10th International Oil Summit, Paris

10e Sommet International du Pétrole, Paris

Coping with the New Price Environment: Service Companies' Strategies

saipem

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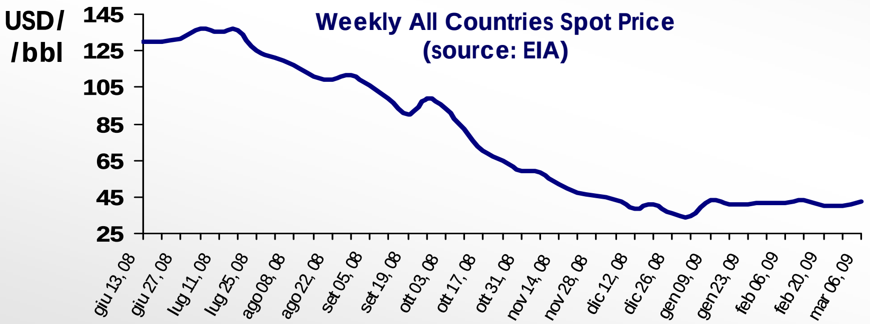
Oil & Gas Industry New Environment
What's Changed?

Oil Price Crash



But:

Oil Companies promising to:

- Maintain Dividends
- Contain Debt
- Continue E&P Investment

Individually Laudable / Collectively Incompatible at Continued Low Oil Prices: 'Something's Gotta Give!'

Our 'Hunch':

Short Term: ➢ E&P Investment will Suffer

Medium Term:

- ➢ Economy Recovers, Oil Price rebounds
- ➢ Shareholders - 'irritated' at Production and Reserve Replacement declines - demand action

Oil Companies will 'rush' to make up for lost time...

...Except that new Frontier Projects will be tougher than before

Oil & Gas Industry New Environment
What's Changed? (continued)

Tough Trends:

- Hydrocarbons in developing Countries ⇨ Local Content Emphasis
- Drilling Fleet can explore to 12000 feet wd;
  Development Fleet hasn't kept pace;
- Pipelines are Longer, Larger, More Extreme (Deeper, Colder etc)
- 'Artic' type equipment & methods largely neglected

Challenges require Long-term View

Oil & Gas Industry New Environment
Contractors' Perspective

Past: 2003-2008	➢ Schedule vs. Cost Emphasis – 'rush to make up for lost time' (from previous downturn!)
Present: 2009 - ?	➢ Recession: Cost vs. Schedule Emphasis
Future:	➢ Tougher Projects: new 'Rush to Make up For Lost Time'

Two Alternatives for Contractors

'Cut Prices & 'Hope for the Best!'

Caveats – Last Downturn brought 'Twin Curses':

- Aggressive Contracting
- Key People Layoffs

⇨ **Hugely Weakened Contractors, well beyond Downturn**

Improve, Work with Clients, Invest in Future

Implement short term improvements in efficiency ('Low Hanging Fruit')

Work with Clients to eliminate project redundancy, 'nice to haves' etc

Contract so that Contingency is stripped out
⇨ Clients take the 'what-if' risks

But Mainly:
- Nurture Core Competencies
- Invest for 'Tough Future'

Saipem's Choice:

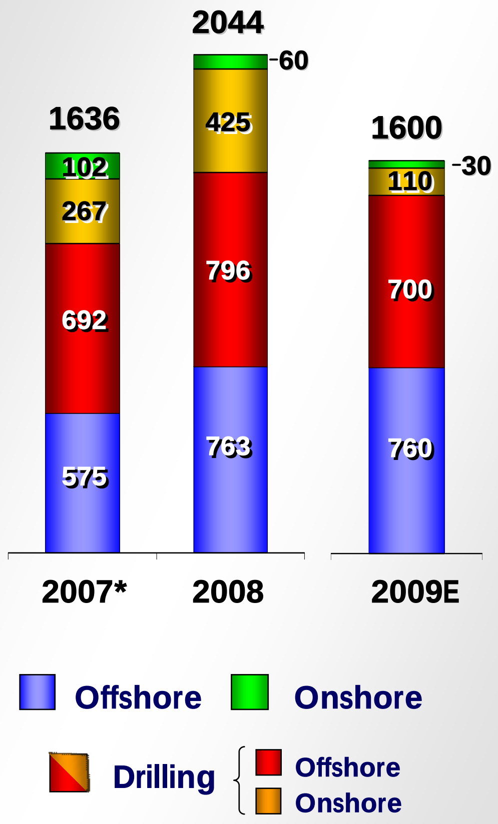
Improve, Nurture Competencies, Work with Clients, Invest in Future

Saipem's Choice: Invest in Future – Examples
- Local Content Emphasis -

Saipem's Choice: Invest in Future – Examples
- New Assets for New Challenges -

Saipem Capex

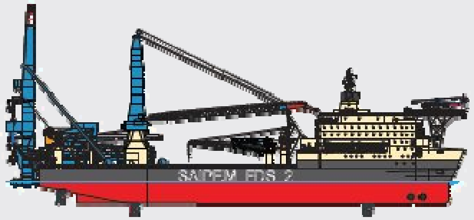
€ Mln



(*) 2007 figures have been restated to reflect the effects of disposals of Camom and Haldor Topsøe

Ultra-deepwater Field Development

Saipem FDS 2



- Maximum length of 183 m, moulded breadth of 32 m and moulded depth of 14.5 m
- Vertical J-lay tower with a capacity of up to 2,000 tons, sealines J-lay up to 36", in water depths up to 3,000 m
- Also capable of sealines S-lay up to 36"
- Equipped with DP3 dynamic-positioning system
- Maximum transit speed 13 knots
- Accommodation for 325 people

Pipelines of the Future

Castor One (Pipelayer)

- Maximum length 290 m, 39 m wide and 24 m high
- Designed to lay large-diameter pipelines up to 48" in DP3
- Maximum cruising speed 14 knots
- Capable of operating in harsh environments
- Pipe storage capacity of 25,000 tons
- Accommodation for up to 450 people

Artic & Sub-Artic Equipment & Methods

Shallow Pipelay & Facilities Installation

Saipem TRB

Deep Trenching

Saipem TRB Tender (Mondine)

Continued R&D Effort on New Deep Trenching Methods and Equipments