

Our presence in Indonesia

Greetings to the local authorities, the Italian authorities present, the audience

Thanks to the organizers

It is a great honour for me to be here today as CEO of Saipem, which has been active in Indonesia since the foundation of its subsidiary PT Saipem Indonesia (PTSI) in 1995.

Our company gave proof of its far-sightedness when, more than twenty years ago, we decided to invest in a strategic country and area - the Asian Far East - that is playing and will continue to play a decisive role in the energy sector and thus in the global economy.

Saipem decided to invest in Indonesia with an industrial approach, rather than a purely commercial one. It is an approach that did not merely wish to develop a logistic base in the country in support of its sales activities, but one that would lead, instead, to the creation of an engineering and construction company with headquarters in Jakarta and over 400 employees, most of them university graduates. It is a company that operates in the field of Oil&Gas,

specifically in the offshore E&C, floaters, onshore E&C and drilling sectors.

As confirmation of our industrial approach which, while creating added value for the company, would also develop significant local content, PTSI also established an operating branch in Karimun where, in 2011, a modern fabrication yard was opened. The site occupies an area of almost 1,400,000 sq.mt. and is the largest infrastructure of its kind in South East Asia, dedicated to the production of modules and structures for Oil&Gas installations.

Over the last few years, PTSI's collaboration with the local community and with the authorities of the Regency of Karimun has undoubtedly been positive. Generally speaking, this experience revolves around our opportunities as contractor for offshore installations, a sector in which Saipem, as a group, enjoys an excellent reputation worldwide. PTSI is currently working on a contract for Eni Muara Bakau involving a Floating Production Unit to be deployed on the Jangrik Complex project. The company has also provided drilling services to the same client, using its semi-submersible platform Scarabeo 7. In addition, topsides equipment and structures have been built at the Karimun fabrication yard, and are still under construction for two FPSO Units for Total, to be used

in Angola for the Kaombo field development project, one of the largest initiatives currently under way in this sector.

During 2016, due to the simultaneous execution of the two projects described above, Saipem Indonesia reached a record of more than 14,000 people (direct employees and subcontractors) present in the yard. We were able to do this in respect of the highest standards in terms of health, safety and respect of the workers and communities. I especially want to stress these aspects that characterize the way in which Saipem operates all over the world. To give you an idea, in 2016 the frequency of work-related accidents reported worldwide was 0.78 (the global index calculated in terms of the number of accidents per million hours worked). It is an indicator that, while part of a strongly improving trend, will never fully satisfy us, because the only goal possible for us is always to have zero accidents.

In particular, we have established a cutting-edge training centre in Indonesia, and in 2016 alone we provided Saipem personnel and suppliers with over 100,000 hours of HSE training and 35,000 hours of practical professional training in line with the strict requisites of Saipem's HSE standards. We have done all this in the light of our constant commitment to developing professional skills and a safety culture and with respect for the environment, which is essential to

the management and performance of the specific activities. In Karimun, we recently celebrated 11 million hours of work without accidents on the Jangkrik project, and 7 million on the Kaombo project. In the first quarter, in Indonesia, the frequency rate was 0.35, well below Saipem's already excellent overall performance.

Going back to strictly business-related issues, in the recent past, the company has participated in a number of calls for tender on a FEED and EPC basis, like the Inpex Masela FLNG project, Jangkrik and, finally the FEED for the Tangguh LNG Expansion project. In 2016, Saipem Indonesia won two important new contracts in Engineering & Construction for onshore and offshore works concerning the Tangguh LNG Expansion project for BP, in partnership with Tripatra, a local company, and the Japanese company Chiyoda. We are particularly proud of these contract acquisitions, because they are proof of the confidence our clients have in Saipem, and in particular, in Saipem's ability to operate in Indonesia through its assets and its partners.

A recent study on the impact of Saipem's activities in Indonesia showed that for each US dollar spent by Saipem in the country an additional 0.62 US dollars was generated in the local economy. For every job created (also taking account of the fact that this figure includes the yard's construction phase) another 2.22 jobs have been

generated. Moreover, every dollar invested in the training and development of human resources during the period considered has generated approximately another 14 dollars of extra income for the trainees!

This means that Saipem brings development to Indonesia and generates indirect and induced business that contributes greatly to the economic and social growth of the local communities. Saipem's activities have thus contributed between 0.02 and 0.03% to the GDP of the entire country, a far from negligible figure if we consider the size of Indonesia, where the Regency of Karimun accounts for 7% of the total GDP.

The investment in Karimun has made the company more visible in the market and has allowed us to expand into areas of activity which were previously less accessible. It has also meant that PTSI could enter into broader collaborations with local partners who over the past few years have increasingly benefitted from the Saipem business model, thereby opening up new and mutually beneficial opportunities for all, in which PTSI, for its part, provides a transfer of know-how as well as training and professional growth of local personnel.

Indeed, the long-term presence of Saipem in Indonesia has been characterised by an approach which offers skills development,

support for the welfare of employees and a serious and proactive engagement process with stakeholders. For example, in 2015, PTSI organized a programme in Jakarta for the development of the skills of young local students, in cooperation with the University of Indonesia and the Bandung Institute of Technology. The list of other initiatives is long and includes improvements to the emergency management capacities of the local hospital in Karimun, a programme to support the Community Health Post located in West Pangke Village, and a ‘Young Engineer Sustainable Development Programme’ in Jakarta.

So, in conclusion, let me say that in Indonesia, as elsewhere, Saipem has reacted to the local challenges with a business model focused on the creation of shared value. For Saipem, local content means creating employment, developing local skills and capacity, transferring know-how, collaborating with local suppliers and subcontractors and enhancing local entrepreneurship with its operations. In order to contribute to the creation of socio-economic value within the host communities, maximising local content is one of the cornerstones of Saipem’s business philosophy in all markets. We firmly believe this is the right approach to develop durable and sustainable win-win relations with all local stakeholders, helping to reduce costs and risks associated with projects, improving the perception of the Company and creating the conditions for a

climate of mutual trust. On the other hand, Saipem's local content approach generates positive effects on local communities, contributing to the social stability and well-being of the local population.