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Saipem

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FDS2 and Castorone: what are they worth?

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A total eclipse

Modeling the economics of Saipem's new state of the art offshore construction vessels FDS2 and Castorone suggests a potential earnings uplift of 13%, on average, across 2010-12 (c. E3/share). We expect their arrival in mid 2011 to eclipse impressive structural growth in capex associated with large scale developments that require vessels unique to Saipem's best in class fleet. We believe this should drive a further re-rating and raise our PT from E27 to E31.

Modelling the 'I' of an EPIC contract

We uniquely model the implicit day rates generated from Saipem's offshore construction fleet based on data extracted from 47 contracts awarded since 2003. Having developed a common set of metrics that help differentiate them our analysis reveals that its *best in class* assets yielded an average rate of \$370k/day.

Global industry outlook favours Saipem's state of the art vessels

Our recent annual review of global capex highlighted impressive growth across 2010/11 in frontier and large scale developments (deepwater and/or harsh environment) that require vessels unique to Saipem's most capable fleet. Coupled with its leading market share and impressive diversification within offshore engineering and construction we are confident that Saipem will be able to contract FDS2 and Castorone successfully this year.

Sensitivity analysis on FDS2 and Castorone reveals impressive upside

Based on the average day rates generated from Saipem's best in class assets our analysis suggests that these vessels will generate c. E160mn of additional EBIT across 2010-12 (an average 7% increase to our EPS forecast). This implies an aggregate contract value of E1.3bn potentially for award in 2010. Apply day rates comparable to peak levels yielded historically (\$600k-650k/day) and we see a potential earnings uplift of 13% on average across our forecast horizon (E3/share). Moreover, adjust against consensus and this equates to a broadly 18% uplift.

Valuation and risk

We argue that Saipem should trade at a 30% premium (previously 20%) to our 2011 EV/DACF target sector multiple (8.4x) that implies E35. Our DCF has been raised to E32 from E27 (assumes 3% growth rate and 9% WACC, previously 9.3%). This has been driven by an upgrade to our earnings forecasts across 2010-12 of an average 16% and reflects the contribution of FDS2 and Castorone as well as increased confidence in the company's margin outlook post discussions with management and their latest guidance. Our SOTP analysis suggests a fair value of E25. Our E31 PT is calculated as the average of these scenarios. Key downside risks: delay in delivery of newbuild program and a sharp fall in commodity prices.

Forecasts and ratios

Year End Dec 31	2008A	2009A	2010E	2011E	2012E
DB EPS (EUR)	1.57	1.66	1.72	1.98	2.24
EV/DACF (x)	11.1	8.3	10.9	8.8	7.8

Source: Deutsche Bank estimates, company data

Deutsche Bank



Forecast Change

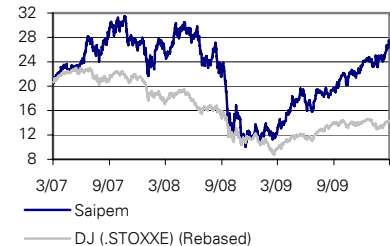
Buy

Price at 18 Mar 2010 (EUR)	27.25
Price Target (EUR)	31.00
52-week range (EUR)	27.54 - 13.10

Key changes

Target Price	27.00 to 31.00	↑	14.8%
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Price/price relative

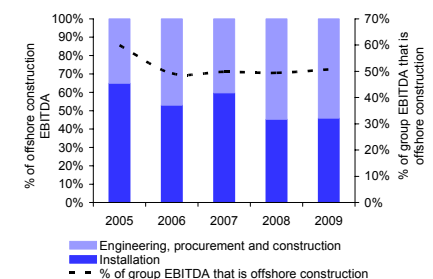


Performance (%)	1m	3m	12m
Absolute	9.0	17.6	120.1
DJ (STOXXE)	5.3	2.9	47.3

Stock & option liquidity data

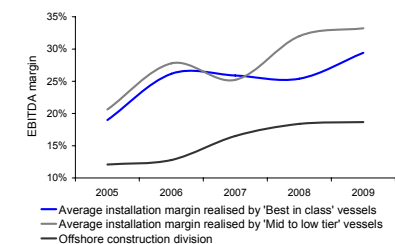
Market cap (EUR)(m)	12,028.4
Shares outstanding (m)	441
Free float (%)	56
Option volume (und. shrs., 1M avg.)	81,452

Stripping an EPIC contract down to its core: installation



Source: Deutsche Bank, Company data

Average margins realised by Saipem's offshore construction fleet



Source: Deutsche Bank, Company data

Deutsche Bank AG/London

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Investment thesis

Across 2005-09 we estimate that the EBITDA margin equivalent to pure installation activities ranged between 20-35%...

...this compared to a 'blended' margin (i.e. EPIC) of between 12-18% realised by Saipem's offshore construction division (we show that broadly half of this segment's operating income is sourced from installation work alone).

We make no changes in our assumptions on utilisation rates across the existing offshore construction fleet and introduce the start up of Castorone and FDS2 to arrive at our revised earnings outlook

Note that even though these assets will not be delivered until Q2/Q3 2011, the engineering and procurement related to a contract award may start earlier (we assume Saipem recognises moderate operating income towards the end of this year).

Outlook

In this note we focus on the installation process of an offshore field development and in particular the assets involved (generally referred to by the industry as offshore construction vessels). We develop a common set of metrics that help differentiate Saipem's fleet and identify *best in class* by their ability to: i) lay a variety of different types of pipe (and diameter ranges) quickly and efficiently (e.g. with minimum down time and at relatively low cost to the client), ii) make the heaviest lifts and iii) operate in the harshest of environments and work on activities both at the sea level and deepwater (e.g. seabed 3000m below water surface). Of the 31 assets considered we identify five that broadly fit these criteria: the Saipem 7000, Castoro Sei, Saipem 3000, Saipem FDS and Castoro Otto. Of the three newbuilds analysed, we believe the Saipem FDS2 and Castorone are equally state of the art.

Our recent annual review of global capex highlighted impressive growth across 2010/11 in frontier and large scale developments (deepwater and/or harsh environment) that require vessels unique to Saipem's best in class fleet. Coupled with its leading market share and impressive diversification within offshore engineering and construction we are confident that Saipem will be able to contract its new assets FDS2 and Castorone successfully this year.

We uniquely model the implicit day rates generated from Saipem's offshore construction fleet based on data extracted from 47 contracts awarded since 2003. Our analysis shows that Saipem's best in class assets yielded an average rate of \$370,000/day and peak rates of \$520,000/day. This compared to \$320,000/day and \$430,000/day respectively for the remainder of its fleet.

Our analysis reveals that Castorone and FDS2 should impact group earnings by c. 5% in 2010, c. 8% in 2011 and c. 7% in 2012 (we use the historical average of Saipem's best in class day rates as our base case scenario). We estimate the incremental EBITDA generated from both assets across our forecast horizon to be c. E230mn. Assuming a 'blended' EBITDA margin of c.18.4% (offshore construction division 2010-12E average) this implies an aggregate contract value of c. E1.3bn potentially for award this year. Recent guidance from management leaves us with strong conviction that the delivery of FDS2 and Castorone will not be delayed and that installation work associated with new contracts can begin as soon as they come online in Q2/Q3 2011 respectively.

Finally, our sensitivity analysis reveals impressive upside achieved through higher day rates contracted for Castorone and FDS2 and higher utilisations across the existing portfolio in the context of a stronger than expected pick up in offshore construction activity.

Combination of relative valuation, DCF and SOTP drives PT re-rating (from E27 to E31)

We argue that Saipem should trade at 30% premium (previously 20%) to our 2011 EV/DACF target sector multiple (8.4x) based on:

- An impressive asset development program that should eclipse a strong pick up in offshore construction capex forecasted across 2010/11. This should yield impressive cashflow generation from next year and fuel group EBITDA growth 2010-12. It should also bring the company's gearing comfortably back towards mid-cycle levels (c. 35% debt/equity).

- Impressive upside achieved through higher day rates contracted for Castorone and FDS2 and higher utilisations across the existing portfolio in the context of a stronger than expected pick up in offshore construction activity.
- A unique strategy and business model that should defend Saipem's market leading share across the engineering and construction (E&C) industry. Based on this, we believe the company is better placed to win (and successfully execute) contracts, particularly those linked to NOCs that are currently actively tendering (Brazil, Middle East), and IOCs that have sanctioned go ahead on FIDs.
- Saipem's sector leading backlog underpins an impressive growth outlook in the near to medium. Analysis of backlog cover at the industry and company level sees Saipem at a comfortable premium relative to its peers and at record levels vs. history (77% of 2010 consensus revenue is already covered by current backlog vs. 2005-7 group historical average of c. 71%).
- Solid 'backlog longevity' (longer contract life implies topline visibility) that stands out against most comparable peer Technip - a direct function of Saipem's unique exposure to (longer term) drilling contracts.
- Analysis of Saipem's asset utilisations (leveraging our expansive database of contracts) implies a robust outlook for vessel activity which given their superior differentiation should support our forecasts for margins both in the drilling and offshore construction segments.
- Sector leading execution capabilities: despite a change in the company's risk profile linked to an impressive expansion of its industry product offering, the company has consistently delivered; previous analysis of Saipem's contract strategy and discipline in bidding supports why we believe it will continue to do so.

We raise our earnings forecasts across 2010-12 by an average 16% to reflect the contribution of FDS2 and Castorone across 2010-12 and increased confidence in the company's margin outlook post discussions with management and their latest guidance

Saipem's unique combination (E&C and drilling capabilities) in both offshore and onshore forces us to value each business division independently when deriving our DCF valuation. Our DCF has been raised to E32 from E27 (assumes 3% growth rate and 9% WACC - previously 9.3%). This has been driven by an upgrade to our earnings forecasts across 2010-12 by an average 16% to reflect the contribution of FDS2 and Castorone and increased confidence in the company's margin outlook post discussions with management and their latest guidance. Within the drilling segment we have applied our Wood Mackenzie/DB day rate forecasts to the company's various classifications of rigs by using water depth as the common factor (we keep our estimates unchanged).

We include SOTP in our valuation framework given this methodology enables us to attach value to each arm of Saipem's divisions (and in some case sub-divisions). We apply target multiples relevant to that particular industry and aside from Europe, we include companies listed in the US and Asia given their comparable business mixes and global exposures.

Our new price target of E31 (previously E27) is taken as the average of our three valuation scenarios: relative valuation (implies E35), SOTP (E25) and DCF (E32).

Risks

Key downside risks include 1) a fall in commodity prices, 2) backlog cancellation (e.g. due to lack of client funding); note that in the event that oil companies cancel or attempt to renegotiate a contract, contractors have the right to file for liquidated damages and take control of all cash pre-payments, 3) execution – we believe the potential impact this risk can have on company earnings remains impossible to quantify ahead of any material announcement and 4) delays in the delivery or start up problems of Saipem's newbuild program that could see lower utilisations than what we have modelled.

Identifying Saipem's 'best in class' fleet

In this section, we focus on the installation process of an offshore field development and in particular the assets involved (generally referred to by the industry as offshore construction vessels). We develop a common set of metrics that help differentiate Saipem's fleet and identify best in class by their ability to: i) lay a variety of different types of pipe (and diameter ranges) quickly and efficiently (e.g. with minimum down time and at relatively low cost to the client), ii) make the heaviest lifts and iii) operate in the harshest of environments and work on activities both at the sea level and deepwater (e.g. seabed 3000m below water surface). Of the 31 assets considered we identify five that broadly fit these criteria: the Saipem 7000, Castoro Sei, Saipem 3000, Saipem FDS and Castoro Otto. Of the three newbuilds analysed, we believe the Saipem FDS2 and Castorone are equally state of the art.

The 'I' of an 'EPIC' contract

We identify where installation sits in the context of an offshore lump sum EPIC contract

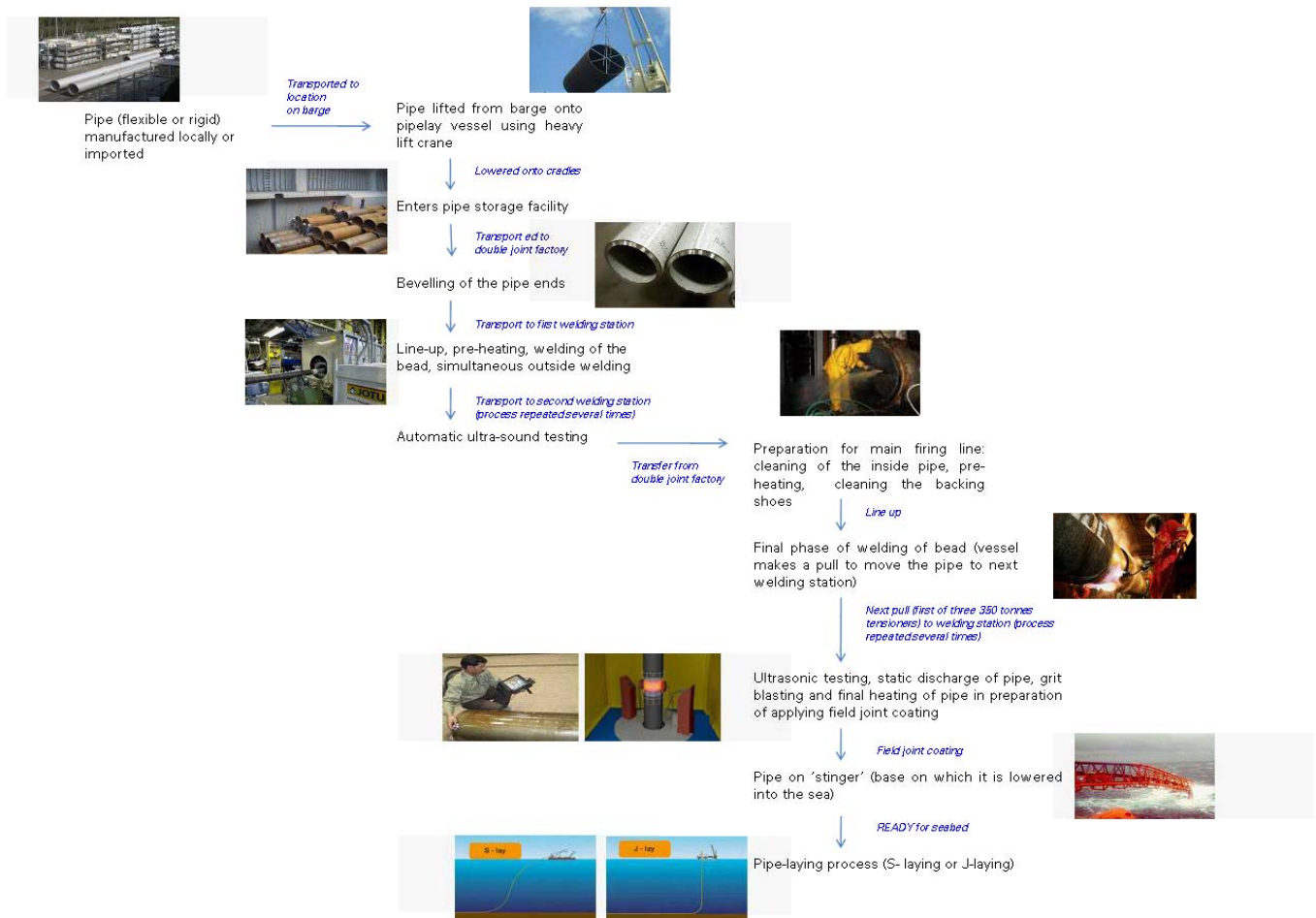
Every offshore project whether it is related to brownfield or greenfield capex will involve a unique combination of engineering design ('E'), procurement ('P') and construction of equipment/facilities/pipe ('C') followed by installation and commissioning ('I'). While it is the latter scope of work which is relevant to our analysis of Saipem's assets it is important to identify where it sits in the context of an EPIC contract (generally bid by Saipem on a lump sum basis – see Appendix J for full definition):

- **FEED (front end engineering design) and detailed engineering:** highly specialised and will be involved in conceptual and detailed engineering of various phases of the development (typically in the form of design contracts awarded to the oil service company). Of course the type of qualification e.g. *electrical, mechanical, structural* and *civil* will determine where in the life cycle of the project the engineers will focus on.
- **Project management:** will be involved in construction, procurement, installation to final commissioning of the development. These types of engineers will be armed with years of experience in troubleshooting, logistics/scheduling and execution. An understanding of public policy and cultural perspectives in the country/region of operation is also essential. Note that they are capable of working both in oil and gas and related industries such as power & process and their skills are generally transferable (more so in the onshore segment as offshore tends to be more specialised within oil and gas).
- **Procurement:** sourcing the necessary pipe and equipment (e.g. drilling packages, distillation columns, reactors etc) and resources (e.g. raw materials such as cement, steel and concrete) from the appropriate supplier and assuming responsibility for logistics and pricing.
- **Construction** – done in conjunction with installation/procurement and either performed in-house or sub-contracted, typically locally based.
- **Installation:** implementing the engineering design (often in parallel with the scheduling and securing of equipment). Offshore activities will require installation vessels (either owned in-house or outsourced) capable of pipe-laying and heavy lift.

Offshore activities will require 'offshore construction vessels' (either owned in-house or outsourced) capable of installing and manoeuvring pipe, offshore platforms and/or infrastructure at the sea level or subsea

Simply put an *offshore construction vessel* will install equipment and floating or fixed structures on the seabed and/or sea level. It may also install subsea pipe and infrastructure used to transport oil and gas and/or 'anchor' a floating platform. Figure 1 below shows a simplified version of pipe installation, the most common application of an offshore construction vessel that begins with loading the pipe onto the appropriate vessel followed by its preparation and finally laying on the seabed.

Figure 1: Simplified pipe installation process (one of the most common applications of an offshore construction vessel)



Source: Deutsche Bank and company data

Creating the right framework with which to compare Saipem's offshore construction vessels

Below we list important parameters (in no particular order) that help differentiate an offshore vessel in its ability to lay pipe effectively as well as operate in various types of conditions and offshore processes at the water surface and subsea:

1. **Vessel type (barge, semi-submersible, ship):** a vessel's ability to self-propel itself will place it at an advantage (cost and efficiency) vs. one that requires manoeuvring to the necessary site (this process is generally sub-contracted and can be costly).
2. **Field development capability (often defined by a vessel's DP class and linked to the vessel type):** Type of dynamic positioning (DP) and mooring system, number of thrusters and complexity of ballast system will affect a vessel's ability to maintain good station in the most difficult of weather conditions and work in both conventional and deep/ultra-deep water. Its temperature threshold is also important with the best designs capable of withstanding temperatures up to 50C and -20C (arctic).

Analysis of Saipem's vessels reveals that there are no two that are exactly alike; in order to compare we create a common set of metrics that help differentiate them

3. **Pipelay-type (e.g. J-lay and/or S-lay – see Appendix K for full definitions) and installation system:** characterised by the depth below sea level and range of pipe diameter that can be installed, storage capacity (maximum amount of pipe that can be operated on at any one time), maximum tensioning capacity (designed to automatically maintain a constant tension on the pipe during off-shore pipe laying operations to ensure its safety) and number and type (e.g. single and/or double joint) of welding stations on board.
4. **Crane maximum lift capacity and lowering capability (meters beneath sea level):** a single crane can lift up to 7000 tons and will be used to transfer pipe (in single or in tandem with others) onto the ship vessel and also for general heavy life operations (e.g. in assembling FPSOs and offshore facilities). The lift capability of the crane is a key bottleneck to a vessel's ability to operate in large scale developments which tend to require heavier structures (characterised by large diameter and/or exotic specifications). Deepwater operations that involve the manoeuvring of equipment at the sea level or on the seabed will also need heavy lift cranes. Other features that strengthen a vessel's lift capability include the maximum lift a crane can rotate with and number of cranes that may be operated in parallel on board.
5. **Remote operating vehicle (ROV):** integral to surface and subsea operations (see Appendix K for full definition) and ideally accompanied with the offshore construction vessel.
6. **Propulsion and thrusters (typically measured in KW):** this, in part, will determine the speed at which the vessel can operate at and how many unit metres of pipe it can install per hour.
7. **Deck load capacity (tonnes) and deck area (sq. m):** this will determine the maximum weight a vessel can carry and how much free deck space may be used e.g. for storage or other ancillary activities.
8. **Accommodation capacity:** the number of people a vessel needs to accommodate will be a function of the scale and duration of the development. Vessels that don't offer accommodation or a limited number of crew may often require additional ships that can be costly particularly if used for a long duration.
9. **Age:** across the course of its life an offshore construction vessel will undertake various conversions and/or maintenance in order to improve its capability not least to ensure it can run smoothly with minimum downtime. Some of the most advanced fleet around the world are those that have been through several upgrades in order to achieve the best performance on the metrics shown above.

The metrics that we have defined above to characterise a vessel cannot not be viewed on a standalone basis...

....collectively they help us establish Saipem's best in class assets

Differentiating Saipem's fleet

With the above metrics in mind, we have analysed all of Saipem's assets (31 existing and 3 newbuilds). Together with company guidance we differentiate Saipem's best in class assets by:

- Their ability to lay a variety of different types of pipe (and diameter ranges) quickly and efficiently (e.g. with minimum down time and at relatively low cost to the client). This will be assessed using parameters 1, 3, 6 and 9.
- Capable of the heaviest lifts and operate in the harshest of environments and applied to activities both at the sea level and deepwater (e.g. seabed 3000m below water surface). This will be assessed using parameters 2, 3, 4, 5 and 7.

We identify five vessels that broadly meet these criteria: Saipem 7000, Castoro Sei, Saipem 3000, Saipem FDS and Castoro Otto. Of the three newbuilds, the Saipem FDS2 and Castorone are equally state of the art. We show the detailed specifications of these vessels in figure 2 below and of the remaining fleet in Appendix F.

Figure 2: Separating the 'men from the boys' – Saipem's best in class fleet*

Vessel name	Vessel type	Water depth (m)	Deck load (t)	Deck area (m2)	Max. main crane lift capacity (t)	Thruster power	Max tensioning capacity	Pipelay specifications				ROV on board	Accom	Built
								Pipe length S Lay	Pipe length J Lay	Welding	Other differentiating specs			
Saipem 7000	Semisubmersible crane and pipelaying (J-lay) DP vessel	2,500	15,000	9,000	Main blocks tandem lift: 14,000 tonnes Main block single lift: 7,000 tonnes Lowering capability to 450 m below sea level	4 x 4,500 kw propulsion azimuthing units, fixed pitch 4 x 3,000 kw retractable azimuthing units, fixed pitch 2 x 5,500 kw retractable azimuthing units, fixed pitch 2 x 2,500 kw bow tunnel units, fixed pitch.	Main laying tension system 525 tonnes with tensioners, up to 2,000 tonnes with friction clamps		upto 32 inches	1 NDT and field joint station Pipe string quadruple joint	Pipe storage capacity up to 6,000 tonnes	2 state Of the art Innovator type of working ROVs	800	1987/1999/2008
Castoro Sei	Semisubmersible pipelay vessel	1,200	3,600	2,720	2 Rotating gantry cranes 134 tonnes capacity	Number of thrusters: 4 azimuthal cranes 134 tonnes capacity Thruster capacity: 2,060 kW/37 t thrust	Three 110 tonne pipe tensioners	upto 60 inches		Double jointing system	Piggyback lay welding line facility Dual-lay welding line and ramp		330	1978
Saipem 3000	Self propelled DP crane ship	2,000	54,000	3,000	Main hook: 2,400 st at 130 ft (2,177 t at 39,6 m), revolving with 1° cross angle	Total Thruster's Power: 19.1 MW Total Bollard Pull: 288 t							195	1984/ 2003
Saipem FDS	Multi-purpose monohull DP crane and pipelay (J-lay) ship	2,000	4,000		600 t at 28 m radius and 168 m below water line	2 x azi 2,200 kW, 2 x tun 2,000 kW, 2 x azi 4,400 kW AUTR with 50 t to 90 t bollard pull depending on sea state, for pipelaying	Max. tensioning capacity: 440 t including dynamics		upto 22 inches	Laying quad-joints up to 52 m long	J-Lay tower for ultra-deepwater: Double firing line for quad-joints fabrication	2 x 150 HP work class ROVs	235	2000
Castoro Otto	Self propelled derrick/lay ship	200			Main hook (1): Overstern 2,177 t at 39.6 m radius (revolving)	Two variable pitch propellers at vessel stern, in steerable kortnozzles and 4,000 HP each to produce a total propulsion power of 8,000 HP. One bow thruster, variable pitch 1,200 HP Cruising speed: 8 knots	Max. tension 180 t	upto 60 inches		Single and double joint welding			356	1976
Castorone	Pipe lay vessel	3,000			Main crane: 600 t @ 30 m, 350 t @ 46 m	Main gensets: 8 x 8,400 kW at 600 rpm each Emergency generator: 1 x 1,200 kW Power distribution: 2 separate switchboards 11 kV Bow thrusters: 2 x 37 t Azimuthal thrusters: 6 x 92 t Main shafts: 2 x 8,000 kW Bollard pull (with main propellers): 180 t	Tensioners: 3 x 250 t			Triple joint 12 m or double joint 18 m.			702	Q3' 2011E
Saipem FDS2	Field development vessel	3,000			Main crane: 1,000 t – 400 m below water line	2 azimuthal thrusters for propulsion & station keeping (5,000 kW each) 3 retractable azimuthal thrusters (5,500 kW each) 2 bow thrusters for station keeping (2,000 kW each) Power: 6 diesel generators – 36,000 kW				Designed to lay quad joints		2 work class ROVs (Sonsub Innovator)	325	Q2' 2011E

Source: Deutsche Bank, Company data; * Remaining vessels detailed in Appendix F

The economics of Saipem's offshore construction fleet

In this section we model the implicit day rates generated from Saipem's offshore construction fleet based on data extracted from 47 contracts awarded since 2003. Our analysis shows that Saipem's best in class assets yielded an average rate of \$370,000/day and peak rates of \$520,000/day. This compared to \$320,000/day and \$430,000/day respectively for the remainder of its fleet.

Across the same time period, we estimate that the EBITDA margin equivalent to *pure* installation activities ranged between 20-35%. This compared to a 'blended' margin (i.e. EPIC) of between 12-18% realised by Saipem's offshore construction division (we show that broadly half of this segment's operating income is sourced from installation work alone).

Stripping an offshore EPIC contract down to its core: *installation*

Modelling the underlying return on each of Saipem's offshore construction vessels is difficult given they will generally recognise profits across the life of the project with little or no disclosure regarding the pace and level of margin and contingency released. Its vessels are typically tendered as part of a lump sum package which encompasses the full scope of engineering, procurement, construction, installation, and commissioning phases. Each of these functions will vary in contribution to revenue and realise a margin that is linked to its level of complexity and the performance of the asset (s) and/or resources involved.

Saipem will report a blended margin every quarter for its offshore construction division; like its peers it does not disclose margins by contract or by asset

In contrast to the drilling segment, the implicit day rates generated from Saipem's offshore construction fleet are not reported

Figure 3: The profit and revenue recognition of an EPIC project is generally a function of the pace, complexity and performance of each phase of the development

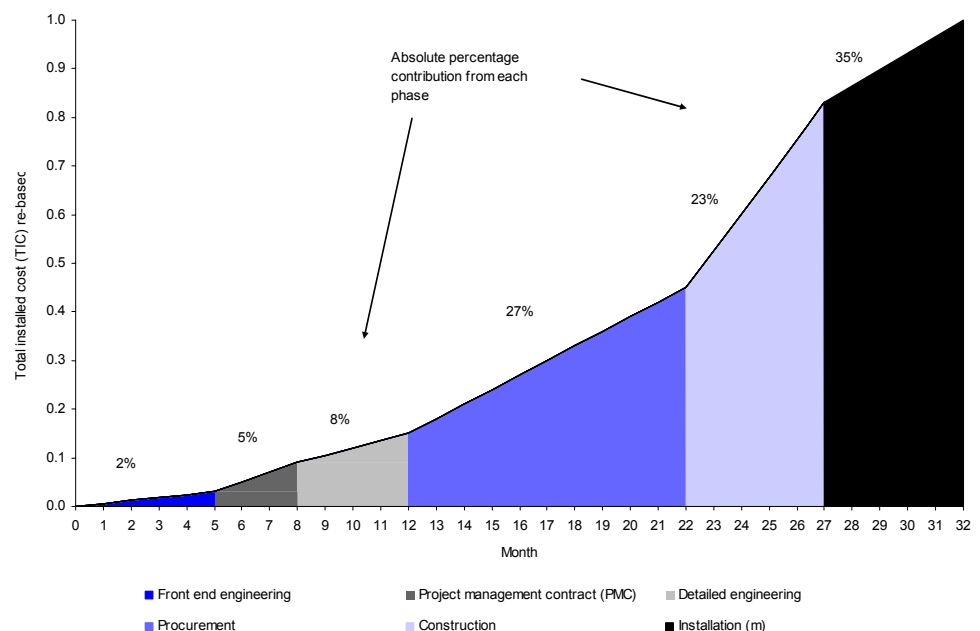


Figure 3 shows the relative *revenue* contribution of each phase. Our estimates are based on our conversations with Saipem management and industry sources. Over the last few years, Saipem has bid almost entirely on a lump sum basis as opposed to other variations of EPIC

packages such as cost plus and unit price (see Appendix J). Saipem will generally provide information on each of its contracts by asset (s) used, aggregate value, duration and the nature of work undertaken.

We use the basic framework shown above to estimate the revenue contribution of the installation phase to each contract reported over the last 7 years (contract data is not available before 2003). Figure 4 below shows the two most common types of lump sum packages that Saipem will generally undertake.

Figure 4: We model two types of lump sum packages (while others exist we found these to be the most common for Saipem)

Lump sum scenario 1: engineering, procurement, construction, installation and commissioning	% Revenue equivalent
Front end engineering	2%
Project management	5%
Detailed engineering	8%
Total engineering	15%
Procurement (and assembling)	27%
Installation and commissioning	35%
Construction	23%
Total	100%

Lump sum scenario 2: procurement, construction, installation and commissioning	% revenue equivalent
Engineering	0%
Procurement (and assembling)	35%
Installation and commissioning	45%
Construction	20%
Total	100%

Source: Deutsche Bank

Scenario 2 relates to offshore developments where the work scope is predominantly installation and where little or no prior engineering is required. This usually occurs on projects where the detailed design required for the installation process has been: (i) performed successfully in the past and may be generally re-applied or (ii) contracted separately (either to Saipem prior to the lump sum package being awarded or to another contractor e.g. Amec that specialises only in FEED and project management).

Calculating the day rate and EBITDA realised by asset

Using the above template we have estimated the day rate and EBITDA implicit in the contracts reported on each of Saipem's offshore construction vessels. Our estimate of OPEX is based on company guidance (best in class: \$100K/day and all other vessels: \$80K/day). Below we show two examples of this calculation with the workings on all 47 contracts detailed in Appendix C.

Figure 5: Derivation of asset day rate and EBITDA on the Kizomba B contract (LSTK scenario 1 and one vessel used)

Project/award date	Kizomba B, Angola; Q2 2003
Vessel	Saipem FDS
Contract value (USDmn)	245
LSTK scenario	1
Number of main vessels used*	1
Total number of project days (contract life)	730
Number of days vessel is being used**	456
Revenue equivalent of each phase (\$mn)	
Total engineering (15%)	36,750,000
Procurement (and assembling) (27%)	66,150,000
Installation and commissioning (35%)	85,750,000
Construction (23%)	56,350,000
Implied revenue per day (\$k)	188
Vessel opex per day (\$k)	100
EBITDA/day realised from installation phase (\$k)	88
Total EBITDA realised from installation phase (\$mn)	40

Source: Deutsche Bank; *Saipem only discloses the key vessels used although a number of smaller ancillary vessels may be needed; **provided by company; in the case where installation days has not been provided we base our estimate on the average % utilisation time across all contracts; note Saipem only discloses the key vessels used although a number of smaller ancillary vessels may be needed

Figure 6: Derivation of vessel day rate and EBITDA for the Nordstream contract (LSTK scenario 2 & two vessels used)

Project/award date	Nordstream pipeline, Russia, Germany & Baltic Sea; Q2 2008
Vessels	Castoro Sei and Castoro 10
Contract value (USDmn)	2,206
LSTK scenario	2
Number of main vessels used*	2
Total number of project days (contract life)	1095
Number of days each vessel is being used**	1095
Revenue equivalent of each phase (\$mn)	
Total engineering (0%)	-
Procurement (and assembling) (35%)	772,058,824
Installation and commissioning (45%)	992,647,059
Construction (20%)	441,176,471
Implied revenue per day per vessel (\$k)	453
Avg. vessel opex per day per vessel (\$k)*	90
Avg. EBITDA/day realised from installation phase per vessel (\$k)	363
Total EBITDA realised from installation phase (\$mn)	796

Source: Deutsche Bank; *Saipem only discloses the key vessels used although a number of smaller ancillary vessels may be needed; where there is more than one vessel being used on a particular contract, we divide the installation value equally across them (unless company has stated otherwise) and assume an average opex rate to arrive at the EBITDA generated from each vessel; **provided by company; where installation days have not been provided we use the average % utilisation time across all contracts.

Figures 7 and 8 below show the day rate schedule for each asset during the periods in which it was utilised. It is important to recognise the limitations to this analysis:

- The revenue contribution of installation to each contract may be different to what we have assumed (we estimate installation to represent 35% or 45% of the reported value depending on the type of package awarded). For example it can vary with the complexity of the project, whether Saipem has its construction sub-contracted or sourced in-house and/or locally (will influence the weighted value of construction and in turn installation) and other unknown factors specific to the contract terms and conditions.
- Given Saipem will not report all of its contract awards we are unable to model a comprehensive list of historic day rates for all its assets under coverage. Our assessment may therefore be over or understated if, for example, vessels (some of them ancillary) were used on jobs that were not reported.
- The number of 'vessel days' may be different to what was reported at the time of contract announcement depending on: the downtime of each vessel (e.g. due to bad weather conditions or unexpected soil condition), whether additional work was requested by the client and/or if the project finished earlier than expected. Variations are generally not disclosed.
- We assume that the operating income generated from a vessel is recognised linearly across the life of the period it is being used. However, it may vary disproportionately depending on the factors mentioned above and whether additional incentives have been put into place. At different stages of the project's life-cycle this could yield contingencies above the face value of the contract. This upside is impossible to gauge and it tends to be recognised during the last few months of the project. It is not disclosed by asset or contract but rather embedded in the operating line at the divisional level.
- We model operating costs by asset type and assume rates to be constant across the vessel's life span. This is based on company guidance which was not specific to a period of time or particular asset. Given the inflation in commodity prices and crew costs witnessed across 2005-08 our calculation of operating income during this period may be over-estimated.

Figure 7: Day rate schedule for Saipem's offshore construction fleet based on all contracts reported* (\$k/day)

	Region	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
Saipem 7000	Canada											369									
	North Sea						140	140	140	288	288				270	270	270				
	GOM												344	344							
Castoro Sei	Algeria																		444	444	
	North Sea					369				331	311	311			296	296	380	380			
	Qatar						227	227	227												
	Scotland												458	458							
	Algeria																		444	444	
Saipem 3000	Spain																				340
	Angola									285	285	285						324	334	334	334
	Nigeria															544	331	331			
Saipem FDS	Congo																				
	Angola									285	285	285									
	Nigeria																				
Castoro Otto	Egypt																			418	
	Nigeria																				
	Thailand																				
	Australia																				
	Taiwan, Thailand and Malaysia																				
Semac 1	Russia																				
	Venezuela																				
	Taiwan, Thailand and Malaysia																				452
Castoro II	Russia																				
	China																				
	Taiwan, Thailand and Malaysia																				
S 355	Russia																				
	China																				
	Taiwan, Thailand and Malaysia																				
Crawler	Angola																				
	Tunisia																				
	Egypt																				
Castoro 10	Qatar																				
	Taiwan, Thailand and Malaysia																				
	Egypt																				
Normand Cutter	Qatar																				
	Taiwan, Thailand and Malaysia																				
	Egypt																				

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment

Figure 8: Day rate schedule for Saipem's offshore construction fleet based on all contracts reported* contd... (\$k/day)

	Region	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Saipem 7000	Brazil																
Castoro Sei	Spain																
	Russia, Germany & Baltic Sea																
	Angola																
Saipem 3000	Nigeria																
	Gabon																
	Angola																
Saipem FDS	Nigeria																
	Egypt																
	Indonesia																
Castoro Otto	Vietnam																
	Venezuela																
	Papua New Guinea																
Castoro II	Gabon																
	Saudi Arabia																
	Russia, Germany & Baltic Sea																
Castoro 10	Mediterranean Sea																
	Qatar																
	Taiwan, Thailand and Malaysia																

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment



Summary economics for Saipem's offshore construction fleet

Figure 9 below summarises our estimate of day rates and EBITDA realised from all assets disclosed in contracts reported since 2003. The average historical day rate yielded from Saipem's best in class fleet was \$370,000/day vs. \$320,000/day from the rest of its fleet; the peak day rate was \$520,000/day and \$430,000/day respectively.

Figure 9: Summary day rate and EBITDA margins for all assets reported (best in class shown in blue)

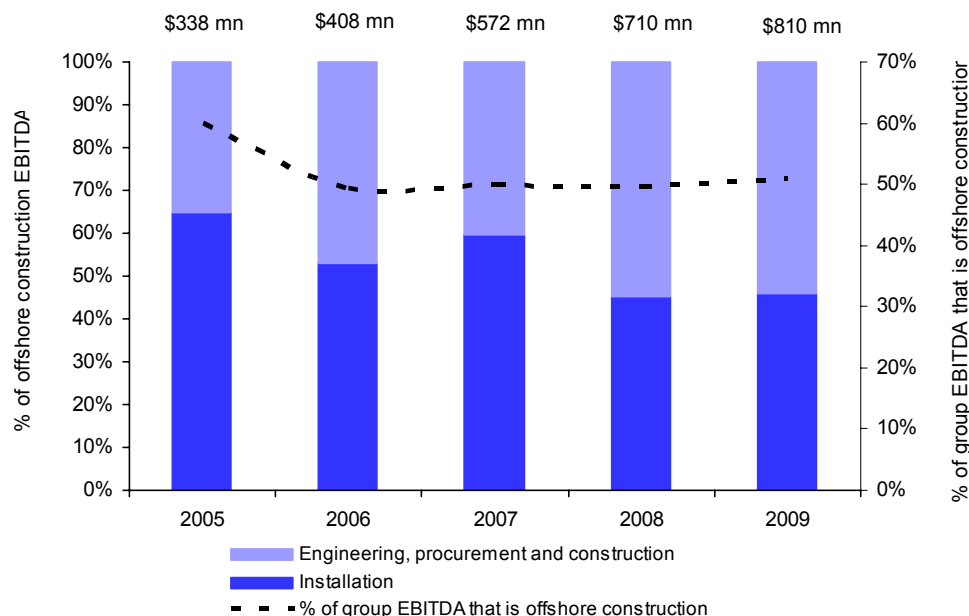
		Dayrates \$ K/day			Opex rate \$ K/day	EBITDA margin *						Utilisation (annualised)				
		High	Low	Average		2005	2006	2007	2008	2009	Average	2005	2006	2007	2008	2009
Saipem 7000	Semisub	538	140	322	100	13%	29%	29%	27%	37%	27%	75%	100%	100%	50%	50%
Castoro Sei	Semisub	458	227	387	100	21%	30%	29%	28%	25%	27%	100%	100%	100%	50%	25%
Saipem 3000	Ship	623	128	431	100		23%	26%	24%	29%	25%		75%	75%	100%	75%
Saipem FDS	Ship	623	128	368	100	16%	23%	24%	26%	28%	23%	75%	75%	50%	50%	50%
Castoro Otto	Ship	376	220	330	100	26%		21%	22%		23%	75%		100%	50%	
'Best in class' average		524	168	368	100	19%	26%	26%	25%	29%	25%					
Semac 1	Semisub	452	167	308	80	18%		26%	37%	37%	30%	25%		100%	25%	100%
Normand Cutter	Ship	418	418	418	80				28%		28%				25%	
Castoro II	Barge	501	105	174	80	21%				29%	25%	75%				25%
S 355	Barge	324	324	324	80			26%	26%		26%			25%	25%	
Crawler	Barge	417	224	320	80			22%	36%		29%			50%	50%	
Castoro 10	Barge	453	227	393	80	23%		26%			24%	75%		50%		
'Mid to lower tier' average		427	244	323	80	21%		25%	32%	33%	27%					

Source: Deutsche Bank, * EBITDA equivalent to pure installation activity as % of total EPIC value of contract

Figure 10 below shows the aggregate EBITDA generated from all assets involved in installation activity calculated on an annualised basis. By deducting this from the reported figure for the offshore construction segment we estimate the EBITDA equivalent of all other activities i.e. engineering, procurement and construction (EPC). We show that, on average, roughly half of this division's operating income may be attributed to installation activity across the last 5 years.

Figure 10: The 'I' of an EPIC contract: installation represents the largest source of income to Saipem for an offshore construction project

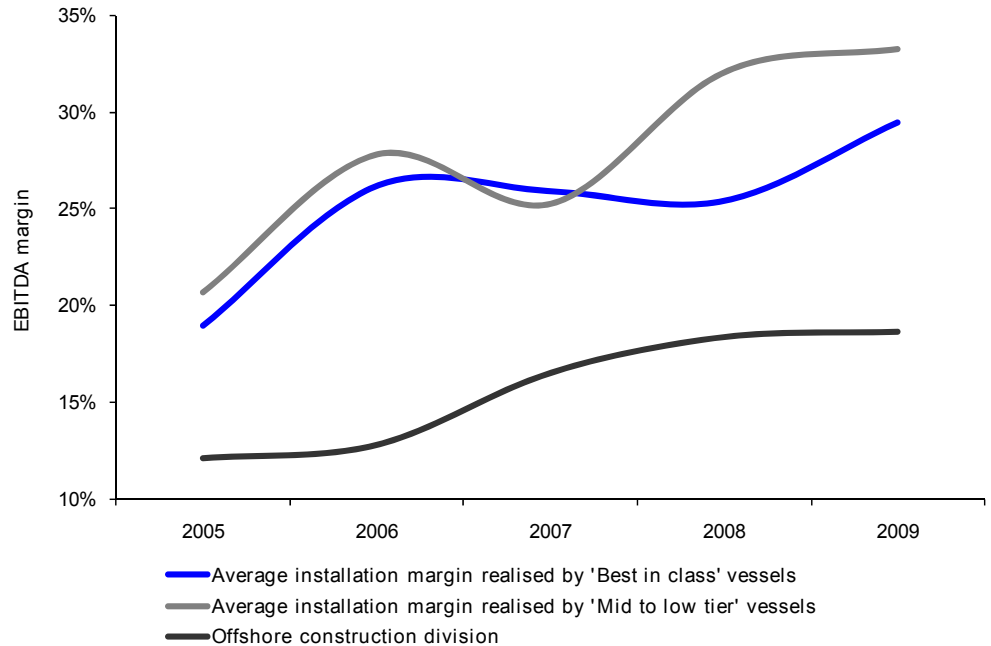
On average, c. 54% of the EBITDA reported in offshore construction may be attributed to installation activity over the last 5 years.



Source: Deutsche Bank, Company data

Figure 11 below shows the average EBITDA margins realised across Saipem's fleet over time.

Figure 11: Margins realised by Saipem's offshore construction vessels are significantly higher than the 'blended' margin reported at the divisional level



Source: Deutsche Bank, Company data

We expect the trend shown in figure 11 to reverse in 2010/11 and for Saipem's best in class fleet to out-perform its mid-tier.

Contracts signed on best in class vessels tend to be very large in unit value and characterised by a large amount of procurement which is dilutive to the overall margin.

Saipem will generally prefer to lease its best in class vessels on long term contracts that may realise lower margins vs. its mid tier fleet but offer utilisations across a longer time frame. Contracts signed on the former tend to be very large in unit value and characterised by a large amount of procurement which is dilutive to the overall margin.

Mid-tier vessels are relatively more involved in shorter term conventional work (e.g. North Sea, Gulf of Mexico, West Africa and South East Asia mid water) which is more cyclical in nature and will suffer greater pricing pressure in a weaker commodity price environment. These assets are typically characteristic of Acergy and Subsea and to a lesser degree Technip's assets. Given the weak conventional market witnessed across 2009 and the aggressive bidding we have yet to see materialise across the respective companies' bottom lines (particularly at the more commoditised end of the asset chain - see peer group analysis in the next section) we expect their offshore construction divisions to generally under-perform Saipem's across 2010-11. Moreover we expect the trend above to reverse in 2010/11 and for Saipem's best in class fleet to out-perform its mid-tier.

Modelling the financial impact of FDS2 & Castorone

Our recent annual review of global capex highlighted impressive growth across 2010/11 in frontier and large scale developments (deepwater and/or harsh environment) that require vessels unique to Saipem's best in class fleet. Coupled with its leading market share and impressive diversification within offshore engineering and construction we are confident that Saipem will be able to contract its new assets FDS2 and Castorone successfully this year. With this in mind our analysis reveals that Castorone and FDS2 should impact group earnings by c. 5% in 2010, c. 8% in 2011 and c. 7% in 2012 (we use the historical average of Saipem's best in class day rates as our base case scenario).

We estimate the incremental EBITDA generated from both assets across our forecast horizon to be c. E230mn. Assuming a blended EBITDA margin of c.18.4% (offshore construction division 2010-12E average) this implies an aggregate contract value of c. E1.3bn potentially for award this year. Recent guidance from management leaves us with strong conviction that the delivery of FDS2 and Castorone will not be delayed and that installation work associated with new contracts can begin as soon as they come online in Q2/Q3 2011 respectively.

Finally, our sensitivity analysis reveals impressive upside achieved through higher day rates contracted for Castorone and FDS2 and higher utilisations across the existing portfolio in the context of a stronger than expected pick up in offshore construction activity.

Our global capex outlook favours large scale field developments and deepwater offshore construction

Despite Wood Mackenzie's relatively muted outlook for global capex (published in our note titled 'Chasing the pendulum, December 2009) our analysis revealed sweet spots across the oil services chain which should post impressive growth in 2010-11E assuming a long run oil price assumption of \$70/bbl. By theme, these include deepwater offshore construction (SURF and FPSO/facilities), LNG, and by region, FSU (mainly related to large scale frontier developments), SE Asia (Australia and India), Africa (Ghana, Egypt, Angola and Nigeria) and Brazil. We believe the majority of FIDs here should begin to materialise across H2 2010 and continue through 2011. Given it is these type of developments which will require multi-purpose vessels comparable to Saipem's best in class fleet, we believe the conditions are ripe for Saipem to market its new assets successfully this year.

Saipem's global (and local) footprint is critical to ensuring effective penetration of new assets

Over the last few years Saipem has crystallised its position as the most diversified and global player of the European oil services. In our note published on the 17th September, 2009 (titled: 'still setting the standard') we analysed the strategy and business model management have put into place that should ensure its new assets are effectively penetrated. Key enabling drivers include:

- In-house construction and fabrication capabilities that gives the company a competitive advantage when bidding (saves on sub-contracting costs enabling it to bid lower on

Deepwater large scale developments will require multi-purpose vessels comparable to Saipem's best in class fleet; given our positive outlook on capex, we believe the conditions are ripe for Saipem to market its new assets successfully this year

contracts) whilst reducing the execution risk associated with construction (typically the riskiest part of a project)

- Strong local content (defined as employing nationals dedicated to equipment fabrication, on site construction and engineering) that, importantly, meets NOC requirements
- Post the Snamprogetti acquisition, engineering and project management excellence in harsh environment developments and those employing complex technologies
- Legacy presence in some of the largest field developments globally (e.g. Caspian Sea, Nord Stream project, Baltic Sea)
- Strong ties with parent owner ENI as well as strategic support from the Italian government (industry sources would suggest).

We argue that these qualities are critical to delivery and out-performance (particularly within the context of an industry that continues to suffer from lack of visibility around contract awards and margin progression). As a result, we believe the company is well placed to win (and successfully execute) contracts, particularly those linked to NOCs that are currently actively tendering (Brazil, Middle East) and IOCs that have sanctioned go ahead on FIDs this year.

Barriers to entry associated with new vessels should see day rates maintained at current levels (at the very least)

Our peer group analysis detailed in Appendix G reveals that Saipem possesses the highest market share of best in class assets across the Global Offshore E&C players. Barriers to entry characteristic of these types of assets include:

- The high costs associated with building these types of vessels (c. \$550-700mn per unit).
- The advanced engineering and project management associated with the installation of large complex offshore developments; IOC/NOCs will generally prefer to award the entire workscope to one contractor rather than tender the installation separately from the engineering, procurement and construction processes.
- Strong execution track record.

We believe there are a limited supply of contractors globally that offer state of the art assets in conjunction with the relevant engineering and project management experience to execute large offshore developments. Against our positive demand outlook this suggests that the industry is structurally robust near to medium term and that Saipem is well placed to contract FDS2 and Castorone at attractive rates.

Against our positive demand outlook we argue that Saipem is well placed to renew its existing fleet as well as contract FDS2 and Castorone at attractive rates.

Estimating the impact of FDS2 & Castorone on Group earnings

We use the day rates derived in the last section to estimate the earnings uplift resulting from FDS2 and Castorone. Figure 12 below shows the logic behind our calculation.

Figure 12: Calculation of incremental EBITDA generated from Castorone and FDS2	
<u>Average installation days per contract for "Best in class" vessels</u>	
Saipem 7000	188
Castoro Sei	330
Saipem 3000	239
Saipem FDS	290
Castoro Otto	228
Average	255
<u>Base case dayrates * (\$k/ day)</u>	
Castorone	368
Saipem FDS2	368
<u>Opex rates (\$k/ day)</u>	
Castorone	100
Saipem FDS2	100
<u>Installation EBITDA (\$ mn)</u>	
Castorone	68
Saipem FDS2	68
Installation EBITDA/EPIC EBITDA *	54%
<u>Implied EPIC EBITDA from newbuild vessels (\$ mn)</u>	
Castorone	127
Saipem FDS2	127
USD/ EUR**	1.365
<u>Offshore construction EBITDA generated from newbuild vessels (EUR mn)</u>	
Castorone	93
Saipem FDS2	93
Total	186

Source: Deutsche Bank; *historical average; ** Current spot rate

Figure 13: Impact of Castorone and FDS2 on Group earnings

	2010E	2011E	2012E
<i>Average EPIC contract duration: 2 years *</i>			
Assume linear distribution of EBITDA across life of project	25%	50%	50%
<u>EBITDA (EUR mn)</u>			
Castorone	23	47	47
Saipem FDS2	23	47	47
<u>Depreciation (EUR mn)</u>			
Castorone		13	27
Saipem FDS2		14	19
<u>EBIT (EUR mn)</u>			
Castorone	23	33	20
Saipem FDS2	23	32	28
Tax rate	29%	29%	29%
<u>Post tax EBIT generated from the newbuild vessels (EUR mn)</u>			
Castorone	17	24	14
Saipem FDS2	17	23	20
	33	47	34
Depreciation net back (asset expansion program already captured in current depreciation forecast) (EUR mn)	-	20	32
Net accretion to earnings (EUR mn)	33	66	66
Group net income ex. Castorone and FDS2 (EUR mn)**	726	810	921
<i>% impact to group earnings of Castorone and FDS2</i>	<i>4.6%</i>	<i>8.2%</i>	<i>7.2%</i>

Source: Deutsche Bank; *Average duration of contracts analysed; ** Post FY' 09 results update and revenue/margin changes detailed in figure 15

Assumptions in addition to those listed on page 13 that are integral to this analysis include:

- The day rates used above are based on the historical average of Saipem's best in class fleet and we believe this is conservatively stated. Depending on how tight the market is across H2' 2010 and H1 2011 we could expect these vessels to be contracted on rates closer to peak levels (i.e. \$520,000/day). We show sensitivities using different day rates in the next section.
- In order to calculate the EBITDA generated from engineering, procurement and construction we apply the "I: EPC" ratio derived in the last section. In reality this ratio will vary with the complexity, scope and performance of the project.
- A contract award relating to these assets is announced across Q2/Q3 2010. Note that even though they will not be delivered until Q2/Q3 2011 (see below), the engineering and procurement should start earlier allowing Saipem to recognise moderate operating income towards the end of this year.
- In 2012 we assume both vessels will remain utilised. As with all of its fleet, Saipem will typically market its assets for new work well before they are due to come off contract thus ensuring that their idle time is as little as possible. We renew the assets' contract life cycle from 2012 assuming the remaining 25% from the exiting contract is booked together with 25% from a new EPIC contract.
- Our earnings outlook prior to the addition of these new assets assumes that the existing asset base remains utilised at the same rate as 2009 (driven by current backlog). We also model sensitivities on the existing fleet in the next section.

Note that even though these assets will not be delivered until Q2/Q3 2011, the engineering and procurement related to a contract award may start earlier (we assume Saipem recognises moderate operating income toward the end of this year)

Risk of delay to newbuild program appears low

Figure 14: Delivery of both assets appears on track in light of management's recent update in Q4'09 that detailed a realistic assessment of the construction yards' progress

		Castorone	Saipem FDS 2
July 2006	Q2' 06 <i>results presentation</i>	Concept under development for a deepwater pipelaying vessel	
Nov 30th 2006	Nov 06 <i>company presentation</i>	Concept engineering finalised and shipyards shortlisted	
Feb 2007	Q4' 06 <i>results presentation</i>	- Scheduled delivery in Q2' 2010 - Shipyard commitment in February 2007 (Yantai Raffles yard, China) - Estimated cost: E530mn	
Dec 2007	Dec 07 <i>company press release</i>		- Saipem will build a new deepwater field development ship - Estimated cost: E380 mn - Order to be placed with the shipyard in Q2' 2008, upon conclusion of the engineering phase.
June 2008	Jun 08 <i>news article</i>		- Saipem signed a turnkey contract with Samsung Heavy Industries Co. for the construction. - The new ship will be built in Kojima shipyard in South
July 2008	Q2' 08 <i>results presentation</i>		Investment starts for the construction of the new Saipem FDS 2
Feb 2009	Q4' 08 <i>results presentation</i>	Construction schedule extended by 5 quarters: - Delivery Q3' 2011 - To benefit from cost reduction (raw materials and equipment) - For further upgrade of operational capabilities and productivity. Designed for the most challenging future projects	
Feb 2010	Q4' 09 <i>results presentation</i>	Delivery Q3 2011 - unchanged	Delivery Q2 2011 - unchanged

Source: Deutsche Bank, Company data

DB EPS outlook raised by an average 16% across 2010-12

We show the summary of our earnings changes in figure 15 below. The first adjustment captures the latest drilling fleet status recently disclosed by Saipem; the second is to reflect our increased confidence in the company's margin outlook post discussions with management and their latest guidance. We make no changes in our assumptions on utilisation rates across the existing offshore construction fleet and introduce Castorone and FDS2 to arrive at our revised earnings outlook (see next section for sensitivity analysis on current portfolio).

Figure 15: Summary of earnings change post model adjustments and contribution of Castorone and FDS2

		2010E	2011E	2012E
Old net income forecast (Emn)		654	732	872
(1) Update of renewed drilling fleet status (post Q4'09 results) % impact		8.0	0.7	28.0
		1.2%	0.1%	3.2%
		662	732	900
(2) Adjustment to EBITDA margins:		64	78	20
Offshore construction	Old			
	New			
	2010E	17.5%	18.3%	
	2011E	17.5%	18.5%	
	2012E	19.0%	18.5%	
Onshore construction	2010E-12E	5.8%	6.7%	
% impact		9.7%	10.6%	2.3%
		726	810	921
(3) Contribution of Castorone and FDS2 % impact		33	66	66
New net income forecast (Emn)		759	876	987
	% net change	16.1%	19.7%	13.1%

Source: Deutsche Bank

Sensitivity analysis points to impressive upside

Scenario 1: higher day rates contracted for Castorone and FDS2

Figure 16: Sensitivity of group earnings* to newbuild day rates (base case in grey)

	300	368	400	450	500	550	600	650
2010E	3.4%	4.6%	5.1%	5.9%	6.8%	7.6%	8.5%	9.3%
2011E	6.1%	8.2%	9.1%	10.7%	12.2%	13.7%	15.2%	16.8%
2012E	5.4%	7.2%	8.0%	9.4%	10.7%	12.1%	13.4%	14.7%

Source: Deutsche Bank; *ex contribution of Castorone and FDS2 and post margin and drilling adjustments

Our analysis reveals impressive upside achieved through higher day rates contracted for Castorone and FDS2. If we apply rates comparable to the peak levels yielded historically from Saipem's best in class fleet (between \$600k-650k/day) our model shows an average 13% increase to earnings across our forecast horizon. Moreover, adjust against consensus and this equates to a broadly 18% uplift.

Scenario 2: higher utilisations for existing portfolio

Figure 17: Sensitivity of group earnings* to higher utilisations on existing fleet

	Vessel utilisation (of spare capacity)				
	10%	30%	50%	70%	90%
2010E earnings impact	1.3%	4.0%	6.6%	9.2%	11.9%
2011E earnings impact	0.1%	0.4%	0.6%	0.8%	1.1%
2012E earnings impact	1.2%	3.6%	6.1%	8.5%	10.9%

Source: Deutsche Bank; *new net income forecast (i.e. post contribution of Castorone and FDS2, margin and drilling adjustments)

Our earnings estimate for the offshore construction division is based on current backlog and an assumption on contract wins going forward. We assume contract awards sufficient to maintain utilisations across our forecast horizon consistent with 2009 levels. Figure 17 above shows the impact on group earnings if Saipem's best in class vessels were operated at higher utilisations (shown as percentage of spare capacity available). A sample calculation showing how we arrive at these sensitivities is detailed in Appendix E. Similar to the results of scenario 1, this analysis reveals impressive operational leverage achieved through higher utilisations across the existing portfolio in the context of a stronger than expected pick up in offshore construction activity.

Valuation - PT raised from E27 to E31

Combination of relative valuation, DCF and SOTP drives PT re-rating (from E27 to E31)

We argue that Saipem should trade at 30% premium (previously 20%) to our 2011 EV/DACF target sector multiple (8.4x) based on:

- An impressive asset development program that should eclipse a strong pick up in offshore construction capex forecasted across 2010/11. This should yield impressive cashflow generation from next year and fuel group EBITDA growth 2010-12. It should also bring the company's gearing comfortably back towards mid-cycle levels (c. 35% debt/equity).
- Impressive upside achieved through higher day rates contracted for Castorone and FDS2 and higher utilisations across the existing portfolio in the context of a stronger than expected pick up in offshore construction activity.
- A unique strategy and business model that should defend Saipem's market leading share across the engineering and construction (E&C) industry. Based on this, we believe the company is better placed to win (and successfully execute) contracts, particularly those linked to NOCs that are currently actively tendering (Brazil, Middle East), and IOCs that have sanctioned go ahead on FIDs.
- Saipem's sector leading backlog underpins an impressive growth outlook in the near to medium. Analysis of backlog cover at the industry and company level sees Saipem at a comfortable premium relative to its peers and at record levels vs. history (77% of 2010 consensus revenue is already covered by current backlog vs. 2005-7 group historical average of c. 71%).
- Solid 'backlog longevity' (longer contract life implies topline visibility) that stands out against most comparable peer Technip - a direct function of Saipem's unique exposure to (longer term) drilling contracts.
- Analysis of Saipem's asset utilisations (leveraging our expansive database of contracts) implies a robust outlook for vessel activity which given their superior differentiation should support our forecasts for margins both in the drilling and offshore construction segments.
- Sector leading execution capabilities: despite a change in the company's risk profile linked to an impressive expansion of its industry product offering, the company has consistently delivered; previous analysis of Saipem's contract strategy and discipline in bidding supports why we believe it will continue to do so.

Saipem's unique combination (E&C and drilling capabilities) in both offshore and onshore, forces us to value each business division independently when deriving our DCF valuation. Our DCF has been raised to E32 from E27 (assumes 3% growth rate and 9% WACC - previously 9.3%). This has been driven by an upgrade to our earnings forecasts across 2010-12 by an average 16% to reflect the contribution of FDS2 and Castorone across 2010-12 and increased confidence in the company's margin outlook post discussions with management and their latest guidance. Within the drilling segment we have applied our Wood Mackenzie/DB day rate forecasts to the company's various classifications of rigs by using water depth as the common factor (we keep our estimates unchanged).

We include SOTP in our valuation framework given this methodology enables us to attach value to each arm of Saipem's divisions (and in some case sub-divisions). We apply target multiples relevant to that particular industry and aside from Europe, we include companies listed in the US and Asia given their comparable business mixes and global exposures.

Figure 18: SOTP valuation summary (calculations and peer comparison analysis detailed in Appendix H)

	EUR mn
Offshore construction	5,873
Onshore construction	3,031
Drilling	5,279
Saipem group EV	14,182
Net debt *	- 2,984
Equity value - SOTP	11,198
No. of shares	441
SOTP value per share (EUR)	25

Source: Deutsche Bank; *Year end 2009

Our new price target of E31 (previously E27) is taken as the average of our three valuation scenarios: relative valuation (implies E35), SOTP (E25) and DCF (E32).

Risks

Key downside risks include 1) a fall in commodity prices, 2) backlog cancellation (e.g. due to lack of client funding); note that in the event that oil companies cancel or attempt to renegotiate a contract, contractors have the right to file for liquidated damages and take control of all cash pre-payments, 3) execution – we believe the potential impact this risk can have on company earnings remains impossible to quantify ahead of any material announcement and 4) delays in the delivery or start up problems of Saipem's newbuild program that could see lower utilisations than what we have modelled.

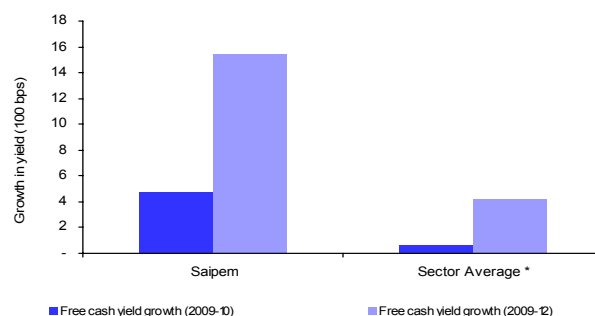
Figure 19: European oil services valuation table

Source: Deutsche Bank Company data.

		DB Estimates				Bloomberg Consensus				% difference (DBe vs. consensus)			
	Curr (mn)	2010E	2011E	2012E	CAGR (10E-12E)	2010E	2011E	2012E	CAGR (10E-12E)	2010E	2011E	2012E	Average (10E-12E)
Revenue	EUR	10587	12011	12737	9.7%	10466	11146	11903	6.6%	1.2%	7.8%	7.0%	5.3%
EBITDA		16.4%	17.0%	17.1%	2.1%	16.1%	17.0%	17.5%	4.2%	1.8%	-0.4%	-2.3%	-0.3%
Net income		759	876	987	14.0%	705	788	863	10.3%	6.6%	10.8%	14.0%	10.5%

Source: Deutsche Bank. Company data. Bloomberg.

Figure 22: Saipem free cash yield growth rate vs. sector



Source: Deutsche Bank, Company data; *Excluding Lamprell

Source: Deutsche Bank, Company data; *Excluding Lamprell

Figure 23: European oil services financial matrix

	RIC	Reporting Currency	Share price	Net income (reporting currency m)					Growth (09-10)	EPS (local currency)					CAGR (09-12)
				2008	2009E	2010E	2011E	2012E		2008	2009E	2010E	2011E	2012E	
Acergy	ACY.OL	\$	110	277	174	103	153	206	-41%	7.6	5.9	3.3	4.9	6.6	3.6%
Aker Solutions	AKSO.OL	NOK	89	1,540	1,932	1,685	1,516	1,732	-13%	5.7	7.2	6.3	5.6	6.4	-3.6%
AMEC	AMEC.L	£	771	145	155	169	190	208	9%	43.4	46.4	50.6	56.8	62.3	10.3%
Lamprell	LAM.L	\$	252	94	26	50	67	78	89%	25.2	8.5	16.4	22.0	25.5	44.4%
Petrofac	PFC.L	\$	1,203	265	333	451	474	497	35%	41.7	62.4	86.7	91.2	95.6	15.3%
Saipem	SPMI.MI	€	27	693	732	759	876	987	4%	1.6	1.7	1.7	2.0	2.2	10.5%
Sadrill	SDRL.OL	\$	137	393	1,039	1,301	1,676	1,855	25%	5.3	16.3	19.2	24.8	27.4	18.9%
Subsea 7	SUB.OL	\$	124	243	248	138	160	225	-45%	8.2	9.4	4.9	5.7	8.1	-5.2%
Technip	TECF.PA	€	57	448	418	316	361	409	-25%	4.2	3.9	2.9	3.4	3.8	-0.8%
Tecnicas Reunidas	TRE.MC	€	36	137	160	187	212	229	17%	2.45	2.86	3.35	3.80	4.10	12.7%
Wood Group	WGL.L	\$	384	252	199	175	192	205	-12%	26.0	24.3	21.9	24.0	25.6	1.8%
Average									4%						10%
	RIC	Reporting Currency	Share price	Revenues (reported currency m)					CAGR (09-12)	EBITDA Margin (%)					Increase (bp) (09-12)
				2008	2009E	2010E	2011E	2012E		2008	2009E	2010E	2011E	2012E	
Acergy	ACY.OL	\$	110	2522	2103	2207	2639	3022	13%	22.7%	19.5%	15.5%	15.0%	16.1%	-31
Aker Solutions	AKSO.OL	NOK	89	58252	55893	54347	54038	58816	2%	5.8%	7.3%	6.8%	6.2%	6.4%	-85
AMEC	AMEC.L	£	771	2606	2539	2703	2901	3138	7%	9.3%	9.6%	10.6%	10.8%	10.8%	126
Lamprell	LAM.L	\$	252	741	434	491	601	663	15%	13.5%	13.7%	12.5%	12.5%	13.0%	-70
Petrofac	PFC.L	\$	1,203p	3330	3538	4661	5009	5386	15%	12.6%	13.6%	16.1%	15.5%	14.2%	62
Saipem	SPMI.MI	€	27	10094	10292	10587	12011	12737	7%	14.2%	15.5%	16.4%	17.0%	17.1%	162
Sadrill	SDRL.OL	\$	137	2106	3208	3797	4495	4774	14%	44.1%	57.8%	58.4%	59.0%	58.4%	60
Subsea 7	SUB.OL	\$	124	2373	2405	2243	2536	3039	8%	21.9%	19.9%	15.7%	15.8%	16.2%	-363
Technip	TECF.PA	€	57	7481	6434	5767	6997	7269	4%	11.3%	13.6%	11.6%	11.0%	11.7%	-185
Tecnicas Reunidas	TRE.MC	€	36	2487	2747	3179	3571	3824	12%	6.0%	6.0%	6.0%	6.0%	6.0%	0
Wood Group	WGL.L	\$	384	5243	4927	4741	4914	5100	1%	9.8%	9.2%	8.0%	8.1%	8.2%	-96
Average									9%	17.6%	20.2%	20.0%	20.0%	20.1%	-9
	RIC	Local Currency	Share price	Cash flow per share (local)					CAGR (09-12)	Debt adjusted cash flow per share (local)					CAGR (09-12)
				2008	2009E	2010E	2011E	2012E		2008	2009E	2010E	2011E	2012E	
Acergy	ACY.OL	NOK	110	9.0	13.4	10.0	11.1	13.5	0%	6.6	12.1	8.6	9.5	11.5	-1.7%
Aker Solutions	AKSO.OL	NOK	89	3.2	11.0	8.4	7.4	8.5	-8%	17.6	13.3	10.8	9.9	11.2	-6%
AMEC	AMEC.L	£	771	2.8	51.8	53.1	59.4	65.3	8%	33.3	62.1	62.1	68.1	73.8	6%
Lamprell	LAM.L	£	252	4.9	9.7	18.0	22.4	25.9	39%	28.7	11.4	19.9	24.4	27.9	35%
Petrofac	PFC.L	£	1,203p	79.1p	91.7p	132.2p	138.2p	143.5p	16%	60.7p	77.8p	114.9p	117.9p	119.7p	15%
Saipem	SPMI.MI	€	27	3.5	2.8	3.1	3.7	3.9	11%	2.5	2.9	3.2	3.7	4.0	11%
Sadrill	SDRL.OL	NOK	137	4.4	24.5	25.6	31.8	34.7	12%	4.6	26.4	28.4	33.9	35.8	11%
Subsea 7	SUB.OL	NOK	124	15.9	13.3	9.0	10.4	12.7	-2%	13.4	15.0	10.1	11.5	13.8	-3%
Technip	TECF.PA	€	57	4.3	6.8	5.6	6.3	7.0	1%	6.5	6.2	4.8	5.5	6.1	-1%
Tecnicas Reunidas	TRE.MC	€	36	4.7	4.0	5.1	5.2	4.8	7%	2.9	2.9	3.3	3.7	na	na
Wood Group	WGL.L	£	384	24.8p	14.2p	14.8p	12.1p	8.9p	-14%	44.7p	41.7p	40.0p	39.1p	41.0p	-1%
Average									7%						6%
	RIC	Local Currency	Share price	Dividend per share (local)					CAGR (09-12)	Yield (%)					
				2008	2009E	2010E	2011E	2012E		2008	2009E	2010E	2011E	2012E	
Acergy	ACY.OL	NOK	110	1.2	1.3	0.7	1.1	1.4	4%	1.4%	2.1%	0.7%	1.0%	1.3%	
Aker Solutions	AKSO.OL	NOK	89	1.6	2.9	2.5	2.3	2.6	-4%	1.6%	5.4%	2.8%	2.5%	2.9%	
AMEC	AMEC.L	£	771	0.2	0.2	0.2	0.2	0.2	7%	2.2%	2.6%	2.3%	2.6%	2.8%	
Lamprell	LAM.L	£	252	0.1	0.0	0.0	0.0	0.1	44%	0.0%	0.0%	1.4%	1.9%	2.2%	
Petrofac	PFC.L	£	1,203p	13.7p	21.8p	30.3p	31.9p	33.5p	15%	2.5%	3.0%	2.5%	2.7%	2.8%	
Saipem	SPMI.MI	€	27	0.6	0.6	0.6	0.7	0.7	10%	2.4%	3.1%	2.1%	2.4%	2.7%	
Sadrill	SDRL.OL	NOK	137	8.69	3.13	11.77	11.77	11.77	56%	7.2%	3.3%	8.6%	8.6%	8.6%	
Subsea 7	SUB.OL	NOK	124	-	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	0.0%	
Technip	TECF.PA	€	57	1.2	2.1	1.6	1.8	2.1	-1%	2.6%	5.7%	2.8%	3.2%	3.6%	
Tecnicas Reunidas	TRE.MC	€	36	1.2	1.4	1.7	-	-	NA	3.1%	4.6%	4.6%	0.0%	0.0%	
Wood Group	WGL.L	£	384	4.9p	6.4p	4.4p	4.8p	5.1p	-7%	1.3%	2.4%	1.1%	1.3%	1.3%	
Weighted average										2.9%	3.4%	3.1%	3.1%	3.3%	
	RIC	Local Currency	Share price	Free cash flow (mn) - local					CAGR (09-12)	ROACE (clean before goodwill %)					
				2008	2009E	2010E	2011E	2012E		2008	2009E	2010E	2011E	2012E	
Acergy	ACY.OL	NOK	110	244	1,344	1,316	1,604	1,982	14%	43%	30%	21%	36%	62%	
Aker Solutions	AKSO.OL	NOK	89	(4,600)	1,127	538	468	484	-25%	20%	20%	16%	13%	14%	
AMEC	AMEC.L	£	771	77	128	164	94	92	-10%	63%	61%	64%	62%	51%	
Lamprell	LAM.L	£	252	(19)	7	17	38	45	87%	144%	19%	32%	39%	43%	
Petrofac	PFC.L	£	1,203p	92	159	418	462	480	44%	na	na	na	na	na	
Saipem	SPMI.MI	€	27	(135)	(450)	(130)	1,050	1,159	NA	17%	14%	12%	13%	15%	
Sadrill	SDRL.OL	NOK	137	(15,494)	(2,612)	4,534	11,306	13,578	NA	6%	11%	12%	15%	16%	
Subsea 7	SUB.OL	NOK	124	(732)	588	206	739	1,325	31%	25%	21%	12%	13%	17%	
Technip	TECF.PA	€	57	43	329	346	381	425	9%	64%	49%	36%	42%	48%	
Tecnicas Reunidas	TRE.MC	€	36	250	200	260	266	244	7%	na	na	na	na	na	
Wood Group	WGL.L	£	384	37	(3)	(17)	(32)	(49)	NA	20%	15%	11%	11%	10%	
Weighted Average										26%	21%	18%	20%	23%	
	RIC	Local Currency	Share price	Backlog (\$ bn)					CAGR (09-12)	Dividend payout (%)					
				2008	2009E	2010E	2011E	2012E		2008	2009E	2010E	2011E	2012E	
Acergy	ACY.OL	NOK	110	2.5	2.7	2.7	3.3	4.0	14%	16%	22%	22%	22%	22%	
Aker Solutions	AKSO.OL	NOK	89	10.4	7.1	9.6	-	-	NA	28%	40%	40%	40%	40%	
AMEC	AMEC.L	£	771	NA	NA	NA	NA	NA	NA	35%	38%	35%	35%	35%	
Lamprell	LAM.L	£	252	0.6	1.0	1.4	1.9	2.5	37%	20%	22%	22%	22%	22%	
Petrofac	PFC.L	£	1,203p	4.0	9.9	12.2	13.4	14.5	13%	33%	35%	35%	35%	35%	
Saipem	SPMI.MI	€	27	28.1	NA	NA	NA	NA	NA	35%	33%	33%	33%	33%	
Sadrill	SDRL.OL	NOK	137	-	NA	NA	NA	NA	NA	165%	19%	61%	48%	43%	
Subsea 7	SUB.OL	NOK	124	3.3	3.2	3.5	4.2	5.3	19%	0%	0%	0%	0%	0%	
Technip	TECF.PA	€	57	10.6	8.8	11.8	14.4	23.8	39%	28%	54%	54%	54%	54%	
Tecnicas Reunidas	TRE.MC	€	36	NA	NA	NA	NA	NA	NA	50%	50%	50%	0%	0%	
Wood Group	WGL.L	£	384	NA	NA	NA	NA	NA	NA	19%	26%	20%	20%	20%	

Source: Deutsche Bank, Company data

Appendix B: Saipem P&L

Figure 24: Saipem P&L

(Euro Millions)	2005	2006	2007	2008	2009	2010E	2011E	2012E
Operating revenues	4528	7517	9530	10094	10292	10587	12011	12737
Other revenues and income	11.0	12.0	13	12.0	14.0	0.0	0.0	0.0
Purchases, services and other costs	-3156	-5535	-7025	-7259	-7230	-7343	-8277	-8761
Payroll and related costs	-819	-1165	-1370	-1410	-1480	-1503	-1694	-1793
Gross operating income (EBITDA)	564	829	1148	1437	1596	1741	2039	2182
<i>EBITDA Margin</i>	<i>12.5%</i>	<i>11.0%</i>	<i>12.0%</i>	<i>14.2%</i>	<i>15.5%</i>	<i>16.4%</i>	<i>17.0%</i>	<i>17.1%</i>
Amortisation, depreciation and write-downs	-199	-230	-281	-353	-440	-574	-703	-699
EBIT (contribution from operations before G&A)	485	774	1051	1266	1338	1423	1630	1809
General and administrative expenses	-120	-175	-184	-182	-182	-257	-294	-326
EBIT (contribution from operations post G&A)	365	599	867	1084	1156	1166	1336	1482
Financial expenses	-54	-100	-105	-100	-100	-103	-106	-100
Income from investments	24	45	361	12	7	6	4	7
Snamprogetti cost synergies								
Income before tax + minorities	335	544	1123	996	1063	1069	1234	1390
Income taxes	-76	-157	-245	-280	-288	-310	-358	-403
Tax rate	23%	29%	21.8%	28%	27%	29%	29%	29%
Extraordinary expenses, net	0	0	0	180	0	0	0	0
Minority interest	-4	-3	-3	-18	-43	0	0	0
Net income Reported	255	384	875	878	732	759	876	987
Adjustments	0	-57	-294	-185	0	0	0	0
Net income Clean	255	327	581	693	732	759	876	987
Cashflow (Net income + depreciation and amortisation)	454	614	1156	1231	1172	1333	1580	1686
No of shares mn	441.4	441.4	441.4	441.4	441.4	441.4	441.4	441.4
EPS Reported	0.58	0.87	1.98	1.99	1.66	1.72	1.98	2.24
EPS Clean	0.58	0.74	1.32	1.57	1.66	1.72	1.98	2.24
DPS	0.19	0.29	0.44	0.55	0.55	0.57	0.65	0.74
<i>Payout ratio</i>	<i>33%</i>	<i>33%</i>	<i>22%</i>	<i>28%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>
Operating Data	2005	2006	2007	2008	2009	2010E	2011E	2012E
Revenue								
Offshore construction	2795	3192	3463	3863	4341	3513	3677	3856
Onshore construction	1221	3700	5337	5324	4831	5564	6486	6853
Drilling	512	625	730	907	1120	1510	1847	2028
<i>Onshore</i>	<i>210</i>	<i>260</i>	<i>310</i>	<i>435</i>	<i>554</i>	<i>840</i>	<i>935</i>	<i>1031</i>
<i>Offshore</i>	<i>302</i>	<i>365</i>	<i>420</i>	<i>472</i>	<i>566</i>	<i>670</i>	<i>913</i>	<i>996</i>
Total revenue	4528	7517	9530	10094	10292	10587	12011	12737
EBITDA Margin								
Offshore construction	12.1%	12.8%	16.5%	18.4%	18.7%	18.3%	18.5%	18.5%
Onshore construction	6.9%	5.8%	5.6%	6.6%	7.0%	6.7%	6.7%	6.7%
Drilling	27.7%	33.3%	38.1%	41.3%	40.0%	48.1%	50.0%	49.8%
<i>Onshore</i>	<i>19.0%</i>	<i>20.0%</i>	<i>25.2%</i>	<i>31.5%</i>	<i>29.1%</i>	<i>36.4%</i>	<i>37.1%</i>	<i>37.1%</i>
<i>Offshore</i>	<i>33.8%</i>	<i>42.7%</i>	<i>47.6%</i>	<i>50.4%</i>	<i>50.7%</i>	<i>62.8%</i>	<i>63.3%</i>	<i>62.9%</i>
Total	12.5%	11.0%	12.0%	14.2%	15.5%	16.4%	17.0%	17.1%
EBIT Margin								
Offshore construction	8.6%	9.4%	12.2%	13.8%	14.2%	9.9%	9.0%	9.7%
Onshore construction	4.1%	4.4%	4.7%	5.7%	6.0%	5.9%	6.0%	6.0%
Drilling	14.5%	21.6%	26.3%	27.1%	22.4%	32.3%	33.3%	34.4%
<i>Onshore</i>	<i>10.0%</i>	<i>12.3%</i>	<i>16.8%</i>	<i>17.0%</i>	<i>10.6%</i>	<i>23.1%</i>	<i>25.7%</i>	<i>27.2%</i>
<i>Offshore</i>	<i>17.5%</i>	<i>28.2%</i>	<i>33.3%</i>	<i>36.4%</i>	<i>33.9%</i>	<i>43.8%</i>	<i>41.1%</i>	<i>41.9%</i>
Total	8.1%	8.0%	9.1%	10.7%	11.2%	11.0%	11.1%	11.6%
Backlog								
Offshore construction	3771	4182	4215	4682	5430			
Onshore construction	1063	6285	7003	9201	8035			
Drilling	680	2623	4172	5222	5265			
<i>Onshore</i>	<i>298</i>	<i>376</i>	<i>701</i>	<i>1463</i>	<i>1487</i>			
<i>Offshore</i>	<i>382</i>	<i>2247</i>	<i>3471</i>	<i>3759</i>	<i>3778</i>			
Total	9913	13090	15390	19105	18730			
Backlog life (months)	26	21	19	23	22			

Source: Deutsche Bank, Company data

Appendix C: Workings behind day rate calculation by contract

Figure 25: Analysis of reported contracts and the implied revenue and EBITDA realised per day

Vessel	Contract award date	Est. completion	Est. total contract duration (days)	Region	Value net \$	Vessel activity info	Est. vessel utilisation (days)	LSTK scenario	Installation & commissioning value \$mn	Implied Revenue per day \$k	Opex est. per day \$k	EBITDA est. per day \$k	Comments/timeframe
Saipem FDS	07/05/2003	Q3 2005	730	Angola	245,000,000	The offshore installation phase involves two substantial installation campaigns by the Saipem FDS field development ship between Q3 2004 and Q3 2005.	456	1	85,750,000	188	100	88	Esso Exploration Angola (Block 15) Limited awarded to Saipem a fully owned Saipem subsidiary, a turnkey contract associated with the Kizomba B Project on the Esso-operated deepwater Block 15, offshore Angola. The contract scope includes engineering, procurement, construction and installation for the risers and flowlines facilities of the Kizomba B Project at water depths of approximately 1100 meters. In addition Saibos will carry out the installation of FPSO mooring systems and subsea manifolds and umbilicals.
Castoro Otto	16/07/2003	Q4 2005	913	Nigeria	490,000,000	The vessel Castoro Otto will carry out the installation phase between Q4 2004 and Q4 2005.	456	1	171,500,000	376	100	276	A joint consortium lead by Saibos has been awarded by Elf Petroleum Nigeria Limited a lump sum turnkey contract for the execution of the extension of the Amenam field facilities, 60 km offshore Bonny. The contractual scope of work comprises engineering, procurement, construction and installation for a production platform and a bridge.
Castoro Otto	16/07/2003	Q2 2005	730	Nigeria		The offshore installation phase will be carried out by the vessel Castoro Otto between Q4 2004 and Q2 2005.		1	171,500,000	376	100	276	Saibos, a fully owned Saipem subsidiary, has been awarded by the Nigerian National Petroleum Corporation/Mobil Producing Nigeria Unlimited Joint Venture, a turnkey lump sum contract for the East Area Additional Oil Recovery Project, 35 km offshore Kwa Iboe. The contract scope includes engineering, procurement, construction and installation of three platforms for a total weight of approximately 3500 tons and the lay of approximately 160 km of pipelines.
Castoro Sei	28/11/2003	Q2 2005	548	North Sea	95,000,000	Pipelaying operations will be carried out by the Castoro 6 during second quarter 2005.	90	1	33,250,000	369	100	269	BP Exploration Operating Company has awarded Saipem the contract for the realisation of the 44km pipe-in-pipe export pipeline connecting Rhum field to Bruce platform in the North Sea. Rhum field is located 380 km North East of Aberdeen, Scotland.
Saipem 7000	28/11/2003	Summer 2006	913	Canada	95,000,000	The offshore installation phase will be carried out by the vessel Saipem 7000 during summer 2006	90	1	33,250,000	369	100	269	A partnership between Saipem (leader) and Daewoo Shipbuilding and Marine Engineering has been awarded by ExxonMobil Canada the contract for the engineering, procurement, construction and installation for the Sable compression platform and facilities, located offshore Sable Island, approximately 250 km from Nova Scotia, Canada. Topsides weight is approximately 7,000 tonnes. The compression platform will be bridge linked to the existing Thebaud platform, on which additional works will be carried out.
Castoro Sei	22/12/2003	Q3 2006	1,004	North Sea	85,044,426	The contract will be performed between second quarter 2005 and third quarter 2006 mainly by the vessel Castoro 6.	90	1	29,765,549	331	100	231	Buzzard development: A turn key contract for the provision of subsea field facilities including infield pipelines and two 28km export-pipelines system.
Saipem 7000	22/12/2003	Executed between summer 2005 and summer 2006	274	North Sea	85,044,426	The installation will be performed mainly by the vessel Saipem 7000 between summer 2005 and summer 2006.	274	2	38,269,992	140	100	40	Buzzard development: First contract - transport and installation of three large jacket with weights of approximately 6,000 tons each, two large integrated decks (about 10,500 and 9,500 tons each), one wellhead deck (around 3,600 tons) and two bridges.
Castoro 2 and Semac 1	16/01/2004	Summer 2005	548	Russia	171,500,000	The works will be carried out mainly by the vessel Castoro 2 and Semac 1 in two windows in summer 2004 and summer 2005.	180	1	60,025,000	167	80	87	Saipem, an Eni company, has been awarded two offshore contracts as part of the Sakhalin II development project for a total value of approximately 343 million USD. The first contract has been awarded by Sakhalin Energy Investment Company and includes the engineering, procurement, construction and installation of a twin pipeline system connecting the Lunskeye and Piltun-Astkhskoye platforms, north-east of Russia's Sakhalin island, to the shore.
Castoro Sei and Castoro 10	30/03/2004	H1 2006	821	Qatar	350,000,000	The contracts will be performed between the second quarter 2004 and the first half 2006, and the installation phase will be carried out by the vessels Castoro 6 and Castoro 10.	270	1	122,500,000	227	90	137	Saipem, an Eni company, has been awarded two offshore contracts as part of the Dolphin project for the job of laying a gas pipeline from Qatar's North Field to Ras Laffan to supply Qatari gas to the UAE. The two contracts, whose total amount is in excess of 350 million USD, have been awarded by Dolphin Energy Limited. The scope of work of the two contracts includes the engineering, procurement, construction and precommissioning of shore approaches at Ras Laffan, Qatar, and 12km of two 36" pipelines and of 372km of a 48" gas pipeline from shore Ras Laffan to a receiving facility terminal onshore Taweelah, in the United Arab Emirates.

Source: Deutsche Bank, Company data

Figure 26: Analysis of reported contracts and the implied revenue and EBITDA realised per day contd...

Vessel	Contract award date	Est. completion	Est. total contract duration (days)	Region	Value net \$	Vessel activity info	Est. vessel utilisation (days)	LSTK scenario	Installation & commissioning value \$mn	Implied Revenue per day \$k	Opex est. per day \$k	EBITDA est. per day \$k	Comments/timeframe
Saipem 7000	03/06/2004	Executed during summer 2006	180	North Sea	115,000,000	The installation will be performed mainly by the vessel Saipem 7000 in J-lay mode in up to 900 meters water depth during summer 2006.	180	2	51,750,000	288	100	188	The first contract has been awarded by Norsk Hydro following an international tender for the deep water section of Ormen Lange gas field development, located in the North Sea, 100 kilometres off Norway's coast. The contract involves transport and installation of two pipelines, each with a length of 21 kilometres. The project is particularly challenging due to weather condition and seabed topography with steep slopes making installation tolerances extremely tight.
Castoro 2	03/06/2004	H1 2005	365	China	115,000,000	Installation during the first half of 2005 by the vessel Castoro 2.	180	1	40,250,000	224	80	144	The second contract has been awarded by the Hongkong Electric Company Limited following an international tender for the construction of a submarine gas pipeline from the Guangdong LNG terminal located at Shenzhen (People's Republic of China) to Lamma island of the Hong Kong SAR. The scope of work includes detailed engineering, procurement, transport and installation of a 92-kilometres submarine pipeline, that will be installed during the first half of 2005 by the vessel Castoro 2.
Castoro Sei	24/08/2004	Executed during Q2-Q3 2006	180	North Sea	124,402,675	The vessel Castoro Sei will carry out most of the pipelay between second and third quarter 2006.	180	2	55,981,204	311	100	211	In the offshore construction segment, Saipem has been awarded the lump sum contract for the installation of a pipeline to transport natural gas crossing the North Sea continental shelf of Netherlands and UK from Callantsog on the north western Dutch coast to Bacton on England's east coast. The contract has been awarded by BBL Company, and has a total value in excess of 100 million Euro. The scope of work comprises the installation of 230 km x 36" diameter gas pipeline and associated land-fall and tie-in works.
Saipem 3000 and Saibos FDS	05/10/2004	Q3 2006	639	Angola	440,000,000	The vessels Saipem 3000 and Saibos FDS will carry out the job between first and third quarter 2006.	270	1	154,000,000	285	100	185	Saipem, an Eni company, has been awarded the lump sum turnkey contract for the SURF activities (Sub-sea Umbilicals, Risers and Flow Lines) for the sub-sea development of Rosa Field as a tie back to the Girassol FPSO, in the Block 17, 200 kilometres north west of Luanda, offshore Angola. The contract, awarded by TEPA (Total Exploration & Production Angola) as the Operator of Block 17(1), has a total value of approximately 440 million USD. The scope of work comprises the engineering, procurement, construction, installation and precommissioning of the Subsea Umbilicals, Risers and Flowlines in water depth of approximately 1,400 meters.
Saipem 7000	27/10/2004	Executed during 2005-08	270	North Sea	161,723,478	The vessel Saipem 7000 will carry out the removal and transportation activities between 2005 and 2008.	270	2	72,775,565	270	100	170	Saipem has been awarded the contract for the offshore removal and transport of seven large platforms related to the Frigg gas fields, located in the North Sea, approximately 230 km North-West of Stavanger, Norway. The contract, awarded by Aker Kværner Offshore Partners (AKOP), has a total value of approximately 130 million Euro. The activities will be performed as part of the Frigg and MCP-01 decommissioning project, that represents the first large scale decommissioning project ever undertaken in the North Sea.
Castoro Sei	08/03/2005	Executed during Q2-Q3 2006	180	Scotland	183,333,333	Offshore works will be carried out mainly by the vessel Castoro Sei between second and third quarter 2006.	180	2	82,500,000	458	100	358	The third contract has been awarded by Talisman Energy, as part of the development of the Tweedsmuir field, located 200 km northeast of Aberdeen, Scotland, and comprises the laying, burial and testing of approximately 60 kilometres of pipe in pipe line.
Saibos FDS and Saipem 3000	05/05/2005	H1 2008	1,095	Nigeria	850,000,000	The offshore activities will be carried out by the vessels Saibos FDS, between mid 2007 and mid 2008, and Saipem 3000 in the first half 2008.	450	1	297,500,000	331	100	231	Saipem has been awarded the lump sum turnkey contract for the UFR (Umbilicals, Flowlines and Risers) activities in the frame of the development of the Akpo field, located in Nigeria the Oil Mining Lease (OML 130), some 200 kilometres South of Port Harcourt, in approximately 1,350 meters water depth. The contract, awarded by Total Upstream Nigeria, has a total value of approximately 850 million USD. The project consists of the engineering, procurement, construction, installation and commissioning of the Umbilicals, Flowlines, Risers, the oil loading terminal, the FPSO mooring system, and the Gas export Pipeline from the Akpo FPSO to the Amenam AMP2 platform.
Saipem 7000	02/12/2005	Executed during H2 2006	180	GOM	137,500,000	Saipem 7000 vessel will carry out the transportation and installation activities in the second half of 2006.	180	2	61,875,000	344	100	244	The contract has been awarded by Mexico's national oil company, Pemex Exploración y Producción, and calls for the offshore transport and installation of six platforms relating to the Ku-Maloob-Zaap field complex development in the Bay of Campeche, 105 kilometres north-west of Ciudad del Carmen.
Saibos FDS and Saipem 3000	02/12/2005	NA	NA	Angola	137,500,000	Activities will be carried out by Saibos FDS and Saipem 3000 marine vessels.	NA	NA	NA	NA	NA	NA	Saipem has been awarded the lump sum turnkey contract for the Marimba field development in Block 15, approximately 150 kilometres west of Soyo, offshore Angola, which will tie back to the existing facilities at Kizomba A. The contract, awarded by Esso Exploration Angola (Block15) Limited, involves engineering, procurement, construction and installation of subsea lines in a water depth of approximately 1,200 meters.

Source: Deutsche Bank, Company data



Figure 27: Analysis of reported contracts and the implied revenue and EBITDA realised per day contd...

Vessel	Contract award date	Est. completion	Est. total contract duration (days)	Region	Value net \$	Vessel activity info	Est. vessel utilisation (days)	LSTK scenario	Installation & commissioning value \$mn	Implied Revenue per day \$k	Opex est. per day \$k	EBITDA est. per day \$k	Comments/timeframe
Castoro Otto	02/12/2006	Summer 2007	548	Thailand	137,500,000	Castoro Otto Vessel will carry out offshore laying activities. Project completion is expected in summer 2007.	219	1	48,125,000	220	100	120	Thai Oil has also awarded Saipem the contract to provide unloading facilities to supply oil to a refinery in Sri Racha in the Gulf of Siam, approximately 200 km southeast of Bangkok. The work encompasses the design, procurement, fabrication, installation and pre-commissioning of an unloading Single Point Mooring buoy that will accommodate tankers along with a 52 inch pipeline and relevant land receiving facilities.
Castoro Sei	14/06/2006	Q4 2007	548	North Sea	76,000,000	The work will be carried out by Castoro Sei in the third and the fourth quarter of 2007.	90	1	26,600,000	296	100	196	The first contract (EPIC) signed with Total E&P UK is for the replacement of the existing 20-kilometre pipeline connecting the Dunbar and Alwyn platforms, located 150 kilometres North-East of Aberdeen in the North Sea.
Castoro Sei	14/06/2006	Executed during Q3-Q4 2007	90	North Sea	76,000,000	The work will be carried out by vessel Castoro Sei in the third and the fourth quarter of 2007.	90	2	34,200,000	380	100	280	The second contract is for the laying of a 30-kilometre pipeline in the North Sea as part of the development of the Halfdan field on behalf of Maersk Oil OG Gas.
Castoro Otto, Castoro 10, Semac 1	14/06/2006	2007	548	Taiwan, Thailand and Malaysia	480,000,000	Semac 1, Castoro 8 and Castoro 10 will be the vessels carrying out the work, which will take place in 2007.	180	1	168,000,000	311	87	224	Saipem has won 4 new contracts in South East Asia worth USD 480 million. The first contract, EPIC1, is for the laying of a 126-kilometre pipeline off the coast of Taiwan on behalf of the Taiwanese National Oil Company. The second contract (EPIC) is for the laying of a 90-kilometre pipeline in the Gulf of Thailand on behalf of the Petroleum Authority of Thailand (PTT). The third contract (EPIC) is for the laying of a 50-kilometre pipeline in the area between Malaysia and Thailand on behalf of Trans Thai-Malaysia (TTM). The fourth contract is for the installation of 3 platforms and the laying of 36 kilometres of pipelines also in the area between Malaysia and Thailand on behalf of the Kencana HL.
S355	14/06/2006	NA	NA	GOM	76,000,000	Work will begin in August 2006 and will be carried out by vessel S355.	NA	NA	NA	NA	NA	NA	Saipem was also awarded a contract by Devon Energy to decommission 3 platforms in the Gulf of Mexico which were damaged by the Hurricane Rita.
Saipem 3000	14/06/2006	Summer 2007	365	Congo	140,000,000	The platform will be constructed at the Intermare Sarda fabrication yard in Sardinia, and subsequently installed by vessel Saipem 3000 in the summer of 2007.	90	1	49,000,000	544	100	444	Eni has awarded Saipem the contract for the engineering, procurement, construction and installation of a platform and associated pipelines for the development of the Ava Paloukou field, located off the coast of the Republic of Congo. The platform will be constructed at the Intermare Sarda fabrication yard in Sardinia, and subsequently installed by vessel Saipem 3000 in the summer of 2007.
Saipem FDS and Normand Cutter	04/08/2006	End of 2007	548	Egypt	215,000,000	The activities will be carried out by the vessels Saibos FDS (Field Development Ship) and Sonsub Normand Cutter and will be completed at the end of 2007.	90	1	75,250,000	418	90	328	The contract (EPIC) awarded by Burullus Gas Company1, is for the expansion of the existing Scarab/Saffron and Simian subsea developments, located offshore the Nile river delta, about 120 km northeast of Alexandria. The contract encompasses design, engineering, procurement, fabrication, installation and commissioning of the subsea development system for eight additional wells, at a maximum water depth of 1,000 metres.
Saipem 7000	04/08/2006	Executed during H1 2009	180	Brazil	215,000,000	Saipem 7000 will be the vessel carrying out the work, which will take place in the first half of 2009.	180	2	96,750,000	538	100	438	The contract awarded by Companhia Mexilhao do Brasil, is for the transport and installation of the offshore structures related to the Petrobras Mexilhao field development, in the Santos Basin, located about 140 km from the shore of the State of Sao Paulo. The contract covers the transport and installation of the jacket, piles and topside modules of the PMXL-1 platform, weighing about 24,000 tons.
Castoro 2 and, Saipem 3000	28/12/2006	Q2 2009	913	Gabon	257,499,957	The marine activities will be carried out mainly by the Castoro 2 and the Saipem 3000 vessels in the second quarter of 2009.	90	1	90,124,985	501	90	411	In Gabon, CNR International (Olowi) Limited, a wholly owned subsidiary of Canadian Natural Resources Limited, has awarded Saipem a contract for the development of the Olowi field, located 18 kilometres off the coast of Gabon, 400 kilometres south of Libreville. The field will be developed using three wellhead towers and one conductor support platform tied back to an FPSO vessel (Floating, Production, Storage and Offloading). The contract (EPIC), covers the engineering, procurement, construction, installation, hook-up and commissioning of the fixed portion of the Olowi Field Development Production Facilities and the installation of interconnecting subsea pipeline, riser and umbilical systems between the wellhead towers and the FPSO.

Source: Deutsche Bank, Company data

Figure 28: Analysis of reported contracts and the implied revenue and EBITDA realised per day...

Vessel	Contract award date	Est. completion	Est. total contract duration (days)	Region	Value net \$	Vessel activity info	Est. vessel utilisation (days)	LSTK scenario	Installation & commissioning value \$mn	Implied Revenue per day \$k	Opex est. per day \$k	EBITDA est. per day \$k	Comments/timeframe
Saipem 3000	28/12/2006	Q4 2008	730	Angola	257,499,957	Offshore activities will mainly be performed by the Saipem 3000 between the second and fourth quarter of 2008.	270	1	90,124,985	334	100	234	In Angola, Cabinda Gulf Oil Company Limited has awarded Saipem the EPIC contract for the Flare and Relief Modifications (FARM) Project in the Angolan offshore Block 0, off the coast off the Cabinda province. The FARM project is aimed at eliminating routine gas flaring and is divided into the Malongo and Takula Areas. The contract covers the project management, construction engineering, procurement of bulk materials, fabrication of flares and various structures, transportation and installation of fabricated structures and client provided equipment, removal of existing flares, offshore hook-up and commissioning.
Castoro Sei, Saipem 7000	16/02/2007	2008	639	Algeria	456,900,096	The majority of marine activities will be carried out by the Saipem 7000, and partly by Castoro Sei during 2008.	180	1	159,915,034	444	100	344	Saipem has been awarded the EPIC contract for the installation of a marine pipeline system, as part of the MEDGAZ transportation system, to facilitate the transportation of natural gas from Algeria to Spain across the Mediterranean Sea. The contract has been awarded by MEDGAZ, an international consortium of five companies (SONATRACH 36%, CEPSA 20%, IBERDROLA 20%, ENDESA 12% and GAZ DE FRANCE 12%). Saipem will be responsible for the engineering, procurement, construction and pre-commissioning of a 24 inch nominal diameter, 208 kilometre long offshore pipeline between Beni Saf, Algeria and Almeria, in the Spanish coast. The proposed pipeline, whose pipes will be supplied by the client, will be laid at a maximum water depth of 2,160 meters, and will have an initial capacity of 8 billion cubic meters per year.
Castoro Otto	04/04/2007	Q3 2008	548	Australia	166,666,667	The installation vessel Castoro Otto will be utilised for marine activities through the third quarter of 2008.	219	1	58,333,333	266	100	166	Saipem won from Eni Australia the offshore contract for the Blacktip Development Project, located in the Bonaparte basin, about 100 kilometres off the north-western Australian coast, at a water depth of 50 meters. The EPIC contract encompasses the engineering, procurement, construction, installation and pre-commissioning of the wellhead platform and the 108 kilometres export pipeline system.
Saipem 3000 and S355	04/04/2007	Q1 2008	365	Angola	166,666,667	Offshore activities will be carried out mainly by the Saipem 3000 and S355 vessels, between the last quarter of 2007 and the first half of 2008.	90	1	58,333,333	324	90	234	Saipem has been awarded an EPIC contract for the installation of a pipeline system in the Mafumeira oil field, in Block 0, off the coast of Angola, by the Cabinda Gulf Oil Company Limited. Saipem will be responsible for the engineering, procurement, transportation and installation of two 26-kilometre pipelines in water depths of approximately 50 meters.
Crawler vessel	04/04/2007	Executed during H1 2008	180	Tunisia	166,666,667	Offshore activities will be carried out by the Crawler vessels in the first half of 2008.	180	2	75,000,000	417	80	337	In Tunisia, BG Tunisia Limited awarded Saipem a contract for the construction, installation and pre-commissioning of an offshore pipeline system, running between the Hasdrubal offshore field, located in the gulf of Gabes about 350 kilometres southeast of Tunis, and the Hasdrubal onshore terminal, for a length of approximately 110 kilometres.
Saipem 7000	04/04/2007	NA	NA	North Sea	166,666,667	Saipem 7000 will be deployed in different time-frames between 2008 and 2010.	NA	NA	NA	NA	NA	NA	BP Norge As awarded Saipem the contract for the Valhall redevelopment project located in the Norwegian North Sea, Saipem role involves transportation and installation of a jacket, skirt piles, three level process and utilities deck, and related ancillary facilities.
Crawler vessel	09/07/2007	H2 2007	180	Egypt	115,000,000	The marine activities will be carried out by Crawler vessel in the second half of 2007.	180	1	40,250,000	224	80	144	Petrobrel has awarded the Saipem and PMS consortium the contract for the laying of a 32" pipeline connecting the El-Gamil gas processing plant with an existing platform located in the Denise Pliocene gas field. The field is located 60 kilometres off the coast of Egypt in water depths of up to 85 metres. Saipem's scope of work includes engineering, project management, transportation and installation of the sealine and precommissioning.
Castoro 2	19/09/2007	7 year master agreement	2,555	Saudi Arabia	175,000,000	The offshore activities will be performed by the vessel Castoro II.	584	1	61,250,000	105	80	25	A long term agreement signed by Saudi Aramco with a consortium comprising Saipem and its Saudi Arabian partners TAOA and Al Rushaid for the construction, transport and installation of offshore facilities in the Kingdom, aimed at maintaining the Country's oil production capacity (Maintain Potential Facilities Programme). The agreement has a firm duration of approximately seven years, plus two three-year options, and encompasses the engineering, procurement, construction, transport and installation of offshore platforms and pipelines. A minimum workload is guaranteed during the first four years of the agreement, consisting of 16 platforms and 80 kilometres of sealines, in addition to the lay of the cables, ancillary to the platforms. Saudi Aramco will periodically confirm the scope of subsequent works to be executed, valued on the base of a "price-per-unit" agreed scheme. Fabrication works will be carried out in a yard currently under construction in Dammam, approximately 400 kilometres east Riyadh, Saudi Arabia.

Source: Deutsche Bank, Company data



Figure 29: Analysis of reported contracts and the implied revenue and EBITDA realised per day...

Vessel	Contract award date	Est. completion	Est. total contract duration (days)	Region	Value net \$	Vessel activity info	Est. vessel utilisation (days)	LSTK scenario	Installation & commissioning value \$mn	Implied Revenue per day \$k	Opex est. per day \$k	EBITDA est. per day \$k	Comments/timeframe
Castoro Sei	19/09/2007	Q1 2009	548	Spain	175,000,000	Offshore activities will be carried out mainly by the vessel Castoro Sei, in different time frames between the beginning of 2008 and the first quarter of 2009.	180	1	61,250,000	340	100	240	A joint venture between Saipem and Fomento De Construcciones Y Contratas, S.A. (FCC), for the T&I of two 20" offshore pipelines for a total length of approximately 270 km. The first sealine will connect Playa Devesa in mainland Spain to the landfill in Ibiza at Punta de Cala Gracio, for a length of approximately 123 km, reaching a maximum water depth of 1000 metres; the second sealine will connect Ibiza to the landfill in Mallorca at San Juan de Dios, for a length of approximately 146 km, with a maximum water depth of 800 metres. Saipem's scope of work includes project management & engineering, offshore survey, transport & installation, trenching & backfilling and pre-commissioning.
Saipem FDS and Saipem 3000	28/03/2008	Q4 2011	1,369	Nigeria	1,300,000,000	The offshore installation will be carried out by the highly specialised vessels Saipem FDS and Saipem 3000, in water depths ranging from 730 to 850 metres, between the fourth quarter of 2010 and the fourth quarter of 2011.	365	1	455,000,000	623	100	523	Saipem has been awarded the contract for the Umbilicals, Flowlines, Risers and Oil Loading Terminal (UFR & OLT) activities for the subsea development of Usan deepwater field, located off the coast of Nigeria, about 160 kilometres South of Port Harcourt. The contract is worth in excess of USD 1.3 billion. The contract has been awarded by Elf Petroleum Nigeria Limited (Total), as the Operator of Oil Mining License (OML) 1381 where the Usan field is located. It encompasses the engineering, procurement, construction, installation, pre-commissioning, assistance to commissioning and start-up of the subsea umbilicals (72 km), flowlines (61 km) and risers connecting the 42 subsea wells to the FPSO, along with the oil loading terminal, consisting of an offloading buoy and two offloading lines, and part of the FPSO anchoring system. Fabrication will be carried out locally in Nigeria, mainly in Saipem's Rumuolumeni yard.
Saipem 3000	28/05/2008	H2 2009	548	Angola	300,000,000	The marine activities will be carried out by Saipem 3000 vessel in the second half of 2009.	180	1	105,000,000	583	100	483	The contract awarded by Total E&P Angola, is for the Block 17 Gas Export Project consisting of exporting Block 17 gas to Block 2 area for injection into two oil depleted reservoirs located off the Angolan shore, about 230 kilometres northwest of Luanda. Saipem's scope of work includes engineering, procurement, fabrication, transportation and installation of a new injection platform (Single Central Platform) weighing a total of 1500 tons, to be installed in water depth of 38 metres in the Block 2 area.
Saipem FDS	28/05/2008	H2 2009	548	Egypt	300,000,000	The work will be completed in the second half of 2009.	219	1	105,000,000	479	100	379	The contract was awarded by the Burullus Gas Company for the subsea development of the Sequoia field, which straddles both the Rosetta and West Delta Deep Marine Concessions, located offshore from the Nile River Delta, about 130 kilometres northeast of Alexandria, Egypt. The contract encompasses the engineering, procurement, installation and commissioning (EPIC) of the subsea development system of the Sequoia field, in water depths ranging from between 70 and 570 metres, and of a new 22" gas-export pipeline. The marine activities will be carried out mainly by Saipem's highly specialised FDS vessel and will use different installation methods (J-lay and S-lay) to match the complexity of the operational environment, including both shallow and deep waters
Castoro Sei and Castoro 10	24/06/2008	Executed between 2010 and 2012	1,095	Russia, Germany & Baltic Sea	2,205,882,353	Saipem will start the laying activities in the first months of 2010 by using two pipe laying vessels, in order to complete the laying of the first line in the first half of 2011. This is a prerequisite for first gas deliveries through the Nord Stream pipeline in 2011. The	1,095	2	992,647,059	453	90	363	Pipelining of two 48" twin gas lines from Vyborg, Russia to Greifswald, Germany through the Baltic Sea; 1,220 kilometres (each line); Overall transport capacity 55 bcm per annum approximately (two lines).
Semac 1	28/10/2008	End of 2009	365	Venezuela	366,666,667	Marine activities will be mainly carried out by the Semac pipelayer vessel and are scheduled to be completed by the end of 2009.	365	2	165,000,000	452	80	372	PDVSA Gas S.A. awarded Saipem the contract for the Dragon – CIGMA pipeline in the Mariscal Sucre complex in offshore north-east Venezuela. Saipem will transport and install a 115-kilometre, 36-inch gas export line connecting a platform located in the Dragon field to PDVSA's CIGMA complex on the southern side of the Paria peninsula, in the state of Sucre.

Source: Deutsche Bank, Company data



Figure 30: Analysis of reported contracts and the implied revenue and EBITDA realised per day...

Vessel	Contract award date	Est. completion	Est. total contract duration (days)	Region	Value net \$	Vessel activity info	Est. vessel utilisation (days)	LSTK scenario	Installation & commissioning value \$mn	Implied Revenue per day \$k	Opex est. per day \$k	EBITDA est. per day \$k	Comments/timeframe
Castoro Otto	13/05/2009	Q4 2011	913	Indonesia	280,000,000	The marine activities will be completed in the fourth quarter of 2011.	270	1	98,000,000	363	100	263	Saipem has been awarded a new offshore contract for the development of the Gajah Baru field located in the Natuna block 'A' in the West Natuna Sea, off the coast of Indonesia. Saipem, as the leader in a consortium with PT SMOE Indonesia, has been awarded by Premier Oil Natuna Sea B.V. the EPCI contract (engineering, procurement, construction and installation) for the Central Processing Platform (weighing a total of 12,900 tons), the Wellhead Platform, a connecting bridge and a 16" gas export pipeline 3-kilometres long. Saipem's contract portion is worth approximately US\$280 million, and includes engineering, procurement, transport and installation of the platforms and pipeline.
Castoro 7	28/07/2009	Q3 2009	90	Mediterranean Sea	162,500,000	Saipem's vessel Castoro 7 (formerly Acergy Piper), acquired at the beginning of 2009, will carry out the works, scheduled to be completed in the third quarter of 2009.	90	1	56,875,000	632	80	552	Eni has awarded Saipem the lumpsum turnkey contract for offshore works in the Mediterranean sea.
FDS and Saipem 3000	28/07/2009	2011	913	Angola	487,500,000	Offshore operations will be carried out in 2011 by the vessels FDS and Saipem 3000.	180	1	170,625,000	474	100	374	Saipem has been awarded the contract for work to be conducted for the Kizomba Satellites Project offshore Angola. ESSO Exploration Angola (Block 15) Limited has awarded Saipem the lump sum turnkey contracts for the tieback work for the Kizomba Satellites development in Angola Block 15, approximately 145 km west of Soyo at water depths ranging from 1,000 to 1,200 metres. Saipem will be responsible for the engineering, construction, transport and installation of pipelines, umbilicals, risers and subsea systems connecting the Mavacola and Clochas Fields to the existing FPSO units at Kizomba A and B (developments that Saipem completed similar work in the mid 2000's). A portion of the subsea equipment will be fabricated in Angola at Saipem's Ambriz and Soyo yards.
FDS and Saipem 3000	14/10/2009	Q4 2013	1,460	Nigeria	200,000,000	Marine activities will be carried out mainly by Saipem FDS and Saipem 3000 vessels, in different time-frames between the second half of 2012 and the last quarter of 2013.	274	1	70,000,000	128	100	28	Contract for the subsea development of the Bonga North-West field, located in the Oil Mining Lease (OML) 118, approximately 120 kilometres off the Nigerian coast. The contract encompasses engineering, procurement, fabrication, installation and pre-commissioning services for 13 kilometres of 10"/12" production pipe-in-pipe flowlines, 4 kilometres of 12" water injection flowlines as well as related production facilities. The contract also includes the installation of 15 kilometres of umbilicals. Bonga North-West is located in approximately 900 to 1,200 meters of water, and will be developed with 12 subsea wells tied back into the Bonga main infrastructure.
Castoro Otto	09/12/2009	Q2 2011	548	Vietnam	225,000,000	Marine activities will be carried out mainly by Castoro 8 offshore vessel and will be completed in the second quarter of 2011.	219	1	78,750,000	360	100	260	In Vietnam, Saipem has been awarded the contract for the Chim Sao Platform and Pipelines Project by PTSC Mechanical and Construction. The contract, assigned in the framework of the development of Block 12W by Premier Oil Vietnam Offshore, encompasses the transportation and installation of one wellhead platform and of subsea pipelines, umbilical and PLEM's (pipelines end manifolds), in addition to the detailed engineering for infield pipelines. The Chim Sao field is located about 300 kilometres off the southern coasts of the Socialist Republic of Vietnam, in approximately 95 m of water depth.
Semac 1	09/12/2009	Q3 2012	1,004	Papua New Guinea	225,000,000	Marine operations will be carried out by Semac 1 offshore vessel. The activities will be completed in the third quarter of 2012.	402	1	78,750,000	196	80	116	In Papua New Guinea, Saipem has been awarded by Esso Highlands Limited, an ExxonMobil company, the contract for the PNG LNG Offshore Pipeline Project EPC2. The scope of work will consist of the engineering, transportation and installation of a 407 kilometres-long 34" gas sealine, connecting the Omati River landfall point, on the southern coast of Papua New Guinea, to the onshore point located near the capital town of Port Moresby, on the southeastern coast of the Country, where a new LNG plant will be located. The works also encompasses the shore approach excavation and backfilling at Port Moresby and the trenching and backfilling of a 75-kilometres section of the sealine at the Omati River landfall, 25 of which inside the Omati River, where Saipem will use its unique experience and expertise in post trenching methodology from Kashagan project in Caspian Sea. Maximum water depth along the route is approximately 100 metres.

Source: Deutsche Bank, Company data



Appendix D: Revenue and EBITDA schedule

We multiply the dayrates calculated above for each vessel by its respective period of utilisation to calculate the EBITDA realised per quarter. We use opex rates of \$100k/day for 'best in class' vessels and \$80k/day for all other vessels. Figures 31 to 36 below details the revenue, opex and EBITDA schedules for all assets reported.

Figure 31: Revenue schedule for Saipem's E&C fleet based on all contracts reported* (\$mn)

	Region	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
Saipem 7000	Canada											33									
	North Sea						13	13	13	26	26				24	24	24				
	GOM												31	31							
	Algeria																	40	40		
Castoro Sei	North Sea					33				30	28	28			27	27	34	34			
	Qatar						20	20	20												
	Scotland												41	41							
	Algeria																	40	40		
	Spain																				31
Saipem 3000	Angola									26	26	26						29	30	30	30
	Nigeria															30	30				
	Congo														49						
Saipem FDS	Angola			17	17	17	17	17		26	26	26									
	Nigeria															30	30	30			
	Egypt																		38		
Castoro Otto	Nigeria				34	34	34	34	34												
	Thailand													20	20						
	Australia																	24	24		
	Taiwan, Thailand and Malaysia															28	28				
Semac 1	Russia			15				15													
	Venezuela																				41
	Taiwan, Thailand and Malaysia															28	28				
Castoro II	Russia			15				15													
	China					20	20														
S 355	Angola																29	29			
Crawler	Tunisia																	38	38		
	Egypt															20	20				
Castoro 10	Qatar						20	20	20												
	Taiwan, Thailand and Malaysia															28	28				
Normand Cutter	Egypt																		38		

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment

Figure 32: Revenue schedule for Saipem's E&C fleet based on all contracts reported* contd... (\$mn)

	Region	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Saipem 7000	Brazil	48	48														
Castoro Sei	Spain	31															
	Russia, Germany & Baltic Sea						41	41	41	41	41	41	41	41	41	41	41
Saipem 3000	Angola			53	53							43	43				
	Nigeria							56	56	56	56					12	
	Gabon		45														
Saipem FDS	Angola											43	43				
	Nigeria							56	56	56	56					12	
	Egypt	43	43														
Castoro Otto	Indonesia										33	33	33				
	Vietnam							32	32								
Semac 1	Venezuela	41	41	41	41												
	Papua New Guinea												18	18	18	18	
Castoro II	Gabon		45														
	Saudi Arabia						9	9	9	9	9	9					
Castoro 10	Russia, Germany & Baltic Sea						41	41	41	41	41	41	41	41	41	41	41
Castoror 7	Mediterranean Sea			57													

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment

Figure 33: Opex schedule for Saipem's E&C fleet based on all contracts reported* (\$mn)

	Region	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
Saipem 7000	Canada											9									
	North Sea					9	9	9	9	9					9	9	9				
	GOM												9	9							
	Algeria																		9	9	
Castoro Sei	North Sea				9					9	9	9			9	9	9	9			
	Qatar					9	9	9													
	Scotland												9	9							
	Algeria																		9	9	
	Spain																				9
Saipem 3000	Angola									9	9	9						9	9	9	9
	Nigeria															9	9				
	Congo														9						
Saipem FDS	Angola			9	9	9	9	9		9	9	9									
	Nigeria															9	9	9			
	Egypt																		9		
Castoro Otto	Nigeria				9	9	9	9	9												
	Thailand													9	9						
	Australia																		9	9	
	Taiwan, Thailand and Malaysia															9	9				
Semac 1	Russia			7				7													
	Venezuela																				7
	Taiwan, Thailand and Malaysia															7	7				
Castoro II	Russia			7																	
	China					7	7														
S 355	Angola																7	7			
Crawler	Tunisia																	7	7		
	Egypt															7	7				
Castoro 10	Qatar						7	7	7												
	Taiwan, Thailand and Malaysia															7	7				
Normand Cutter	Egypt																			7	

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment

Figure 34: Opex schedule for Saipem's E&C fleet based on all contracts reported* contd... (\$mn)

	Region	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Saipem 7000	Brazil	9	9														
Castoro Sei	Spain	9															
	Russia, Germany & Baltic Sea						9	9	9	9	9	9	9	9	9	9	9
Saipem 3000	Angola				9	9						9	9				
	Nigeria								9	9	9	9				9	
	Gabon			9													
Saipem FDS	Angola											9	9				
	Nigeria							9	9	9	9					9	
	Egypt		9	9													
Castoro Otto	Indonesia										9	9	9				
	Vietnam								9	9							
Semac 1	Venezuela		7	7	7	7											
	Papua New Guinea												7	7	7	7	
Castoro II	Gabon			7													
	Saudi Arabia						7	7	7	7	7	7					
Castoro 10	Russia, Germany & Baltic Sea						7	7	7	7	7	7	7	7	7	7	7
Castoro 7	Mediterranean Sea				7												

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment



Figure 35: EBITDA schedule for Saipem's E&C fleet based on all contracts reported* (\$mn)

	Region	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
Saipem 7000	Canada											24									
	North Sea						3.6	3.6	3.6	17	17				15	15	15				
	GOM												22	22							
	Algeria																		31	31	
Castoro Sei	North Sea				24					21	19	19			18	18	25	25			
	Qatar					11	11	11													
	Scotland												32	32							
	Algeria																		31	31	
	Spain																				22
Saipem 3000	Angola									17	17	17						20	21	21	21
	Nigeria															21	21				
	Congo														40						
Saipem FDS	Angola			8	8	8	8	8		17	17	17									
	Nigeria															21	21	21			
	Egypt																		29		
Castoro Otto	Nigeria				25	25	25	25	25												
	Thailand													11	11						
	Australia																		15	15	
	Taiwan, Thailand and Malaysia																19	19			
Semac 1	Russia			8																	
	Venezuela							8													33
	Taiwan, Thailand and Malaysia																21	21			
Castoro II	Russia			8																	
	China					13	13														
S 355	Angola																22	22			
Crawler	Tunisia																	30	30		
	Egypt															13	13				
Castoro 10	Qatar					13	13	13													
	Taiwan, Thailand and Malaysia																21	21			
Normand Cutter	Egypt																		30		

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment

Figure 36: EBITDA schedule for Saipem's E&C fleet based on all contracts reported* contd...(\$mn)

	Region	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Saipem 7000	Brazil	39	39														
Castoro Sei	Spain	22															
	Russia, Germany & Baltic Sea						32	32	32	32	32	32	32	32	32	32	32
Saipem 3000	Angola			44	44							34	34				
	Nigeria							47	47	47	47					3	
	Gabon			36													
Saipem FDS	Angola											34	34				
	Nigeria							47	47	47	47					3	
	Egypt		34	34													
Castoro Otto	Indonesia										24	24	24				
	Vietnam								23	23							
Semac 1	Venezuela		33	33	33	33											
	Papua New Guinea												10	10	10	10	
Castoro II	Gabon		38														
	Saudi Arabia						2	2	2	2	2	2					
Castoro 10	Russia, Germany & Baltic Sea						34	34	34	34	34	34	34	34	34	34	34
Castoror 7	Mediterranean Sea				50												

Source: Deutsche Bank; *note not all contracts will be disclosed by Saipem; however we believe that this data set captures the fleet that contribute the majority of operating profit to the offshore construction segment

Appendix E: Sensitivity analysis on existing fleet

Figure 37: Sample calculation showing impact of additional utilisation of best in class fleet on group earnings

	2010E	2011E	2012E
<u>Dayrates (\$k/ day)</u>			
Saipem 7000	322	322	322
Castoro Sei	387	387	387
Saipem 3000	431	431	431
Saipem FDS	368	368	368
Castoro Otto	330	330	330
<u>Opex rates (\$k/ day)</u>			
Saipem 7000	100	100	100
Castoro Sei	100	100	100
Saipem 3000	100	100	100
Saipem FDS	100	100	100
Castoro Otto	100	100	100
<u>Spare capacity *</u>			
Saipem 7000	25%	25%	25%
Castoro Sei	0%	0%	0%
Saipem 3000	50%	0%	75%
Saipem FDS	50%	0%	75%
Castoro Otto	75%	0%	55%
<u>Utilisation of spare capacity</u>	30%	30%	30%
Saipem 7000	8%	8%	8%
Castoro Sei	0%	0%	0%
Saipem 3000	15%	0%	23%
Saipem FDS	15%	0%	23%
Castoro Otto	23%	0%	17%
<u>Incremental installation activity EBITDA (\$ mn)</u>			
Saipem 7000	6	6	6
Castoro Sei	-	-	-
Saipem 3000	18	-	27
Saipem FDS	15	-	22
Castoro Otto	19	-	14
USD/ EUR	1.365	1.365	1.365
<u>Incremental offshore construction EBITDA (EUR mn)</u>			
Saipem 7000	4	4	4
Castoro Sei	-	-	-
Saipem 3000	13	-	20
Saipem FDS	11	-	16
Castoro Otto	14	-	10
	42	4	51
Tax rate	29%	29%	29%
<u>Incremental post tax earnings generated (EUR mn) **</u>			
Saipem 7000	3	3	3
Castoro Sei	-	-	-
Saipem 3000	9	-	14
Saipem FDS	8	-	11
Castoro Otto	10	-	7
	30	3	36
Current forecast of Net income clean	759	876	987
<u>Increment to net income</u>	4.0%	0.4%	3.6%

Source: Deutsche Bank, Company data, * We take the unutilised part of the year as spare capacity. Utilisations are computed on an annualised basis. Vessels contracted across 2010-12 include: i) Castoro Sei, Nordstream project (2010-12), ii) Saipem 3000 and FDS, Usan field (50% in 2010 and 50% in 2011), Kizomba project (50% 2011) and Bonga field (25% in 2012) iii) Castoro Otto, Chim Sao Platform (25% in 2010 and 25% in 2011) and Gajah Baru Field (75% in 2011). Where a vessel has no contract during a year, we assume average utilisations consistent with 2009 levels; this relates to Saipem 7000 (2010-12) and Castoro Otto (2012). ** Depreciation already accounted for in model.

Appendix F: Saipem's fleet (‘mid and lower tier’ vessels)

Figure 38: Key details of mid and lower tier offshore construction vessels

Vessel name	Vessel type	Pipelay type	Water depth (m)	Deck load (t m2)	Deck area (m2)	Max. main crane lift capacity (t)	Thrusters power/propulsion	Max tensioning capacity	Pipe diameter range (inches)	Pipelaying details	Accom.	Built
Semac 1	Semisubmersible pipelay barge	S-lay		5,000		Main pedestal crane (revolving) 318 tons		3 pipe tensioners 75 tons (m)	upto 60	Longitudinal & transverse conveyors, line-up system Fixed ramp, hinged floating stinger, fixed mini stinger 4 bevelling stations 2 double jointing systems Welding stations utilising a semiautomatic system X-ray or AUT equipped NDT stations 2 field joint coating systems Abandonment & recovery winch 275 tons (m) Piggyback welding line facility Dual-lay welding line and ramp Above water tie-in capability 6 davits 60 tons (m)	362	1976
Castoro II	Derrick/lay barge			7,819		American Hoist mod. AH 509 barge mounted revolver crane S/N R 1104 Main hook: Overstern: 998 tons (m) at 21.3 m rad. Fully revolving: 825 tons (m) at 21.3 m rad.			upto 60	Launching ramp: lateral Slope at stinger connection: 5° Length of the ramp from first welding station: 100 m 5 welding stations with PASSO system, supplied by welding machine ESAB ARISTO 400 1 inspection and control station 2 field stations (repair, field joint coating)	248	1970
S 355	Derrick/lay barge			3,200		1 AMERICAN HOIST M 40 B crane Length boom: 60 + 10 + 5 m Lifting capacity: fixed: 590 tons (m) at 18.30 m revolving: 500 tons (m) at 18.30 m revolving: 350 tons (m) at 28 m		2 electrical tensioners Brand: SAS Model: CET 55 L 50 Total capacity: 100 tons (m) at 50 m/min	3-48	Pipelaying ramp Capacity: pipelines from 3" to 48" (O.D.) 3 automatic welding stations: 20 static welding sets of 600 A 10 static welding sets of 400 A 2 bugs single forch per station 1 line-up station with CRC transversal conveyors (3/48") 1 x-ray station 2 coating stations 1 stinger, remote controlled from a cabin A/R winch pulling capacity: 110 tons (m) at 19 m/min	206	1978
Crawler	Derrick/lay barge			15,000	2,500	Clyde model 53 revolving crane with 70 m long boom fully revolving. Main hoist: 546 tons (m) at 76 ft rad.		2 Western Gear pipe tensioners LPT 80 (max. tension: 160,000 pounds in total).	upto 48	Longitudinal conveyor, pipe leader conveyor, line up station. 5 welding stations with PASSO system supplied by welding machine ESAB ARISTO 400. X-ray station. Joint wrapping station. 1 Western Gear abandonment and recovery winch ARIW-200 (pull: 200,000 pounds at outline speed of 30 ft/min).	230	
Castoro 10	Trench/pipelay barge			3,600	1,000	2 Manitowoc 4100W, max. capacity 108.7 t and 78.9 t		Tensioners - two track type @ 60 tonnes	upto 56	Pipelay Equipment Maximum pipe size - (56 inches) 1422 mm A&R winch - minimum 100 T @ 24 m/min Welding - Mechanised semi-automatic GMA Main line - Fully enclosed production line Line-up system - two multi directional rollers Bevelling facilities - two stations @ 44kW NDT stations - two X-ray weld test stations Field joint stationsmarine mastic or foam injection	168	
Normand Cutter	Installation and Construction			Deck strengthened to 10 t/sq.m and rated for 3,300 t, 25 m. umbilical carousel	1,600	Active heave compensated 300Te Subsea Crane@ 2500m w.d	Main propellers: 2 x 3,900 kW CP propellers Bow thrusters: 2 x 1,500 kW tunnel thrusters 1 x 1,500 kW azimuth (retractable) Stern thrusters: 2 x 1,200 kW tunnel thrusters				114	
DP Reel	Installation and Construction				700	1 x Hydramarine El. Hyd. knuckle jib single line 50 t @ 12 m fitted with a 2,000 m wire 25 t @ 17 m	Main engines: 2 x MAK 453 AK 2,000 BHP each Propulsion: aft - 2 VPP Bow thrusters: 2 x Ulstein 90 TV 500 BHP each Stern thrusters: 2 x Ulstein 150 TVA 800 BHP each Compass thruster forward: 1 x azimuth Ulstein VROS 230 1,000 BHP Main generators/shaft: 2 x MAK 1,100 kVA each Emergency generator: 1 x Detroit 71 165 BHP 153 kVA				52	
Hos Innovator	Installation and Construction			3,760	752						36	

Source: Deutsche Bank, Company data

Figure 39: Key details of mid and lower tier offshore construction vessels contd....

Vessel name	Vessel type	Pipeline type	Water depth (m)	Deck load (t)	Deck area (m ²)	Max. main crane lift capacity (t)	Thrusters power/propulsion	Max tensioning capacity	Pipe diameter range (inches)	Pipelining details	Accom.	ROV on board	Built
Harvey Discovery	Installation and Construction			4,500	900	Type: knuckleboom Max. capacity: 64 t @ 11 m, 16 t @ 24 m					46	1 x 250 HP heavy work class Innovator Leviathan	
OC 280	Installation and Construction			3,716	743						66		
Castoro 7	Semi-submersible lay barge			4,050		Work cranes: 4 x 54 t track mounted fully revolving gantry cranes		Tensioners: 5 Western Gear linear pipe tensioners LPT-150 ST Tension capacity: 340 t	8 - 60	<u>Double joint facilities:</u> Double joint facilities are on each side of the barge, each with 2 beveling stations and fully automated welding systems. Also capable of receiving, in reverse, cut-out DJ's for re-prepping <u>Main production line:</u> Welding stations: automatic stations using automated Saipem Welding System NDT and repair: AUT or X-Ray station Field joint coating: available for main line and DJ welds coating <u>Abandon & recovery system</u> Main winch: 225 t, model 2162-402 Booster sheave: Kley France, model 464 T 1000K Total pull: 340 t <u>Stern ramp</u> Ramp: 3 sections, tubula	401		
S 44	Launching/cargo barge			30,000	8,500								1979
S 600	Launching/cargo barge			60,760									
Castoro XI	Heavy duty cargo barge			29,469	5,200								1995
S45	Launching/cargo barge			20,000	6,500								
Castoro 9	Launching/cargo barge			5,500									
S42	Launching/cargo barge			8,000	3,450								
SB 103	Cargo barge			3,600									
SB 230	Work/pipelining/ac commodation barge					1 American Hoist 9310 crawler fixed crane. Lifting capacity: 86 t at 8.53 m rad.		One 25 t tensioner.	upto 32	<u>Pipelav Equipment</u> Fully enclosed production line for a 32" max o.d. 5 working stations; 2 welding stations; welding system Passo Esab 400; one 50/60 t A&R winch; stinger length: 17 m + floating stinger	120		
Castoro 12	Shallow water pipelay barge, Caspian Sea service					Pedestal crane 35 tons			upto 40	<u>Pipelav Equipment</u> Maximum pipe size 40" Track type @ 15 tons, hydraulic motors A&R winch 30 tons Welding PASSO system Line-up system, two multi directional rollers 2 bevelling stations 3 welding stations 1 NDT X-ray station 1 repair station 2 field joint stations	150		
Ersai 1	Construction/ lifting vessel					Main crawler crane capacity 1,800 tons							
Saipem TRB	Trench/pipelay barge					35					45		
TRB Tender	4 post trenching/backfilling crafts					3					4		
Bar Protector	DP dive support vessel				800	100					109		
Grampian Surveyor	Survey and IRM				600	20							
Far Sovereign	Multi-functional anchor handling tug and service vessel			2,200		100					70		
New DSV	DSV		2,000			Offshore crane: 1 x TSS 250 t AHC	Stern thrusters: 2 x 3,500 kW azimuth steerable thrusters (CPP) FWD azimuth thruster: 1 x 1,500 kW retractable (FPP) Bow thrusters: 2 x 1,930 kW tunnel thrusters (CPP)				130		Q3' 2011E

Source: Deutsche Bank, Company data

Appendix G: Top tier vessels within peer group

Figure 40: Global offshore construction market (Saipem leads with seven top tier vessels followed by Technip and Acergy with three)

Company	Vessel name	Vessel type	Water depth (m)	Deck load (t)	Deck area (m2)	Max. main crane lift capacity (t)	Thruster power	Max tensioning capacity	Pipelay specifications					ROV onboard	Accom	Built
									Pipe length S Lay	Pipe length J Lay	Pipe length Reel Lay	Welding	Other differentiating specs			
Acergy	Sapura 3000	DP heavy lift and pipelay ship			2,000	Main hoist (+/- 25 degree over stern): 2700t at 27m radius	Non-retractable azimuth thrusters: 2*2400kw Retractable azimuth thrusters: 5*2400kw	3 * 80MT	Upto 36 inches	Upto 20 inches (optional)		6 welding stations	Pipe handling cranes and pipe storage on work deck	2 modern ROVs	330	2009
	Skandi Acergy	Heavy construction Ship		7,000	2,100	Knuckle boom crane rated 3000 msw with AHC Harbour: 400 t @ 15 m Subsea (1000 m): 400 t @ 13 m Subsea (2500 m): 225 t	Forward: 2 x 1930 kW tunnel thrusters 2 x 1500 kW retractable azimuths Aft: 2 x 3000 kW contra-rotating azimuths 1 x 4000 kW shaft propeller + rudder Total installed power: 19300 kW Max speed: 18 knots						Laying System 125 t VLS through moonpool 135 t A&R winch with 600 msw	2 x Shilling ACV latest generation W/ROV with AHC, deployed in hangar through two moonpools	140	2008
	Acergy Borealis	DP pipelay and heavylift construction ship	3,000		475	Huisman BV, 5000t	2 x Azimuth Thrusters Rolls-Royce UUC 455 FP, underwater demountable, (kW) 5500kW	S Lay: 3 x Huisman vertical two track tensioners Variable speed electric drive motors J Lay: 750t static, 938t dynamic	Upto 46 inches	Upto 36 inches		S Lay: 11 single joint stations or 6 double joint stations J Lay: 2 work stations WS1 for welding/NDT, WS2 for NDT/coating Double joint nominal length 24.6m, range 19.0 to 26.7m		2 x Work Class ROVs, ACV type by Schilling, 3000m	400	2012 E
Subsea 7	Normand Seven	Pipelay ship	2,000		2,000	1 x Heave Compensated Offshore Crane Capacity: 250 t @ 14 m 100 t @ 20 m	Manoeuvring 2 x 1,500kW tunnel thrusters fwd 1 x 2,000kW retractable azimuth thruster fwd 1 x 1,500kW tunnel thruster aft Propulsion 2 x 5,000 kW azimuth thrusters	300 t						2 x Workclass ROVs rated to 3,000 m	100	2007
	Seven Seas	Pipelay and construction ship	3,000		1,750	Main Deck Crane (Main Line) Offshore 350 t @ 13 m (double fall) 200 t @ 25 m (single fall)	Propulsion 3 x 2950 kW stern azimuth thrusters (Wartsila) 2 x 2400 kW retractable bow azimuth thrusters (Wartsila) 1 x 2200 kW bow tunnel thruster (Wartsila) total thruster power 15.850kw	J Lay - 400 t Flexlay - 430 t						2 x Workclass ROVs rated to 3,000m	120	2008

Source: Deutsche Bank, Company data

Figure 41: Global Offshore E&C market contd...

Company	Vessel name	Vessel type	Water depth (m)	Deck load (t)	Deck area (m2)	Max. main crane lift capacity (t)	Thruster power	Max tensioning capacity	Pipe/lay specifications					ROV onboard	Accom	Built
									Pipe length S Lay	Pipe length J Lay	Pipe length Reel Lay	Welding	Other differentiating specs			
Technip	Deep Blue	Reeled pipelay/umbilical ship	3,000		690	Type - Telescopic box boom, ram luffing Reach and Capacity 12Te @ 15m, 8Te @ 23m	Vessel is equipped with eight (8) thrusters as follows: 2 x 5.5 MW (7,000hp) KaMeWa type UUC 7001 non-retracting azimuthing thrusters aft for propulsion and DP (each unit has thrust of 87 Te in bollard condition). 1 x 3 MW (4,000hp) KaMeWa type UL 4001 retractable azimuthing thruster aft for propulsion and DP. 3 x 3 MW (4,000hp) KaMeWa type UL 4001 retractable azimuthing thrusters forward below keel for DP (each unit has thrust of 49 Te in bollard condition). 2 x 1.3 MW (1,740hp) KaMeWa type TT2200-BMS-CP tunnel thrusters in the bow used for DP and maneuvering.	Reel Lay - 550 te J Lay - 770 te		Upto 28 inches	Flexible - upto 24 inches Rigid - upto 18 inches			Two identical Triton® MRV advanced workclass ROVs. Both systems are 3,000m (10,000ft) rated.	160	2001
	Deep Pioneer	Construction/ installation ship	3,000		2,230	Main lifting facility Kenz main pedestal crane (heave-compensated) Offshore 150 te Calm water/harbour 250 te	Propulsion 2 x Main propellers 40 te total 2 x Azimuth propellers 88 te total 3 x Transverse tunnel thrusters 42 te total							One moon pool launched "heavy duty" work class Triton-MRV® and one overside A-frame launched "heavy duty" work class Triton MRV®.	105	Built in 1984, Upgrade in 2003
	Deep Energy	Pipelay	3,000		1,700	AHC Knuckleboom crane 150 t at 15 m offshore lift to 500 m water depth (s/f)	Propulsion Forward 2x tunnel thrusters ea 2.25 MW 2x retractable thruster ea 3 MW Aft 2x propulsion podded thrusters ea 9.5 MW 1x retractable thruster ea 3 MW Transit speed 20 kts at 8.2 m draught	Max lay tensions Rigid pipe 450 t Flexible pipe 300 t Umbilicals 200 t					Rigid and flex lay: Max pipe diameter 600 mm (24 inches)	2 x 3,000m Work Class ROV's	140	Q4' 2010 E

Source: Deutsche Bank, Company data

Appendix H: Details of SOTP computation

Below are the key assumptions that underpin our SOTP valuation:

- Peers are identified under each of Saipem's divisions. Note a company is considered a peer if the main or substantial part of its business broadly relates to that particular division of Saipem.
- We apply the average multiple of the peers within each comparable industry group and assume Saipem should trade in line with this average (i.e. not a premium or discount).

Offshore construction

Figure 42: Derivation of Offshore construction EV (Eur mn)

Peer companies	2010E EV/ EBITDA
Acergy	8.3
Subsea 7	8.2
SBM Offshore	8.1
Oceaneering International Inc.	8.1
FMC Technologies Inc.	13.1
Peer group average EV/ EBITDA	9.2
Offshore construction EBITDA 2010E (EUR mn)	641
Offshore construction implied EV (EUR mn)	5,873

Source: Deutsche Bank, Company data

Figure 43: Selection of Offshore construction peers

Peer company	Stock exchange	Description	2010E EV/ EBITDA
Acergy	OSX	Acergy SA provides contract engineering, survey and construction services to the offshore oil and gas industry. The Company provides engineering and quality ships and equipment to its partners and suppliers. Acergy conducts operations in Europe, the Middle East, West Africa, Southeast Asia and South America.	8.3
Subsea 7	OSX	Subsea 7 Inc, the parent company to DSND Subsea ASA, is an offshore subsea contractor. The Company owns and operates a fleet of vessels capable of deepwater subsea construction services such as drilling and installation of equipment for the global oil and gas industry. Subsea 7 is active in the North Sea, the Gulf of Mexico, South America, and West Africa.	8.2
SBM Offshore	EN Amsterdam	SBM Offshore NV, through subsidiaries, offers services to the offshore oil and gas industry worldwide. The Company supplies and installs floating production and/or storage facilities and terminals for the loading or unloading of tankers.	8.1
Oceaneering International Inc.	NYSE	Oceaneering International, Inc. is a global provider of engineered services and products to the offshore oil and gas industry. The Company offers services and products in remotely operated vehicles, mobile offshore production systems, engineering and product management, manned diving and other deep water applications. Oceaneering also serves the defense and aerospace industries.	8.1
FMC Technologies Inc.	NYSE	FMC Technologies, Inc. designs, manufactures, and services systems and products used in offshore, particularly deepwater, exploration and production of crude oil and natural gas. The Company also provides advanced handling and processing systems to industrial customers. FMC Technologies' subsea products include drilling and production systems, subsea tree systems, and fluid control systems.	13.1

Source: Deutsche Bank, Bloomberg

Onshore construction**Figure 44: Derivation of Onshore construction EV (EUR mn)**

Peer companies	2010E EV/ EBITDA
Tecnicas Reunidas	9.1
Mcdermott International Inc	7.1
Jacobs Engineering Group Inc.	8.4
Petrofac	7.9
Peer group average EV/ EBITDA	8.1
Onshore construction EBITDA 2010E (EUR mn)	373
Onshore construction implied EV (EUR mn)	3,031

Source: Deutsche Bank, Company data

Figure 45: Selection of Onshore construction peers

Peer company	Stock exchange	Description	2010E EV/ EBITDA
Tecnicas Reunidas	BME	Tecnicas Reunidas SA offers engineering and construction services. The Company primarily designs and constructs a variety of industrial plants as well as power.	9.1
Mcdermott International Inc	NYSE	McDermott International, Inc. is a worldwide energy services company. The Company and its subsidiaries provide engineering, fabrication, installation, procurement, research, manufacturing, environmental systems, project management, and facility management services to a variety of customers in the energy and power industries, including the U.S. Department of Energy.	7.1
Jacobs Engineering Group Inc.	NYSE	Jacobs Engineering Group Inc. provides a broad range of technical, professional, and construction services to a large number of industrial, commercial, and governmental clients around the world. The Company's services include project services, process, scientific, and systems consulting, construction services, and operations and maintenance services.	8.4
Petrofac	LSE	Petrofac Limited is an international provider of facilities solutions to the oil and gas production and processing industry. The Company's solutions include designing and building oil and gas facilities, operating and managing facilities, and training personnel.	7.9

Source: Deutsche Bank, Bloomberg

Drilling**Figure 46: Derivation of Drilling EV (EURmn)**

Peer companies	2010E EV/ EBITDA
Offshore drilling	
Seadrill	8.0
Pride International	10.1
Diamond Offshore Drilling	6.2
Transocean	6.7
Scorpion Offshore	7.0
Peer group average 2010E EV/ EBITDA	7.6
Saipem Offshore Drilling EBITDA 2010E	421
Saipem Offshore Drilling Implied EV	3,204
Onshore drilling	
Pioneer Drilling Company	7.6
Nabors	6.7
Helmerich & Payne, Inc.	6.9
Precision Drilling Trust	6.4
Patterson UTI Energy Inc	6.7
Ensign Energy Services	6.5
Peer group average 2010E EV/ EBITDA	6.8
Saipem Onshore Drilling EBITDA 2010E	306
Saipem Onshore Drilling Implied EV	2,075
Drilling EV	5,279

Source: Deutsche Bank, Company data

Figure 47: Selection of Drilling peers**Offshore drilling**

Peer company	Stock exchange	Description	Rigs	2010E EV/ EBITDA
Seadrill	OSX	Seadrill is an international offshore drilling contractor providing services within drilling and well services.	Semi-sub rigs: 8 (+2 newbuild) Drillship: 3 (+1 newbuild) Jack up rigs: 8 (+4 newbuild)	8.0
Pride International	NYSE	Pride International is a large offshore drilling company with an increasing focus on deepwater and other high-specification drilling solutions.	Semi-sub rigs: 12 Drillships: 2 (+4 newbuild) Jack up rigs: 27	10.1
Diamond Offshore Drilling	NYSE	Diamond Offshore provides contract drilling services to the energy industry (including deepwater drilling). Diamond Offshore's fleet has built its reputation on more than four decades of real-world global drilling experience.	Semi-sub rigs: 31 Drillship: 1 Jack up rigs: 14	6.2
Transocean	NYSE	Transocean, provides a versatile fleet of mobile offshore drilling units to help clients find and develop oil and natural gas reserves.	Semi-sub rigs: 12 Drillships: 2 (+4 newbuild) Jack up rigs: 65	6.7
Scorpion Offshore	OSX	Scorpion Offshore Ltd. offers drilling services to the offshore oil and natural gas industries. The Company is acquiring jack-up drilling rigs.	Jack up rigs: 7 Submersible rigs: 1 (under construction)	7.0

Onshore drilling

Peer company	Stock exchange	Description	Rigs	2010E EV/ EBITDA
Pioneer Drilling Company	NYSE	Pioneer Drilling Company provides land contract drilling services to independent and major oil and gas exploration and production companies. Their rigs are located in the prolific natural gas producing regions of North, South and East Texas, Oklahoma and the Rocky Mountains.	Onshore drilling rigs: 66	7.6
Nabors	NYSE	The Nabors companies own and operate a huge fleet of rigs. In addition, Nabors manufactures top drives and drilling instrumentation systems and provides comprehensive oilfield hauling, engineering, civil construction, logistics and facilities maintenance, and project management services.	Onshore drilling rigs: 528 Land workover and well servicing rigs: 763 Platform rigs: 37 Jack up rigs: 13 Barge rigs: 3	6.7
Helmerich & Payne, Inc.	NYSE	H&P is primarily engaged in contract drilling of oil and gas wells for exploration and production companies. The contract drilling business accounts for almost all of H&P's operating revenues, making it one of the major land and offshore platform drilling contractors in the world.	Onshore drilling rigs: 215 Offshore platform rigs: 9	6.9
Precision Drilling Trust	TSX	Precision Drilling Trust is Canada's largest oilfield services company, providing contract drilling, well servicing and strategic support services to customers. Precision supplies on-the-ground expertise - people, equipment and knowledge - to enable about one-third of western Canada's conventional oil and gas production.	Onshore drilling rigs: 250 Service rigs: 235	6.4
Patterson UTI Energy Inc	NASDAQ	Patterson-UTI Energy, Inc. provides land-based drilling services to major and independent oil and natural gas companies. The Company conducts drilling operations in Texas, New Mexico, Utah, Oklahoma, Louisiana, and western Canada. Patterson-UTI is also involved in pressure pumping, oil and gas exploration and production, and drilling and completion fluids services.	Onshore drilling rigs: 350	6.7
Ensign Energy Services	TSX	Ensign Energy Services, Inc. provides contract well drilling and well servicing to the oil and natural gas industry. The Company operates throughout western Canada and the Rocky Mountain region of the United States.	Onshore drilling rigs: 300 Service rigs: 133	6.5

Source: Deutsche Bank, Bloomberg

Appendix I: Drilling model

Figure 48: Saipem contracts schedule

			Signed contract			Newbuild delivery			Options							
C/NC	Rig Contracts & availability flags	Type	2007	2008	Q1 09	Q2 09	Q3 09	Q4 09	2009	Q1 10E	Q2 10E	Q3 10E	Q4 10E	2010E	2011E	2012E
Jack up existing																
C	Perro Negro 2	JU 300	1	1	1	0	0	1	1	1	1	1	1	1	1	1
C	Perro Negro 3	JU 300	1	1	1	1	1	1	1	0.8	0.8	0.8	0.8	1	1	1
C	Perro Negro 4	JU 150	1	1	1	1	1	1	1	0.9	0.9	0.9	0.9	1	1	1
C	Perro Negro 5	JU 300	1	1	1	1	1	1	1	0.7	0.7	0.7	0.7	1	1	1
C	Perro Negro 7			1	1	1	1	1	1	1	1	1	1	1	1	1
Jack up newbuild																
C	Perro Negro 6						0	1	1	1	1	1	1	1	1	1
Semisub existing																
C	Scarabeo 3	Semi 1500, 4th gen	1	1	1	1	0	1	1	1	1	1	1	1	1	1
C	Scarabeo 4	Semi 1800, 4th gen	1	1	0	0.9	0.4	0.3	1	1	1	1	1	1	1	1
C	Scarabeo 5	Semi 6200, 5th gen	1	1	1	1	1	1	1	1	1	1	1	1	1	1
C	Scarabeo 6	Semi 2500, 4th gen	1	1	1	1	0.7	0.0	1	1	1	1	1	1	1	1
C	Scarabeo 7	Semi 5000, 5th gen	1	1	0.8	1	0.8	1	1	1	1	1	1	1	1	1
Semisub newbuild																
C	Scarabeo 8 (Under Constr.)	Semi , 5th gen	0	0	0	0	0	0	0	0	0	0.7	1.0	1	1	1
C	Scarabeo 9 (Under Constr.)	Semi 12000, 6th gen	0	0	0	0	0	0	0	0	0	0.0	0.7	1	1	1
Drillship existing																
C	Saipem 10000	Drillship, 6th gen	1	1	1	1	1	1	1	0.7	0.7	0.7	0.7	0.7	1	1
Drillship newbuild																
C	Saipem 12000(Under Constr.)	Drillship, 6th gen									0.7	1	1	1	1	1
Onshore																
Number of rigs																
C	34	HP<=1500	1	1	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
C	48	1500<HP<=2000	1	1	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
C	16	3000 HP	1	1	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8

Source: Deutsche Bank, Company data

Figure 49: Saipem day rate schedule

			What has actually been signed/reported							What we are forecasting						
C/NC	Rig day rates (\$'000/day)	Type	2007	2008	Q1 09	Q2 09	Q3 09	Q4 09	2009	Q1 10E	Q2 10E	Q3 10E	Q4 10E	2010E	2011E	2012E
Jack up existing																
C	Perro Negro 2	JU 300	53	53	53	170	170	170	141	55	55	55	55	55	55	160
C	Perro Negro 3	JU 300	60	60	60	60	60	60	60	63	63	160	160	111	160	160
C	Perro Negro 4	JU 150	55	55	55	55	55	55	55	55	55	55	55	55	55	120
C	Perro Negro 5	JU 300	50	50	50	50	53	53	51	53	53	160	160	106	160	160
C	Perro Negro 7			165	165	165	165	165	165	165	165	165	165	165	165	163
Jack up newbuild																
C	Perro Negro 6							115	115	115	115	115	115	115	126	160
Semisub existing																
C	Scarabeo 3	Semi 1500, 4th gen	195	238	280	280	280	280	280	160	160	160	343	206	343	343
C	Scarabeo 4	Semi 1800, 4th gen	185	180	165	165	165	250	186	168	168	168	168	168	168	168
C	Scarabeo 5	Semi 6200, 5th gen	400	400	400	400	400	400	400	400	400	400	400	400	400	400
C	Scarabeo 6	Semi 2500, 4th gen	195	305	305	305	305	305	305	340	340	340	340	340	340	340
C	Scarabeo 7	Semi 5000, 5th gen	130	199	405	405	405	405	405	405	405	405	405	405	420	465
Semisub newbuild																
C	Scarabeo 8 (Under Constr.)	Semi , 5th gen										480	480	480	480	480
C	Scarabeo 9 (Under Constr.)	Semi 12000, 6th gen											480	480	480	480
Drillship existing																
C	Saipem 10000	Drillship, 6th gen	250	250	250	250	370	370	310	370	370	370	370	370	370	485
Drillship newbuild																
C	Saipem 12000(Under Constr.)	Drillship, 6th gen									450	450	450	450	450	450
Onshore																
Number of rigs																
C	34	Rig power HP<=1500	23	25	27	27	27	27	27	30	30	30	30	30	33	36
C	48	1500<HP<=2000	28	30	33	33	33	33	33	37	37	37	37	37	40	44
C	16	3000 HP	33	37	43	43	43	43	43	49	49	49	49	49	57	63
Average of available offshore rigs			157	178	199	210	221	219	206	196	215	249	276	260	278	302
Average of available onshore rigs			28	31	34	34	34	34	34	39	39	39	39	39	43	48

Source: Deutsche Bank, Company data



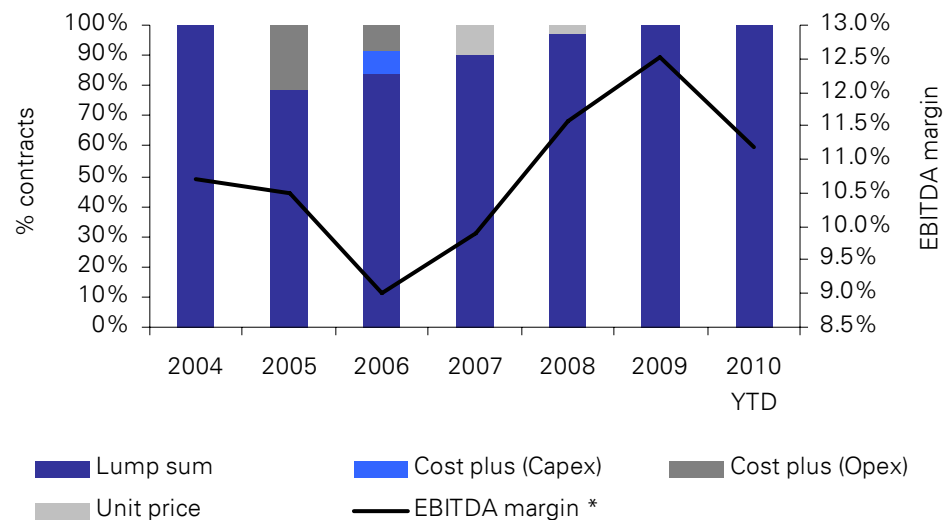
Figure 50: Saipem utilisation schedule

Rig Utilisation	2007	2008	Q1 09	Q2 09	Q3 09	Q4 09	2009	Q1 10E	Q2 10E	Q3 10E	Q4 10E	2010E	2011E	2012E
Jack up existing														
Perro Negro 2	89%	96%	90%	0%	0%	90%	45%	90%	90%	90%	90%	90%	90%	90%
Perro Negro 3	89%	60%	90%	90%	90%	90%	90%	84%	84%	84%	84%	84%	90%	90%
Perro Negro 4	89%	100%	90%	90%	90%	90%	90%	92%	92%	92%	92%	92%	90%	90%
Perro Negro 5	89%	94%	90%	90%	90%	90%	90%	74%	74%	74%	74%	74%	90%	90%
Perro Negro 7		100%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Jack up newbuild														
Perro Negro 6					0%	90%	45%	90%	90%	90%	90%	90%	90%	90%
Semisub existing														
Scarabeo 3	66%	100%	90%	90%	4%	90%	69%	90%	90%	90%	90%	90%	90%	90%
Scarabeo 4	21%	100%	0%	90%	37%	25%	38%	90%	90%	90%	90%	90%	90%	90%
Scarabeo 5	21%	70%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Scarabeo 6	89%	100%	90%	90%	75%	-1%	63%	90%	90%	90%	90%	90%	68%	68%
Scarabeo 7	89%	75%	79%	90%	79%	90%	85%	90%	90%	90%	90%	90%	90%	90%
Semisub newbuild														
Scarabeo 8 (Under Constr.)	0%	0%	0%	0%	0%	0%	0%	0%	0%	67%	90%	39%	90%	90%
Scarabeo 9 (Under Constr.)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	67%	17%	90%	90%
Drillship existing														
Saipem 10000	89%	100%	90%	90%	90%	90%	90%	70%	70%	70%	70%	70%	90%	90%
Drillship newbuild														
Saipem 12000(Under Constr.)	0%	0%	0%	0%	0%	0%	0%	0%	67%	90%	90%	62%	90%	90%
Onshore														
Number of rigs														
34														
48														
16														
Rig power														
HP<=1500														
1500<HP<=2000														
3000 HP														

Source: Deutsche Bank, Company data

Appendix J: Understanding the contract strategy

Figure 51: Saipem's contract strategy mix



Source: Deutsche Bank, Company data, * Excludes drilling business; EBITDA margin is the blended result of offshore and onshore construction divisions and not the simple average

We identify four generic contracting types that represent the bulk (>95%) of contracts signed between the client (NOC or IOC) and oil service companies:

Lump sum:

- The client pays a fixed price for any combination mentioned above. In the majority of cases it will be the entire project cycle; so the combination spans engineering, procurement, installation and construction. Note that a FEED contract by itself will rarely be awarded on a lump sum basis as here the emphasis is on quality and breadth of technical content. The client will not want this to be constrained by a fixed price.
- The bid packages are presented and the one that is chosen forms the basis of the project award value. The key characteristic here is that any unforeseen cost that is not strictly underwritten within the original contract will likely be assumed by the contractor (unless there is a change in the scope of the project in which case the unforeseen cost is chargeable to the client).
- The fixed price that envelops the contract should, in theory, accommodate a worst-case scenario in case execution risks become a reality. This 'buffer' is calculated in the form of a contingency and can represent up to 15% of the asking price. The best case scenario is that these are not exercised in which case they are 'released' and materialise as additional 'cream' on top of the base price/margin. In the worst-case scenario, these risks exceed the contingencies put in place and erode the base margin to an extent that the contractor loses money on the project.

Cost plus:

- The oil service company is able to recover its costs within a contractually defined structure. These costs typically include construction labour, materials, equipment, sub-contractors and overheads. The asking price is equivalent to a percentage or fixed amount for contingency and profit. This is split into a base portion (or 'recovery cost') X%

and an additional Y% that is termed 'fee at risk' (can be fixed or variable i.e. a % of the recovery cost). If the contractor meets and/or exceeds the original specifications, it pockets the additional Y%. Conversely, the fee at risk is forfeited.

- A common misperception is that there is no risk on the 'X'% earned. Normally, if the contractor issues a poor design or demonstrates inefficiencies that result in a breach of contract, then the entire fee can be forfeited. Worst case, the contractor may actually lose money on the project if the additional costs are rebuffed by the client and exceed those implied in the base margin.
- The owner/shareholder bears a significantly higher cost and schedule risk than in a lump sum contract and so its direct management of the project will be higher. As a result the client is far more likely to detect errors and defects at no additional cost to itself under a cost plus contract. Equally, given the increased management attention and performance measures, an owner may actually hold the contractor to a much more strict interpretation of the 'standard of care' expected (and paid for) than under any other contract strategy.

Cost plus + KPIs (key performance indicators):

- Same as above but includes an extra performance-related constituent (in addition to the 'Y'%). The ability to realise this is measured against a specific set of well-defined performance metrics including: 1) achieved delivery vs. the original schedule and 2) the ability to provide cost or operational efficiencies to the client beyond the original project scope. For example, assume that a project has a series of 10 specific intermediate milestone dates by which certain construction activities have to be achieved. Each of these milestones may represent a point of evaluation against a KPI set on achieving the completion of the project by the respective date. The parties can agree, for example, that achievement of any one milestone is a performance ranking of "0", missing any one milestone is a performance ranking of "-1" and beating a milestone date is a performance ranking of "+1". In this example, the contractor would be eligible for an incentive payment for achieving "+1" on a milestone and a penalty for achieving "-1".
- Note that while ideally all cost plus contracts would be structured to have KPIs, the reality is that not all clients accept performance-related incentives (taking the view that 'Y' is sufficient). Therefore, it is up to the oil service company to keep its exposure to this type of contract strategy as high as possible relative to cost plus.

Unit price (also termed target price or convertible lump sum)

- A hybrid of cost plus and lump sum. This type of contract is only applicable for entire project cycles. It begins as a cost plus up to the point where all procurement is secured (and priced) and necessary sub-contractors are in place.
- The client pays a fixed price for work based on the "all-inclusive cost" of a unit of an installed commodity. For example: assume the commodity is 10cm diameter single wall carbon steel pipe. The contractor would develop a "fixed price" per linear meter of pipe installed which would include the total cost to procure the pipe; the cost to ship, store and handle the pipe; the labour and materials costs to install the pipe; and, overhead and profit amounts. In effect, the price per unit installed is firm; however the number of units to be installed is not fixed. The contractor presumably bears no risk if the number of units increases or decreases during execution.

- A hybrid between unit price and cost plus is one in which the cost to procure the commodity is removed from the “all-inclusive cost” of a unit. Typically in this contracting strategy the owner retains the responsibility and the cost risk of purchasing the commodity, while the contractor retains the responsibility to accurately price the cost of receiving, handling, and installing the commodity at a fixed cost, which again includes overheads and profit. The hybrid leaves the performance risk with the contractor. Again, the contractor presumably bears no risk should the total number of units increase or decrease.

Appendix K: Glossary of terms

AHTS (Anchor Handling, Tug & Supply ship): Combination vessels operating in the offshore market, intended for use in anchor-handling, tug operations and transportation of supplies.

Azimuth thrusters: A configuration of ship propellers placed in pods that can be rotated in any horizontal direction, making a rudder unnecessary. These give ships better manoeuvrability than a fixed propeller and rudder system. Primary advantages are electrical efficiency, better use of ship space, and lower maintenance costs. Ships with azimuth thrusters do not need tugs to dock, though they still require tugs to manoeuvre in difficult places.

Conventional/shallow waters: Depth of up to 400 metres (1,300ft).

Cost plus: The client is charged a day rate or project rate across the life of the project, with any extra work required to complete the job added to the bill.

Deep water: Depths of over 400 metres (1,300 ft).

Commissioning: Series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.

Decommissioning: Series of processes and procedures undertaken in order to end operations of a gas pipeline, associated plants and equipment. It may occur at the end of the life of the plant, following an accident, for technical or financial reasons, and/or on environmental or safety grounds.

Development (of a gas or oil field): All operations associated with the construction of facilities to enable the production of oil and gas.

Drillship: A maritime vessel modified to include a drilling rig and special station-keeping equipment. The vessel is typically capable of operating in deep water. A drillship must stay relatively stationary on location in the water for extended periods of time. This positioning may be accomplished with multiple anchors, dynamic propulsion (thrusters) or a combination of these. Drillships typically carry larger payloads than semi-submersible drilling vessels, but their motion characteristics are usually inferior.

Dynamically Positioned Heavy Lift Vessel: Vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, current, etc.

EPC (Engineering, Procurement, and Construction): A type of contract typical of the onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' indicates that the system is delivered to the client ready for operations, i.e. already commissioned.

EPIC (Engineering, Procurement, Installation, Construction): A type of contract typical of the offshore construction sector, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its

infrastructure, transport to site, installation and commissioning/preparatory activities to the start-up of operations.

FEED: Front-End Engineering Design

Facilities: Auxiliary services, structures and installations required to support the main systems.

Flexible flowline: Flexible pipe laid on the seabed for the transportation of production or injection fluids. It is generally an infield line, linking a sub-sea structure to another structure or to a production facility. Its length ranges from a few hundred metres to several kilometres.

Flexible riser: Riser constructed with flexible pipe (see Riser).

Floaters: Floating production units including floating platforms, and FPSOs.

Floatover: Type of module installation onto offshore platforms that does not require lifting operations. A specialised vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed; it then proceeds to de-ballast and lower the module into place. Once this has been completed the vessel backs off and the module is secured to the support structure.

FPSO vessel: Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the sub-sea wellheads to the on-board processing, storage and offloading systems.

FPU (Floating Production Unit): A ship-shaped floater or a semi-submersible used to process and export oil and gas

GTL (Gas-to-Liquids): Transformation of natural gas into liquid fuel (Fischer Tropsch technology).

Hydrotesting: Operation involving high-pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.

IRM (Inspection, Repair and Maintenance): Routine inspection and servicing of offshore installations and sub-sea infrastructures.

Jacket: Platform underside structure fixed to the seabed using piles.

Jack-up: Mobile self-lifting unit comprising a hull and retractable legs, used for offshore drilling operations.

J-laying: Method of pipe-laying that utilises an almost vertical launch ramp, making the pipe configuration resemble a 'J'. This configuration is suited to deep-water pipe-laying.

LNG: Liquefied natural gas is obtained by cooling down natural gas to minus 160°C at normal pressure. Gas is liquefied to make it facilitate its transportation from the place of extraction to that of processing and/or utilisation. A tonne of LNG equates to 1,400 cubic metres of gas.

Lump-sum or LSTK (lump sum turnkey project): One fixed price for the project that will typically encompass engineering, procurement, installation and construction activities.

Midstream: Sector comprising all those activities relating to the construction and management of the oil transport infrastructure.

Mobile offshore drilling unit: A generic term for several classes of self-contained floatable or floating drilling machines such as jackups, semi-submersibles, and submersibles.

Mooring buoy: Offshore mooring system.

NOC: National Oil Company

Offshore/Onshore: The term offshore indicates a portion of open sea and, by induction, the activities carried out in such area, while onshore refers to land operations.

Pre-commissioning: Comprises pipeline washing out and drying.

Regasification terminal: Coastal plant that accepts deliveries of liquefied natural gas and processes it back into gaseous form for injection into the pipeline system. Also known as a receiving terminal.

Riser: Manifold connecting the sub-sea wellhead to the surface.

ROV (Remotely Operated Vehicle): An unmanned sub-sea vehicle remotely controlled from a vessel or an offshore platform. It is equipped with manipulator arms that enable it to perform simple operations.

S-laying: Method of pipe-laying that utilises the elastic properties afforded by steel, making the pipe configuration resemble an 'S', with one end on the seabed and the other under tension onboard the ship. This configuration is suited to medium to shallow-water laying.

Spar: Floating production system, anchored to the seabed through a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.

Spool: Connection between a sub-sea pipeline and the platform riser, or between the terminations of two pipelines.

Submersible/semi-submersible drilling rig: A particular type of floating vessel, usually used as a mobile offshore drilling unit (MODU) that is supported primarily on large pontoon-like structures submerged below the sea surface.

Sub-sea Technology: All products and services required to install and operate production installations on the seabed.

SURF facilities: Sub-sea Umbilicals Risers Flowlines – pipelines and equipment connecting the well or sub-sea system to a floating unit.

Template: Rigid and modular sub-sea structure where the oilfield wellheads are located.

Tendons: Pulling cables used on tension leg platforms used to ensure platform stability during operations.

Tension leg platform (TLP): Fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.

Tie-in: Connection between a production line and a sub-sea wellhead or simply a connection between two pipeline sections.

Topside: Portion of platform above the jacket.

Trunkline: Large diameter oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals. Used in shallow waters.

Trenching: Burying of offshore or onshore pipelines.

Umbilical: Flexible connecting sheath, containing flexible pipes and cables.

Upstream/Downstream: The term upstream relates to exploration and production operations. The term downstream relates to all those operations that follow exploration and production operations in the oil sector.

Wellhead: Fixed structure separating the well from the outside environment.

Wellservicing: Intervention in sub-sea production wells carried out from a floating rig or a dynamically positioned vessel.

Workover: Major maintenance operation on a well or replacement of sub-sea equipment used to transport the oil to the surface.

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Saipem Annual Report 2004

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Saipem	SPMI.MI	27.25 (EUR) 18 Mar 10	6,8

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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Historical recommendations and target price: Saipem (SPMI.MI)

(as of 18/03/2010)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure
as of September 9, 2002

1.	24/7/2007:	Downgrade to Hold, Target Price Change EUR27.00	5.	10/7/2009:	Buy, Target Price Change EUR19.00
2.	30/1/2008:	Upgrade to Buy, Target Price Change EUR30.00	6.	18/9/2009:	Buy, Target Price Change EUR23.00
3.	22/10/2008:	Buy, Target Price Change EUR22.00	7.	8/12/2009:	Buy, Target Price Change EUR27.00
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Equity rating dispersion and banking relationships

Buy: Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

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Notes:

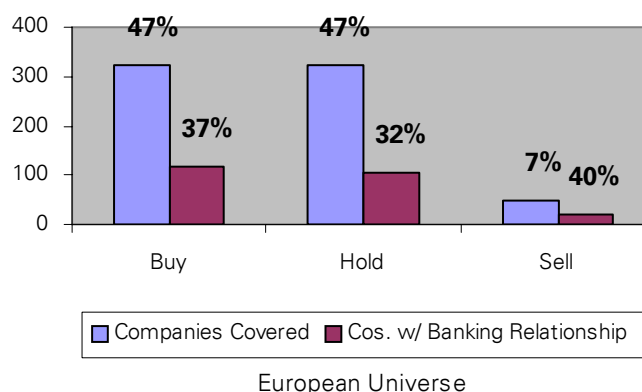
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