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PRESENTATION

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Good morning, ladies and gentlemen. Welcome to our Capital Markets Event today and the presentation of the full year 2017 results and strategy update. Since about a year, we have inaugurated this new format, with which I'm obviously leading the presentation together with Giulio, but we are extending the presentation to our colleagues, the head of the 5 divisions of Saipem. So I owe you a little bit of apologies in terms that we will -- our presentation today will take slightly longer. We'll try to compress it and I'll try to pressurize my colleagues to keep trying, but I'm afraid it will be slightly longer than usual. So we'll try to maximize the time for undertaking your questions.

I'm joined today by Giulio Bozzini, Chief Financial and Strategic Officer, and by the heads, as I said, of the divisions. Let me introduce one by one. Stefano Porcari is the Chief Operating Officer of the Offshore E&C. Mauro Piasere is the -- is In-charge for the XSIGHT; Marco Toninelli for Drilling Offshore; Francesco Racheli for Drilling Onshore. They will discuss the full year performance, provide you with an update of our strategy and announce the guidance for 2018.

I will speak briefly of the performance I like and our strategy update. As usual, Giulio will present our financial section. And then, as I said, you will see a directory, the divisions' heads to present their own businesses. Regrettably, I have to inform you that G.G. Caselli is no longer with Saipem. He is moving to other experience and I would wish to thank him for all the support he has given throughout the years to the company, and I'd like to wish him all success.

Now, I'm more than happy to welcome Maurizio Coratella. Coratella is the new Chief Operating Officer for the Onshore Division. And maybe I will ask Maurizio to spend 2 words on his own background and his own history.

Maurizio Coratella

Hello, everyone. My name is Maurizio Coratella. I've joined Saipem yesterday. Yesterday was my first day. Therefore, I will ask Stefano Cao to guide you through the onshore activities. I'm coming from measuring and construction experience. I spent few years in ABB. And then recently, I've been heading various division in Edison, starting from the power generation, through LNG, construction and I ended up my career in Edison as head of the upstream business. So I had the opportunity to see the business of energy transformation along the entire value chain, starting from molecules to power generation and upstream activities. Thank you.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Thank you, Maurizio. As he quite actually said, he joined us technically yesterday and so I will be taking you through the presentation as far as the Onshore E&C division for the last time.

Okay, let's move to the presentation. It will not be a surprise if I describe 2017 as a challenging year. We continued to navigate through a sustained trough in the cycle, but there is also much to be satisfied with our performance and the way we have met those challenges.

Let's turn to the highlights page. Over the year, E&C Offshore has delivered a good performance with the overall margin sustained by flagship projects. Regrettably, we saw some slowing of project progress and softening of volumes in Q4, but this revenue should be considered simply as shifted into 2018. In E&C Onshore, the headline result has of course been set back by the financial outcome of the LPG arbitration. Excluding this event, the adjusted EBITDA margins would have been in line with previous quarters recovering.

Offshore Drilling continued to deliver resilient margins, reflecting the quality of its long-term contracts. We expect these margins will be -- would lower progressively as new contracts at market rates commence operations. Onshore Drilling performed well outside of Latin America with full utilization in Middle East. In terms of future -- new business for the future, the group finished strongly with EUR 2.4 billion of new awards in Q4 and a closing backlog of EUR 12.4 billion.

I'm pleased to tell you that we have also made good progress on net debt reduction. The current total of EUR 1.3 billion is on target. And the legal settlement in Algeria is a real breakthrough, not only Saipem once again able to access a strategically vital market for our services, the settlement resolves a key piece of outstanding litigation facing the business.

Let me now give a brief strategic update on the way we have taken the group forward in the last 12 months. The restructuring by division is now complete. We have done as we promised by configuring the entire business to deliver the targets set, identify cost efficiency and capture new opportunities. Today, the group is well positioned to take full advantage of the recovery. The heads of our division will take you through some of the opportunities they see for each of their business later. But I wanted to say that I'm very positive about the way our company is now starting to anticipate the cycle, rather than being led by it. And we continue to focus on our core business, with the latest of our disposal, the maritime works business now completed. Finally, our guidance for 2018 is for group revenues in the range of EUR 8 billion, underpinned by nearly 80% backlog coverage and then EBITDA adjusted in excess of 10%.

Let me now hand you over to Giulio.

Giulio Bozzini - *Saipem S.p.A. - Chief Financial and Strategy Officer*

Thanks, Stefano, and good morning. Looking first at the overall group performances. Revenues amounted to EUR 9 billion, EUR 1 billion less than in 2016, mainly due to the significant contraction of E&C Offshore, Drilling Offshore and floaters, partially offset by higher volumes in E&C Onshore.

Adjusted EBITDA amounted to EUR 964 million compared with EUR 1,266 million in 2016, mainly as a result of lower activity in E&C Offshore and Drilling Offshore. The negative fourth quarter E&C Onshore EBITDA is chiefly due to the LPG arbitration decision. Adjusted net result amounted to

EUR 46 million versus EUR 226 million in 2016. The contraction is attributable to lower operating result, as well as to higher financial charges and a higher tax rate.

As in previous quarters, divisional performances are reported in line with the new organizational structure. Please note that floaters activities, previously part of the E&C Offshore are now included within the E&C Onshore division. We continue to provide in Q4 in 2017 a separate set for floater results. However, from the first quarter of 2018, we will report only new E&C Onshore division results.

E&C Offshore revenues decreased by 21% versus 2016, mainly due to lower activity in Kazakhstan and in Central and South America, partially offset by higher volumes in North Africa and Middle East. In the first quarter of 2017, revenues decreased significantly versus earlier 2017 quarter, both as a result of seasonality as well as the slippage into 2018 of activities originally scheduled to take place before the end of the year. Adjusted EBITDA decreased by 22% versus 2016 with margin very healthy at 15% versus 15.4% in 2016, despite the significant drop in activity, thanks to extremely good operational performance and lower idleness.

New E&C Onshore division revenues increased by 8% versus 2016, as a result of a 24% increase of E&C Onshore, thanks to higher activity, mainly Middle and Far East and in Kazakhstan, partly offset by a 34 decrease of floaters associated to a West African project. Turning to adjusted EBITDA, both 2016 and 2017 recorded a loss, but for different reason. In 2017, E&C Onshore was penalized in the last quarter mainly by the adverse ruling of the LPG arbitration. Setting aside this impact, fourth quarter 2017 adjusted EBITDA margin would be approximately in line with previous 2017 quarters, confirming the trend of gradual recovery. In 2016, floaters were penalized by significantly higher cost overruns recognized on the Kaombo project.

Drilling Offshore revenues decreased by 32% versus 2016, due to lower revenues and higher idleness. In particular, Scarabeo 9 underwent class reinstatement works in the first quarter of 2017. Scarabeo 7 was temporarily contracted on a stand-by rate. Perro Negro 2 and Perro Negro 3 were idle for the entire year and Scarabeo 5 was idle in the second half of 2017. Adjusted EBITDA decreased by 29% versus 2016, but margins were extremely resilient, despite lower activity, also thanks to cost savings action. 2017 results still partially benefited from long-term contracts negotiated in significantly better market environment. As the rates are renegotiated, they will align to current market conditions.

Drilling Onshore revenues decreased by 10% versus 2016, due to a further deterioration in the South American market. Adjusted EBITDA decreased by 23% versus 2016. Margins were penalized by depressed South American activities and by startup costs in Kuwait and Argentina.

Full year reported results include the following special items. Write-downs associated with asset rationalization and impairment test, totaling EUR 252 million. In Drilling Offshore, this refers to the write-down of a semi-submersible rig and relevant inventory due to the absence of commercial prospects, and a partial breakdown of few rigs resulting from the impairment test. In Drilling Onshore, several drilling rigs and inventory located in South America were fully written down due to the absence of commercial prospects. That settlement, as described in our press release dated May 26, 2017, totaling EUR 79 million. Provision for redundancy totaling EUR 43 million net of tax. Consistent with the above, full year 2017 adjusted profit is EUR 46 million with a reported loss of EUR 328 million.

In this slide, I address some items that have fluctuated significantly in recent years. Firstly D&A, we summarize the split by division for 2016 and 2017, when the significant decrease is attributable mainly to 2016 asset write-downs. In 2018, D&A will be lower by approximately EUR 50 million. The chief factors are 2017 write-downs in drilling, 1 FPSO and the useful life and 1 offshore drilling unit temporarily not depreciated due to its upgrading works.

Secondly, finance charges. Total cost in 2017 comprise financing costs resulting from an average EUR 3 billion gross debt at a blended interest rate of around 4%, which is inclusive of the cost of swapping approximately 1/3 of the debt in U.S. dollar or equivalent currencies; the cost of hedging in relation to an average portfolio of approximately $2 billion or equivalent currencies, and foreign exchange losses mainly due to residual exposure, as well as project-specific companies in joint ventures. Financing costs and hedging costs are a recurring component dependent on market rates and credit spread evolution. Foreign exchange losses are mostly a 2017 one-off event, replicable presumably to a much lesser extent mainly in the event of a significant U.S. dollar devaluation.

Thirdly tax rate. The 2017 tax rate, even adjusted, is clearly not indicative, since profit before tax was heavily impacted by the LPG arbitration. In a normal context of market and marginality, the group tax rate would be lower than 30% on the basis of the corporate income tax in the large majority of jurisdictions where we operate. However, in recent years, this was never the case even excluding one-off items, mainly because of: We took a conservative approach in recognizing deferred tax assets in loss making companies due to the uncertain market scenario and a higher incidence of withholding taxes since they apply to revenues. We expect these factors to continue to weight on the group tax rate at least in the short to medium term. As long as the market improves, the group tax rate should normalize close to the above indicated rate or even below if release on significant losses could be utilized.

Net debt at the end of December 2017 amounted to EUR 1.3 billion, in line with our improved guidance and confirming the trend of reduction from EUR 1.45 billion at the end of 2016 and from EUR 1.35 billion at the end of September 2017. As previously noted, 2017 net debt evolution was affected by nonrecurring outflows, distribution of cash associated with project joint ventures and tax settlement of around EUR 340 million.

Working capital dynamic was broadly in line with our expectations, with neither deterioration nor improvement. The positive evolution shown in this slide is largely due to an increase of debt versus Sonatrach mainly relevant to the LPG arbitration, which will be paid shortly, therefore impacting 2018 debt -- net debt position. Overall, the cash flow generated in 2017 was more than double the CapEx figures, which continue to be optimized, totally less than EUR 300 million at year-end.

Following the new EUR 500 million Eurobond issued in the fourth quarter of 2017 with maturity January 2025, this slide summarizes our financial profile as at 31st December 2017, characterized by an average debt maturity extended to 4.3 years, limited amounts to be reimbursed on average in 2018, 2019 and 2020, available cash amounting to EUR 1.4 billion versus EUR 0.9 billion at the end of 2016, undrawn committed cash facilities totaling approximately EUR 1.8 billion.

The introduction of new accounting principles is generating some uncertainties. I will try in this slide to summarize the expected impact on Saipem. With regard to IFRS 15 and IFRS 9, the impact will be limited and will be accounted for as a marginal decrease of shareholders equity at 1st January 2018. With regard to IFRS 16, first of all, please note that this is a very preliminary exercise, since the perimeter of application is not fully clear yet, given the peculiarities of our leasing contracts. In addition, since IFRS 16 will enter into application from January 1, 2019, it is difficult to predict the evolution in 2018, when some contracts will expire and others will be stipulated. Bearing that in mind, based on existing leasing contracts, we estimate net debt to increase in a range from approximately EUR 650 million to EUR 800 million. The difference arising from the inclusion or not of the contractual option. The amount is mainly related to E&C Offshore vessels on long term charters with options and to office leases.

EBITDA is estimated to increase around EUR 100 million. It goes without saying that this accounting principle will change the nature of EBITDA, not anymore an indication of cash generation. Leasing amount might also vary year-on-year depending entirely upon project-related leases of equipment. Once the final effect is determined, we will decide whether to provide you also with the management view in order to clarify such impacts.

Let me hand you back to Stefano.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Thank you. Giulio. Let's now move to group strategy updates. 2017 has been another difficult year for our industry, with only slight signs of recovery. Oil prices appear to have stabilized above $50 during the second half of 2017, though still quite volatile. Within this improved environment, E&P Global spending is expected to remain substantially flat, except for unconventional in the U.S. This leaves investments in the rest of the world still under pressure, especially offshore. Indeed, the majority of oil companies are maintaining flat budgets also in 2018, if not lower, although with increased flexibility. They will continue to focus on cash generation and returns to shareholders until stability is restored. The downturn forced our industry to adapt and focus intensely and in proven asset utilization. Diversification has helped certain players, and in particular, the growing demand for renewables is proving to be an opportunity. Through our new XSIGHT division, we are assessing an increasing demand for engineering services. We value this a vital signal of willingness to adopt early engagement approach to new development.

Margin requirements and cost efficiencies at favored brownfield solutions, enhancing existing field developers and improving production, especially in the North Sea. Demand remain resilient for gas projects and in the Middle East. Evidently, we intend to pursue an integrated offering model, applicable across all segments, not just subsea. In this context, Saipem is further strengthening its evolving global service provider attitude.

In Onshore E&C, the Middle East market is still promising, albeit competition remains strong. The LNG market is showing a few, but sizable initiatives, which have our full attention. We are also developing internally more scale LNG solutions, compatible with the rise in demand for regasification projects and driving down costs and time to market.

In Drilling Offshore, we sense a rise in request for quotation, mainly in the North Sea and harsh environments. Shallow water demand in Middle East is sustained, but so is competition. Offshore Drilling daily rates will remain under pressure until oversupply rebalances. While North America is driving the growth expected in nearshore drilling market, Latin America show little evidence of improvement. The Middle East remains stable with high demand, but increased competition.

You probably remember our 5 strategic pillars presented at the end of 2015. After 2 years, I'm pleased to summarize what we have delivered. We have achieved an absolute refocus on our core business through organizational reform. We now have divisions that are both fit for purpose and fully accountable for reaching the targets set. The divisions in turn have identified additional optimization measures to further contribute to our existing fit for future saving programs. The redundancy plan is progressing as scheduled. We continue to dispose our non-core assets -- our non-core business. And following the environmental logistic business and the right sizing of engineering centers, we confirm today the completion of the maritime works sale to Eiffage.

We have effectively rationalized our fleet through scrapped vessel [that] no longer strictly addressed market demand. Our business model is significantly de-risked with new commercial and risk management processes throughout, including the governance level. Our recent settlement in Algeria with our client Sonatrach is a very important achievement, reducing our exposure to litigation. But more importantly, enabling us to reenter in an historical market with great potential. Furthermore, we are currently reviewing our footprint in Latin America. I shall address technology later with a dedicated slide. Regarding our progress towards financial goals, Giulio already mentioned the recent bond issuance and the latest important achievement in strengthening our financial structure.

I will not expand too much on next slide, which gives you a snapshot of our worldwide geographical coverage and business segment footprint. Given the current environment, it is worth highlighting our attitude to diversification, which now extend to renewables, enables us to exploit different investment cycles to a more balanced portfolio mix. Being able to offer clients innovative business solutions that are joined up across geographies, services and experience is a key element in securing lasting relationships and crucially provide an opportunity to grow our business in new areas. An excellent example of this is XSIGHT, our independent engineering arm that provides early engagement by which we can demonstrate our experience and innovative aptitude to a wider client base.

Innovation. I'm convinced that at the heart of Saipem long-term sustainability is our investment in technology and innovation, a key pillar in our strategy. In line with previous statement, our R&D spending increase in 2017 doubled the average spending in the last few years. Circa 150 resources have been deployed in our team. And looking ahead, we expect to continue this trend by increasing further the overall spending in 4-year time frame. At the same time, our patent portfolio is one of the largest in our industry with an yearly increase of new patents filed. The main short-term drivers are business oriented. They mainly refer to project cost, efficiency and time to market, as well as advancing farther in the exploitation of oil and natural gas. The divisional heads will speak in more details on this in a moment.

As regard environment, Saipem has a distinguished history in oil spill response, offering comprehensive services and related training activities. We are proud to have recently completed for a consortium of oil and gas majors, the development of the most technologically advanced capping systems, main offset installation equipment, capable of being transported and installed on an underwater oil well during a blowout crisis. This can be done even in extreme conditions, such as those of a subsea blowout in intermediate water depths.

Shifting to low carbon energy resources, Saipem is pursuing several streams of actions in the renewable field beside the offshore wind sector, where we are already active. We are also working on offers for concentrated solar at biorefineries. Thanks to our background in CO_2 process technology, we are progressively building a dedicated portfolio to manage the overall CO_2 value chain, both for the purification of natural gas from the reservoirs with high CO2 content and for the capture of CO2 from combustion flue gas in power generation and industrial processes. Furthermore, CO2 utilization options for the production of methanol and urea are being explored for the potential industrial applications.

In terms of digital innovation, after having launched our innovation factory initiative, we have several initiatives ongoing. For example, the creation of a digital site, achieving very interesting results with the track and trace of assets and materials for construction, digitalization, the potential for using flying drones and rovers at Saipem yards and the application of vision technology for specific activities on the company's offshore fleet.

Following the presentation in March 2017, our new digital collaborative and data-centric platform for the entire project life cycle management, what we call xDIM, we are now under full development process, also by applying our innovative model -- as a pilot test to our innovative model for small scale LNG solution. Saipem is also contributing along with other players in the oil and gas industry to an industry-wide project called [Sifos] to promote the adoption of new standard for project and engineering data management and endeavor through digital technology. In the longer term, the adoption of this technology will favor the rise of a digital approach to capital projects, both in the PCI business model and the new service model. We expect a significant and positive impact, not only in the relationship between Saipem and the client, but also as regards to our supply chain.

Our ongoing effort to derisk the business is vital. Following our settlement with Sonatrach, the unbilled revenue subject to arbitration/court disputes has been reduced to around EUR 0.7 billion, out of which circa EUR 0.25 billion -- EUR 250 million have already been paid on a without prejudice basis by clients. The settlement agreement includes also the MLE project, where our client Sonatrach was in partnership with First Calgary Petroleum with an interest of 25%. Further details can be found in the Annual Report. And on the amount of unbilled revenues and the discussion with our clients, this has now bottomed to EUR 100 million, following the steady reduction since the end of 2014.

The optimization program has been further updated and improved with additional initiatives identified by each division, leading to an overall increase of the saving by EUR 40 million yearly, up to EUR 150 million run rate savings by end of 2019. While the redundancy program announced last year continues, approximately 100 additional redundancies have been identified in Italy and abroad by the E&C divisions and are expected to be completed in 2018. The overall cost related to our redundancy program implementation remains at EUR 190 million, due to some improvements of the original plan launched last year, offsetting the cost of our new additional measures. The yearly savings expected from the redundancy program has now increased to circa EUR 110 million.

Meanwhile, the optimization program done as part of divisional restructuring has generated a run rate savings of nearly EUR 40 million, including scrapping initiatives announced in July last year. Our focus continue to be on efficiency, as we work to adapt our organization to better feed current market conditions, maintain our competitiveness and position the company to benefit from the expected future up-cycle.

Moving to backlog. We closed the year with EUR 12.4 billion, down from our position of EUR 14.2 billion at the end of 2016. This was net of the impact related to the disposal of the maritime works segment to Eiffage, affecting the E&C Offshore backlog. Yearly book-to-bill ratio was about 0.8 as the result of EUR 7.4 billion of new orders awarded in 2017. Encouragingly, we enjoyed a strong final quarter of the year, during which circa EUR 2.7 billion of new orders were added to the backlog. As a consequence, our book-to-bill ratio in the second half of 2017 was above [16]. 94% of our awards were in the E&C businesses, including floaters, with a book-to-bill ratio of circa 0.85 during 2017.

I'd like to mention that also XSIGHT contributed to the backlog with orders amounting to circa EUR 40 million, thanks to the franchise efforts addressed in its initial engagement process with our clients. Drilling business saw encouraging sign of improvements in demand towards the end of the year and into 2018. Our backlog does not include the impact of Duqm project and the new contract secured in drilling offshore, which will be included in the first quarter 2018 backlog.

Regarding the backlog split by year of executions, you can appreciate that our 2018 revenue guidance is underpinned by nearly 80% coverage on contract already awarded. Please note that our revenue visibility improves when taking into consideration the change orders and smaller projects, which typically materialize quarterly on a recurrent basis.

Now, let me hand you over to the divisions to talk you through their respective business, starting with Mauro for his XSIGHT. Mauro?

Mauro Piasere

Thanks, Stefano, and good morning to you all. Once we've executed in activity, we're surely able to plan it and design it in a better way. That is our thinking behind bringing together more than 350 people from our Engineering and Construction division to create XSIGHT, with (inaudible) design solutions that take into account the challenges of our industry from first development up to the end of our supplies. Engineering is the backbone of XSIGHT by experiencing procurement, contracting strategy, stakeholder management, risk management, financing, can be drawn on internally to provide a more solid and comprehensive definition of each project. We put this wealth of EPCI experiences and competencies together into a lean organization where clients can easily find the accountable counterpart and where processes are simplified, so that data can be constantly monitored throughout the life of the project.

XSIGHT execution team is supporting the product lines by assembling cross-disciplined professionals that are able to deliver the service needed by the clients at the moment they need it, from conceptual feasibility phases.

We are also testing new technologies and applications, in particular in the renewable and green tech field in an effort to identify, even through partnership or acquisitions, the distinctive elements to develop further our competitiveness and increase value creation for the clients. There is a growing market demand for engaging contractors in early phases of the project definition. By meeting this demand and demonstrating XSIGHT's value proposition, we strengthen traditional client relationships, develop new ones and increase recognition as a reliable solution provider.

XSIGHT has identified 7 product lines covering onshore, offshore, floater and renewable projects. Each project is following specific internal and external drivers to identify and secure opportunities. For example, in the refinery product line, the upgrades needed to increase plant efficiency and our deep knowledge of the Eni slurry technologies enable XSIGHT to offer innovative solutions.

In the fertilizer product, our SuperCups reaction plates are providing up to 2% increased productivity in the plants using our Snamprogetti urea technology to improve overall efficiency in this very competitive market. On services, we have already deployed our plant predictive maintenance tool on an existing fertilizer plant, demonstrating the advantages of integrating the predicting tools of suppliers equipment with our digital analytical capabilities. Our final goal is to embed this concept during the project definition to further increase plant efficiency and reduce overall cost.

During 2018, the development at the industrial level of our xDIM collaborative platform will take place, enabling its use on acquired projects and improving the efficiency of project execution. XSIGHT is exploiting Saipem worldwide presence and at the same time expanding in new countries like South Africa and Argentina to improve client proximity and increase overall capabilities with a target of reaching over 400 resources by year-end.

In 2017, we have been selected to execute conceptual of greenfield plants and front-end engineering design, mainly in petrochemical, refinery, syngas and fertilizer. 2018 will still be characterized by many small initiatives due to the start-up nature of the division and the need to acquire market recognition and client trust. Despite their modest size, the prospect that could follow would be sizable opportunities for Saipem. Thank you.

Unidentified Company Representative

So in my temporary role of Chief Operating Officer of the Onshore division, I'll take you through the highlights for the division. In the final quarter of the year, 2 important projects for the onshore pipeline product line commenced. Spence Growth is a non-oil-related project in Chile, the overall scope of which is to build the desalination plant, a water pipeline and 3 pumping stations to supply water to the Spence copper mine located 1,700 meters above sea level. The project was awarded by Caitan, a joint venture between Mitsui and Tecnicas de Desalinazacion de Aguas, through a consortium between Saipem and Cobra Montajes Servicios y Agua, a Spanish company specializing in water treatment.

KOC feed pipelines for the new refinery project works include the APC of the crude feed pipeline from the South Tank Farm to the new Al-Zour refinery, for which Saipem has been also awarded the contract to build storage tanks and related facility to KNPC and the inter-refinery transfer product pipelines from Al-Zour refinery to the Mina Al-Ahmadi refinery. The activities are already ongoing and are planned to be completed within circa 3 years. We expect the E&C performances to continue improving in 2018, supported by the good project execution, divisional focus on greater efficiency, optimization and resources and leaner organization.

In terms of awards, our second-half year was much better than the first half with EUR 3.1 billion of new project wins. In November, we were awarded a contract for the Hawiyah Gas Plant expansion project, reaffirming the trust that Saudi Aramco has in Saipem and increasing our confidence of the solidity of the relationship also for possible future projects. The expansion will provide additional processing facilities for more than [1 million] standard cubic feet of raw sweet gas, vital for the kingdom's energy demand.

In November, we also announced the award of 9 maintenance packages in Mexico for Pemex Transformacion Industrial, controlled by Pemex, a client with whom we have a strong track record and a long lasting relationship. Following the closing of the year, we were also awarded the offsite facility Package 3 EPCC contract for the Duqm Refinery development project in Oman. The project is the first one launched by Duqm Refinery and Petrochemical Industries Company, a joint venture between the Oman Oil Company and Kuwait Petroleum Corporation. The project will be executed in consortium with CB&I and will allow us to be back in a very important country.

Commercial activities are very intense across all the product lines of the E&C Onshore division, as we show in the slide. We are working to consolidate our position in established markets such as Middle East and West Africa, while developing the new emerging markets, encompassing the South East Asia and East Africa. We are also pushing forward the Saipem's new presence in renewables, aiming at reaching a balanced and diversified portfolio in terms of products and regions.

We are commercially active in floaters, where there are some early engagements ongoing, and in the LNG sector, where we are pursuing important initiatives in East Africa. Concerning infrastructure and the much-awaited high-speed train in Italy, after some delays related with initial investment approval process, a green light is expected shortly from the Court of Auditors in Italy.

In E&C Onshore, we have identified 3 strategic dimensions to focus on. We intend to enhance our portfolio balance between oil and non-oil price-related projects, including gas, renewables and infrastructure. We are also expanding our interest in markets like South East Asia and East Africa, while contextually consolidating our presence in traditional markets like Middle East and West Africa, maintaining our relationship with NOCs. Another important dimension for the company is setting ambitious target in the technological buyout.

Since I've already talked about our target and efforts on CO2 management, let me spend few words on LNG, which is core to us. We have already defined and developed (inaudible) small scale products for the LNG regasification of natural gas liquefaction and selected [2 standard] capacities in various property solution for floating LNGs.

Finally, we are open to evaluating technological alliances and particularly for the renewables energy sector and local partnerships aiming at enhancing our competitive advantage and offering to our customers.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Stefano -- the other Stefano, now is your turn for the Offshore E&C.

Stefano Porcari

Thank you very much, Stefano, and good morning, ladies and gentlemen. The first slide lists our ongoing projects, each one representing a story of our endeavor and delivery safely, efficiently, on time and to the satisfaction of our clients. 2017 has been a very good year in terms of operating performances, underpinned by good execution and improved fleet utilization. Our portfolio is well diversified in terms of region, clients and products, and shows our push towards non-oil-related business such as decommissioning and renewables.

Without detailing every project, I just want to mention that 2018 will see the start of the [offer] of the offshore operations, for among others Johan Sverdrup, Tangguh, and the Nord Stream. Furthermore, we continue to work on Zohr. With optimized ramp-up phase awarded last year, we will add 6 new wells to the [residential] infrastructure.

Regarding Zohr, I want to share with you an example of great success both for Saipem and for our client Petrobel. Zohr represents in a first in industry, a time to market world record of 28 months from discovery to first gas, achieved through in a study to startup phase, starting at the beginning of the second half 2016. The right 17-month schedule imposed to plan, manage and coordinate a massive fleet deployment, [executed] agreed scope of work. The (inaudible) SURF, the Castorone for the pipeline. the Castoro 6 and the Castoro 10 for the shallow water and shore approach, (inaudible) Saipem 7000 for subsea structures and umbilicals, all required an incredible coordination in terms of project management and engineering skills. Another essential key success factor has been the early engagement, characterized by the mutual trust between us, our clients and our stakeholders, which led to a direct open and transparent commercial approach. The effective management of the local subcontractors and our innovative approach helped to deliver the challenging target. In fact, various technological solutions, such as a new procedure for non-destructive testing and a system preventing buckling and avoiding of (inaudible) significantly raised the productivity. This should not come as a one-time-only story, but should be an efficient model if we and our clients really want to reduce the cost of the project and the time to market.

In this slide, you can see our main recent awards. We have Manifa that works under the LTA with Saudi Aramco with whom we entertain a strong relationship, thanks to our track record in our distinctive local presence. With Eni, we formalized the [works of] development contract, which has incorporated previous work orders assigned in 2016 and 2017 and extended our scope of work also to the Vandumbu field. Let me also inform you of the -- our last award, the commissioning of [Warg A platform], a small project, which in addition to the already awarded Miller commissioning is a sign of our effectiveness in addressing this market.

This slide relates some of the opportunities we are commercially pursuing. Without entering into specific details, in addition to our strategic subsea market, I would like to highlight the fact that this lease includes all business segments, which are part of our portfolio and covers the regions we are currently present.

You can see now our 4-pillar strategy to become a leading global solution provider for the energy industry. Among them, technology plays a pivotal role, as it enhances our position in pursuing the other 3 pillars. We are starting new field architectures by combining new and existing technologies and providing clients with solutions aimed at reducing CapEx and OpEx costs. These savings can, by enabling even longer payback schemes, for instance, through new [fuel] transportation and preservation technologies like our electric Heat Traced Pipe-in-Pipe or our local heating station equipment. Other savings will come by moving surface process equipment to the seabed and shifting to all electric configuration, minimizing surface facilities upgrade in brownfield. At present, the neutralization program of SPRINGS, our seawater treatment system for injection is in line with schedule, while a further step has been taken with our [2 step] subsea liquid-to-liquid separator by completing a joint development phase with major operators. All these will see the setting up of a new operational models of the field. As for the life of field management, our I-drone, the advanced tool and the industrialization will be the backbone infrastructure for a new way to operate (inaudible) in existing and new subsea fields by drastically reducing the management from the surface.

We also need to justify our offering towards the commission [arrangements]. We are present in the offshore wind farm market and we are proposing the solutions aimed at reducing the cost of our production, installation and maintenance of the floating platforms, hosting the biggest wind turbine. Regarding the commission, our ambition is to extend the level of services, covering the complete decommissioning cycle from a late life asset management to facility exposure, including plug and abandonment aiming to reduce cost and interfaces.

On the other end, asset efficiency is achieved through both process and equipment innovation. We keep on working on improving our welding techniques, in particular for exotic materials. We are further extending the application of our plasma welding technology successfully implemented already in many projects on clad and carbon steel pipes. In addition, we are developing innovative materials as our plastic line pipe solutions [originally] and pioneering the thermoplastic composite pipes of deepwater for highly corrosive environment. Technology remains for us a plan differentiator and we started a digitization program to be integrated in the transformation process mentioned by Stefano on the technologies slide. I now leave the floor to Marco for the Offshore Drilling division.

Marco Toninelli

Good morning. I'll start with the recent awards. In the last quarter of 2017, we have added 2 significant contracts to our backlog, 2 well projects, one well, plus one option already exercised in first quarter '18 with Shell in Norway, we say Scarabeo 8, and a 10 months contract with ADNOC Drilling in the United Arab Emirates with the high spec jack-up rig rate. Activity has already been started at the end of December. In the first quarter of '18, we already acquired so far 5 wells in contract, plus 5 wells option for the Saipem TAD with Total Congo, operation started in February already. We are very satisfied with this recent acquisition, not only because they confirm initial signs of increasing demand, but also because it represents an expansion of our client base.

Some highlight about our contractual coverage. The drillship Saipem 12000 under contract with Eni after completion of our first well in Cyprus, due to Turkish military exercises, they could not perform the second schedule well and it is now moving to Morocco. The situation changed our plan for 2018, postponing the well in Portugal to the second half of the year, after Morocco. and in the meanwhile, we are marketing a rig to secure businesses for other in-between windows.

Scarabeo 9 is currently working in the Black Sea on the first well and we are expecting one optional well. Scarabeo 8 is currently undertaking the preparation for the 2 wells project in Shell -- north of Shell Norway and we are currently in the final stage on the negotiation with another client for activity on continuation after Shell. We are positive about Scarabeo 8, as we expect the harsh environment segment in Norway and in the Barents Sea that will show a quicker than the -- recovery than the rest of the market. Scarabeo 7, we are currently in discussion with our client in light of a possible activity in the APAC area. Coming to Scarabeo 5, it is kept on its warm stacking mode as we believe it will still play a role in the market and we are ready to reactivate it as soon as business opportunity arises. Moving to our jack-ups, with the sole of exception of Perro Negro 2, they are all operating in the Middle East.

Coming to investment and fleet improvement, I would like to highlight that during 2017, Scarabeo 9 has been successfully modified for the crossing of the Bosphorus Strait, which opens a new promising market with a limited number of rigs. In view of the Mozambique project for Eni, we are preparing the upgrade of Saipem 12000 with installation by complete second BOP, fully align the ship to new built top-class new ship. And finally we strongly believe in the potential for digital solution in our industry and we have launched a number of concrete initiatives, among which is Smart rig, Virtual rig and the Smart HSE solution and more or less Scarabeo 8 digital twin is well undergoing and assessment is ongoing for implementation on the rest of the fleet.

Our strategy still in a challenged environment, our focus has been and will be on securing businesses for our fleet, both by consolidating our relationship with strategic clients and diversifying and expanding our client base. Our sentiment is positive and we have decided where possible to favor short-term commitments to maximize our flexibility in a market upturn. Focus will be kept on operational efficiency, optimizing the cost base and thoroughly reviewing our processes. Digitalization proved to be an important enabler with an immediate effect in terms of improved agility, flexibility and reactiveness. We are tackling new revenue streams, in particular, integrated services and plug and abandonment, related jointly with E&C division offshore. Finally, the current market scenario is challenging and complex, but is also promising opportunities for partnerships. Thank you.

Francesco Racheli

Thanks a lot, Marco, and good morning to you all. On this slide, you can see Saipem's Onshore Drilling fleet, which is made up of 84 rigs that are either operating or ready to operate. We recently wrote off some 17 rigs, whose technical features were deemed to be not aligned and suitable to the customer tender specs. And we mentioned some recent significant contract awards; Shell in Bolivia, 3,000 horsepower for deep gas well; Total in Argentina, [UMB] in Romania for exploration activity and (inaudible) in Kazakhstan, 2 rigs for long term commitments. We have noticed in the last 3 months a slight increase in request for quotations year-over-year in Latin America, which is encouraging. As a consequence and given Saipem's nimble 84 asset fleet, the utilization rate improvement can be comparatively switched. This is the most important metric directly linked to overall business profitability.

This slide, you see a focus on Latin America. Petrex, our Latin American subsidiary is currently present in 6 countries, Bolivia, Peru, Ecuador, Colombia, Venezuela and the recently added Argentina, with interests in the Vaca Muerta unconventional field. Over the last 6 months, we launched a project called Bullet Train, aiming at rightsizing Latin America operations, adjusting them to current business requirements and market size. We have substantially reduced backroom, that indirect expenses, especially in our headquarters in Peru. We trained the number and footprint of select operating basis and we have realigned our onshore fleet to current market requirements through selected write-offs and scrappage of some assets. We are focused on countries and business segments where we can provide more value-added to our clients, very deep, high-pressure gas well in Bolivia, unconventional projects in Argentina, such as shale. From a cash standpoint, we have identified specific actions and follow-ups under continuous effort aimed at recovering our overdue, although written off receivables helped with some of our clients in Latin America.

With the reference to our strategy, we have identified 4 pillars. The first one, operations excellence and margin enhancement. In addition to our cost optimization initiatives currently underway, we launched the implementation of a series of focused rig vital science, that is KPIs, to increase the profitability of our division, yet reducing the working capital required on a per rig basis. Commercially, our most important measurement is obviously the fleet's utilization rate, which we target to increase.

Second pillar is geographical expansion. Our geographical expansion is the enabler of the utilization rate improvement. We are confident as you heard from Stefano, that the latest agreement between Saipem and Sonatrach shall reopen the Algerian market, where we had a historical presence and we are extremely determined to restore the local business franchise. We still have a large base in (inaudible) that is still operating and we are pursuing also other opportunities in North Africa. We're also looking at new select countries in the Middle East that have a major growth potential where we are currently not present and might utilize some of our Latin American stranded assets that have technical specs suitable for those markets.

Third pillar is repositioning. We are expanding and deepening our customer base, adding or rejuvenating certain accounts, Sonatrach in example. We are expanding into shale oil and gas customers in the Vaca Muerta development in Argentina. And in addition to our oil and gas traditional customers, we're also focusing our commercial efforts with diversified customers, such as accounts from the renewable energy sector. For example, in geothermal operations, thanks to our cross competencies and suitable assets.

Last but not least, the integrated services, where we are assessing integrated interest from IOCs as well as NOCs and we have some discussions underway with service companies, in particular for the Middle East. We consider that is a good opportunity for Saipem to utilize some of our assets available for integrated drilling services, while guaranteeing Saipem reliability and safety in operations to our clients. In terms of technology, we are investigating the best suitable solutions for the digitization of our activities that will enhance the monitoring and analysis of our drilling operations in order to decrease further our non-productive time.

With that let me turn it back to Stefano.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Thank you, Francesco. Now I'll get into the end of the presentation. Allow me now to highlight once more the main points of our strategy. I shall summarize division by division how we'll expand our offer and prepare Saipem to capitalize on the future upturn.

The XSIGHT is our vehicle for early engagement to ensure client proximity, to bring in visibility from the early stage of projects, allowing us to promote innovative and efficient solution based on our PCI experience. In E&C Onshore, we target a balanced portfolio of oil and non-oil price related activities across multiple geographies, centered upon our long-term presence in the Middle East and our LNG expertise. In Offshore E&C, we intend to expand our offer, diversify farther and become a global service provider, leveraging our technology and fleet. In Offshore Drilling, we are adapting our commercial strategy from predominantly long-term assignments to target short term opportunities. We intend to expand our client base, while retaining flexibility for any future recovery. In Drilling Onshore, we recognize the need to improve our margins through operational efficiency and cost savings. We will rightsize our Latin America business and expand in North Africa, basically by establishing our presence in Algeria.

In terms of guidance, 2018 is expected to show weak signs of recovery as the recent increase in the oil price has not at the moment resulted in the increasing of the spending of the investment programs, even though positive signs are emerging in certain market segments. The order backlog at the end of 2017 combined with prospects, or commercial tenders under work, underpin expectation of achieving revenues of around EUR 8 billion with adjusted EBITDA margin in excess of 10%. Investments are expected to be approximately EUR 300 million. Net debt is expected to be around EUR 1.1 billion at the end of 2018.

And finally, let me close today's presentation saying that we are now ready to move ahead speedily and effectively once the recovery starts. Although it was a difficult year, our performance was strong, thanks to our unrelenting focus on execution and operational efficiency. Despite the challenges, we met our EBITDA and our net debt guidance. Two new bonds were issued during the year, extending the average maturity of our debt to more than 4 years and we fully prepaid our refinancing term loan. We are comfortable with our capital position today. We completed our reorganization, providing full accountability to our new division, exploiting new market opportunities and identifying further cost and process efficiencies. Thanks to the settlement in Algeria, now we are back in the country. Our guidance is backed by proven operational efficiency, backlog and capital discipline.

This concludes our presentation. I thought it was going to take longer. I think we managed to compress it largely by reading, which is not usual. I hate it personally, just to put it on the process, but I thought it was the only way to allow you sufficient time for questions. So the floor is yours.

QUESTIONS AND ANSWERS

Unidentified Analyst

First of all, great news on the Algeria resolution. But could you give us an update on the timing of the other EUR 700 million of arbitration and disputes. It's great to see progress on one element, but there is remaining? And the second question if I may. In your net debt guidance for 2018, can I just check what your working capital assumption is in terms of inflow or outflow? And lastly, if you don't mind, the revenue slip from '17 to '18 seems to be in Offshore E&C. So could you just give a little bit of color as to what fell from one year into the other?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

As far as the settlement for the buyers' arbitration, that goes in the sequence. I think we provide a lot of details as far as the situation of the various arbitration are concerned. But just quickly to summarize the situation, I would say that we would not expect now to have the solution of the South Stream arbitration before 2020. Then, we have -- the one which is probably closer to come into a resolution is an arbitration in Australia. As far as the other situation, in Canada, due to constraint related to the procedures in the country, we would not expect a solution before 2021, if not 2022. So, I think, in a nutshell, this is the situation of the main cases. Obviously, the fact that we settled 3 arbitration in one go, it is quite important to us, and I would say, and repeating myself, that whenever there is an opportunity to settle outside the formal process of arbitration, that needs to be looked at very carefully and pursue the avenues if valid.

Giulio Bozzini - *Saipem S.p.A. - Chief Financial and Strategy Officer*

In terms of working capital, I would say that in 2017, basically, there was no -- the assumption was that the working capital would not have contributed either positively or negatively, and that was effectively the case. In 2018, we have the same assumption. Clearly, both for 2017 and for 2018, there is one element of distortion, which is the LPG arbitration, because clearly this is recognized as debt in 2017 and paid in 2018. So with this exception, so the Algerian, let's say, settlement, both in 2017 and both for rest of 2018, we do not expect any major fluctuation in the working capital.

Unidentified Company Representative

And regarding the last point, let's repeat once again that this irregularity will not disappear (inaudible) in 2018 and the reason are multiple. Reason due to -- mainly to changes of the schedule due to operational issues, problems and some situations, but also to clients' requirements. Clients, they decided to change the development plan of the project, so they shifted activities for 2018. So we follow these requirements of the client. Another example I can make is that we received [determination] for a project in Africa -- West Africa and the client decided to -- restated to award the contract completely, the full scope before the end of the quarter and the client decided to delay it for probably, we can say, capital discipline, and so, we started with engineering and we did not order all the procured items, so there was a delay in the process. So we are confident that these [awards] will be granted for 2018. And I'm not, let's say, worried about what happens with any of those.

Michael J Alsford - *Citigroup Inc, Research Division - Director*

It's Michael Alsford from Citi. A couple of questions from me. Firstly, [Christo] on the sort of Offshore E&C, you've seen recent news that one of your competitor has moved towards to a JV to fully integrate or provide integrated offering to clients and customers. How do you feel you can compete with that growing trend towards integrated and what steps are you taking to be able to provide a competitive offering in that respect? And secondly, just on Algeria. It's good news on the arbitration resolution. I am just wondering how quickly do you think you can ramp up there? There's a number of large onshore potential awards coming up. I Just wondered whether you can compete on those or whether it will be more a 2019 story. And then just finally, just on the high-speed rail, can you remind us what's the size of the contract is (inaudible)?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Okay. In terms of integrated services, referring to SURF and SPS integrated vertical, so called a vertical integration, you know that the avenue which we're pursuing is through the alliance with Aker. Certainly, we look at the other evolution of the markets. We are monitoring what is going on between Schlumberger and Subsea 7. I think it's not a secret that at some stage you have to take a decision, whether you feel that there is a way forward and then an alliance is not enough. So you have to consider solutions, more traction, or maybe -- I mean, the relationship is not sufficiently good in order to pursue that avenue. At this stage, we are considering our options, but we continue bidding with Aker a number of -- large number of projects, the relationship is good. Just we have to see whether strategically it's worth pursuing a deeper integration. I think the second was Algeria, how close are the opportunities depending on the business. The business which we would hope, crossing finger, to be the first to be impacted is onshore drilling. As Francesco was saying, we still have a base in (inaudible). We have still a base which we kept open, so we are moving quite fast. There are bids coming, so we have immediately been allowed to bid. So if I had to make a judgment, I would say that onshore drilling could be the first to enjoy. Then, there were a number of tenders, which were already ongoing, fairly large tenders. One train, LPG is one and then there is the refinery, which were already ongoing, and we are checking together with Sonatrach whether it's not too late to be admit to the bid. All in all, what I can say, it was not a situation of being polite, but I have the -- heard what Firenze was saying that not only Algeria is important for Saipem, but it's also important for Algeria. And for Sonatrach, for very simple reason, they need to have more competition. So as you probably notice, they are going towards an increase in the size of the CapEx. There is a new program and they certainly need strong, not only competition, strong capabilities for their projects. High-speed train, the order of magnitude. We are the leader of the consortium with more than 50%, 51%, 52%, and the order of magnitude of our share would be in the range EUR 1 billion.

Maria-Laura Adurno - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

It's Maria-Laura from Goldman Sachs. The first question is with respect to the revenue guidance for 2018. I was just wondering if maybe you could walk us through some of the near-term opportunities that you see in order to achieve this guidance? And then with respect to 2017 overall revenue generation, you've spoken about some of the new projects phasing being pushed into 2018. Just wondering if maybe you can provide us some color around variation orders that you had in for 2017, as well as any near-term contract opportunities that contributed to the revenue generation? Second question is with respect to Offshore Drilling. You mentioned some strategic partnerships. Maybe if you could expand on this?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

I think we are the support to the guidance for revenues for 2018 is the fact that 80%, as we have said, is covered by backlog. And then, if you combine your 2 initial questions, you know that it comes -- it's quite normal for us that other than awarded project, then we have a smaller project which come quite frequently, which are not announced -- which are not at the level of (inaudible) and [variations] which are coming. So overall, I would say, the 80% of backlog coverage, plus the contribution coming from smaller projects, projects which will be awarded especially in the early part of 2018, I think support quite well the expectation of the revenue stream of EUR 8 billion. The second question was related to the...

Unidentified Company Representative

(technical difficulty)

I would say that we are a medium sized player with a diversified range of services, from lower jack-ups to high spec semi. The market is very dynamic and we are keeping our eyes open on possible partnerships, definitely. However, in the short term, we are really focusing on maximizing our efficiency and our value proposition.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

I think that we might take also some questions from the web.

Operator

We have a question from Guillaume Delaby of Societe Generale.

Guillaume Delaby - *Societe Generale Cross Asset Research - Equity Analyst*

Just a quick question on XSIGHT. Just would like to know what would be the key competitive difference between XSIGHT and I would say, synergies from [Tecnicas]. How are you going to position vis-a-vis themselves? And more generally, could you give us a little bit of flavor about the competitive landscape for this XSIGHT division?

Mauro Piasere

First of all, I mean a direct comparison specifically with Genesis is a bit different [in every case] XSIGHT is offering throughout the whole range of services and products to onshore-offshore. Genesis is a single entity specialized on subsea activities. Having said that, I mean this preambles the distinctive elements that we think we're bringing in. First and foremost is the origin of all our engineers, they are all coming from an EPCI contractor background. So they have done projects, they have accumulated experience in executing operational activities and they're bringing this wealth of experience into a front-end portion. And the second element is also the fact that we're -- in our activities we cover the entire life of the field and of the asset, which means that from the conceptual part, but then we have activities into the enhancing phase, into the end of life, into the commissioning. Once again, all these experiences are brought back into the early engagement activities. And last but not least, we think that we are, through our xDIM platform, we are going to innovate on processes, on how data are managed and not deliverable anymore and we are bringing in this innovation in the processes. And at the same time, we're scouting for new technologies, which will further enhance the possibility to offer disruptive solution to the market. And this again is a result of our experience into the real world. So that was the question for the first difference. And I could not hear you very well on the second part.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

In a nutshell, obviously, Genesis is much more structural. Then if -- my memory goes back to the late '90s where at Saipem, we tried to buy it ourselves, and then we were beaten by Tecnica. But I think we are different animals, as Mauro was explaining.

Mauro Piasere

And the second question, I couldn't grab it through the speaker. Okay, competitive landscape, thanks. With regard to the competition, then of course, we are entering the market, we realized that we are relatively -- I mean we're coming back to a market that in the past was covered by activities in some projects in Saipem, as well did see the very important offshore development in the past. So we are -- it's a comeback for us. And although in the meantime there are other players that have developed Genesis for sure in the offshore is very strong competition. At this moment in time, clients -- and there are certain number of clients that they are doing their own activities and using independent engineering. But we think that there are also ample margin in smaller clients and small independents that are in the need of acquiring fast the experiences of the project execution. So we think it's going to be -- it's not an isolated market, we are not in a blue ocean for sure. But we think that through our distinctive elements, we can separate our value proposition from other competitors.

Operator

We will take our next question from David Farrell of Macquarie.

David Richard Edward Farrell - *Macquarie Research - Oil and Gas Research Analyst*

Two questions from me, please. Firstly, if I look at the backlog for execution in the Offshore E&C division, there is a very big drop-off between the amount of work in '18 and the amount of work in '19. I'm just wondering when the second phases of Zohr and Exxon's project Liza in Guyana need to be sanctioned for them to actually contribute to 2019 revenues? And then my second question was with regards to the renewable industry. You talked about having to acquire technology. Could you just elaborate on that exactly what it is you would be looking to acquire or the skill sets that you think you still need in that area?

Stefano Porcari

The first question, is was about the Zohr?

David Richard Edward Farrell - *Macquarie Research - Oil and Gas Research Analyst*

Yes. There is just a very big drop-off between the amount of work in '18 and '19. And I guess it's certainly relative to kind of consensus that suddenly sees perhaps flat revenues in that division. So I'm just wondering what fills the gap?

Stefano Porcari

First of all, as you know, I mean we have some targets, which are very important. And we believe that some of this target that we have in mind will have the go ahead before the end of the year. If you want to -- I mean of course after again executed the Zohr Phase 1, the generator startup and optimized ramp-up phases, I think that in case there is a second phase development, which -- we're talking about several wells involved, it will be sanctioned, though, we hope for before the end of the year. So it will be a project that we can start even earlier, if there is a willingness to continue with the development. Other targets that we have in mind that are, let's say, of course subject to final investment decision, a project in West Africa, It's not that secret that one of our targets is Zaba Zaba for Eni in Nigeria. So these are -- there are other projects in Nigeria with, for example, Shell; Bonga South West will be sanctioned. But there are also other projects, which are very important targets due to the characteristics, for example. In Qatar, we are targeting the Barzan project, which fit very well with our characteristics, technical and technological. We have the asset, we have the technology to carry out [such] kind of projects. In fact, Stefano was mentioning the(inaudible), which we are investing as part of this innovation, let's say, path that we are -- Liza is another potential target. We think that Exxon is very keen to start this project, at least from the permits and all the process for the sanctioning for (inaudible). So, they are very important (inaudible) continuous project. As you know, the meaning of [L-tail] means long-term agreement. There are these follow-ups. We are bidding many [call ops] and one of our major client, which is Aramco, for the whole division is a big plan, is a big investment for our next 2 years. So we think that we can be a strong competitor in this market.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

That is exactly the meaning of including the slide of opportunities, which this time for the first time is split between offshore and onshore. So you can focus on the list, which we provide and see -- I mean, as Stefano mentioned, which have the opportunities which we are focusing the most.

Stefano Porcari

And just to give you another -- because it seems that I focused on the easy part. The SURF project, subsea project and the pipeline projects, or the LTA which is part of our periphery, but we are also bidding seriously on some new developments in the north of France regarding renewables for EDF, for energy that are clients and I think these are targets which are quite sizable and project in which we have our, I think, opportunity to land some good results.

David Richard Edward Farrell - *Macquarie Research - Oil and Gas Research Analyst*

And the question about kind of the renewables industry and kind of the technology that you are looking to acquire?

Stefano Porcari

Yes, the kind of technology, of course, we are working on 3, let's say, aspects about renewables. The first is the design of new floating wind farms, of course, to maximize utilization of the turbine. The second, we are working on some installation of, of course, the turbine, we have some new method, a construction method which we believe will reduce the cost of the installation. And third, we are working also on some tools for the maintenance of the turbines, which we believe can possibly be very practical and reduce the cost of the OpEx of this development.

Unidentified Company Representative

If I can expand a bit more just outside the offshore specificity of the -- on the renewable, just to complete the question, because as I was anticipating, we are taking a look at the big world of the renewable throughout the complete value -- the oil and gas chain. So, there are -- the more we are focusing on those new technologies that have a connection with what we are most capable of in the plant execution and I would say, in particular there is -- and there are some interesting technology being assessed on carbon -- CO2 captures, which will be particularly attractive when linked to the optimization of refineries and petrochem. So this is an interesting one. There are -- we are far stretching a bit to start this on ocean energies as well, which could further complement our proposal into the offshore segment. And so this is just to give you a bit more -- to complete more on term of what Stefano has said.

Kevin Roger - *Kepler Cheuvreux, Research Division - Research Analyst*

Kevin Roger from (Kepler Cheuvreux. One question, which is on the Algeria settlement. It was (inaudible) end of February with the addition of (inaudible) notably. Do we have to expect some additional proceeds to, one, complete what was made in February? And this morning, Stefano, (inaudible) Trans Pipeline was very difficult, so if you can comment it, please.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Algeria, (inaudible) no, the settlement is (inaudible). No, full and final settlement with Sonatrach. In terms of TAP, I was not really referring to the figures. I am referring that we are a contractor, we are operating in 55 countries around the world, and they -- if we have to look, we have problems all around the countries. So we are Italian. In Italy, we know what is going on, I mean you can read it on newspaper. Certainly, there are difficulties, the work is going ahead with a slower pace than anticipated, but all in all, we are doing what we are committed to do.

Nick Green

It's Nick Green here from Bernstein. Three questions on strategy, please. You have given us lots of slides, it has been very helpful seeing the divisional strategy. Operationally, clearly, lot's changed in the company since 2015. But I'm struggling to understand strategically how different the company is today from back in 2014, 2015. So the first question is, one, if you think it has changed, could you try and summarize that for us a bit more, what are the key differences? If you think it hasn't changed, why are you comfortable that the pre-crisis strategy was the right strategy to be pursuing, I'm talking about how diverse the business is, where you are targeting end markets, et cetera. Second question, you referred to integrated services and this being a bigger part of your business, you are trying to achieve it across the different business lines. Can you talk about, to what extent this is actually lip service to a trend that you have to talk about, you have to put in your presentation those words, integrated services? How much of it is a substantial change occurring in the company? And then the final strategic question is, I'm a bit confused in some of the slides, could you summarize your competitive advantage again. Just nice and simply, why is Saipem a pawn of choice to key oil companies, why is it not -- I don't like the phrase -- buy a me-too player in quite a few of your end markets?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Okay, the first question refers to -- basically when I joined back Saipem. So I would say what is the difference in terms of a model, I have to say that largely and I had the opportunity to already mention this, largely the model -- the organizational model was a model largely mirroring the model of a [nul-company]. We were under the control of [many] and we were organized with a lot of layers, one on top of the other. And I would say that having been also on the other side, I could make the judgment that definitely was not the most efficient model for a contractor. And on top of that, there was a fact that although there was a -- the company was a single entity and the businesses were run as a single entity, the amount of synergy was nil. I mean every business was run in its own right. I mean, you add on top, obviously, a single CEO and a single Supervising Officer, but the perception I had that there was no real integration amongst the business. So the process which we decided to follow was to separate the business, as a start. Identifying all the efficiency, which could be derived from the separation of the business and this is obviously is a defensive move, I mean, you try to reduce your cost to improve the efficiency. But then, the bonding -- the transversal bonding, as you heard a number of times already in our presentation, is the fact that the focus on innovation, which I found upon coming back was in a way maybe too stronger -- a bit dormant, allow me to define. So I thought it was definitely worthwhile to revitalize the transversal potential of combining the competences and the capabilities of all the segments and what was identified was the innovation as a sort of a transversal bonding. I think what you heard today is that making reference to similar type of technologies, but in a much more trasversal manner. In my view, this is an important differentiation from the traditional model of Saipem. On top of that, we have been dedicating far more resources to innovation, and I think that going forward we will have -- obviously, we have to measure things as they come. So this is the strategy and this is the projection which we are making that I would expect to see a lot more added value with this new approach. In terms of the validity of the integrated approach -- validity of the integrated approach, okay. I heard for many years myself that in a way Saipem was a quite strange animal having different business in the portfolio. I think time has come that we take full advantages of this, and we take it as an opportunity. Then, you see the market evolution. What you hear that obviously, there is the natural vertical integration, which is SPS, which is, I mean, quite an important direction, but then you hear some things which are different. Then you hear, I don't know, example like McDermott acquiring CB&I. Then the market view it as an integration. Now that is the technique of Saipem model. I mean, we are always have been integrated in that respect. So I think in a way, that is a formal integration, which I think it is worth exploiting as well. Then you hear opposite messages, like Technip divesting next in the offshore, onshore business. So I think at the moment, there are at least a lot of different conflicting models. So in a nutshell, what I consider very important that we move on with the -- what we are openly declaring our way forward. And then we take a judgment when we have enough clarity on what -- whether there is a model which is better, which goes in a different direction.

Unidentified Company Representative

And may I suggest something about an integration, because when you are talking about the integration model, especially for the Offshore, we think mainly for the subsea integration. But we have also an integration -- a potential integration in the decommissioning, which we are trying to promote, particularly in the North Sea. Basically, all the decommissioning projects today are based on an EPRD contract, engineering, preparation, removal and disposal. The clients tend to award the contract on this basis. We would like to start this relationship with the client at the earlier stage. We want to be able to manage the late life of the asset, so we are there on the asset as a duty holder, for example, in order to coordinate on this EPRD phase. In addition, for me, this is only an integration. We have the knowledge, the know-how, we have the competencies to operate and maintain a platform offshore. We are doing this activity as a business. In addition to this, we can integrate in this process also the plug and abandonment, we have a furthering division, and we're talking with -- this doesn't mean that I'm obliged to work with the Saipem Offshore division really, but I have the competence also to sub-contract or utilize a third party for this activity. So I've the control of it. I have the control of the process. So for me, this is also integration. Integration is also seen, in my opinion, as a resort -- Zohr is a success. Normally, people does not look at this project as an integrated project, but as a matter of fact, we work very closely with our clients, with the settlement, with stakeholders, with the local supply chain, the local subcontractor, and we integrated all these people in the system which was successful. We delivered the project in 17 months. Usually, it takes 3, 4 years for you to do this. So I think it's also a sort of integration, which is good.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

In a nutshell, this is what we try to define as a solution provider. The fact that you have all the competences, you have all the tools in the various segments to address any different approach. At the moment, we don't know yet what will be the future way of developing fields. We all understand that we'll have to cost far less that the industry -- let's talk offshore and deep water, they have to leave with the present value of the commodity, which will definitely drive the size of investment. The size of investments will be largely driven by the solution which will be proposed in order to make the development more effective. So what we view is not only an oil company exercise, it is a combined exercise, oil company and service provider. And we have the duty to explore all those opportunities and to come forward with different ideas. If you ask me exactly -- tell me, I think we have tried to provide, maybe in some cases with lack of clarity, but we tried to convey the message that, yes, we are there, we don't want to be considered as asset-heavy company. We want to be seen as a company who has the right tool. You need to have the right tool, but not necessary you need to have a lot of tools, but you need to have the right engineering skill and the right project management skill.

Amy Wong

Amy Wong here from UBS. Two questions from me, please. The first one relates to your Onshore E&C margins. So we understand that the fourth quarter suffered from the LPG charges in there. But even excluding that, we're kind of still at that low single-digit margin level. So can you clarify whether there are still any kind of projects in there that are -- there's a margin drag in for the E&C margin. And looking at your -- what you have left to execute and the slate of projects to -- that you're targeting right now, where do you see that Onshore E&C margin moving in the medium term? And my second question relates to your CapEx at around guidance for EUR 300 million. Can we get a split of how that's going to be spent in 2018 and how sustainable that level is?

Giulio Bozzini - *Saipem S.p.A. - Chief Financial and Strategy Officer*

In terms of the margin for the E&C Onshore segment, if you're talking about EBITDA margin, if you not consider the LPG settlement in the margin, the margin of the first quarter would be substantially in line with the margin that we have achieved over the first 9 months of 2017. So basically, we are close to the 3% that was basically our target for the -- in the Onshore segment, let's say. Apart from this situation in 2017, we didn't experience any major, let's say, situation which affects the number. The second question was regarding the CapEx, right, the guidance for the CapEx? For 2018, the CapEx guidance in the range of EUR 300 million. In 2017, we were lower than EUR 300 million. So I think that this can be, let's say, assumed as a figure of normalized CapEx on average, consistent with the actual fleet and assets that we have.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

If I may, from the strategic point of view, I think you are referring to what is the expected marginality -- increased marginality. Maybe, we are not being good enough, but the purpose of the presentation was to show you where we are moving in order to gain a higher marginality. We have a view of an Onshore E&C, which first of all, is the least affected in general terms by the vagaries of the oil price and is the most adaptable to new fields. We have a lot of technologies. We have a lot of technical capabilities. We have a lot of know-how, which we can apply in other fields. We have been focusing oil and gas, upstream, infrastructure, midstream as well. I think the higher level of marginality will come over time more and more selecting the niche where we can better utilize our capabilities and building up a different business model, all in all.

Amy Wong

Would you agree by the target for Onshore E&C is to hit the long term industry average of mid-single digit for EBITDA margin, is that in your target?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

I find it difficult. I would -- I mean if I have to set a target for the new Chief Operating Officer, I would say, higher than that. Okay, let's put it -- then how long it takes to achieve, it's up to him, it will be challenged.

Unidentified Analyst

Just couple of questions. Just on Kaombo in North Sea. It looks that the vessel is on the move as of the last couple of days. When do you transfer responsibility to the operator and is there any financial risk to the business still from that contract? And then the second question, can you just address the ruling by Consob yesterday? How do you kind of attribute the error that was made if there was, in fact, an error with the auditor or is there something in your internal controls that you can change?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

In Kaombo, Kaombo, first of all, I think the update on Kaombo is the FPSO North is leaving, while we speak, the dock to undergo sea trials. And then the unit will move to Angola. The transfer is at the end of the installation of the FPSO in place and the connection -- the related connection, so ready to flow of hydrocarbon. That is the point of [transport]. You know that the moment we complete the North, then we have the South, which we are completing -- which will join the North. So at the moment, this is the situation. You know that by definition, we don't make any comment on commercial terms and agreements with Total, definitely they would kill us. So I think that wouldn't be right. So at the moment, things are moving as anticipated.

Giulio Bozzini - *Saipem S.p.A. - Chief Financial and Strategy Officer*

With respect to the Consob resolution, I think that if you look also at our press release that we published yesterday, basically the criticalities concern 2 items. First of all, the non-compliance of the 2016 consolidated and statutory financial statements with reference to the comparative data for the financial year 2015, which means that substantially in Consob's opinion, the circumstances at the basis of some of the write-downs recognized in 2016 already existed, wholly or in part, when preparing 2015 financial statements. This is the first criticality. The second criticality is relevant to the non-compliance of the process of estimation of the discount rate utilized in the 2016 impairment test. So Consob has a different view. With this respect we have -- we can only say that this is the same methodology, which was used consistently over the last 15 years. Then the past and the previous and the present auditors did not raise any objection. And for 2017, we asked also a fairness opinion to another third-party in order to have their judgment regarding our methodology and they did not, let's say, have any objection with this regard. So this is the situation. We -- as we said, yes, this morning, we appealed against in the competent judicial offices. Then if the competent Italian tribunal suspend, we will not restate. If the competent Italian tribunal will not suspend Consob resolution, we will have to do the restatement of the 2016 accounts. That's just the brief.

Unidentified Analyst

And what's the time frame for finance?

Giulio Bozzini - *Saipem S.p.A. - Chief Financial and Strategy Officer*

3 weeks.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

3 weeks for the restatement unless there is a -- unless the court implies a...

Giulio Bozzini - *Saipem S.p.A. - Chief Financial and Strategy Officer*

The question was regarding the time frames on the restatement.

James Thompson - *JP Morgan Chase & Co, Research Division - Analyst*

James Thompson from JP Morgan. Three questions if I may. Just firstly on cost efficiency and the work you're doing there. There are a few oil companies out there that are targeting still I think 20%, 30% efficiency gains from a $10 a barrel price breakeven savings over the medium term in terms of projects. How realistic do you think that is in terms of what you can achieve and how is that sort of playing into your pricing in 2018 bidding? Secondly, just in terms of the outlook that -- you've spend a lot time talking about the opportunities in Algeria, but perhaps you could talk a little bit about Brazil, since it didn't really feature in terms of presentation today. And then finally, just in terms of Saipem 12000, obviously they had to stop drilling in Cyprus, so just wondering whether there is an opportunity for that to be extended through 2018 in terms of how much that's going to be active for the unit?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Okay. The first one was cost cutting exercise. I think if I may try to put it a bit from the philosophical point of view. When the crisis erupted, the first reaction by all our clients, by the industry goes to squeeze down marginality from the contractors, from the supply chain, close any possible door to discussion or change orders, no variations, no claims, the door was shut. Obviously, this is a very shortsighted sort of approach. I think the perception is that we are moving towards a more sensible type of approach, which means that indeed we have to do our share of the job. I think we are showing what we have been doing and what we continue doing. In every announcement, we have -- almost in every announcement, we have increased the amount of savings. All the latest savings, they are related to the reorganization and the result of the action and activities organized, identified and organized by the division managers. So I think, again, next discontinuity comes from the discussion we were having earlier on the innovation. The next discontinuity and the real achievement of those aggressive target of reducing -- a reduction in terms of cost of development will have to be a combination across -- both sides by the way, because again, I was on the other side and there is so much to cut in terms of cost and in terms of inefficiencies that we have to do both sides. And then, we have to be very clever in identifying the innovative solution to make those barrel produced at a much lower cost. And Brazil...

Unidentified Company Representative

In Brazil, we just financed the development projects regarding Flatfish, I mean this ROV -- autonomous ROV with Shell, so with our people that is in Rio de Janeiro, with our company, with our engineers. So I think that is an indication of our idea to continue the business in Brazil. We have the yard in GuarujÃ¡ , which now there is not a lot of activities, but still there's few there. And we have -- we know that there are 3 bids, potential bids, 3 potential ITT with Petrobras. Libra 1 now is called [Marrow 1]. (inaudible) another one, I forgot the name. So in the next 2 years, it will be a mix of flexible pipes and rigid pipes. So we think that with our experience in Brazil and in [Taiwan] with the competences for the deepwater project, so we still have a chance to be a good contractor (inaudible).

(inaudible) you know, what happened, we have just finished drilling the first well in Cyprus which was successful and we were moving to perform the second contracted well. Unfortunately, during the move to the location, we were not allowed to enter the area, because there are some military -- Turkish Navy exercises, which prolonged until February 9, 12th, I don't know, exactly. So we waited until the end of the anticipated duration of the drill, but at the end of that period, we tried to enter and we were still not allowed to. So our client, he asked us to move to the next commitment which is Morocco. In terms of impact on our yearly revenues, first of all, the second one is still per our plan. We'll go to Morocco and see how the situation evolve, and if [IMA] ask us to go back to perform a second well. In case that will not be the case, not a big deal, because they -- first of all, during the first well, as we were on standby, we got paid. So we didn't really have a very negative impact from that. After that, there is not much we can say, we are just waiting for the evolution of the situation, which is a political situation that is above our reach and goal.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

I apologize, I mean a question at this time, we've come a long way, so let's do this. It's Mark Wilson at Jefferies. A few points. Firstly, has the client given notice to proceed the Duqm contract? Second point, are there any Iranian opportunities for awards in the coming year? And then lastly, should I ask as you've got the 4 additional divisional managers up there, do any of you anticipate revenue growth year-on-year into 2019 or is that more a 2020 possibility?

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

Duqm, the answer is no. But it is related to the finalization of the financing agreement, nothing to do with that. We are all set and ready to go. We know that on the background, there are discussions, we know it because one of the expert agency involved is [Sanchez]. So, we know there are still negotiation ongoing. As far as we understand, they are going through the process. We do not have any indication that it will not be finalized in a reasonable time frame. And the second one, Iranian award, the Iranian -- and as far as the Iran concerned, we had a moment of enthusiasm and you recall, we signed a number of memorandum of understandings, not Saipem, I mean, the industry. Then there has been a cool down. I always refer to one of the -- my dearest and largest client Total. I had the Q&A saying openly and clearly that if there is an interesting opportunity for Total, they will pursue it, on one side. On the other side, he said clearly we will obey all the rules and laws. So that is the situation. We are currently bidding for [some plants] for Total. So basically, we -- I don't know whether to say rely, I mean, we follow this sort of path. We are doing very small -- Mauro, you're doing, which you might mention few engineering studies, which obviously does not make any harm, but it is compatible with the situation. What are we doing?

Mauro Piasere

As I recall, major revamping studies in February and another study -- smaller study on refinery, which is really ongoing.

Stefano Cao - *Saipem S.p.A. - CEO and Non Independent Director*

And for 2019, you know that we provide guidance year-by-year, I mean, to tell you this. I think largely the outcome will be related to the bids, which we will see coming out during the course of 2018 and the FIDs, which will materialize. You know and we listed since unfortunately long time, we have a number of opportunities, which are quite close and, I mean, the closest is the LNG in Mozambique. I mean should it be a final investment decision, obviously, that project would start contributing from 2019. And there are similar situations. So yet to take judgment on the basis of the evolution of the FIDs during the course of '18. The earlier they will come the better will be for 2019. If I -- because we have undertaken a lot of questions on the subject, which is very dear. Just one final word on a sort of vision. I think I realized that is not immediate, it's our responsibility to help you to understand. But the vision we have is a vision of, first of all, a different fact, but this is quite clear, a different Saipem as far as the approach to the business. But a different Saipem in terms of approach, but relying on the competencies and capabilities, which have been developed in the 60 years of life of the company. Going forward, a company far less heavy in asset and far heavier and stronger in capabilities and technology. The entry barrier which historically has always been created by the big 7000, there are only 2 other 7000s, rather than the Castorone. There is only [OC } with a similar capability. I think those -- it is important and nobody is going to be scrapping those assets and those vessels. But I think the more and more the entry barrier will be created by the overall capability, by the -- whether we will be capable of winning the challenge of convincing our counterparts that we can really be the solution provider. Okay, thank you very much. Thank you very much for attending today. Just keep in touch. Good bye.

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