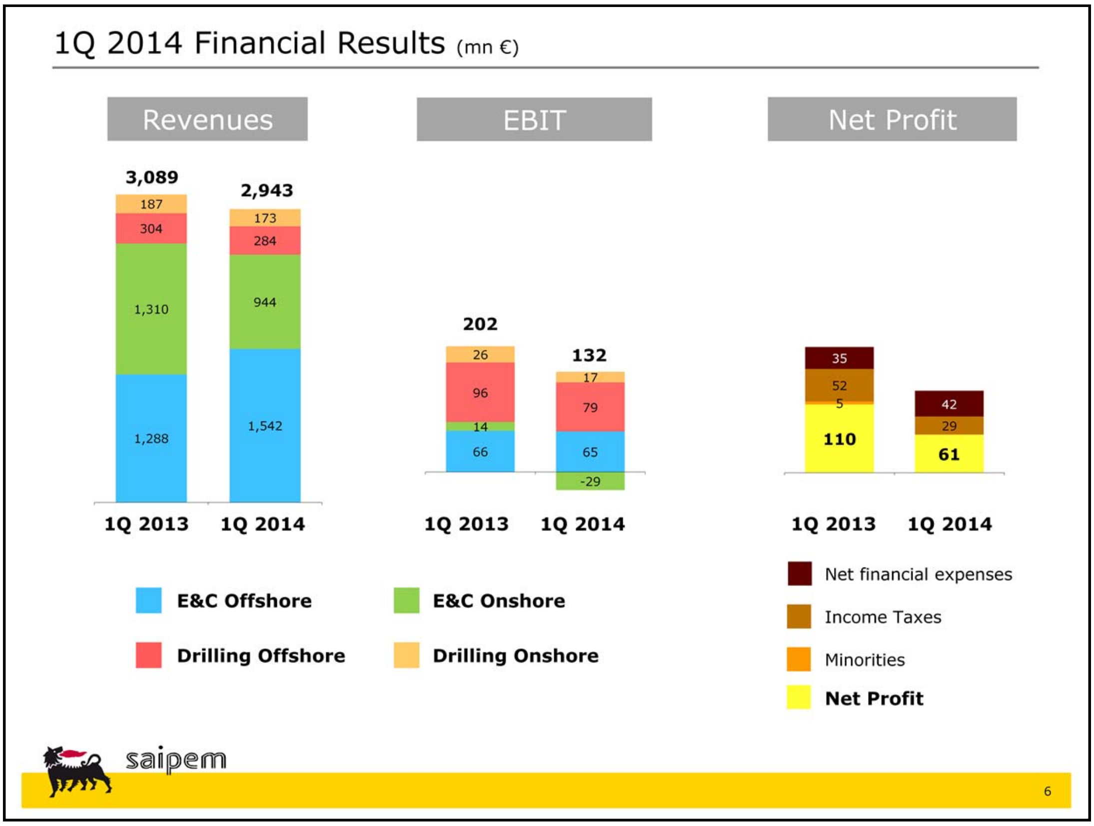



Before looking at the results in detail, I just want to draw your attention to the comparison of these numbers with those reported in Q1 2013. Especially for E&C Onshore, this is not entirely comparable since, as you recall, the Q1 2013 figures were representing the business before the issuing of the second profit warning in June 2013.

Moving on, revenues amounted to almost 3 billion euros in the first quarter of 2014, with more than 50% of those revenues coming from E&C Offshore, while E&C Onshore only accounted for approximately 30%. These results confirm that our revenue mix is moving towards the more profitable E&C Offshore segment.

In Drilling, the slight reduction in revenues compared to the first quarter of 2013 was mainly driven by the Scarabeo 7 downtime for scheduled maintenance activities that resulted in the need of more works than originally expected and that was not foreseeable until maintenance began.

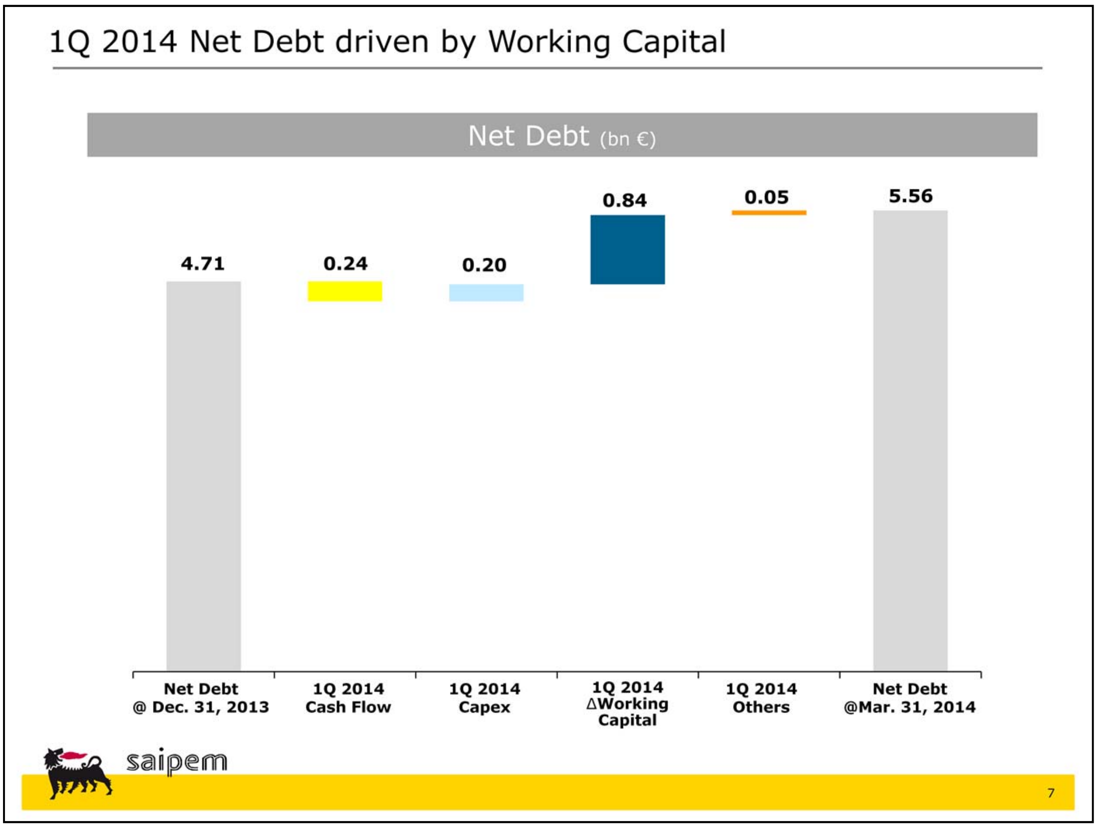
EBIT stands at 132 million euros. This includes the on-going negative contribution of 29 million euros from E&C Onshore driven by the execution of poor legacy contracts, in line with the 2014 guidance.

Meanwhile, E&C Offshore has started to benefit from the ramp-up of new projects won in 2013, but this positive movement has unfortunately been offset by the negative impact of the extra costs associated with an operational accident in Brazil. As you may know, on March 16, the FDS vessel experienced a problem during activity on the P55 project in the Roncador field. The accident was caused by a structural failure of equipment and resulted in damage of a portion of the pipeline being installed. A remedial action plan was implemented immediately and we have re-established safe operational conditions, which led to the installation activities being resumed from 5th April 2014. As a result of the incident, we have booked additional costs of around 40 million euros in the Q1 results.

I would like to remind you that P55 was one of the entry ticket contracts won in Brazil few years ago at low margin. The scope to absorb problems arising during the execution phase is limited, and we see their immediate impact on the P&L as a result.

Turning to Drilling's contribution to EBIT: in the 1Q we record the lower contribution from Scarabeo 7, currently under maintenance as already explained, as well as the start up costs of new onshore rigs in Saudi Arabia.

Finally, Net Profit stands at approximately 60 million euros, after financial expenses of approx. 40 million euros and taxes of around 30 million euros.




Turning to Net Debt, at the end of the quarter this stood at €5.56 bn, €850m higher than at the end of the fourth quarter 2013, reflecting the impact of the deterioration in working capital over the quarter.

There are four major drivers of the increase in working capital over the first quarter.

The first two components relate to the timing and structure of the payments and milestones within the terms and conditions of the contracts:

- The first is the reversal impact of the down-payments we received during 2013, from contracts won during the course of the year. Our Q4 cash position benefited from these down-payments, and during Q1 of this year we began the ramp-up of those projects, incurring the cash outflows associated with those 2013 down-payments. As you know, there was a lack of contract awards during H2 2013, meaning that these outflows were not off-set by new down-payments during Q1. This accounts for about 110 mln €. It has to be noted the Q1 did not benefit of downpayments of new contracts won in the period, such as South Stream and Jankrik, that are expected to be cashed in Q2.

- Secondly, a €430 mln deterioration derives from a combination of fewer, high value milestones across a series of large legacy contracts where bad payment terms are penalising cashflow. The largest single component is the €170m increase in the outstanding position for Wasit in Saudi Arabia during Q1.

The remaining two factors reflect the intensive commercial dialogue with some of our clients as we reach peak execution and complete the late stages of the largest legacy contracts:

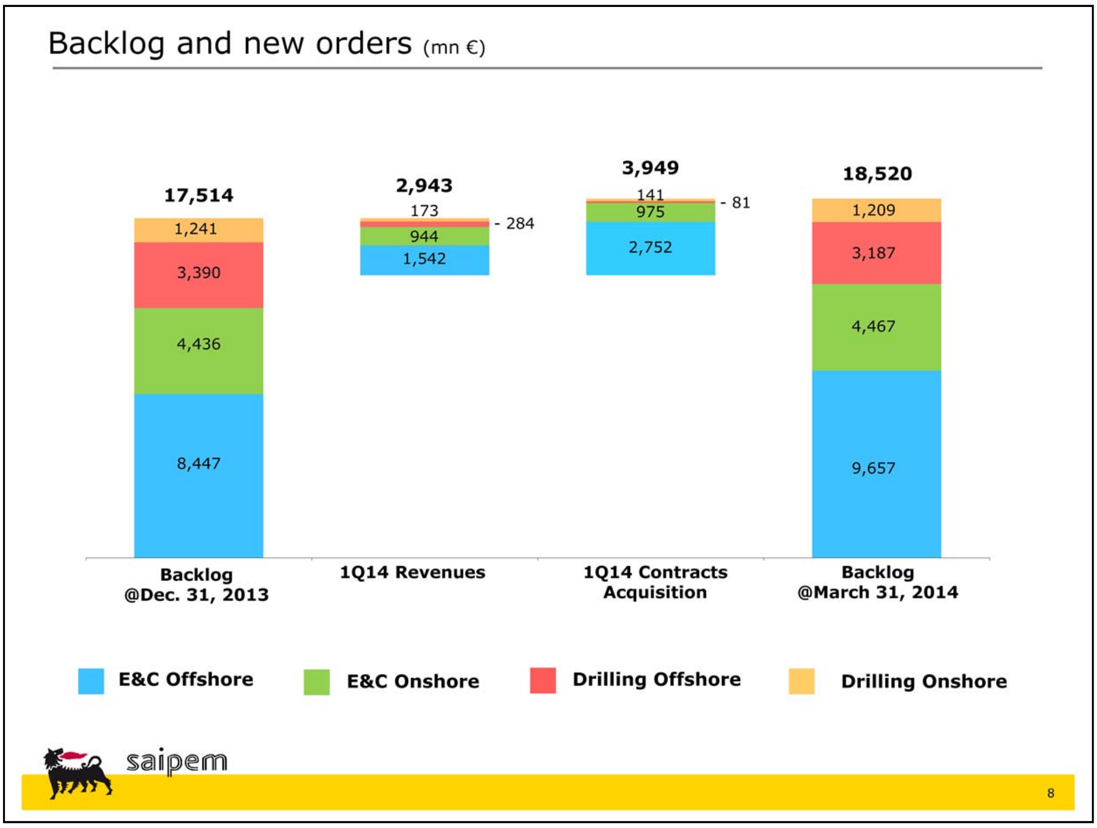
- Following the improvement in payments achieved in the run up to year end, there has been an increase in trade receivables of some €220 mln in Q1 due to delays in payments, mainly in Nigeria, Saudi Arabia, China, Venezuela and Egypt.

- Finally, coherently with the progress of the legacy contracts, there has been an increase in costs related to Change Orders still under negotiations of around €90 mln.

There are a number of factors that give us confidence that working capital will unwind steadily over the course of this year, with the company strictly focused on tackling the issue of payments. In particular:

- the discussions that we're having with our clients to obtain change orders approval;
- the schedule of our legacy projects, with several coming to an end during the course of 2014;
- the turnaround of the penalising cash flow profile of Wasit expected in Q314;
- the ramp up of activities for new projects with favourable payment conditions;
- and finally, as we will discuss in the upcoming slides, there are a number of sizeable commercial opportunities that could materialise in the coming weeks and months, down-payments from which will positively impact on our working capital.

For these reasons we are confident that the net debt guidance of 4.2 billion euros at year end is achievable, notwithstanding the headwinds seen in the first quarter.

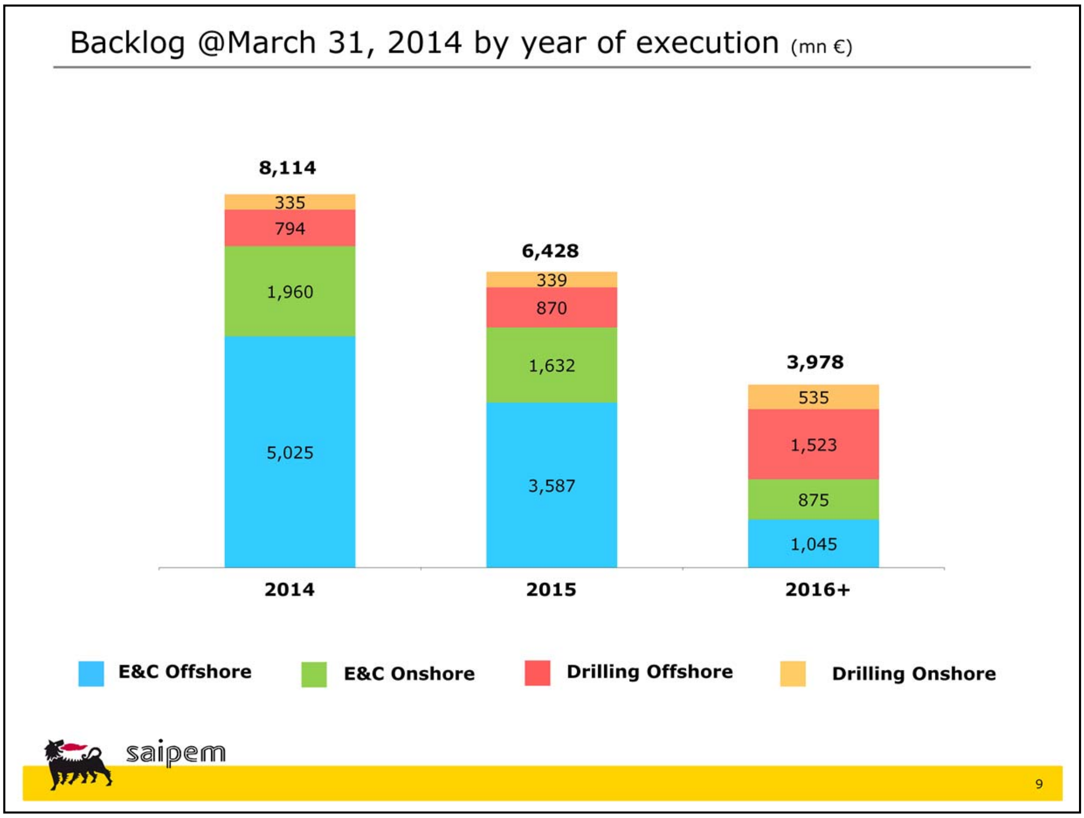



Moving to the backlog and new order intake, we have had a good start to the year. During the first quarter, we have reported a good order intake across all 3 E&C business units, amounting to approximately 4 billion euros. Some 600m euro is related to amendments and change orders on existing legacy contracts.

This includes some extremely important contract wins that we've already announced, in particular South Stream and Jangkrik. On South Stream activity is progressing as per the plan agreed with clients.

At the end of March, the overall backlog stood at 18.5 billion euros, with more than 50% represented by E&C Offshore.

As I've mentioned already, since the quarter end, we have seen further contract wins in excess of €3 billion with associated down payments expected in the coming months. We will go into some more detail on these new contract wins later on in the presentation.



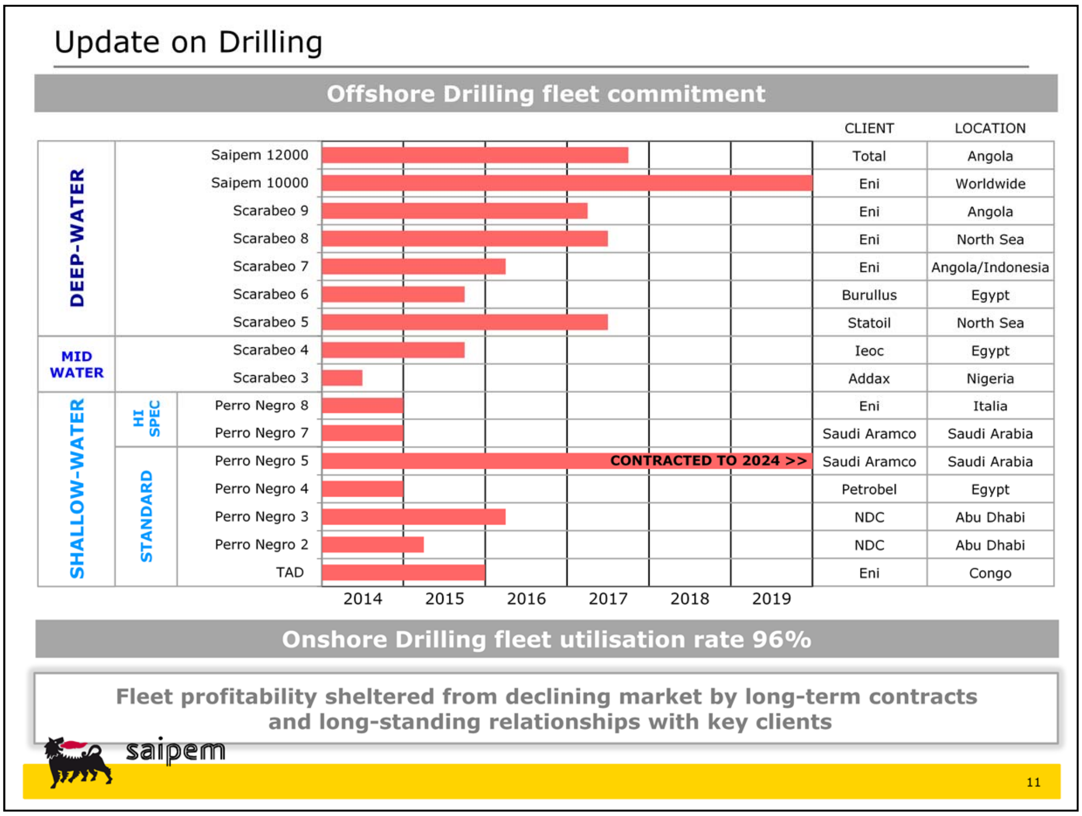

Looking now at the backlog by year of execution, you can see from this chart that out of the total backlog, 44% will be booked in 2014, 35% in 2015 and 21% in 2016 and onwards.

In terms of the projects to be executed in 2014, we have already reached a comfortable cover ratio ranging from 80% to 88%, and that gives us the confidence to maintain our Revenue's guidance for the full year.

Furthermore, the good level of order intake year to date, including the contracts won since the end of march, help to enhance the visibility we have on the performance of the business beyond 2014.

I now like to give some of the operational details underlying the forward looking factors that will drive 2014 performance and beyond.

## 2. Operational Update




...starting with the Drilling business.

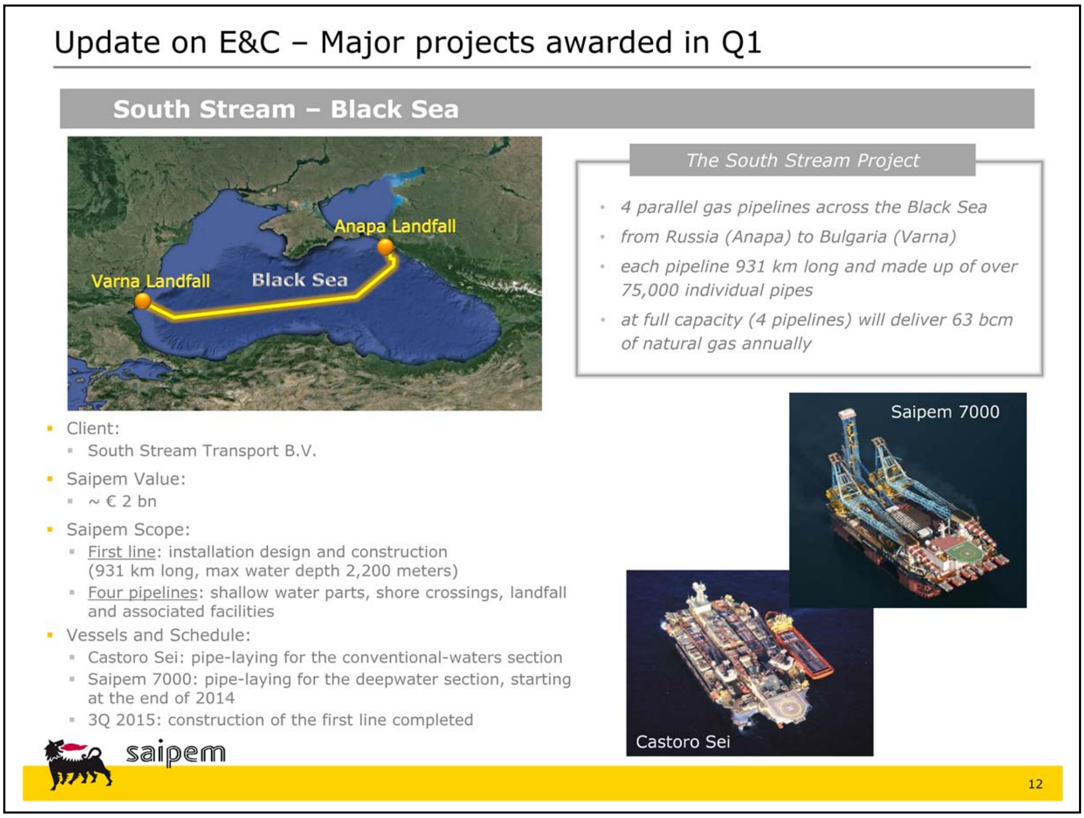
In Offshore, in the first quarter we signed an agreement to extend Scarabeo 4 until the third quarter of 2015 at a flat day rate. As per the Scarabeo 3, at the moment we are completing the activity on the current well, waiting for the final approval from the client for a 1 year extension until the first quarter of 2015, at the existing day rate.

Looking at the other segments of the fleet, we have a full utilization schedule for 2014.

Beyond 2014, top end deepwater units have contracts expiring no earlier than 2017, with the exception of SC7 and SC6 at the end of 2015, for which we are already started the commercial discussions.

In terms of jack-ups, we have already started marketing activities for the 4 units whose contracts will expire at the end of this year and we are confident in our ability to agree new contracts with improved terms.

In Onshore Drilling, the utilization rate in the quarter has remained very high, standing at 96%. As in the Offshore division, we have already started marketing those rigs whose contracts are expiring during the year and we have received indications of similar or slightly better rates.




I'd now like to update you on some significant news in the E&C business.

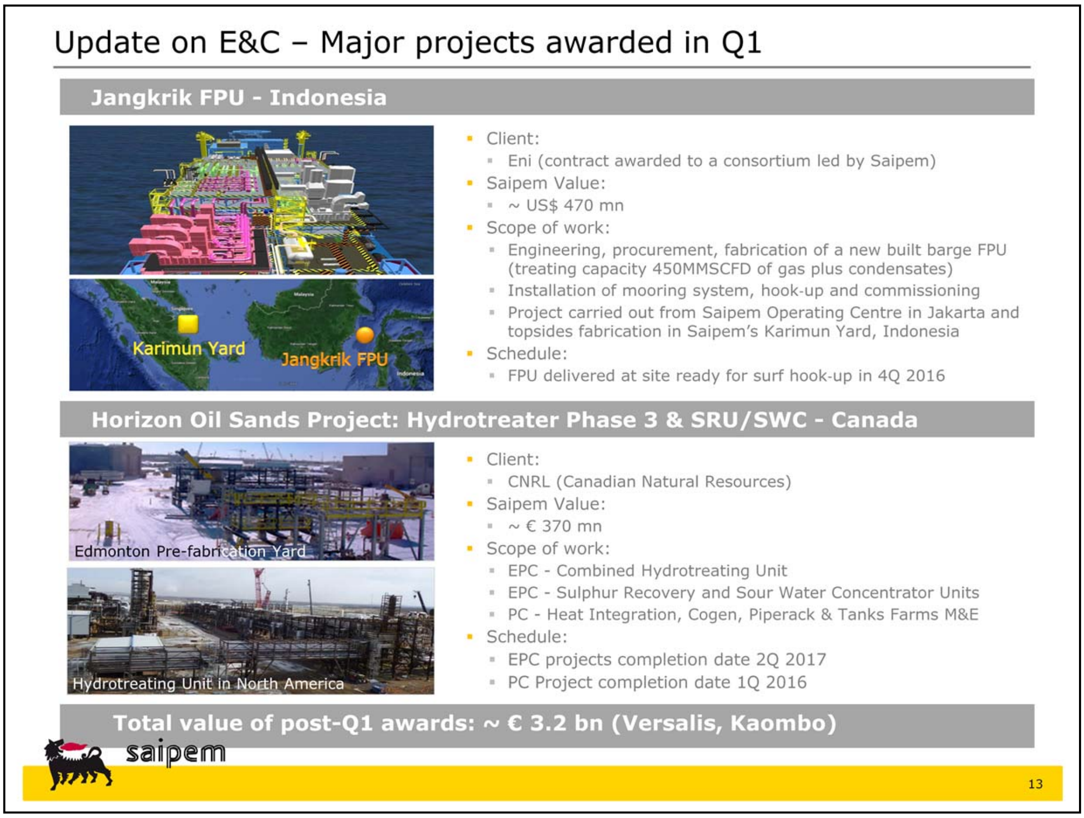
During the first quarter, we were awarded the long awaited contract for the construction of the first line of the South Stream, for a total value of approximately €2 billion.

It's a particularly challenging job that only very few companies could carry out: South Stream involves a system of pipelines from Russia to Bulgaria across the Black Sea, each 930 kilometres long and to be laid at a maximum water depth in excess of 2,200 meters.

Saipem will carry out the installation design and the construction for the entire first line, as well as the parts in shallow water, the shore crossings, the landfall and the associated facilities for the four pipelines.

The pipeline construction will be carried out by Saipem 7000, our state of the art J-Lay vessel suitable for ultra-deep water, which already constructed the Blue Stream pipeline in the Black Sea; and Castoro Sei, the S-lay vessel suitable for both shallow and deep water, which previously laid several trunklines, including the North Stream Pipeline.

Offshore deepwater activities for South Stream will commence towards the end of 2014.




Among the other major E&C awards in the quarter, it is worth mentioning the EPC for the Jankrik FPU for Eni, offshore Indonesia, for a total value of approximately 500 million dollars.

The topside fabrication activities will be carried out in Saipem's Karimun Island Yard, located in Indonesia.

This contract fits well with our strategy of growth in the area of Floaters construction, in regions such as Asia Pacific and Africa where we can exploit our well established local presence and our unique availability of fabrication yards.

Furthermore, in Canada, leveraging on our new Yard in Edmonton, we have won three E&C Onshore contracts amounting to approximately 500 million Canadian dollars.

CNRL (Canadian Natural Resources) awarded these contracts to Saipem for the development of the Hydrotreater Phase 3 of the Horizon Oil Sands Project, in the Athabasca region.

In addition, as we've already mentioned, since the end of March, we have won contracts worth more than 3 billion euro, out of which, I would particularly like to highlight the contracts for the construction, operation and maintenance of the 2 FPSO units for the Kaombo field, offshore Angola worth in total more than 4 billion dollars.

These new contracts confirm the strong commercial momentum we are seeing in the business.

# 3. 2014 Guidance


In terms of our full year, we maintain the guidance we issued at the beginning of the year, which is as follows:

- Revenues of €12.5 – 13.6bn
- EBIT of €600 – 750m
- Net Profit of €280 – 380m
- Capex of €750m
- Net debt target of €4.2bn

With respect to the EBIT and net profit targets, notwithstanding the incident in Brazil earlier this year on P55 which cost us an additional €40m, we maintain the original guidance due to the positive impact of our new contract wins which will take effect during the course of 2014.

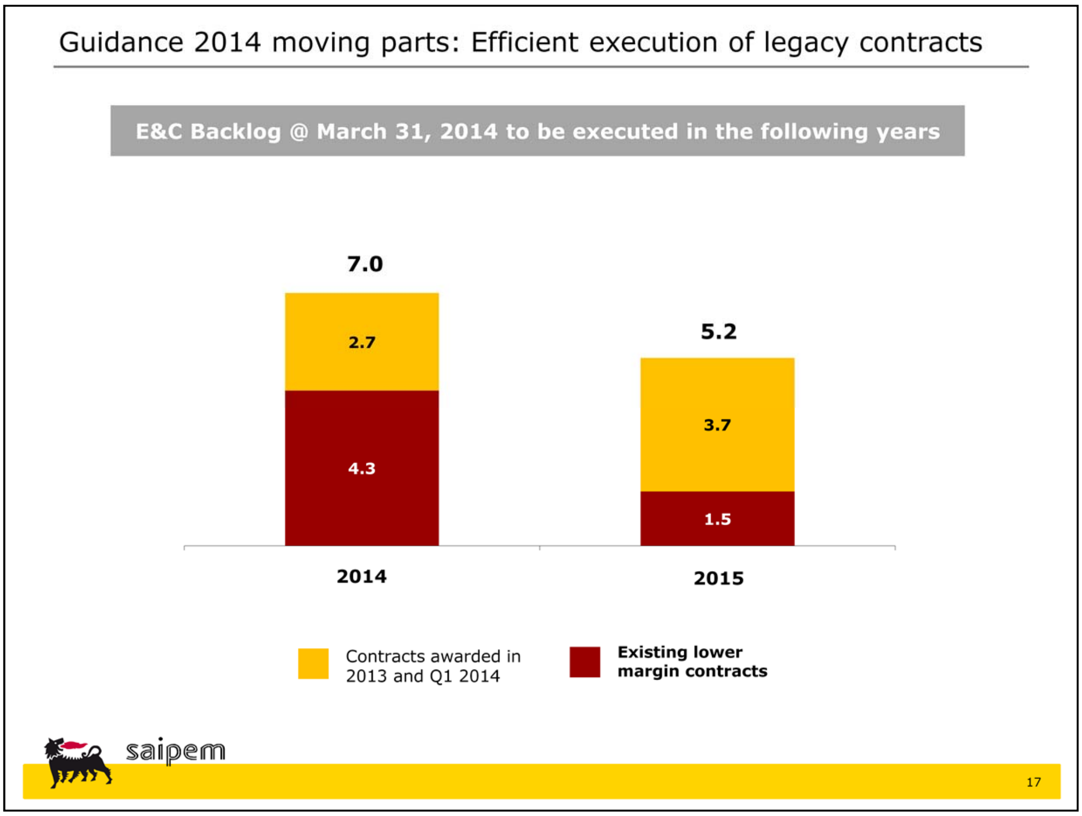
In terms of Net Debt, there are several factors underlying our on-going confidence in the target of €4.2 bn at year end that I would like to remind you of:

1. Firstly, some of the legacy contracts are due to be completed during the year, and we expect the pending and final payments on some of these to be made before the end of the year. It is therefore reasonable to expect a significant easing of our working capital position as result of the development of our portfolio characterized more and more by contracts with more favourable cash flow profiles.

2. Secondly, we have attractive commercial prospects which we are confident of converting into backlog over the course of the year. These will bring in additional down payments, further helping our working capital position.

3. Finally, on the basis of the €600m EBIT target, we anticipate generating around €250m of operating cash flow, which will be deployed towards a reduction of debt.


As we've said, we are maintaining our guidance for 2014, but achieving the guidance will depend on a number of moving parts as set out on this slide, and now I will take you through them one by one.

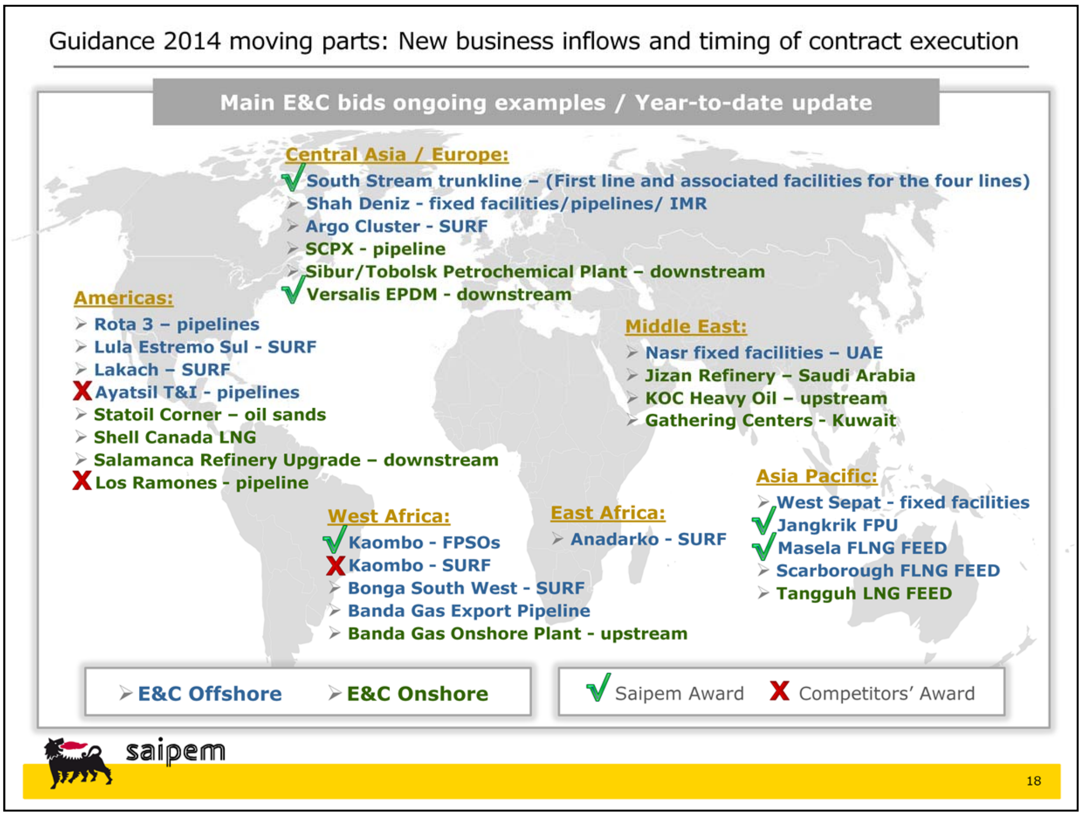



First one is the efficient execution of the legacy contracts.

This chart shows the breakdown of the E&C backlog between lower margin contracts and new contracts awarded since 2013, to be executed in both 2014 and 2015.

Looking solely at the existing lower margin contracts, the amount stands at 4,3 bn €; compared to year end 2013, there has been a reduction of some 600 mn as a result of the normal progress of the projects.

As you can see on the slide, the majority of legacy contracts will be executed from the backlog by the end of this year, with only a small portion amounting to 1,5 bn € to be executed in 2015.




The other two moving factors are the new order inflow and the time of execution of the new contracts.

You will remember this slide from our full year results in February, illustrating the principal E&C projects up for tender whose award is expected by the year end.

We want now to provide an update on those that Saipem has been awarded during the year to date.

As I've said, in Offshore we won the first line on South Stream not foreseen in the slide and we are now negotiating the second line job.

In the Asia Pacific region, Jankrik FPU has been secured; the FLNG Feed of Masela is not significant in terms of value but still important for potential future developments; in West Africa, Kaombo FPSOs have been awarded solely to us, whereas the SURF, that we bid in JV, went to another contractor.

In Onshore, in April, we were awarded the €200 million contract for the expansion of the Versalis plant in Italy.

The evolution of new awards during the first 4 months of 2014 confirms Saipem's competitiveness in the key business areas of trunklines, FPSO construction and complex onshore projects.

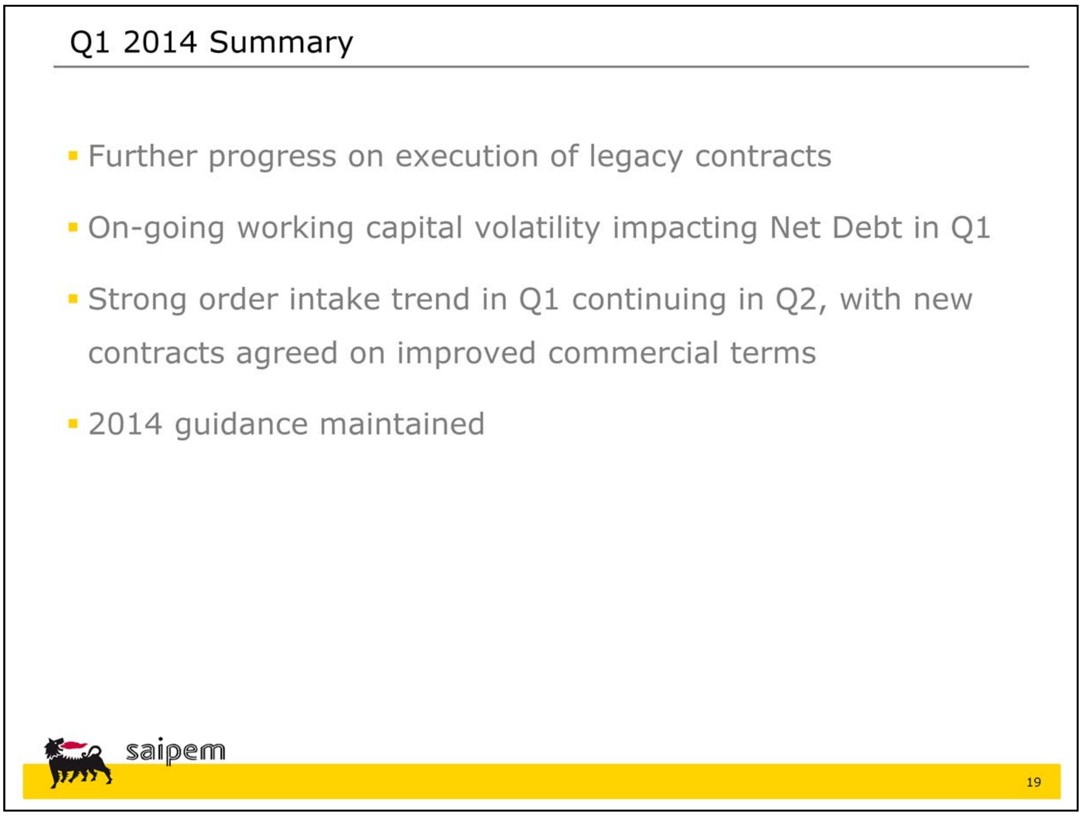
We are still competing and negotiating for a number of opportunities listed here and we are cautiously optimistic that we can achieve further awards, particularly in the

Americas and in the Middle East, where the projects still up for award play to Saipem's core strengths, both from geographical and technological perspectives.

Timing of award and execution of future contracts will be another important factor towards achieving the high end of our guidance.

As far as new contract wins year to date are concerned, they will provide limited contribution to 2014 figures. Just looking at the biggest ones, to give you an example, in South Stream, laying activities with Saipem 7000 will start at the end of 2014. Out of the four billion dollars of the Kaombo award, 3 billion pertains to a four year project where the first phase under execution this year is mainly engineering; the remaining 1 billion is related to operations and maintenance activities starting in 2017.

It should also be noted that a portion of order intake year to date is represented by change orders of legacy contracts, hence with no contribution to EBIT.




To sum up: we have made solid progress in the first quarter of 2014 towards stabilising the business and delivering the recovery.

On the legacy contracts, we confirm our constructive on-going relationships with clients and the continuous progress on execution that will result in the completion of the majority of these low margin contracts by the end of this year.

The strong order intake we've seen in the first quarter has continued into the second quarter, and we are pleased to confirm that all of these new contracts have terms in line with the clearly stated commercial strategy of this management team.

All of this activity allows us to maintain guidance for 2014 and we remain confident that the foundations are being laid for the return to profitable growth in the medium term.

On that note, I conclude the presentation, and Alberto and I would be happy to take your questions.

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# 4. Q&A

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