INTERIM FINANCIAL REPORT
AS OF JUNE 30, 2019

SAIPEM

Mission

Our mission is to implement challenging, safe and innovative projects, leveraging on the competence of our people and on the solidity, multiculturalism and integrity of our organisational model. With the ability to face and overcome the challenges posed by the evolution of the global scenarios, we must seize the opportunities to create economic and social value for all our stakeholders.

Our values

Innovation; health, safety and environment; multiculturalism; passion; integrity.

Disclaimer

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions.
Actual results could therefore differ materially from the forward-looking statements.
The financial reports contain in-depth analyses of some of the aforementioned risks.
Forward-looking statements are to be considered in the context of the date of their release. Saipem SpA is under no obligation to review, update or correct them subsequently, except where this is a mandatory requirement of the applicable legislation.

Countries in which Saipem operates

EUROPE
Albania, Austria, Bulgaria, Croatia, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey, United Kingdom

AMERICAS
Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Ecuador, Guyana, Mexico, Peru, United States, Venezuela

CIS
Azerbaijan, Georgia, Kazakhstan, Russia

AFRICA
Algeria, Angola, Congo, Egypt, Ghana, Libya, Mauritania, Morocco, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tunisia, Uganda

MIDDLE EAST
Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

FAR EAST AND OCEANIA
Australia, China, India, Indonesia, Japan, Malaysia, Pakistan, Singapore, South Korea, Taiwan, Thailand, Vietnam

Board of Directors and auditors of Saipem SpA

BOARD OF DIRECTORS[1]
Chairman
Francesco Caio

Chief Executive Officer (CEO)
Stefano Cao

Directors
Maria Elena Cappello, Claudia Carloni,
Paolo Fumagalli, Federico Ferro-Luzzi, Ines Mazzilli,
Pierfrancesco Latini[3], Paul Schapira

BOARD OF STATUTORY AUDITORS[2]
Chairman
Mario Busso

Statutory Auditors
Giulia De Martino
Riccardo Perotta

Alternate Statutory Auditors
Francesca Michela Maurelli
Maria Francesca Talamonti

Independent Auditors

KPMG SpA[4]

(1) Appointed by the Shareholders' Meeting on May 3, 2018, for 2018, 2019, and 2020 and in any case up to the date of the Shareholders' Meeting to approve the financial statements on December 31, 2020.
(2) Appointed by the Shareholders' Meeting on April 28, 2017 for a three-year period and in any case up to the date of the Shareholders' Meeting to approve the financial statements on December 31, 2019.
(3) Co-opted by a resolution of the Board of Directors on December 5, 2018 and confirmed as a Director by the Shareholders' Meeting of April 30, 2019.
(4) The Shareholders' Meeting of May 3, 2018 resolved to appoint KPMG SpA as the independent auditors from 2019 to 2027.

INTERIM FINANCIAL REPORT
AS OF JUNE 30, 2019

Approved by the Board of Directors on July 24, 2019

INTERIM RESULTS

During the first half of 2019, Saipem recorded positive operational performance.
Revenue amounted to €4,519 million, an increase of 19% thanks to an increase in all the divisions, but specifically in the Onshore and Offshore Engineering & Construction divisions. The Offshore Engineering & Construction sector accounted for 44% of revenue; the Onshore Engineering & Construction sector contributed 44% of revenue; the Offshore Drilling sector 6% of revenue and the Onshore Drilling sector generated 6% of revenue.

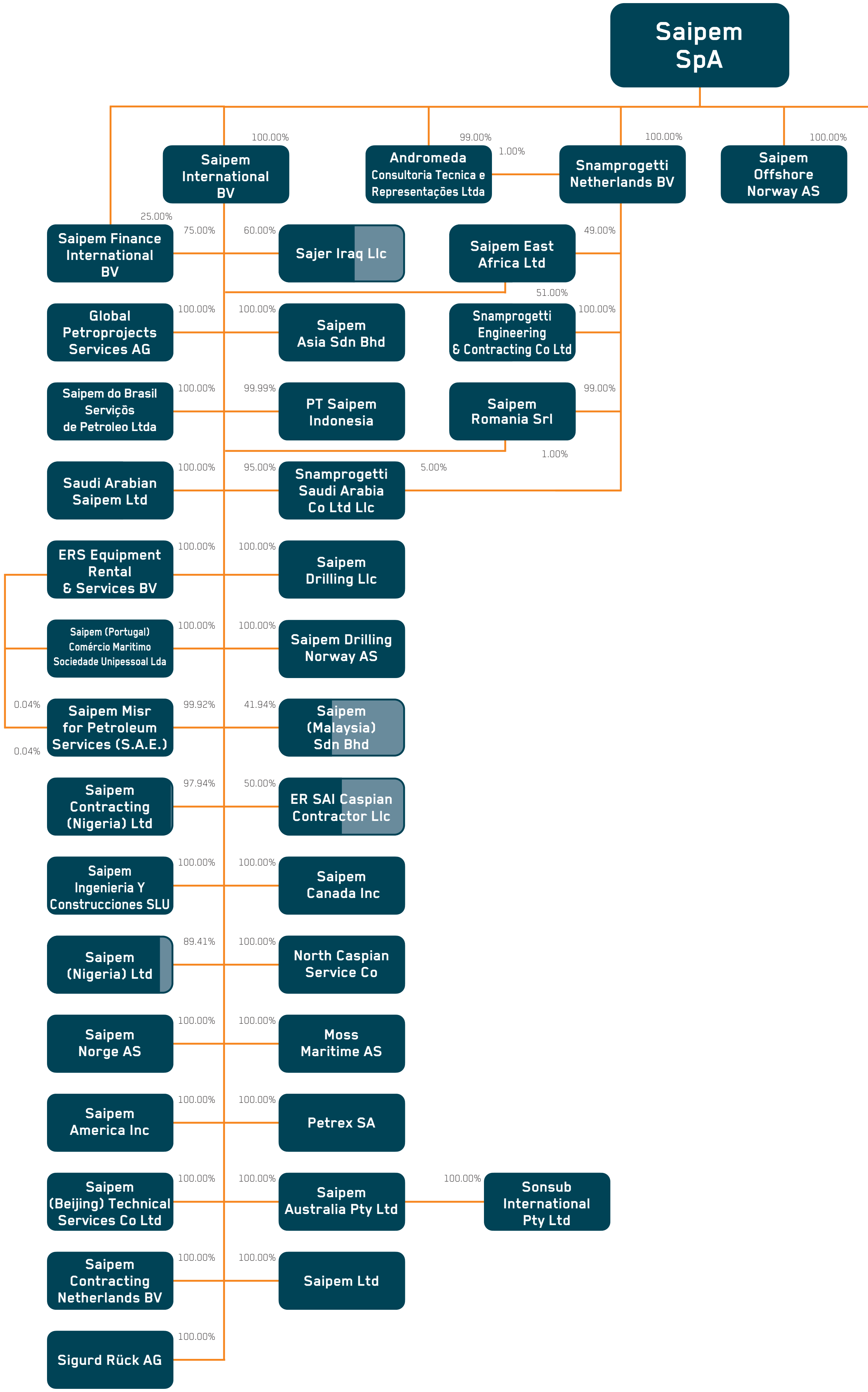
The **adjusted EBITDA** amounted to €606 million, €531 million after application of IFRS 16 (€483 million in the first half of 2018). The increase is due to good operational efficiency in both the Engineering & Construction divisions.
The **adjusted net result** amounted to €60 million, compared to the €6 million in the first half of 2018, more or less improving in line with changes recorded in the adjusted operating result of €53 million. The worsening of net financial expense and non-controlling interests result is largely offset by the improvement in tax management.
The **net result** is €14 million (loss of €323 million in the first half of 2018), compared with the adjusted net result reduced by the following special items:
- write-down of a jack-up and its working capital for €21 million. The rig was partially written-down because it will be replaced, due to completion of the contract, by a leased rig starting in March 2020;
- restructuring expenses of €25 million.

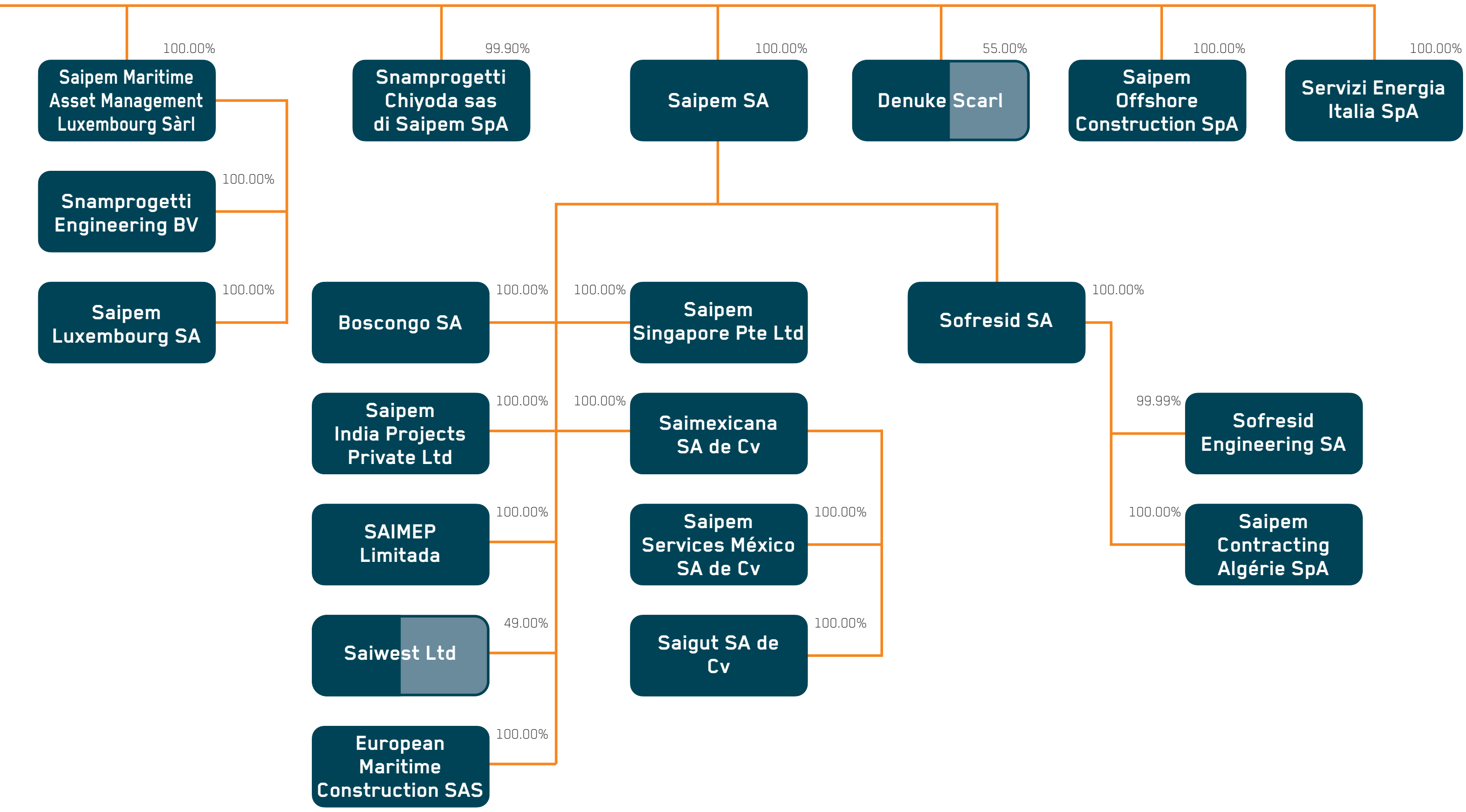
Net debt at June 30, 2019 pre IFRS 16 lease liabilities amounted to €1,043 million, recording a decrease of €116 million compared to December 31, 2018 (€1,159 million). Net debt including IFRS 16 lease liabilities (€531 million) amounted to €1,574 million.
Capital expenditure in the first half of 2019, referring mainly to the maintenance and upgrading amounted to €135 million (€313 million in the first half of 2018).

In the first half of 2019 Saipem was awarded new contracts amounting to a total of €9,537 million (€3,986 million in the first half of 2018). The backlog at June 30, 2019 amounted to €17,637 million (€5,093 million in Offshore Engineering & Construction, €11,144 million in Onshore Engineering & Construction, €814 million in Offshore Drilling and €586 million in Onshore Drilling), of which €3,574 million is to be realised in 2019.
The backlog at June 30, 2019 including non consolidated companies amounted to €19,435 million (€5,093 million in Offshore Engineering & Construction, €12,942 million in Onshore Engineering & Construction, €814 million in Offshore Drilling and €586 million in Onshore Drilling), of which €3,748 million is to be realised in 2019.

STRUCTURE OF THE SAIPEM GROUP

(subsidiary companies)


Saipem SpA
100.00%
Saipem International BV
99.00%
1.00%
Andromeda Consultoria Tecnica e Representações Ltda
100.00%
Snamprogetti Netherlands BV
100.00%
Saipem Offshore Norway AS
25.00%
75.00%
Saipem Finance International BV
60.00%
Sajer Iraq Llc
49.00%
51.00%
Saipem East Africa Ltd
100.00%
Global Petroprojects Services AG
100.00%
Saipem Asia Sdn Bhd
100.00%
Snamprogetti Engineering & Contracting Co Ltd
100.00%
Saipem do Brasil Serviçõs de Petroleo Ltda
99.99%
PT Saipem Indonesia
99.00%
1.00%
Saipem Romania Srl
100.00%
Saudi Arabian Saipem Ltd
95.00%
5.00%
Snamprogetti Saudi Arabia Co Ltd Llc
100.00%
ERS Equipment Rental & Services BV
100.00%
Saipem Drilling Llc
100.00%
Saipem (Portugal) Comércio Maritimo Sociedade Unipessoal Lda
100.00%
Saipem Drilling Norway AS
0.04%
0.04%
99.92%
Saipem Misr for Petroleum Services (S.A.E.)
41.94%
Saipem (Malaysia) Sdn Bhd
97.94%
Saipem Contracting (Nigeria) Ltd
50.00%
ER SAI Caspian Contractor Llc
100.00%
Saipem Ingenieria Y Construcciones SLU
100.00%
Saipem Canada Inc
89.41%
Saipem (Nigeria) Ltd
100.00%
North Caspian Service Co
100.00%
Saipem Norge AS
100.00%
Moss Maritime AS
100.00%
Saipem America Inc
100.00%
Petrex SA
100.00%
Saipem (Beijing) Technical Services Co Ltd
100.00%
Saipem Australia Pty Ltd
100.00%
Sonsub International Pty Ltd
100.00%
Saipem Contracting Netherlands BV
100.00%
Saipem Ltd
100.00%
Sigurd Rück AG



The chart only shows subsidiaries

Interim Directors' Report

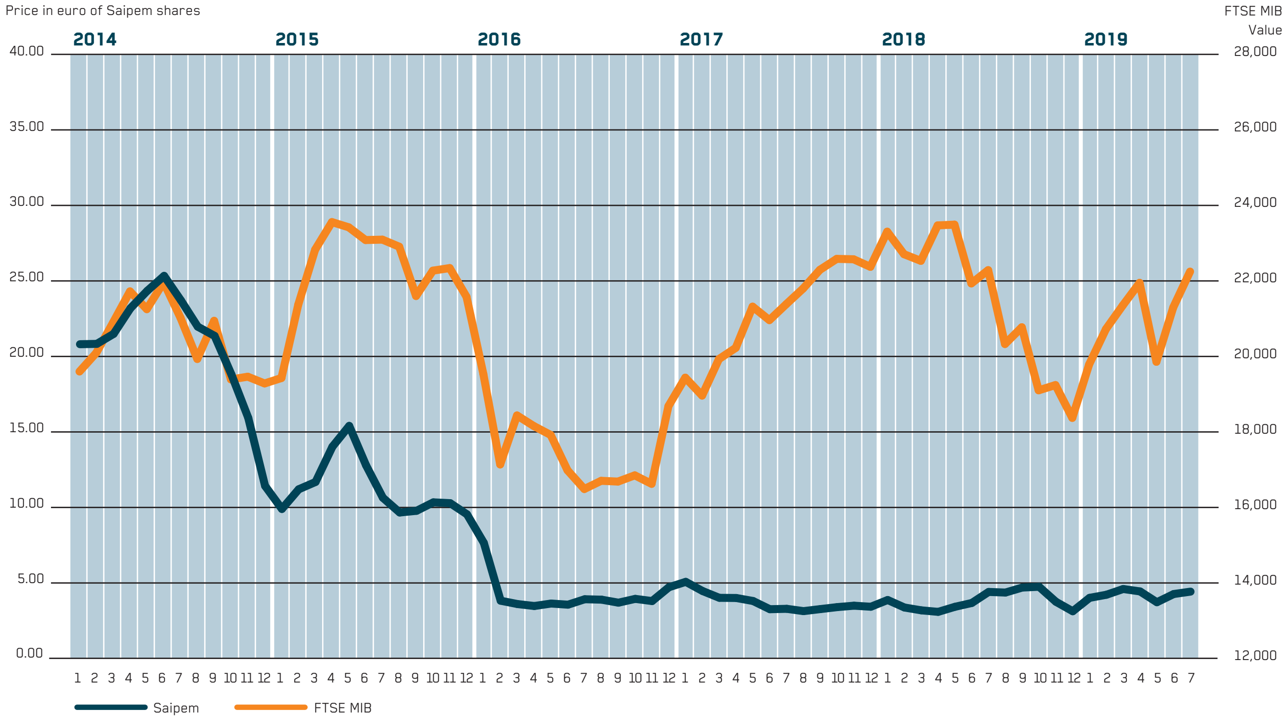
SAIPEM SpA SHARE PERFORMANCE

During the first half of 2019, in a context where Oil&Gas share prices were volatile, the listing of Saipem ordinary shares with Borsa Italiana increased by 36%, beating the main reference indices. At the same time the American industry index, OSX, which includes service companies in the oil industry, decreased by 1%, while the FTSE MIB index, the largest Italian securities list, recorded an increase of 16%.
The Saipem share opened 2019 in solid recovery on the international financial markets, which reversed their course when compared to the downward trend that began in the autumn of 2018, caused mainly by trade tensions between the United States, China and Russia.
The share recorded its lowest price of the period at €3.22, on January 2, the first day of trading, to then undertake a solid recovery supported by the awarding of a series of important contracts, mainly in Egypt, Russia and Saudi Arabia.
The presentation of the annual results for 2018, at the end of February, and the expectations of an improvement in the prospects of the energy services sector, in particular a major increase in the demand for liquefied natural gas in the coming years, contribute to supporting Saipem shares, which reached the peak of the six-month period on April 8, almost reaching €5 and closing at €4.99.
In April, the upswing of the international stock markets reversed and greater prudence prevailed towards the prospects of the global economy, this was also due to new geopolitical tensions between the United States and China. Not withstanding a brief rebound of the share, after positive results in the first quarter and the amicable resolution of a long standing international dispute with an important client, even the Saipem share, in line with shares in the reference sector, was dragged down during the downward trend to €3.84 on May 31, 2019.
At the beginning of June the trend changed again. Concern over macroeconomic prospects seemed to gradually return and the international stock markets marked a recovery. The news of the award to Saipem's Onshore Engineering & Construction Division of the $6 billion contract for the Anadarko LNG project in Mozambique reinvigorates the share's trend, which rose again to €4.32 on June 11, 2019.
The second half of the month was characterised by new geopolitical tensions involving some producing countries (mainly Libya and Iran), raising the price of oil and industry shares, including services.
Despite the considerable volatility of the first half of 2019, the Saipem share closed with a decisive recovery at €4.38 at the end of June. Saipem's market capitalisation at the end of the period was approximately €4.4 billion.
In terms of liquidity, the volumes traded during the year were just over one billion (€1.4 billion in the first half of the previous year), with a daily average for the period of €8.4 million, down from €11 million in the first half of 2018. The value of shares traded amounted to €4.5 billion, a decrease compared to the €5.1 billion, recorded the previous year.
As regards savings shares, which are convertible at par with ordinary shares, at the end of June 2019 there were 10,598.
The price of savings shares, significantly influenced by low liquidity, recorded an increase of 5.5% during the first half of the current year, rising from €40.0 at January 2 to €42.2 at the end of June.

Listings on the Milan Stock Exchange	(€)	2015	2016	2017	2018	First half 2019
Ordinary shares:						
- maximum		16.06	9.17	5.65	5.43	4.99
- minimum		8.94	3.02	2.96	3.10	3.22
- average		11.33	4.23	3.83	3.98	4.30
- period-end		9.47	5.36	3.83	3.25	4.38
Savings shares:						
- maximum		110.71	62.00	60.00	41.80	42.20
- minimum		58.27	39.00	40.00	40.00	40.00
- average		96.28	57.17	46.13	40.27	40.29
- period-end		58.27	54.10	40.00	40.00	42.20

The table values have been restated following the reverse stock split and the share capital increase.

Saipem and FTSE MIB - Average monthly prices January 2014-July 2019



OPERATING REVIEW

Organisational structure

Saipem is a leading company in the areas of engineering, procurement and construction of large-scale projects in the energy and infrastructure industries. Saipem is divided into five business divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT. The process of divisionalisation, which concluded in December 2018, gave the divisions full autonomy, specifically with regard to sales, project execution, technology and Research and Development, business strategies, partnerships, etc.

The Offshore Engineering & Construction Division is a leader in offshore construction, strongly oriented towards the Oil&Gas operations in remote areas and deep water. It provides support to clients from the earliest phases of a project and throughout the entire development process. It offers a which range of products and services, among which are: platforms, pipelines, undersea field development and MMO (Maintenance, Modification and Operation), to which we must add decommissioning and renewables in the form of windfarms.

The Onshore Engineering & Construction Division designs and builds plants, pipelines, pumping stations, compressor stations and terminals. It provides a complete range of integrated engineering, procurement, project management and construction services, mainly aimed at the oil industry, large-scale civic and maritime infrastructures and environmental operations.

The Offshore Drilling Division is an international contractor, offering offshore drilling services with all types of drilling rigs in every geographic area.

The Onshore Drilling Division operates in the Oil&Gas industry as an international contractor, offering onshore drilling services with all types of drilling rigs in every geographic area.

XSIGHT is a Saipem Group start-up. It provides state of the art, high value and highly innovative services to the entire Energy industry, including renewables and green energy. XSIGHT Division works to improve the efficiency of engineering services through simplified processes and innovative digitalisation models. In addition to engineering, it offers a wide range of services: financial development, consulting, stakeholder and risk management.

Market conditions

After a period of strong growth which began in 2016, the global economy showed signs of slowing down during the second half of 2018. Forecasts for 2019 indicate that globally gross domestic product will increase by approximately 3.3% compared to the previous year, a significant reduction compared to the 3.8% registered in 2018 over 2017. At the regional level, various factors weighed negatively on 2019 results in the euro area, the main factor being the reduction in domestic demand. In the United States, difficult relations with China and the sanctions imposed on Iran have contributed to a reduction in economic growth, which is forecast for the current year at around 2.3% compared to 2018. On the whole, emerging markets recorded a further slowdown in growth, particularly in China, following the decrease in domestic investment and exports to the United States. Some signs of recovery were registered markets in South America and Sub-Saharan Africa.

In the first few months of 2019 the average price of oil was around $66/barrel, a decrease compared to the $70/barrel reached in 2018. The price fluctuations reflected the persistence of an excess supply of oil on the market; this last factor was not sufficiently offset by production cuts established by OPEC and by various factors of geopolitical instability, including the tensions between the United States and Iran and the difficult relationship between the United States and China.

With regard to investments in exploration and production, expectations for 2019 confirm an increase in volume compared to 2018, in line with the positive trend which began in 2016. After several years during which North America had driven investment growth, in particular in non-conventional developments in the onshore drilling market, the expenditure estimates for 2019 in North America slightly decreased, offset by growth in the remaining markets, in particular Asia-Pacific, Africa and Latin America. During 2019, despite some delays in final investment decisions, the current oil price remains above the profitability threshold for most of the projects currently being studied, supporting expectations for growth in investments.

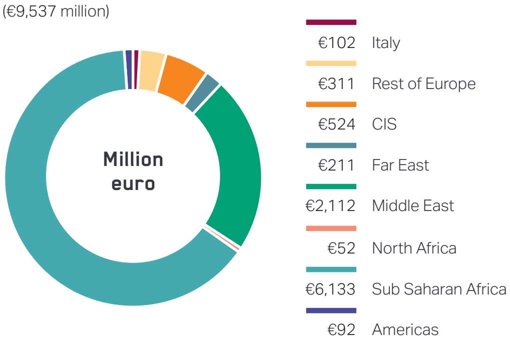
Following a long period of market decline started in the second half of 2014, the main companies in the sector had, in order to remain competitive, to adapt to an industrial context characterised by lower volumes, promoting a strategy of cost reduction and downsizing. Restructuring programmes and mergers and incorporation were carried out in order to remain as competitive as possible in the market, strengthening our financial structure and diversifying traditional businesses, even those outside of the Oil&Gas market.

New contracts and backlog

New contracts awarded to the Saipem Group during the first half of 2019 amounted to €9,537 million (€3,986 million in the first half of 2018).
22% of all contracts awarded were in the Offshore Engineering & Construction sector, 71% in the Onshore Engineering & Construction sector, 4% in the Offshore Drilling sector and 3% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 99%. Contracts awarded by Eni Group companies were 3% of the overall figure. Orders awarded to the parent company Saipem SpA amounted to 9% of the overall total.
The order backlog at June 30, 2019 amounted to €17,637 million (€12,619 million at December 31, 2018). The order backlog including non consolidated companies is: €19,435 million (€14,463 million at December 31, 2018)
The breakdown of the backlog by sector is as follows: 29% in the Offshore Engineering & Construction sector, 63% in the Onshore Engineering & Construction sector, 5% in Offshore Drilling and 3% in Onshore Drilling. 94% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 2% of the overall backlog. The parent company Saipem SpA accounted for 25% of the total order backlog.

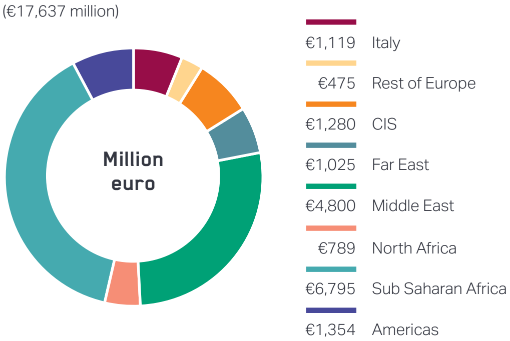
NEW CONTRACTS BY GEOGRAPHIC AREA

(€9,537 million)



ORDER BACKLOG BY GEOGRAPHIC AREA

(€17,637 million)



Saipem Group - New contracts awarded during the first half of 2019

2018		(€ million)	First half 2018		First half 2019	
Amount	%		Amount	%	Amount	%
3,182	36	Saipem SpA	2,893	73	886	9
5,571	64	Group companies	1,093	27	8,651	91
8,753	**100**	**Total**	**3,986**	**100**	**9,537**	**100**
4,189	48	Offshore Engineering & Construction	1,573	39	2,102	22
4,085	46	Onshore Engineering & Construction	2,298	58	6,821	71
234	3	Offshore Drilling	59	2	354	4
245	3	Onshore Drilling	56	1	260	3
8,753	**100**	**Total**	**3,986**	**100**	**9,537**	**100**
1,117	13	Italy	1,012	25	102	1
7,636	87	Outside Italy	2,974	75	9,435	99
8,753	**100**	**Total**	**3,986**	**100**	**9,537**	**100**
557	6	Eni Group	105	3	261	3
8,196	94	Third parties	3,881	97	9,276	97
8,753	**100**	**Total**	**3,986**	**100**	**9,537**	**100**

Saipem Group - Backlog as at June 30, 2019						
June 30, 2018		(€ million)	Dec. 31, 2018		June 30, 2019	
Amount	%		Amount	%	Amount	%
5,576	44	Saipem SpA	4,877	39	4,344	25
7,004	56	Group companies	7,742	61	13,293	75
12,580	100	Total	12,619	100	17,637	100
4,467	36	Offshore Engineering & Construction	4,981	39	5,093	29
6,663	53	Onshore Engineering & Construction	6,323	50	11,144	63
785	6	Offshore Drilling	716	6	814	5
665	5	Onshore Drilling	599	5	586	3
12,580	100	Total	12,619	100	17,637	100
1,297	10	Italy	1,202	10	1,119	6
11,283	90	Outside Italy	11,417	90	16,518	94
12,580	100	Total	12,619	100	17,637	100
493	4	Eni Group	488	4	419	2
12,087	96	Third parties	12,131	96	17,218	98
12,580	100	Total	12,619	100	17,637	100

Capital expenditure

Capital expenditure in 2019 amounted to €135 million (€313 million in the first half of 2018) and mainly related to:
- €78 million in the Offshore Engineering & Construction sector: for class reinstatement works on the vessel the Saipem Constellation and upgrading of the S7000 and upgrading of the existing asset base;
- €6 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;
- €18 million in the Offshore Drilling sector: upgrading of the drillship Saipem 12000 for the purchase of the second BOP and class reinstatement works, in addition to maintenance and upgrading on other vessels;
- €33 million for Onshore Drilling: upgrading of rigs for operations in Kazakhstan and South America, as well as the upgrading and maintaining of other assets.

In summary, the following table provides a breakdown of capital expenditure in the first half of 2019:

Capital expenditure			
		First half	
2018	(€ million)	2018	2019
58	Saipem SpA	292	21
426	Group companies	21	114
485	Total	313	135
345	Offshore Engineering & Construction	262	78
28	Onshore Engineering & Construction	8	6
66	Offshore Drilling	25	18
46	Onshore Drilling	18	33
485	Total	313	135

Details of capital expenditure for the individual business units are provided in the following pages.

OFFSHORE ENGINEERING & CONSTRUCTION

General overview

Saipem Offshore Engineering & Construction Division is a leading Global Solutions Provider in the energy industry, focused on offshore Oil & Non Oil related developments.
The framework in which we operate concerns challenges from the pre-FID (Final Investment Decision) phase to the capex development, extending our services to the Life of Field, including maintenance, modification and operations, all the way through to the decommissioning of plants.
Saipem pursues this objective through world class engineering and project management expertise, a strong technological and innovative approach, an established local presence in strategic markets with fabrication yards in Nigeria, Angola, Brazil, Saudi Arabia and Indonesia, an advanced and comprehensive fleet sized to execute a wide span of projects in the most diverse operational and environmental conditions.

The Division technology portfolio includes several alternative solutions, from subsea robotics to subsea processing, such as the new generation of resident and autonomous ROV platforms Hydrone, or the subsea water treatment and injections system SPRINGS, developed with Total and Veolia. In addition Saipem's Offshore Engineering & Construction Division continuously endeavours to improve production processes, enhance material and welding technologies (e.g. Internal Plasma Welding for cladded pipes), as well as foster automation and digitalisation. Saipem also implements its innovation and creative attitude in the development of breakthrough designs, such as Hexafloat the novel floating windfarm substructure.
The Division employs all of the above resources in the relentless search for the highest level of safety for people and the environment, in the interest of all its stakeholders.

With its mix of assets and capabilities, the Division focuses on three strategic markets, namely subsea, conventional and pipelines, and pursues diversification of its portfolio through three markets: maintenance modification and operations, offshore windfarms and decommissioning, in order to guide our clients along the path of energy transition.
Saipem's Offshore Engineering & Construction Division is pursuing an asset light model, hence it is actively managing its assets portfolio with the aim of tailoring its fleet to the needs of the strategic market pursued.

Saipem serves the subsea market through highly versatile vessels, such as the top class FDS 2 and the FDS. The first vessel is a 183-metre long, 32-metre wide mono-hull equipped with a cutting-edge class 3 DP system and a pipeline fabrication system. It has a vertical J-lay tower with a holding capacity of 2,000 tonnes capable of laying quad joint sealines of up to 36" in diameter and also possesses the capability to operate in S-lay mode. With its 1,000-tonne crane and two 750 and 500-tonne capstan winches, the FDS 2 is suited to even the most challenging deep-water projects. The second vessel, the FDS, is endowed with dynamic positioning, a 600-tonne lifting capacity crane and a vertical pipelaying system capable of operating in water depths of over 2,000 metres.
The rigid reel-lay and subsea development vessel Saipem Constellation complements Saipem's capabilities in the subsea market. With its DP3 system, the Ice Class notation, the 800-tonne multilaying capabilities, the 3,000-tonne crane, the Saipem Constellation represents on one hand an unique 'one-stop-shop' vessel to execute complex deep-water projects, and on the other hand she is endowed with the capabilities to serve the conventional market in a safe and reliable manner.

As far as the pipeline market is concerned, Saipem owns, amongst other assets, the Castorone, a 330-metre long and 39-metre wide mono-hull, designed to carry out the most demanding deep water and large diameter pipelaying projects, with the necessary flexibility and productivity to be effective even in less complex projects.
The vessel's distinctive features include a class 3 DP system, the capacity to fabricate and lay triple joint pipes of up to 60" in diameter with a tensioning capacity of up to 1,500 tonnes, a highly automated firing line, the articulated stinger for both shallow and deep-water pipelaying through an advanced control system, and the capacity to operate in extreme environments.

Saipem's fleet of vessels also includes the Saipem 7000, which is equipped with a dynamic positioning system, has a 14,000-tonne lifting capacity and is capable of laying subsea pipelines in ultra-deep waters

using the J-lay system and can handle a suspended load of up to 1,450 tonnes during pipelay operations. Saipem 7000 represents a solid asset that has the capabilities to serve different markets, and is proving to be a reliable resource in executing diverse decommissioning and offshore windfarms projects.
In addition to the above, the Division manages some tactical assets, both owned or leased, that allow an additional flexibility in the management of our portfolio of opportunities. Such tactical vessels include, among others, the Saipem 3000, which is capable of laying flexible pipelines and installing umbilicals and mooring systems in deep-waters up to 3,000 metres, as well as installing subsea structures of up to 2,200 tonnes, and the Normand Maximus, a long-term lease used for underwater installation and laying of umbilicals and flexible lines, thanks to the 900-tonne crane and the 550-tonne vertical lay tower.

Market conditions

Market conditions still prove to be challenging, with moderate signs of recovery, materialising in an increase in oil company capex spending and in the number of final investment decisions, albeit this recovery is not sufficient to relax the competitive environment, which is still characterised by excessive supply that translates into competitive pricing dynamics.
This type of environment increasingly fosters earlier engagement of resources and assets, mainly through competitive FEEDs undertaken in advance of final investment decisions.

West Africa still presents some uncertainty in key countries, such as Nigeria, where exogenous factors negatively affect the pace of investments, a situation only partially offset by the emergence of the new oil regions in West Africa, particularly Senegal and Mauritania.
The number of prospects is ramping up in Brazil, where Petrobras, together with and supported by other majors, is building up a pipeline of deepwater opportunities that contribute to reestablishment of a predominant role of the country for the subsea market.
The volume of orders in the Middle East is reaching new highs, first of all because of the massive investment plan in Saudi Arabia aimed at the expansion of fields that are already producing, and the development of new ones, and with the prospects in UAE and Qatar, for their renewed ambitions to grow their Oil&Gas production.
The level of investment in Northern Europe is still lagging, with the industry reshaping itself after the crisis of the latest years. In the region, the offshore windfarms sector is offering several opportunities, albeit sometimes the timing for actual execution of such projects has to solve problems related to local content or environmentalism.
Decommissioning prospects in the region are also proving to be noteworthy.
The Asia-Pacific region is showing increasing opportunities in conventional, subsea and pipelines, with Australia and Indonesia being the frontrunners in terms of emerging opportunities. The area is also characterised by the rising amount of offshore windfarm development.
In the Gulf of Mexico the developments are at the same levels of recent years focussing on subsea developments characterised by a high level of competitiveness. In Guyana exploration activities are proceeding successfully, hence confirming the potential of the country in terms of activities in deepwater.
The Mediterranean, as a gas corridor that hosts European hubs, remains an area of interest for the future.

Capital expenditure

In the Offshore Engineering & Construction Division, investments for the period were mainly attributable to maintenance and upgrading of existing assets.

New contracts

The most significant contracts awarded to the Group during the first half of 2019 were:
- for Saudi Aramco, two new EPCI contracts as part of the ongoing Long-Term Agreement with the client, for the development of the offshore Berri and Marjan fields in the Persian Gulf. The works comprise engineering, procurement, construction and installation of subsea systems, the laying of pipelines, cables, umbilicals and related platforms;
- for BP, the EPCI Tortue project to be carried out as a joint venture with the French company Eiffage on the border of Mauritanian and Senegalese territorial waters, which comprises engineering, procurement, construction and installation of docking and mooring facilities.

Work performed

The biggest and most important projects underway or completed during the first half of 2019 were as follows.

In Saudi Arabia:
- for Saudi Aramco, as part of the **Safanya** and **Marjan Zuluf** projects, activities have been completed for the engineering,

procurement, fabrication, transportation and installation of seven deck platforms, pipelines and cables in the Zuluf and Marjan fields;
- for Saudi Aramco, offshore installation activities have been completed for the **19 jackets** project, which includes engineering, procurement, manufacture, transportation and installation of nineteen jackets;
- for Saudi Aramco, hook up and pre-commissioning activities are nearing completion for the **Abu Safah** contract, which involves the engineering, procurement, fabrication, transport and installation phases for the construction of two jackets, two decks, flexible pipelines and composite cables in the field;
- for Saudi Aramco, the manufacturing and installation activities relating to **Manifa** for engineering, procurement, fabrication, transportation and installation of onshore/offshore pipelines with landfall have been completed;
- for Al Khafji Joint Operations (KJO), engineering and procurement activities are nearing completion for the **Laying of new hout crude** contract, which includes the engineering, procurement, construction, installation and start-up phases of a new pipeline for the transportation of crude oil, pending further environmental studies before starting installation activities;
- for Saudi Aramco, engineering and procurement activities have begun for the **Berri (LTA-34)** and **Marjan (LTA-35)** project, which include engineering, procurement, construction and installation for new platforms, new wellhead platform decks, associated trunk line to shore, subsea pipelines and cables;
- for Saudi Aramco, personnel mobilisation has begun for the EPCI **LTA-43** project, which includes engineering, procurement, construction and installation of subsea pipelines.

In Qatar, for Barzan, installation activities have begun for the **Barzan Novated Items & Pipeline** contract, which include the engineering, procurement, construction and installation phases relating to two export and interconnection pipelines, connecting elements between pipelines and various subsea structures.

In Guyana, for ExxonMobil:
- pipelay and installation of subsea structures have started on the **Liza Phase 1** project, which includes fabrication and installation of risers, flowlines, related structures and connections to develop the field located off the coast of Guyana at a depth of 1,800 metres. The contract also includes the transport and installation of umbilicals, foundations and collectors for wells and water and gas injection wells and systems;
- engineering and procurement activities are nearing completion, while coating and fabrication activities have begun for the **Liza Phase 2** project, which includes engineering, procurement, fabrication and installation of risers, umbilicals, collectors, flowlines, well connections and related facilities for the development of the Liza field.

In the Gulf of Mexico:
- for Pemex, in the framework of the project for the development of the **Lakach** field, operations are still suspended by the client. The project encompasses services of engineering, procurement, construction and installation of the system connecting the offshore field with the onshore gas conditioning plant, which may now be envisaged for 2021;
- for Dragados Offshore de Mexico SA de Cv, engineering and procurement activities are nearing completion for the **CA-KU-A1** project, which includes the transportation and installation of a compression platform in the Gulf of Mexico. Vessel preparation has started for installation phase to begin within the coming six months.

In Indonesia, for BP Berau Ltd, the installation of offshore platforms and pipelines has been completed and the onshore pipeline for the **Tangguh LNG Expansion** project is under construction. The project provides for the installation of two unmanned platforms and subsea pipelines.

In West Africa:
- the project for Total Upstream Nigeria Ltd for the subsea development of the **Egina** field in Nigeria is closing out. The scope of work includes engineering, procurement, fabrication, installation and pre-commissioning of subsea oil production and gas export pipelines, flexible jumpers and umbilicals;
- for Eni Ghana, the **EPCI Takoradi** project is continuing, which includes engineering, procurement and construction of infrastructures necessary for upgrading the capacity of service stations near the ports of Takoradi and Tema in Ghana. Installation of the Takoradi part is completed;
- for BP, combined execution of both the **Tortue** (Marine & Civil and Facilities) contract has begun, including the engineering, procurement, fabrication, installation, hook up and commissioning of a breakwater, associated jetty and associated riser platform for the delivery of gas in co-development between Senegal and Mauritania.

In Egypt:
- for Petrobel, offshore installation activities have been completed for the **Zohr Oru**

project, which includes engineering, procurement, construction and installation work for the 'Optimised Ramp Up' phase of the Zohr field development project for gas extraction;
- for Petrobel, engineering and procurement activities are nearing completion for the **Zohr Rup** project, which includes engineering, procurement, construction and installation work for the 'Ramp Up to Plateau' phase of the Zohr field gas development project. Fabrication is continuing while installation has begun and is has progressed well;
- for Pharaonic Petroleum, engineering and procurement activities have begun for the EPCI **Atoll** and **Qattameya** project, which provides for the fabrication and laying of a pipeline and an umbilical.

In the North Sea:
- for Statoil, activities have been completed on the **Johan Sverdrup Export Pipeline** project, which encompass the installation of a gas pipeline and an oil pipeline for the Mongstad refinery;
- for BP, dismantling activities are almost completed for the **Miller decommissioning** project, which includes dismantling of the Miller platform topside and jacket;
- for Nord Stream 2 AG, the laying and bottom shore pull operations (stabilisation) have been completed in the German Baltic Sea area for the **Landfall** project for the construction of the last section of the pipeline that crosses the Baltic Sea and landing at Greifswald, Germany;
- for ConocoPhilips, engineering and preparatory activities for the **LOGGS** project are continuing, involving the dismantling of the topside and jackets of a platform;
- for PremierOil procurement activities are ongoing for the **Tolmount** project, which includes the engineering, procurement and installation of a platform;
- for the NNG project, FEED engineering and project management activities have begun for the **NNG Offshore Windfarm** project, in view of the engineering, procurement, fabrication and installation phases of 52 jackets for the development of a windfarm.

In Azerbaijan:
- for BP, work relating to the **Shah Deniz 2 (Call-off 007)** contract continued for the scope of work encompassing the transportation and installation of production systems and subsea facilities, the laying of optical fibre cables and production umbilicals, start-up, supply of the crew and operational management of the new vessel;
- for Total E&P, procurement is nearing completion and construction activities are progressing for the **Absheron** project, which includes engineering, procurement, construction and installation of pipelines and umbilical systems in the Caspian Sea.

In Italy, for Trans Adriatic Pipeline AG and within the **Trans Adriatic Pipeline** project, after completion of the procurement phase, construction work continued and the installation has begun for a pipeline for the transportation of gas between Albania and Italy via the Adriatic Sea.

Offshore fleet at June 30, 2019

Saipem 7000	Self-propelled, semi-submersible, dynamically positioned crane and pipelay vessel capable of lifting structures of up to 14,000 tonnes and J-laying pipelines at depths of up to 3,000 metres.
Saipem Constellation	Dynamically positioned vessel for reel-lay of rigid and flexible pipelines, down to ultra-deep water depths. It is equipped with a 3,000 tonnes crane and a laying tower (800 tonnes capacity) equipped with 2 tensioners each with 400 tonnes capacity.
Saipem FDS	Dynamically positioned vessel utilised for the development of deep-water fields at depths of over 2,000 metres. Capable of launching 22” diameter pipes in J-lay configuration with a holding capacity of up to 750 tonnes and a lifting capacity of up to 600 tonnes.
Saipem FDS 2	Dynamically positioned vessel utilised for the development of deep-water fields, capable of launching pipes with a maximum diameter of 36” in J-lay mode with a holding capacity of up to 2,000 tonnes and depths up to 3,000 metres. Also capable of operating in S-lay mode with a lifting capacity of up to 1,000 tonnes.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipe at depths of up to 1,000 metres.
Castorone	Self-propelled, dynamically positioned pipe-laying vessel operating in S-lay mode with a 120-metre long S-lay stern stinger composed of 3 articulated and adjustable sections for shallow and deep-water operation, a holding capacity of up to 500 tonnes, pipelay capability of up to 60 inches, onboard fabrication facilities for triple and double joints and large pipe storage capacity in cargo holds.
Normand Maximus	Self-propelled, dynamically positioned pipe-laying vessel operating in S-lay mode with a 120-metre long S-lay stern stinger composed of 3 articulated and adjustable sections for shallow and deep-water operation, a holding capacity of up to 500 tonnes, pipelay capability of up to 60 inches, onboard fabrication facilities for triple and double joints and large pipe storage capacity in cargo holds.
Saipem 3000	Mono-hull, self-propelled dynamically positioned derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters (3,000 metres) and lifting structures of up to 2,200 tonnes.
Dehe	Dynamically positioned (leased) vessel equipped with anchors for laying pipes and a crane with a lifting capacity of up to 5,000 tonnes, capable of deep water installations up to depths of 3,000 metres and laying pipes up to 600 tonnes using 3 tensioners.
Castoro II	Derrick lay barge capable of laying pipe of up to 60” diameter and lifting structures of up to 1,000 tonnes.
Castoro 10	Trench/pipelay barge capable of burying pipes of up to 60” diameter and of laying pipes in shallow waters.
Castoro 12	Pipelay barge capable of laying pipes of up to 40” diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Castoro 16	Pipelay barge capable of laying pipes of up to 40” diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Ersai 1	Heavy lifting barge equipped with 2 crawler cranes, capable of carrying out installations whilst grounded on the seabed and is capable of operating in S-lay mode. The lifting capacities of the 2 crawler cranes are 300 and 1,800 tonnes, respectively.
Ersai 2	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Ersai 3	Support barge with storage space, workshop and offices for 50 people.
Ersai 4	Support barge with workshop and offices for 150 people.
Bautino 1	Shallow water post trenching and backfilling barge.
Bautino 2	Cargo barge for the execution of tie-ins and transportation of materials.
Ersai 400	Accommodation barge for up to 400 people, equipped with gas shelter in the event of an evacuation due to H_2S leaks.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
Castoro 15	Cargo barge.
S42	Cargo barge, currently used for storing the J-lay tower of the Saipem 7000.
S43	Cargo barge.
S44	Launch cargo barge, for structures of up to 30,000 tonnes..
S45	Launch cargo barge, for structures of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
S 600	Launch cargo barge, for structures of up to 30,000 tonnes.

ONSHORE ENGINEERING & CONSTRUCTION

General overview

The Saipem Group's Onshore Engineering & Construction expertise is focused on the execution of large-scale projects with a high degree of complexity in terms of engineering, technology and operations, with a strong bias towards challenging projects in difficult environments and remote areas.

Saipem enjoys a worldwide leading position in the Onshore sector, providing a complete range of integrated basic and detailed engineering, procurement, project management and construction services, principally to the Oil&Gas, complex civil and marine infrastructure and environmental markets.

The pressure of public opinion, of the financial world and of institutions towards environmental sustainability issues are accelerating the interest and commitment of traditional clients in the Oil&Gas market towards investments and objectives that favour the energy transition and the circular economy. Great attention is being paid by everyone to the 'carbon footprint' and to 'recovery' issues for all initiatives, even those still based on the exploitation of traditional energy sources. The hybridisation of conventional plants with new technologies for the recovery of carbon dioxide and wastewater is becoming a development issue that will provide growth opportunities in the coming years.

The Company places great emphasis on maximising local content during project execution phase in a large number of the areas in which it operates.

Market conditions

The snapshot of the first half of 2019, based on the EPC projects declared to the market, shows a volume of allocations gradually increasing over the last three years.
During the period of downturn in the market recorded after 2014, engineering and construction companies operating in Engineering & Construction have undertaken a renewal process aiming to search for new technologies and opportunities, even outside their traditional markets, with particular attention to project efficiency and costs.
Although the price of oil reached $80/barrel in 2018, uncertainty of market recovery times remained evident. The ongoing geopolitical tensions in different areas weigh on the current context, such as in Iran where the finalisation of new projects is encountering various obstacles, following also sanctions imposed by the United States.

The largest volume of EPC contracts awarded during the period was in the Upstream Gas and Refining segments, which account for almost half of the assigned volume.
Important contracts were also awarded in the LNG, Fertilizer and Pipeline segments.
Minor awards were recorded in the Petrochemical segment.

Globally, a significant share of EPC projects were located in the Middle East (Saudi Arabia, United Arab Emirates and Qatar) and North Africa (Algeria and Egypt) in the Upstream, Pipeline and Refining segments; in North America in the LNG segment, in Petrochemicals and Refining; in North Africa (Egypt and Algeria) in the Upstream, Refining, Pipeline (water) and Fertilizer segments; in Asia-Pacific (India, Thailand and minor projects in several other countries) in the Fertilizer, Refining, LNG segments, and with minor projects also in the Petrochemicals and Upstream; in Russia-Central Asia (Kazakhstan, Azerbaijan and Russia) in the LNG, Pipeline and Upstream segments.

In the first six months of 2019 the Onshore market, compared to 2018, shows growth in the Upstream segment, with important awards in North Africa, Saudi Arabia and Qatar.
The LNG segment is growing as a result of projects in the United States thanks to both new awards and initiatives already assigned, but waiting to find the necessary funding.
The LNG market is also growing considerably in Russia, following the acquisition of the Arctic 2 project, and in the Sub-Saharan area thanks to the acquisition of the LNG megaproject in Mozambique for Anadarko and Exxon Mobil-Eni.

Of particular note is the decline in the pipelines segment which sees its importance reduced, despite some important awards, mainly in the gas and water sectors, in the Middle East (Qatar) and Saudi Arabia and smaller projects in Asia-Pacific. There was considerable growth for the Refining segment thanks to the award of relevant projects in the Middle East (United Arab Emirates), in Asia-Pacific (the largest in Indonesia, Balik Papan Refinery, and others in India), in

Russia-Central Asia (the Moscow Refinery project Gazpromneft is ongoing).
The Petrochemical segment also benefited from an increase thanks to some important awards, particularly in the United States and some in Europe (Poland).
The Fertilizer segment is stable with some acquisitions in Russia and several important initiatives expected to be awarded in the second half of the year (Qatar, Oman and Bahrain). The Infrastructure segment continues to show positive signs of large investments internationally both in traditional markets (Europe and United States) and in new markets (Egypt, Middle East, India, Russia and the Far East). The most important acquisitions were recorded in the Middle East (Qatar, Saudi Arabia and United Arab Emirates) for projects in metropolitan areas. Finally, the rapid economic development occurring in the emerging countries is creating an important new market for large-scale civil and port infrastructures which Saipem is targeting, especially in strategic regions.

Capital expenditure

Capital expenditure in the first half of 2019 in the Onshore Engineering & Construction sector focused mainly on the acquisition of equipment and the maintenance of the existing asset base.

New contracts

The most significant contracts awarded to the Group during the first half of 2019 were:
- for Anadarko, in Mozambique, in a joint venture with McDermott International and Chiyoda Corporation, an EPC contract for the engineering and construction of a LNG project consisting of the construction of two natural gas liquefaction trains, as well as all the necessary infrastructures, storage tanks and port facilities for export. The contract is subject to a Notice to Proceed that Anadarko issued on July 26, 2019 after the 'FID' Final Investment Decision;
- for JSC GazpromNeft Moscow Refinery, in Russia, a preliminary agreement providing for EPC of a new 'Sulphur Recovery Unit' within the existing Moscow refinery;
- for Infrastructure Development and Construction (IDC), in Serbia, a new contract providing for engineering and construction activities for the Transmission Gas Pipeline project (Interconnector) Border of Bulgaria-Border of Hungary.

Work performed

The largest/most important projects underway or completed during the first half of 2019 are described below.

In Saudi Arabia:
- for Saudi Aramco, the design, procurement and construction activities related to the **Hawaiyah Gas Plant Expansion** project continued for the expansion of the Hawaiyah gas treatment plant located in the south-eastern part of the Arabian Peninsula;
- work continues for Saudi Aramco on two EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project for the generation of electricity to be undertaken at approximately 80 kilometres from the city of Jazan, in south-western Saudi Arabia. The Package 1 contract includes the gasification unit, the soot and ashes removal unit, the acid gas removal unit and the hydrogen recovery unit. The Package 2 contract includes two sulphur recovery units and the associated storage systems. The scope of work of both packages includes engineering, procurement, construction, pre-commissioning, assistance to commissioning;
- for Petrorabigh (a joint venture between Saudi Aramco and Sumitomo Chemical), the mechanical completion of the **Rabigh II** project related to the naphtha conversion plant and the complex for the production of aromatic compounds, while additional works, awarded during the second half of 2016, are ongoing related to the Utilities and Offsite Facilities package;
- for Saudi Aramco, assistance is being provided for the **Complete Shedgum-Yanbu Pipeline Loop 4&5** project, which included detailed engineering, procurement of all materials, excluding the line pipe supplied by the client, construction, pre-commissioning and assistance with commissioning;
- for Saudi Aramco, for the **EPC Khurais** project, which provides for the expansion of onshore production centres in the Khurais, Mazajili, Adu Jifan, Ain Dar and Shedgum fields, the Satellite and the Gosp 5 plants, delivered in November 2018 (oil production) began production and the oil storage unit is being delivered;
- for Saudi Aramco, material procurement and construction began for the **South Gas Compression Plants Pipeline** project

relating to the development of the gas plant Haradh (HdGP) located in the east of the country, which provides for the auditing of detailed engineering developed by the client, procurement of all materials, excluding the line pipe for coated carbon steel lines provided by the client, as well as construction, pre-commissioning and commissioning support.

In Kuwait:
- for Kuwait Oil Co (KOC), engineering and procurement activities are nearing completion and construction activities relating to the **Feed Pipelines for New Refinery** project are underway. The contract includes engineering, procurement, construction and commissioning activities related to the development of the new connection lines and related pumping station and measurement of the new Al Zour refinery located in south Kuwait;
- for Kuwait Integrated Petroleum Industries Co (KNPC), in joint venture with Essar Projects Ltd, engineering and procurement activities for the **Al-Zour Refinery,** Package 4 project are practically complete. The contract encompasses design, procurement, construction, pre-commissioning and assistance during commissioning tests, start-up and checks on the performance of tanks, related road works, offices, pipelines, piping support frames, water works and control systems for the Al-Zour refinery.

In Iraq, for Exxon, prefabrication activities are underway at the Rumalia base for the **West Qurna I** project. The project involves the execution of infield engineering, pre-fabrication and construction relating to some tie-ins to existing plants (owned by Bassra Oil Co).

In Oman, for Duqm Refinery and Petrochemical Industries Co Llc, engineering and procurement activities continue related to the **Duqm Refinery package 3** project. The contract includes engineering, procurement, construction, commissioning and start-up of the tanks located about 80 kilometres south of Duqm, of the pipeline linking them to the refinery and the facilities for exporting the products to the port of Duqm.

In Chile, for the Caitan consortium (Mitsui-Tedagua), construction began for the **Spence Growth Option** project for the development of a desalination plant and water pipelines in the north of Chile. The project includes engineering, procurement, construction and commissioning activities and will provide desalinated water to the Spence mine, owned by BHP mining company, located at 1,710 metres above sea level.

In Kazakhstan:
- work continued for TengizChevrOil (TCO), for the **Future Growth Project/Wellhead Pressure Management**. The contract provides for fabrication up to the mechanical completion of complete pipe rack (PAR) modules destined for the Tengiz field. Saipem also won other fabrication packages for process modules and part of the PAR Hook-up at Tengiz;
- work is ongoing for North Caspian Production Operations Co BV on the **Major Maintenance Services** project. The contract encompasses the provision of maintenance and services for offshore and onshore rigs. During the month of May, the first round of activities were completed safely and successfully and on time.

In Indonesia, for BP Berau Ltd, work is concluding in Jakarta for engineering and procurement and while on site construction of infrastructure activities are ongoing, at the same time civil works are ongoing and mechanical work for plant units has begun for the **Tangguh LNG Expansion** project, which involves the construction of an onshore LNG plant, auxiliary services, an LNG jetty and the associated infrastructure.

In Thailand:
- for PTT LNG Co Ltd (PTTLNG), in Rayong, the preparation and piling of the site at the same time as the mobilisation of the subcontractors both for the civil works of the cryogenic tanks and those of the marine infrastructures while engineering and procurement activities are in full development in Taipei. The works are related to engineering, procurement and construction of the **Nong Fab LNG Project** Regasification Terminal including storage tanks and a jetty for importing LNG;
- for Thai Oil, in a joint venture[1] with Samsung Engineering and Petrofac International (leader), engineering and procurement activities are continuing and the site preparation activities have begun in the **Clean Fuel** project, which includes engineering, procurement, construction and start-up related to the construction of new units within the Sriracha refinery located about 130 kilometres from Bangkok, Thailand.

(1) Company consolidated using the equity method therefore the result of the project is included in the balance of income (expenses) from investments.

In Turkey, for Star Refinery AS, start-up activities have finished for the **Aegean Refinery** project. The whole refinery is operational and in production (final products). The performance test is ongoing and at an advanced stage. The contract included engineering, procurement and construction of a new refinery with a marine terminal consisting of one import jetty and two export jetties.

In Nigeria:
- for Dangote Fertilizer design and procurement activities are nearing completion and construction is ongoing for the **Dangote** project for the new ammonia and urea production complex. The first train is scheduled to be completed during 2019. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities located at the Lekki Free Trade Zone, Lagos State;
- for Southern Swamp Associated Gas Solution (SSAGS), construction was completed for the four sites, while start-up activities for the **Southern Swamp** contract are ongoing. The contract provided for engineering, procurement, construction and commissioning of compression facilities at four sites and of new gas central production facilities at one of the sites, which will treat the routed associated gas;
- for Nigerian Agip Oil Co (NAOC), construction continues for **OKPAI 2** project, which includes engineering, procurement, construction and installation of a power plant consisting of two combined-cycle groups;
- for Nigeria LNG Ltd (NLNG) design activities for the Front End Engineering Design (FEED) phase were completed in the **Nigeria LNG - train 7** project for the expansion of the existing LNG plant at Finima on Bonny Island. In the second half of the year activities for the submission of an offer for the completion of the 'turnkey' project will be completed.

In Uganda, for Yatra Africa (which is developing and managing the investment on behalf of the Ugandan government), a FEED is being completed with the related Open Book Estimate (OBE) for a grass roots refinery at Hoima with the corresponding pipeline of over 200 kilometres and remote storage near Kampala. The refinery is part of the largest Ugandan project which aims to make the most of recently discovered oilfields in Albertine Graben near Lake Albert.

In Italy:
- for Ital Gas Storage (IGS), engineering, procurement and construction activities have been completed for the **Natural Gas Storage Plant** EPC project, which included the development of natural gas storage plants in Cornegliano Laudense, in the province of Lodi. Currently, following the injection of gas in the plants, commissioning and start-up activities are under way;
- for Eni Refining & Marketing, as part of the **Tempa Rossa** project, the activities are under way for the construction of the auxiliary systems and of two tanks for the storage of the crude oil coming from the Tempa Rossa field operated by Total;
- for Rete Ferroviaria Italiana, engineering activities are under way in the context of the **CEPAV 2 high speed** Brescia-Verona project, which includes engineering, procurement and construction of 48 kilometres of railway lines between the provinces of Brescia, Mantua and Verona.

In Mexico, for Pemex, activities are underway under the **Tula Planta de H-Oil** contract, which includes engineering, procurement, commissioning and launch of a unit at the 'Miguel Hidalgo' refinery located in Tula.

In Azerbaijan and Georgia, for the South Caucasus Pipeline Co (SCP), construction is nearing completion on the **SCPX** gas pipeline for the Southern Gas Corridor.

Floaters

The FPSO market continues to expand, despite current uncertainties.
Several feasibility studies, FEEDs and tenders for EPC contracts are currently underway, and the oil companies express their confidence in approving the final investment decisions (FID) in the coming months. In the first half of 2019 the most important initiatives that were in progress were Bonga Southwest in Nigeria, Petrobras 4 FPSO which is in the tender phase Marlim 1 & 2, Parques das Baleias and Mero 2, in the second part of the year we are waiting for information on the future of Parque das Baleias and Bonga South West.
Furthermore, Australia North and West will soon be operational with Browse, Scarborough and Gorgon gas FPSU and Masela for the Indonesian side.
The FLNG/FSRU market is not really active, but is still expanding for FSRU, technology requested by new LNG clients. In particular, Asia remains an expanding market for those types of units, but there are also small projects in the Mediterranean.

Saipem owns two FPSO vessels, they are: **Cidade de Vitoria**, a production storage, processing and offloading vessel (FPSO) with a production capacity of 100,000 barrels a day and the **Gimboa**, a production storage, processing and offloading vessel (FPSO) with a production capacity of 60,000 barrels a day.

Work performed

The largest/most important projects underway or completed during the first half of 2019.

In Indonesia, design, procurement and construction activities are underway for Eni Indonesia for the construction of the **Merakes** project modules;

In Angola for Total, following the production of the **FPSO Kaombo Norte** last year, production tests were successfully completed and all operational activities relating to production management and maintenance services began. Furthermore, the offshore installation was completed and **FPSO Kaombo Sul** production began. The Kaombo project involves engineering, procurement, construction and commissioning of two FPSO vessels, followed by a production and maintenance management phase for a duration of 7 years plus an additional 8 optional years.

In Russia, for Llc Arctic LNG-2, in joint venture[2] with RHI Russia BV (affiliated company of Renaissance Heavy Industries Llc), activities are ongoing for the completion of three liquefied natural gas plants that will be installed on reinforced concrete support and storage structures. The scope of the contract includes design, procurement, construction, transportation by sea and installation of three concrete support and storage structures. Construction will take place in Murmansk on a site made available by Novatek and then the structures will be transported and installed in Gydan, Russia.

In the 'Leased FPSO' segment, the following vessels carried out operations during the first half of 2019:
- the **FPSO Cidade de Vitoria** carried out operations for Petrobras as part of an eleven-year contract on the second phase of development of the Golfinho field, situated off the coast of Brazil at a water depth of 1,400 metres;
- the **FPSO Gimboa** carried out operations on behalf of Sonangol P&P under a contract for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.

(2) Company consolidated using the equity method therefore the result of the project is included in the balance of income (expenses) from investments.

OFFSHORE DRILLING

General overview

At June 2019, the Saipem Offshore Drilling fleet consisted of thirteen vessels, divided as follows: six ultra deep-water units for operations at depths in excess of 1,000 metres (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 7, Scarabeo 8 and Scarabeo 9), three high specification jack-ups for operations at depths of up to 375 feet (Perro Negro 7, Perro Negro 8 and Pioneer), three standard jack-ups for activities at depths up to 300 feet (Perro Negro 2, Perro Negro 4 and Perro Negro 5) and one barge tender rig (Saipem TAD).
All the units mentioned above are owned by Saipem with the exception of the Pioneer jack-up, which is owned by third-parties and managed by Saipem.
The Offshore Drilling fleet operated offshore Norway, in Egypt (both in the Mediterranean and the Red Sea), in Pakistan, the Middle East and in Indonesia.

Market conditions

Just as in the last part of 2018, in the first half of the year there were timid signs of recovery in the market over the medium term. The slightly higher investment forecasts and the better volume of scouting activities conducted by clients for the award of future contracts have shown a certain recovery in the planning of future activities.
However, a climate of uncertainty prevails well documented by the trend in the price of oil, which settled steadily between $60 and $70 per barrel; values that were certainly higher than the negative peaks recorded in previous years, but still not able to push for a significant market recovery.
The pressure on the rates, therefore, continued to be significant, while the rates of use showed a slight increase up to 75%-80% but only for the most technologically advanced rigs, to further testify that the market is becoming moving towards a possible recovery which however has not yet fully manifested.
As has already been occurring since 2015, the Oil&Gas sector's downturn has continued to push several companies to opt for dismantling the oldest assets and those with the lowest probability of being used. Overall over 200 facilities have been withdrawn from the market since the beginning of the crisis, leading to a more than 20% drop in drilling rigs. While up until 2017 the floaters segment suffered the greatest downsizing, since 2018 and during the first half of 2019 it was the standard jack-up category, that suffered the most significant drop.
The number withdrawn in the first half of the year was down compared to what happened in 2018, however it is believed that the rather modest demand for technologically obsolete rigs will continue to lead to the withdrawal of further rigs.
Due to the significant number of contracts awarded during the previous positive market phase, the construction of new offshore drilling units continued to remain at significant levels: 95 new units are currently in construction (66 jack-ups, 10 semi-submersibles and 19 drillships), of which only eight have been contracted for use.
As has already occurred in the past, the negative market phase has also led, in several cases, to the postponement of the time frames for the delivery of plants under construction, ostensibly to 2020 and beyond, while awaiting better market conditions.
The significant number of units that will be delivered in the medium term, and the already mentioned retirement that has affected a part of the existing fleet, represent structural changes in the offshore drilling that will have significant effects in the medium to long term.

New contracts

The most significant contracts awarded to the Group during the first half of 2019 were:
- for Saudi Aramco, the four-year extension in direct continuation of the contract for the high specs Perro Negro 7 jack-up for works in Saudi Arabia;
- for Saudi Aramco, the award of a 3-year contract plus an optional contract for work in Saudi Arabia to be carried out with a high specs jack-up; the activities are scheduled to start in the second half of the year and will be carried out by the Sea Lion 7 unit, leased from third parties, which will become available to Saipem in the second half of 2019;
- for Wintershall, the construction of two wells offshore Norway with the use of the semi-submersible harsh environment Scarabeo 8; the works are scheduled to start in the last part of the year; the contract also provides for two additional optional wells;
- for Repsol, the execution of a well in the offshore of Norway; the activities are

scheduled to start in the third quarter and involve the use of the semi-submersible harsh environment Scarabeo 8.

Capital expenditure

Investments made during the first half of 2019 concerned class reinstatement and work to ensure the compliance of vessels with international regulations and client requirements. Among the rigs subject to maintenance activities aimed at renewing the class certification there was in particular the jack-up Perro Negro 5. Work also continued on preparing and purchasing the equipment (in particular the second BOP) for the upgrading and renewal of the Saipem 12000 drillship class in view of the execution of the Eni Mozambique project.

Work performed

In 2018, Saipem's offshore units drilled 58 wells (of which 20 workovers), totalling 69,490 metres.
The fleet was used in the following way:
- ultra deep water/deep water units: the **Saipem 12000** drillship operated off the coast of Pakistan where in June it completed the well contracted for by Eni; subsequently, the ship moved to South Africa to prepare for a project already acquired in Mozambique; the **Saipem 10000** drillship, under a multi-year contract on behalf of Eni, continued operations in Egypt; the semi-submersible **Scarabeo 9** completed drilling for a well in Egypt on behalf of IEOC in April; subsequently, it was stacked in Cyprus pending new orders. This period was used to carry out maintenance work; the semi-submersible **Scarabeo 8** completed activities for Total at the beginning of January and was then engaged in works for AkerBP until June; the semi-submersible **Scarabeo 7** was used in Indonesia on behalf of Eni; the semi-submersible **Scarabeo 5**, remained stacked pending the acquisition of new contracts;
- high specification jack-up: the **Perro Negro 8** and the **Perro Negro 7** continued to operate respectively for ADNOC off the coast of the United Arab Emirates and for Saudi Aramco off the coast of Saudi Arabia; **Pioneer** began work for Eni in Mexico in March;
- standard jack-ups: the **Perro Negro 2** remained laid-up on Saipem's base in Sharjah, United Arab Emirates, while waiting for new works. The **Perro Negro 5** continued operations in Saudi Arabia for Saudi Aramco. The **Perro Negro 4** continued operations in the Red Sea for Petrobel;
- other: **Saipem TAD**, the tender assisted rig completed all contractual obligations with Total in December and is now stacked.

Utilisation of vessels

Vessel utilisation in the first half of 2019 was as follows:

		First half 2019	
Vessel	(No. of days)	**under contract**	**idle**
Semi-submersible platform Scarabeo 5		-	181 (1)
Semi-submersible platform Scarabeo 7		181	-
Semi-submersible platform Scarabeo 8		181	-
Semi-submersible platform Scarabeo 9		97	84 (1)
Drillship Saipem 10000		181	-
Drillship Saipem 12000		165	16 (2)
Jack-up Perro Negro 2		-	181 (1)
Jack-up Perro Negro 4		181	-
Jack-up Perro Negro 5		118	63 (2)
Jack-up Perro Negro 7		181	-
Jack-up Perro Negro 8		181	-
Pioneer (3)		160	-
Tender Assisted Drilling Barge		-	181 (1)

(1) The vessel was not under contract.
(2) The vessel underwent class reinstatement works and/or preparation works for a new contract.
(3) Became available to Saipem on January 22, 2019.

ONSHORE DRILLING

General overview

At June 2019, Saipem's Onshore Drilling rig fleet was composed of 87 units, of which 84 are owned by Saipem and 3 by third parties but operated by Saipem. The areas where Saipem operated were Latin America (Peru, Bolivia, Colombia, Ecuador and Argentina), the Middle East (Saudi Arabia and Kuwait), Kazakhstan, Italy, Romania and Africa (Congo and Morocco).

Market conditions

The forecasts for 2019 of the total investment volumes in Onshore Drilling by oil companies showed an increase compared to 2018, driven by the gradual recovery in the price of oil (from $50 per barrel at the end of December to an average of almost $70 per barrel for the first half of 2019), mainly driven by OPEC production cuts and the geopolitical situation in Iran and Venezuela. In the United States, drilling, in terms of spending and active rigs, decreased slightly at the beginning of the year, which should see a recovery in 2019. Even in Canada, a slight drop in drilling was seen with regard to both operation of the rigs and the day rates.
In the international market (outside of North America, China, Russia and Central Asia), the one in which Saipem operates, average activity in the first six months of 2019 has grown compared to the first half of 2018. The most dynamic areas, from an investment point of view and with a good increase in the number of operational rigs, are the Asia-Pacific region, followed by the Middle East. The latter, in particular, is of great interest to Saipem and has recorded substantially stable levels of activity thanks to Saudi Arabia which, with a total of over 500 new wells drilled in 2018, is confirmed as the reference market in the region.
Furthermore, in the Persian Gulf, the Arab Emirates are emerging and have approved a plan to increase oil production capacity and drilling activity. In Latin America, drilling has shown, in terms of investments expected for 2019, levels of moderate growth compared to 2018, in particular as regards Argentina, which represents over 30% of the regional market, in terms of number of rigs and expenditure.
With regard to the other areas in which Saipem operates (Europe and Africa) investment levels for 2019 are expected to be slightly higher.
The trend in the first half of 2019 confirmed a recovery in demand which resulted in a slight increase in day rates.

Capital expenditure

The main investments made during the first half of 2019 related to work to ready rigs for operations in Argentina and Italy under previously acquired multi-year contracts. Furthermore, a significant investment is underway for the construction of a new PTX-30 Striker rig which will be added to the existing fleet and which will operate in Argentina. Improvement and integration interventions were also carried out for maintaining the operating efficiency of the fleet and meeting the specific requirements of client companies.

New contracts

The most significant contracts awarded to the Group during the first half of 2019 were related to new jobs that will be completed in Bolivia and Saudi Arabia and extending ongoing works in Saudi Arabia, Peru, Morocco and Romania.

Work performed

In the first half of 2019, Saipem's offshore units drilled 93 wells, totalling 293,532 metres. In Latin America Saipem operated in several countries: in **Peru** work was carried out for various clients (including Pluspetrol, CNPC, Frontera Energy and Petrotal) and Saipem was present in the country with seventeen of its own rigs (13 of which were used onshore and four were installed on offshore rigs) and two provided by the client. In **Bolivia** a total of two rigs were used for Shell and Repsol.
In **Argentina** three rigs were used for ExxonMobil and YPF. In **Colombia** Saipem was present with one rig that was used for Gran Tierra. In **Ecuador** there are four units, one of which is operating with Halliburton.
In **Venezuela** the nineteen rigs in the country remained inactive. In **Romania** drilling activities were carried out with the client OMV-Petrom. In **Saudi Arabia** Saipem deployed twenty-eight rigs which carried out operations for Saudi Aramco under previously acquired multi-year contracts. In **Kuwait** operations of two Saipem units provided to

the client KOC are ongoing, under previously existing contracts. In **Kazakhstan** Saipem operated with two owned rigs, which where contracted to the client Zhaikmunay. In Africa Saipem operated in the **Congo** and in **Morocco**, in the former case for Eni Congo SA with the management of a unit owned by the client, and in the latter with a proprietary rig which began activities for Sound Energy. In **Italy** work continued on preparation of a rig for use for Eni; the works, initially expected to commence in the first half of 2016, were postponed to the last quarter of 2019 by the client. The period is, however, remunerated at the stand-by rate.

Utilisation of rigs

Average utilisation of rigs in 2019 was 67.8% (66.7% in 2018). As of June 30, 2019, company-owned rigs amounted to 84, located as follows: 28 in Saudi Arabia, 19 in Venezuela, 17 in Peru, 4 in Bolivia, 4 in Ecuador, 3 in Argentina, 2 in Kazakhstan, 2 in Kuwait, 1 in Colombia, 1 in the United Arab Emirates, 1 in Italy, 1 in Morocco and 1 in Romania.
In addition, 2 third party rigs were used in Peru and 1 third-party rig in the Congo.

FINANCIAL AND ECONOMIC RESULTS

The Saipem Group's operating and financial results for the first half of 2019 and the comparative data provided for prior years have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission.

Reorganisation: impact on reporting

The results of the XSIGHT Division are not disclosed to the market separately, rather they are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure.

Operating results

Saipem Group - Income statement [1]

Year 2018	(€ million)	First half 2018	First half 2019	% Ch.
8,526	Net sales from operations	3,798	4,519	19.0
4	Other income and revenue	1	6	
(6,103)	Purchases, services and other costs	(2,654)	(3,094)	
(57)	Net reversals (impairments) of trade and other receivables	3	(22)	
(1,522)	Payroll and related costs	(738)	(835)	
848	Gross operating profit (EBITDA)	410	574	40.0
(811)	Depreciation, amortisation and impairment	(484)	(312)	
37	Operating result (EBIT)	(74)	262	..
(165)	Net financial income (expense)	(80)	(101)	
(88)	Net income (expense) from investments	(49)	(38)	
(216)	Result before income taxes	(203)	123	..
(194)	Income taxes	(95)	(77)	
(410)	Result before non-controlling interests	(298)	46	..
(62)	Net result attributable to non-controlling interests	(25)	(32)	
(472)	Profit (loss) for the period	(323)	14	..

(1) 2019 data includes impacts of IFRS 16, details of which are specified in the following pages.

Net sales from operations in the first half of 2019 amounted to €4,519 million.
Gross operating profit (EBITDA) amounted to €574 million. Depreciation, amortisation and impairment of tangible and intangible assets amounted to €312 million.
The **operating result (EBIT)** for the first half of 2019 amounted to €262 million. The main variations relating to the income statement items above are detailed below in the analysis by segment.
The net financial income (expense) is negative by €101 million, up €21 million as a result of higher charges for exchange differences and interest expense accrued on lease liability, following the introduction of the accounting standard IFRS 16, as well as greater expenses arising from the application of accounting standard IFRS 9.

The balance of net income (expense) from investments is -€38 million, mainly due to the negative result of a joint venture contract, measured using the equity method.
The **result before income taxes** amounted to €123 million. Income taxes were €77 million.
The **net profit** is €14 million (loss of €323 million in the first half of 2018), compared with the adjusted net income reduced by the following special items:
- write-down of a jack-up and its related working capital for €21 million; the rig was partially written-down because it will be replaced, due to completion of the contract, by a leased rig starting in March 2020;
- restructuring expenses of €25 million.

Year 2018	(€ million)	First half 2018	First half 2019
8,526	**Revenue**	**3,798**	**4,519**
61	Write-downs of working capital	41	-
8,587	**Adjusted revenue**	**3,839**	**4,519**

Year 2018	(€ million)	First half 2018	First half 2019
37	**Operating result (EBIT)**	**(74)**	**262**
497	Impairment/write-down and restructuring expenses	329	46
534	**Adjusted operating result (EBIT)**	**255**	**308**

Year 2018	(€ million)	First half 2018	First half 2019
(472)	**Profit (loss) for the period**	**(323)**	**14**
497	Impairment/write-down and restructuring expenses	329	46
25	**Adjusted profit (loss) for the period**	**6**	**60**

Adjusted EBIT reconciliation - EBIT first half 2019

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total
Adjusted EBIT	**180**	**73**	**49**	**6**	**308**
Restructuring expenses [1]	6	11	4	4	25
Impairment/write-down of assets	-	-	14	-	14
Write-down of current assets/provision for costs [1]	-	-	7	-	7
Total special items and restructuring expenses	(6)	(11)	(25)	(4)	(46)
EBIT	**174**	**62**	**24**	**2**	**262**

(1) Total €32 million: adjusted EBITDA reconciliation equal to €606 million compared to EBITDA equal to €574 million.

Adjusted EBIT reconciliation - EBIT first half 2018

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total
Adjusted EBIT	**160**	**32**	**54**	**9**	**255**
Impairment/write-down of assets	-	60	196	-	256
Write-down of inventories [1]	-	51	-	-	51
Restructuring expenses [1]	7	10	3	2	22
Total special items and restructuring expenses	(7)	(121)	(199)	(2)	(329)
EBIT	**153**	**(89)**	**(145)**	**7**	**(74)**

(1) Total €73 million: adjusted EBITDA adjusted reconciliation equal to €483 million compared to EBITDA equal to €410 million.

Saipem Group - Adjusted income statement

Year 2018	(€ million)	First half 2018	First half 2019	% Ch.
8,587	Adjusted net sales from operations	3,839	4,519	17.7
4	Other income and revenue	1	6	
(6,055)	Purchases, services and other costs	(2,644)	(3,087)	
(57)	Net reversals (impairments) of trade and other receivables	3	(22)	
(1,477)	Payroll and related costs	(716)	(810)	
1,002	Adjusted gross operating profit (EBITDA)	483	606	25.5
(468)	Depreciation, amortisation and impairment	(228)	(298)	
534	Adjusted operating result (EBIT)	255	308	20.8
(165)	Net finance expense	(80)	(101)	
(88)	Net income (expense) from investments	(49)	(38)	
281	Adjusted result before income taxes	126	169	34.1
(194)	Income taxes	(95)	(77)	
87	Adjusted result before non-controlling interests	31	92	..
(62)	Net result attributable to non-controlling interests	(25)	(32)	
25	Adjusted profit (loss) for the period	6	60	..

Adjusted operating result and costs by function

Year 2018	(€ million)	First half 2018	First half 2019	% Ch.
8,587	Adjusted net sales from operations	3,839	4,519	17.7
(7,469)	Production costs	(3,292)	(3,930)	
(215)	Idle costs	(105)	(108)	
(145)	Selling expenses	(72)	(76)	
(33)	Research and development costs	(12)	(14)	
(18)	Other operating income (expenses)	(16)	2	
(173)	General and administrative expenses	(87)	(85)	
534	Adjusted operating result (EBIT)	255	308	20.8

Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €3,930 million, representing an increase of €638 million over the first half of 2018 in line with the increase in revenue.
Idle costs increased by €3 million, compared to the first half of 2018. Selling expenses of €76 million showed a €4 million increase due to current commercial efforts.
Research expenses recorded under operating costs, equal to €14 million, and general expenses, equal to €85 million, are similar to the first half of 2018.

Offshore Engineering & Construction

Year 2018	(€ million)	First half 2018	First half 2019
3,852	Adjusted net sales from operations	1,750	1,990
(3,329)	Cost of sales	(1,491)	(1,662)
523	Adjusted gross operating profit (EBITDA)	259	328
(205)	Amortisation/depreciation	(99)	(148)
318	Adjusted operating result (EBIT)	160	180
(13)	Impairment/write-down and restructuring expenses	(7)	(6)
305	Operating result (EBIT)	153	174

Revenue for the first half of 2019 amounted to €1,990 million, representing a 13.7% increase compared to the same period of 2018, due mainly to higher volumes recorded in the Middle East and North Africa.
The cost of sales, equal to €1,662 million, registered an increase of €171 million compared to the first half 2018, in line with the higher volumes.

The adjusted gross operating profit (EBITDA) of the first half of 2019 is €328 million with a margin equal to 16.5% of revenue, €274 million net of the effects of the application of IFRS 16, equal to 13.8% of revenue, up compared to €259 million in the corresponding period of 2018, with a margin equal to 14.8% of revenue.
Depreciation and amortisation rose by €49 million compared to 2018, following the entry into force of IFRS 16.
The operating result (EBIT) for the first half of 2019 amounted to €174 million and includes restructuring expenses for €6 million.

Onshore Engineering & Construction

Year 2018	(€ million)	First half 2018	First half 2019
3,769	Adjusted net sales from operations	1,622	2,000
(3,651)	Cost of sales	(1,571)	(1,891)
118	Adjusted gross operating profit (EBITDA)	51	109
(40)	Amortisation/depreciation	(19)	(36)
78	Adjusted operating result (EBIT)	32	73
(203)	Impairment/write-down and restructuring expenses	(121)	(11)
(125)	Operating result (EBIT)	(89)	62

Adjusted revenue for the first half of 2019 amounted to €2,000 million, representing a 23.3% increase compared to the same period of 2018, due mainly to higher volumes recorded in the Middle and Far East and West Africa.
The cost of sales, equal to €1,891 million, registered an increase of €320 million compared to the first half 2018, in percentage, lower than changes in revenue, thanks to a recovery in efficiency.
The adjusted gross operating profit (EBITDA) of the first half of 2019 is €109 million, equal to 5.5% of revenue, €92 million net of the effects of the application of IFRS 16, equal to 4.6% of revenue, compared to the €51 million in the corresponding period of 2018, equal to 3.1% of revenue. Adjusted EBITDA does not include the worsening of a joint venture contract, classified under the item 'Expenses from equity investments' and corresponding to almost all of this item.
Depreciation and amortisation amounted to €36 million, up €17 million compared to the corresponding period of 2018, mainly due to the entry into force of the new accounting standard IFRS 16.
The operating result EBIT for the first half of 2019 is €62 million, and includes restructuring expenses for €11 million.

Offshore Drilling

Year 2018	(€ million)	First half 2018	First half 2019
465	Adjusted net sales from operations	221	256
(239)	Cost of sales	(114)	(154)
226	Adjusted gross operating profit (EBITDA)	107	102
(106)	Amortisation/depreciation	(53)	(53)
120	Adjusted operating result (EBIT)	54	49
(269)	Impairment/write-down and restructuring expenses	(199)	(25)
(149)	Operating result (EBIT)	(145)	24

Revenue for the first half of 2019 amounted to €256 million, an increase of 15.8% compared to the corresponding period of 2018, mainly due to the semi-submersible platform Scarabeo 8 and the drilling vessel Saipem 12000, which were partially idle in the corresponding period of 2018, and to the contribution of the Pioneer jack-up, leased by third parties starting from January 2019; the increase was partly mitigated by the fact that the Tender Assisted Barge and the semi-submersible platform Scarabeo 9 were idle.
The cost of sales, which amounted to €154 million, showed an increase of €40 million, in line with the increase in volumes compared to the same period of 2018.
The adjusted gross operating profit (EBITDA) of the first half of 2019 is €102 million, equal to 39.8% of revenue, €100 million net of the effects of the application of IFRS 16, equal to 39.1% of revenue, compared to the €107 million in the corresponding period of 2018, with a margin equal to 48.4% of revenue.
Depreciation and amortisation amounted to €53 million, in line with the figure for 2018. The

impact of the introduction of IFRS 16 is not significant.
The operating result EBIT for the first half of 2019 amounted to €24 million, including the write-down of a jack-up and related working capital for €21 million, and restructuring expenses for €4 million.

Onshore Drilling

Year 2018	(€ million)	First half 2018	First half 2019
501	Adjusted net sales from operations	246	273
(366)	Cost of sales	(180)	(206)
135	Adjusted gross operating profit (EBITDA)	66	67
(117)	Amortisation/depreciation	(57)	(61)
18	Adjusted operating result (EBIT)	9	6
(12)	Impairment/write-down and restructuring expenses	(2)	(4)
6	Operating result (EBIT)	7	2

Revenue for the first half of 2019 amounted to €273 million, with an 11% increase compared to the corresponding period of 2018, thanks to higher volumes in Saudi Arabia and South America, partly mitigated by less activity in Kazakhstan.
The adjusted gross operating profit (EBITDA) for the first half of 2019 amounted to €67 million, equal to 24.5% of revenue, an improvement compared to the €66 million during the first half of 2018, which was equal to 26.8%. This was thanks to cost optimisation measures implemented in South America and to the recovery in efficiency in the Middle East.
Depreciation and amortisation of €61 million, an increase compared to the €21 million corresponding period of 2018. The impact of the introduction of the accounting standard IFRS 16 is not significant.
The operating result EBIT for the first half of 2019 is €2 million and includes restructuring expenses for €4 million.

Summary of the effects deriving from the first-time adoption of IFRS 16

The following is a summary of the effects on the income statement deriving from the application of IFRS 16:
- increase in EBIT for €8 million;
- increase in EBITDA for €75 million;
- decrease in net result of €5 million.

Specifically:
- write off of rental costs for €75 million;
- increase in amortisation for €67 million;
- increase in finance expenses for €13 million.

(€ million)	June 30, 2019 Increase in amortisation	Write off of leases	Increase in EBIT	Increase in EBITDA
Offshore Engineering & Construction	48	54	6	54
Onshore Engineering & Construction	15	17	2	17
Offshore Drilling	2	2	-	2
Onshore Drilling	2	2	-	2
Total	**67**	**75**	**8**	**75**

Balance sheet and financial position

Saipem Group - Reclassified consolidated balance sheet [1]

The reclassified consolidated balance sheet aggregates asset and liability amounts from the statutory balance sheet according to function, under three basic areas: operating, investing and financing.

Management believes that the reclassified consolidated balance sheet provides useful information that helps investors to assess Saipem's capital structure and to analyse its sources of funds and investments in fixed assets and working capital.

	June 30, 2018	(€ million)		Jan. 01, 2019 [2]		June 30, 2019
	4,481	Net tangible assets		4,326		4,222
	-	Right of use assets		550		531
	693	Net intangible assets		702		699
	5,174			**5,578**		**5,452**
2,702		*- Offshore Engineering & Construction*	*2,588*		*3,038*	
526		*- Onshore Engineering & Construction*	*548*		*629*	
1,334		*- Offshore Drilling*	*1,555*		*1,218*	
612		*- Onshore Drilling*	*643*		*567*	
	91	Investments		78		77
	5,265	**Non-current assets**		**5,656**		**5,529**
	468	**Net current assets**		**292**		**298**
	(209)	Provisions for employee benefits		(208)		(224)
	-	**Assets (liabilities) held for sale**		**2**		**-**
	5,524	**Net capital employed**		**5,742**		**5,603**
	4,140	Shareholders' equity		3,962		3,991
	59	Non-controlling interests		74		38
	1,325	Net debt pre IFRS 16 lease liabilities		1,159		1,043
	-	Lease liabilities		547		531
	1,325	Net financial debt		1,706		1,574
	5,524	**Funding**		**5,742**		**5,603**
	0.32	**Leverage pre IFRS 16 (net financial debt/shareholders' equity + non-controlling interests)**		**0.29**		**0.26**
	0.32	**Leverage post IFRS 16 (net financial debt/shareholders' equity + non-controlling interests)**		**0.42**		**0.39**
	1,010,977,439	Number of shares issued and outstanding		1,010,977,439		1,010,977,439

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 67.
(2) Data were restated following the entry into force of IFRS 16.

Management uses the reclassified consolidated balance sheet to calculate key ratios such as the Return On Average Capital Employed (ROACE) and leverage (used to indicate the robustness of the company's capital structure).

Non-current assets at June 30, 2019 stood at €5,529 million, a decrease of €127 million compared to January 1, 2019. The change derives from capital expenditure of €170 million, from depreciation and amortisation of €226 million and impairment of €14 million, from negative changes in investments accounted for using the equity method of €38 million and the positive net effect of €19 million deriving mainly from the translation of financial statements in foreign currencies and other changes.

Net current assets increased by €6 million, from €292 million at January 1, 2019 to €298 million at June 30, 2019.

Provisions for employee benefits amounted to €224 million, an increase of €16 million compared to January 1, 2019, due to allocations for restructuring expenses.

As a result of the above, **net capital employed** decreased by €139 million, reaching €5,603 million at June 30, 2019, compared to €5,742 million at January 1, 2019.

Shareholders' equity, including minority interests, amounted to €4,029 million at June 30, 2019, a decrease of €7 million compared to January 1, 2019. This decrease reflected the negative effect of the purchase of non-controlling interests (€15 million) and from the negative effect of dividend distribution (€62 million), only partially offset by the positive effect of the net result for the period (€46 million), the positive effect of change in the fair value measurement of derivatives hedging exchange and commodity risk (€17 million), the positive effect on shareholders' equity of translation into euro of financial statements expressed in foreign currencies and other variations amounting to €7 million.

Net financial debt at June 30, 2019 is equal to €1,574 million, compared to the €1,706 million at January 1, 2019, of which €531 million are lease liabilities as per IFRS 16.

Analysis of net financial debt

June 30, 2018	(€ million)	Dec. 31, 2018	June 30, 2019
-	Financial receivables due after one year	-	(68)
910	Payables to banks due after one year	655	623
1,990	Bonds and payables to other financial institutions due after one year	1,991	1,992
2,900	**Net medium/long-term financial debt**	**2,646**	**2,547**
(1,652)	Accounts c/o bank and post office	(1,672)	(1,736)
(68)	Securities measured at fair value through OCI	(86)	(78)
(3)	Cash and cash on hand	(2)	(1)
(2)	Financing receivables due within one year	(32)	(32)
114	Payables to banks due within one year	260	311
36	Bonds and payables to other financial institutions due within one year	45	32
(1,575)	**Net short-term debt (liquid funds)**	**(1,487)**	**(1,504)**
1,325	**Net financial debt (liquid funds) pre IFRS 16**	**1,159**	**1,043**
-	**Liabilities for current lease liabilities**	**-**	**136**
-	**Liabilities for non current lease liabilities**	**-**	**395**
1,325	**Net financial debt (liquid funds)**	**1,159**	**1,574**

The fair value of derivative assets (liabilities) is detailed in Note 31 'Derivative financial instruments'.

Bank and post office deposits include: (i) cash and cash equivalents of €281 million in current accounts of projects executed in partnership or joint venture; (ii) cash and cash equivalents of €83 million in current accounts denominated in currencies subject to restrictions on movements and/or convertibility; (iii) cash and cash equivalents amounting to €3 million in current accounts subject to restrictions due to disputes with some vendors, for a total of €367 million.

Statement of comprehensive income

	First half	
(€ million)	2018	2019
Profit (loss) for the period	**(298)**	**46**
Other comprehensive income:		
- change in the fair value of cash flow hedges	(80)	21
- change in the fair value of financial assets, other than investments, measured at fair value through OCI	(1)	1
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	21	9
- income tax relating to components of other comprehensive income	13	(4)
Other items of comprehensive income	**(47)**	**27**
Total comprehensive income (loss) for the period	**(345)**	**73**
Attributable to:		
- Saipem Group	(371)	40
- non-controlling interests	26	33

Shareholders' equity including non-controlling interests

(€ million)	
Shareholders' equity including non-controlling interest at January 1, 2019	**4,036**
Total comprehensive income for the period	73
Dividends distributed to Saipem shareholders	-
Dividends distributed by other subsidiaries	(62)
Purchase (sale) of treasury shares net of fair value in the incentive plans	(3)
Purchase of non-controlling interests	(15)
Share capital increase net of charges	-
Other changes	-
Total changes	**(7)**
Shareholders' equity including non-controlling interest at June 30, 2019	**4,029**
Attributable to:	
- Saipem Group	3,991
- non-controlling interests	38

Reclassified cash flow statement [1]

Saipem's reclassified cash flows statement derives from the statutory cash flow statement. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flow statement) and in net financial debt (deriving from the reclassified cash flows statement) that occurred between the beginning and the end of the period. The measure enabling such a link is represented by the free cash flow, which is the cash in excess of capital expenditure requirements. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the year by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), to repayments for lease liabilities, shareholders' equity (dividends paid, net repurchase of treasury shares, capital issuance) and the effect of changes in consolidation and of exchange differences, or (ii) changes in net financial debt for the period by adding/deducting cash flows relating to shareholders' equity, to repayments of lease liabilities and the effect of changes in consolidation and of exchange rate differences.

Year 2018	(€ million)	First half 2018	First half 2019
(472)	Profit (loss) for the period	(323)	14
62	Non-controlling interests	25	32
	Adjustments to reconcile cash generated from operating profit before changes in working capital:		
840	Depreciation, amortisation and other non-monetary items	504	375
4	Net (gains) losses on disposal and write-off of assets	1	(5)
279	Dividends, interests and income taxes	138	132
713	**Net cash generated from operating profit before changes in working capital**	**343**	**548**
259	Changes in working capital related to operations	46	(21)
(261)	Dividends received, income taxes paid, interest paid and received	(103)	(108)
711	**Net cash provided by operating activities**	**288**	**419**
(485)	Capital expenditure	(313)	(135)
(27)	Investments and purchase of consolidated subsidiaries and businesses	-	(35)
1	Disposals	-	(10)
-	Other cash flow related to capital expenditures, investments and disposals	-	-
200	**Free cash flow**	**(25)**	**259**
(40)	Financial debt (repayment) of debt related to financing activities	-	9
(172)	Changes in short and long-term financial debt	(71)	3
-	Repayments for lease liabilities	-	(62)
-	Sale (buy-back) of treasury shares	-	-
(79)	Cash flow from capital and reserves	(15)	(77)
14	Effect of changes in consolidation and exchange differences	15	(69)
(77)	**NET CASH FLOW FOR THE PERIOD**	**(96)**	**63**
200	**Free cash flow**	**(25)**	**259**
-	Repayments for lease liabilities	-	62
-	Sale (buy-back) of treasury shares	-	-
(79)	Cash flow from capital and reserves	(15)	(77)
16	Exchange differences on net financial debt and other changes	11	(4)
137	**CHANGE IN NET FINANCIAL DEBT PRE LEASE LIABILITIES**	**(29)**	**116**
-	Effect of first-time adoption of IFRS 16	-	(547)
-	Financing for the period	-	(48)
-	Repayments for lease liabilities	-	62
-	Exchange differences and other changes	-	2
-	Change in lease liabilities	-	(531)
-	**CHANGE IN NET FINANCIAL DEBT**	**-**	**(415)**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 67.

Net cash provided by operating activities positive for €419 million net of the negative cash flow from capital expenditures and other investments in shares, consolidated companies and divisions equal to €170 million, and of the positive flow of disposals and partial disposals of consolidated equity investments, divisions and tangible assets amounting to €10 million, generated a positive **free cash flow** of €259 million.
Repayments for lease liabilities generated a negative effect for €62 million, cash flow from capital and reserves showed a negative balance of €77 million, and is related to the

payment of dividends (€62 million) and the effect from the purchase of non-controlling interests (€15 million). Exchange rate differences and other changes on net financial debt produced a net negative effect of €4 million.
Therefore there was a change in **net financial debt pre lease liabilities** of €116 million.
The change in lease liabilities generated an overall negative effect equal to €531 million, due to the negative effect of the first-time adoption of IFRS 16, equal to €547 million, and due to financing for €48 million, partly offset by repayments of lease liabilities and exchange rate differences and other changes totalling €64 million.
Net cash generated from operating profit before changes in working capital of €548 million related to:
- the positive result for the period of €46 million;
- depreciation, amortisation and impairment of tangible and intangible assets of €312 million, the valuation of investments accounted for using the equity method of €38 million, the change in the provision for employee benefits of €17 million partly and the exchange rate differences and other changes for €8 million;
- net gains on the disposal of assets of €5 million;
- net finance expense of €55 million and income taxes of €77 million.

The change in working capital related to operations negative for €21 million was due to financial cash flows of projects underway.
Dividends received, income taxes paid, interest paid and received during the first half of 2019 were negative for €108 million and were mainly related to income taxes paid net of tax credits and to interest paid.
Capital expenditure during the period amounted to €135 million.

Summary of the effects deriving from the application of IFRS 16

On January 1, 2019, the new international accounting standard IFRS 16 'Leases' become effective and defines a single model of recognition of lease contracts based on the recognition by the lessee of an asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments provided by the contract ('lease liability').
The following is a summary of the effects on the balance sheet deriving from the application of the accounting standard:

(€ million)	Dec. 31, 2018 published	Effect of adopting IFRS 16	Jan. 1, 2019
Net tangible assets	4,326	-	4,326
Right of use assets	-	550	550
Net intangible assets	702	-	702
	5,028	**550**	**5,578**
Investments	78	-	78
Non-current assets	**5,106**	**550**	**5,656**
Net current assets	**295**	**(3)**	**292**
Provision for employee benefits	**(208)**	**-**	**(208)**
Assets available for disposal	**2**	**-**	**2**
Net capital employed	**5,195**	**547**	**5,742**
Shareholders' equity	3,962	-	3,962
Non-controlling interests	74	-	74
Net debt pre IFRS 16 lease liabilities	1,159	-	1,159
Lease liabilities	-	547	547
Net financial debt	1,159	547	1,706
Funding	**5,195**	**547**	**5,742**
Leverage pre IFRS 16 (net financial debt/shareholders' equity + non-controlling interests)	**0.29**	**-**	**0.29**
Leverage post IFRS 16 (net financial debt/shareholders' equity + non-controlling interests)	**0.29**	**-**	**0.42**

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted net profit (loss) of the year before minority interest, plus net financial expense on net debt less the related tax effect and net average capital employed. The tax rate applied on financial expense is 24.0%, as per the applicable tax legislation.

Return On Average Operating Capital (ROACE)

To calculate the Return On Average Operating Capital, the average capital employed is netted of investments in progress that did not contribute to net profit for the year.
No significant investment in progress in the two years compared.

		Dec. 31, 2018	June 30, 2018	June 30, 2019
Profit (loss) for the period	(€ million)	(410)	(506)	(66)
Exclusion of net finance expense (net of tax effect)	(€ million)	165	143	141
Unlevered profit (loss) for the period	(€ million)	(285)	(363)	75
Capital employed, net:	(€ million)			
- at the beginning of the period		5,847	6,349	5,524
- at the end of the period		5,195	5,524	5,603
Average capital employed, net	(€ million)	5,521	5,937	5,564
ROACE	(%)	**(5.16)**	**(6.11)**	**1.35**
Return On Average Operating Capital	(%)	**(5.16)**	**(6.11)**	**1.35**

Net financial debt and leverage

Saipem management uses leverage ratios to assess the soundness and efficiency of the Group's capital structure in terms of an optimal mix between net financial debt and shareholders' equity, and to carry out benchmark analyses against industry standards. Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net financial debt and shareholders' equity, including non-controlling interests.

	June 30, 2018	June 30, 2019
Leverage pre IFRS 16	0.32	0.26
Leverage post IFRS 16	-	0.39

Non-GAAP measures

Some of the performance indicators used in the 'Interim Directors' Report' are not included in the IFRS (i.e. they are what are known as non-GAAP measures).
Non-GAAP measures are disclosed to enhance the user's understanding of the Group's performance and are not intended to be considered as a substitute for IFRS measures.
The non-GAAP measures used in the 'Interim Directors' Report' are as follows:
- cash flow: the sum of net profit plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- EBITDA: a useful measure for evaluating the operating performance of the Group as a whole and of the individual business segments, in addition to operating profit. EBITDA is an intermediate measure, which is calculated by adding depreciation and amortisation to operating profit;
- non-current assets: the sum of net tangible assets, net intangible assets and investments;
- net current assets: includes working capital and provisions for contingencies;
- net capital employed: the sum of non-current assets, working capital and the provision for employee benefits;
- funding: shareholders' equity, non-controlling interest and net financial debt;
- special items: (i) non-recurring events or transactions; (ii) events or transactions that are not considered to be representative of the ordinary course of business;
- net financial debt: is calculated as financial debt net of cash and cash equivalents, bonds and other financial assets that are not instrumental to operations.

SUSTAINABILITY

Business Sustainability

Saipem's vision of sustainability is a fundamental element of its business strategies, which involves not only managing operations in a responsible way but also promoting dialogue and relations with its stakeholders in order to contribute to the creation of shared value as a factor of the socio-economic growth of the areas where it operates.
In this regard, the Company joins one of the most important international initiatives, the United Nations Global Compact aimed at promoting respect for ten fundamental principles in the field of Human Rights and Labour, environmental protection and the fight against corruption, in order to contribute, within its business role, to achieving Sustainable Development Goals (SDGs).

Stakeholder engagement

The identification and involvement of all bearers of legitimate interests are fundamental features of the Company's sustainability strategy. Transparency and dialogue with all stakeholders are the tools through which mutual values and reciprocal benefit can be engendered. This general approach was defined to allow Saipem to be a solid presence on the market, and to effectively carry out activities across its entire theatre of operations.
During the first half of 2019, activities continued on the theme of respecting human rights and workers in Saipem's supply chain, a commitment included in the company MBOs, including the performance of specific audits of vendors in countries classified as 'high risk' in terms of the protection of rights, and a training programme was started for division Procurement and Post Order personnel.
During the first half of 2019, Saipem also continued its involvement with the financial community, increasingly attentive to sustainability issues. In particular, the Company has actively participated in the initiatives of the Sustainable Finance Forum and has worked with the most important ESG (Environmental, Social and Governance) rating agencies. The positioning of the Company was recognised by the positive evaluations obtained by the main rating agencies and by the confirmed inclusion in sustainability equity indices, such as the Dow Jones Sustainability Index and FTSE4Good.
In March 2019, Saipem conducted an important engagement event with its stakeholders through the Saipem Open Talks held in Milan, supported by meetings on the topics of sustainable finance, innovation, strategies and global scenarios.

Communicating with stakeholders

Saipem has published the 'Sustainable Saipem' report, which illustrates the strategies and actions advanced by the company both in the areas of issues identified by stakeholders such as materials and in terms of commitment to achieving Sustainable Development Goals and complying with Global Compact principles, for which the document acts as 'Communication on Progress'.
In compliance with Legislative Decree No. 254/2016 on the non-financial disclosure by public entities, the implementation in Italy of Directive No. 95/2014, Saipem has produced the second 'Consolidated Non-Financial Statement' (DNF), a document providing information on management performance of non-financial aspects that describes the Group's policies, activities, main results and impacts generated during the year, in terms of indicators and trend analysis.
To ensure the maximum level of reliability and credibility of the non-financial information released to the public and to the authorities pursuant to Decree No. 254/2016, during the first half of the year Saipem designed and completed the construction of the new Internal Control System over non-financial reporting.
In January 2019, Saipem published the first document 'Tackling Climate Change', drawn up following the guidelines of the Task Force on Climate Related Financial Disclosure (TCFD) of the G20 Financial Stability Board and which contains the description of analysis, policies, strategies, actions, metrics, risk and opportunity management and technological initiatives in order to highlight the impact of Climate Change on its business.
Lastly, on June 26, 2019, the Board of Directors approved the 'Modern Slavery Statement 2018' which describes the policies and actions taken by the Saipem Group to measure and strengthen the systems and processes which ensure respect for Human Rights and Workers' Rights and to prevent forms of modern slavery and trafficking in human beings in their direct activities and along the supply chain.

RESEARCH AND DEVELOPMENT

Technology innovation has always been one of Saipem's strongest strategic pillars.
The Oil&Gas industry needs to renew its focus sharply in order to cope both with near and with future challenges. Saipem has taken the role of 'Innovative Global Solutions Provider' for the energy industry, by keeping innovation as one of the main pillars of its strategic plan.
The Innovation model at Saipem is the synthesis between the urgency to implement concrete solutions in the short term, mostly driven by current commercial projects, and the need to develop novel solutions reflecting the evolving macro-scenarios, especially the energy scenario.

This model is then considering two dimensions: one 'evolutionary', aiming at efficiency improvement, the second one 'disruptive' able to launch Saipem into the future. In the latter respect, we created the 'Innovation Factory' that promotes an innovative and collaborative culture throughout within and outside the company, and constantly enlarging this network through partnerships, by promoting open innovation joint projects with major technological players, academic spin-offs and start-ups.

'Evolutionary' innovation, a traditional domain of our divisions, is described in detail below.

Within the **Offshore Engineering & Construction Division**, technologies integrate and enable the business strategy as, they increase: (a) the efficiency on investments for submarine reservoirs development of clients and their costs; (b) execution efficiency in projects for clients; (c) opportunities for diversification or transformation of the business, both inside and outside the Oil&Gas value chain.

Among several ongoing initiatives is the development of technologies for use on frontier areas, such as abyssal waters and HP/HT (high pressure/high temperature) areas, where the challenge is to combine the demanding technical requirements with cost efficiency, thus needing consideration of more advanced material such as composite or polymers, while complying with new installation capabilities. In this framework, solutions using inner plastic liners are under qualification to extend the area of application, while a few riser configurations are under assessment by using composite materials.

A key element to increasing efficiency is the ability to propose, from project inception, innovative subsea field architectures and cost effective solutions to our clients.
Saipem continues to develop new technologies that allow moving part of the processes currently placed at surface to the seabed, and/or connecting them to facilities positioned at ever-greater distances.

The backbone of these architectures are sealines and, in particular, those that are electrically heated by means of the 'Heat Traced Pipe-in-Pipe' technology currently being further developed to reach longer step out, or by means of a Local Heating Station, which has been recently tested and for which the next qualification step is under assessment. Saipem is proposing these proprietary technologies in optimised 'Long Subsea Tie-Back' systems to clients, together with new concepts for subsea storage of chemicals and to some subsea process technologies, in order to guarantee the flow of products over long distances. At the same time, solutions for flow monitoring are also being tested to ensure real time monitoring where criticalities are expected.

Saipem has recently signed several partnerships with clients and providers of key technologies to be integrated into the so-called 'subsea factories' of the future.
Among these, an exclusive agreement with Curtiss-Wright for the development, construction, and testing of a 'barrier fluid-less' subsea pump that continued during the first half of the year. This is a fundamental step for the industrialisation of desulphation technology SPRINGS™ (developed together with Total and Veolia) and of other proprietary subsea processing technologies.
This development also fits with the 'All-Electric' vision for fields, made of subsea infrastructures not requiring complex electro-hydraulic umbilical to actuate the valves in favour of just electric lines and optical fibres.
As part of the Joint Development Agreement signed in 2017 with Siemens, the design and verification of the 'Open Framework' subsea control system components has been successfully completed. Similarly, new agreements have been signed for the development of underwater electric actuators, high-cycling valves, and sulphate metres in water.
Within the same framework, a new initiative has been recently launched on subsea

chemical storage and injection systems industrialisation. The scope is the industrialisation and qualification of the technologies that enable the transfer of chemical storage and injection packages from topsides to the seabed. The objective is to remove the traditional tubing that deliver the chemicals through the umbilical, as the tubing has a significant impact on long tie-back development costs. A joint development agreement has just been signed with a pump manufacturer for the qualification of a subsea pump for chemicals, a fundamental step of the industrialisation programme.
The qualification process (with DNV-GL) of an innovative proprietary telescopic joint that optimises the underwater connection and disconnection of the 'Subsea Factory' modules, facilitating their maintenance activities, has progressed.

Regarding the other subsea processes still under development, Petrobras' conceptual study named Hi-Sep™ on the subsea separation of dense-phase CO_2 was successfully completed, so much so that a further phase is being defined.
Furthermore, some of the leading Oil Companies are discussing the third phase of the joint development project of the proprietary technology 'Spoolsep' with Saipem, a step that would bring this system, for the separation of water produced together with oil, to a level of maturity close to commercialisation. Other investigations are carried out on subsea processing of gas fields, to provide solutions to transport gas over very long distances.

As the increase in the number of functions and operations assigned to subsea plants leads to increasingly complex fields, Saipem is looking to integrate the entire value chain, by proposing products, services and technologies that support the entire lifecycle of a client's field, from initial development to their decommissioning ('Life of Field'), and improve efficiency on operating costs.
Indeed, it is the new 'Hydrone' platform that projects Saipem into the future of subsea robotics for operations assistance, even by remote. The first prototype of Hydrone-R is almost completed: Saipem is setting up the testing ground, near the shore off of Trieste, to perform the sea trials starting in July 2019. Moreover, a test to operate from Italy an ROV launched underwater from a drilling rig in Norway, through a satellite link, has been successfully conducted.

Saipem and Shell have recently signed an agreement for the industrial development and commercialisation of 'FlatFish', an AUV (Autonomous Underwater Vehicle) dedicated to the underwater inspection of structures and pipelines created from an R&D initiative promoted by Shell and other partners starting in 2014. Hydrone platform will then take advantage both from some of the technologies already developed for the 'FlatFish' prototype, and from the collaboration with a second major international player, which in turn is developing similar underwater robotic technologies.

Saipem is firmly focused on the execution efficiency of offshore projects, both by bringing some proprietary technologies into the field and by increasing the portfolio of developing technologies.
The most evident benefits were found in sectors of pipe laying and in subsea field construction. As an example, the first two phases of 'Zohr' project, successfully delivered offshore of Egypt, stand out for execution speed and quality of the results provided by Saipem, also thanks to new techniques used to weld carbon steel pipes for sour service, and to the most complex welding of anti-corrosive alloys pipes. To that end, the new Technological Centre in Ploiesti (Romania) continues issuing new solutions, to speed up welding of pipes in prefabrication, welding in firing line and the non-destructive control of 'clad' pipes, and to automate field joint coating processes.
Investigations on high-productivity, single-pass techniques for thick pipes welding, such as Laser and Electron Beam continue.

Efficiency has also increased by extending the automation and digitalisation of production processes on board construction vessels or elsewhere. For this reason, Saipem has been involved for quite some time in an extensive innovation programme.

Execution efficiency also passes through a rigorous control of operational risks. The 'IAU' (Integrated Acoustic Unit) system, which controls the risk of flooding a sealine, has almost completed the qualification process with DNV-GL, and today Saipem is offering it on operating projects.
In the Decommissioning sector, Saipem successfully completed the dismantling of the 'BP-Miller' platform, with an unprecedented 'extended' lifting and transport technique.

The **Offshore Drilling Division** has been involved in the development of new subsea drilling technologies to improve efficiency and safety of operations: the project is referred to as Neptune riser shape monitoring systems. The Division is also in the forefront of wearable technologies to improve efficiency of its own personal protection equipment: the concept is to leverage sensors, widely available on the market, and use them to achieve more safety where we operate. A smart boot prototype is being finalised, whilst a project on smart glasses started in order to verify the potential and feasibility of such devices.
In the field of digitalisation of drilling operations, in collaboration with Eni, a new portable virtual system was developed for immersion and operation training simulations in order to improve rig and equipment knowledge and operation know-how, support and safety awareness.
Complementing the fleet virtualisation efforts, the Division is proceeding in its roadmap to increase complexity of the Scarabeo 8 digital twin, by adding more information sources and capabilities. A pilot project has been launched in order to augment the capabilities of such digital twin, as well as to extend the programme to other flagship rigs.
Furthermore, after extensive proofs of concept, the Division is starting a pilot project on predictive maintenance to be deployed on the most critical equipment on the Scarabeo 8.
The Division is actively monitoring the development of technologies considered breakthrough for the drilling industry: electric BlowOut Preventer (BOP) and robotic drilling systems. Whilst the former would allow the achievement of more safety and more data from the BOP behaviour, the latter is considered to be a main building block for autonomous drilling.

The **Onshore Drilling Division** is focusing its efforts on exploiting multisource real-time data from sensors installed on land rigs in order to enable informed decision making and achieve operational excellence through the adoption of innovative digital tools.

The **Onshore Engineering & Construction Division** and **XSIGHT Division** have focused mainly on the overall improvement of proposals to clients, through the design of systems with higher performance and operating availability, at the same time integrating them into the surrounding environment. This attitude is especially reflected in Saipem's innovative efforts in the monetisation of natural gas, taking advantage of the solid expertise on the subject to maximise the efficiency of the entire value chain.
To this end, a multi-year plan is in progress to keep the proprietary technologies at the highest level of competitiveness.

Relevant to the fertiliser production technology 'Snamprogetti™ Urea', the ongoing activities include:
- improving resistance to corrosion and cost reduction through the development of novel construction materials, either by traditional or additive manufacturing;
- enlarging our portfolio of high-end solutions with the introduction of the Snamprogetti™ SuperCups trays, which drastically increase the mixing efficiency of the reactant phases, optimising the product conversion rate;
- improving efficiency in Ammonia-Urea complexes by integrating technologies;
- proving innovative solutions to Ammonia-Urea complexes (and also to refineries) for waste water treatment by a cooperation agreement with Purammon Ltd for a highly effective removal of nitrogen and organic contaminants through a novel electrochemical technology, that allows for compliance with the most stringent environmental regulations.

Continuous efforts in the LNG (Liquefied Natural Gas) field are ongoing to define proprietary small-scale liquefaction and re-gasification of natural gas. This small scale LNG product shows good promise for becoming a flexible tool to support sustainable mobility in the near future.
Furthermore, the divisions are working on alternative solutions designed to comply with the current market scenario through the following main activities:
- design consolidation, integration of information on equipment/suppliers and criticality assessment of maintenance of Onshore small-scale LNG solutions;
- development of Floating LNG solutions based on conversion of Moss type LNG carrier, including studies for the enhancement of production capacity;
- cooperation with shipyard partners for the assessment of Floating LNG execution.

Regarding onshore pipelines, a comprehensive programme is on-going for improving and optimising several different aspects of the design and construction procedure. In particular, the Smart Pipeline concept is pursued by robotised application of optical fibres for continuous monitoring over the whole pipeline or specific sections (PIMS - Pipeline Integrity Monitoring System). Any critical situations in terms of temperatures, local strains, leakages are promptly detected and mitigating action may start accordingly.

Relevant to High Octane technologies, the ongoing activities of XSIGHT Division include:
- integrating the full process plan into a single simulation tool, reducing PDP (Process Design Package) preparation time;
- further improving the knowledge of high purity Isobutene technology proprietary

catalyst by involving a qualified, external laboratory;
- investigating new technical solution for existing technologies: e.g. the use of high efficiency trays instead of conventional ones in SuperFractionation™ unit;
- investigating existing technologies present in the Saipem portfolio to identify possible new applications.

In the medium-long term, targeting progressive decarbonisation of energy and overall CO_2 reduction, Saipem is pursuing several and diversified actions:
- *CO_2 Management*: the Company is building a technology portfolio to deal either with purification of natural gas from reservoirs with high content of CO_2 or capture of CO_2 from combustion flue gas in power generation and industrial processes;
- *Reduction of Gas Flaring* (mostly natural gas, emissions): a few specific activities have been carried out with relation to real cases; innovative solutions are being developed;
- *Hybrid solutions*: application of novel approaches to optimise integration of renewables/energy storage concepts with fossils exploitation in Oil&Gas operations, both onshore and offshore;
- *Circular Economy*: the development of innovative technological solutions to sustainably treat waste or residual feedstock from the Oil&Gas industry.

In the above context, focusing on carbon capture technologies, it is worth outlining the licence agreement signed with ITEA (a Sofinter Group company) to produce, through ITEA's proprietary Isotherm Pwr® 'Flameless' Oxy-Combustion Technology, steam, electricity and pure CO_2.

In the onshore renewables field, technology efforts are dedicated to concentrated solar and bio-refineries. In addition, XSIGHT Division has recently signed an agreement with KiteGen Research for the development of an innovative device that generates electricity from high altitude winds, by using kites; the concept can be extended also for offshore applications.

In the offshore renewables, after the successful installation of the first floating Wind Farm in the world (Hywind Scotland Project for Statoil), Saipem is proceeding in its diversification path by developing an innovative floater design called HexaFloat specifically designed for the future large-scale offshore wind turbines (10 MW and beyond).

As a result, the European project AFLOWT, supported by Interreg North West Europe, was launched early 2019 with the objective of installing a full-scale demonstrator of the HexaFloat solution off the coast of Ireland in 2022. Saipem is also pursuing several other solutions.

As regards environment protection, and particularly 'Oil Spill Response', Saipem has completed, in Trieste, the most technologically advanced structure to tap an underwater oil well in uncontrolled blow-out. The Offset Installation Equipment (OIE) allows for rapid resolution of environmental disasters such as that of the Deepwater Horizon platform in the Gulf of Mexico in 2010.

Sofresid Engineering developed the OCTOPOL© barge, which has been recently prized as the only concept addressing the issue of ballast water treatment as a port solution taking into consideration its economic viability, at the 1st 'Trophée de l'Innovation Océan® - Croissance Bleue & Développement Durable', in France.

Within the complete framework of technological development activities, Saipem filed twelve new patent applications in the first half of 2019.

Within the framework of 'disruptive' innovation, Saipem is consolidating its efforts in the 'Innovation Factory', launched in 2016 to address the challenges of the sector through the adoption of novel technologies and new methodologies, aimed at changing the way Saipem works, not only to increase efficiency and productivity but also to discover and pursue new value propositions.
Carefully defined strategic issues, agile approach, rapid prototyping, digitalisation, cross-industry open innovation and promotion of innovative thinking are the key factors for going after success.
Approximately twenty Proof of Concepts have been delivered so far, and four of them have passed to the piloting phase in divisions with interesting results.

The XSIGHT and Offshore Drilling divisions both concentrated on digital plant enhancement projects to reduce unexpected downtime and ensure asset integrity through the adoption of smart technologies of Industry 4.0.
The XSIGHT Division is developing Artificial Intelligence (AI) and internal data science tools for project definition.

HEALTH, SAFETY AND ENVIRONMENT

Helth and Safety

During 2019, we continued to pursue our main objective of ensuring the health and safety of our people, the essence of how we operate. With regard to safety statistics, Saipem continues to perform better than its peers[1], although in the first six months of 2019 the recorded TRIFR value (number of incidents recorded for every million hours worked) was 0.71. This value shows an increase compared to previous performances (TRIFR = 0.44 in 2018) following a steady decrease that had been recorded for several years.
Furthermore, there was an increase in the LTIFR index (Lost Time Injury Frequency Rate) which surpassed the value of 0.13 (2018) increasing to 0.30 (as of June 30, 19). Unfortunately, there were also three fatal accidents, which involved colleagues working on projects in Chile, Azerbaijan and Saudi Arabia. All of these tragic episodes have been thoroughly investigated, as per our international procedures and best practices. The causes and related improvement measures have been identified, implemented and shared within the Group as lessons learned.

The reversal of this trend, although still partial as it relates to the first half of the year, has led the Company to focus its attention on health and safety issues, the development and updating of its HSE management system and the dissemination of different initiatives to raise awareness in all Saipem operations.

Some specific initiatives promoted by Saipem are:
- the **'Leadership in Health & Safety'** (LiHS) programme which is still widespread and deep-rooted in all Saipem operations, also following a specific LiHS Re-boost initiative to relaunch the programme through dedicated workshops, class training sessions, cascading activities, the dissemination of Leading Behaviours and the delivery of Choose Life workshops. The programme is often extended to contractors;
- the **'Life Saving Rules'** campaign, which references life saving rules issued directly by the IOGP - International Association of Oil & Gas Producers. These rules were adopted and disseminated by Saipem with materials that were dedicated to and customised for Saipem. Within this widespread campaign there is also a specific programme structured to avoid events linked to objects falling from height, which represents a significant cause of accidents. The programme involves dedicated instruments including specific training, video communication initiatives and posters and the careful identification of responsibilities for the figures involved in operating processes; The central element of the entire campaign is the short film 'Choice not Chance', created by the Offshore Engineering & Construction Division and made available by Saipem in a limited manner to the entire industry for non-commercial uses through the LHS Foundation;
- the new 'Belt up or get out' campaign reinforces the messages that the use of seat belts in vehicles is mandatory, to stay within speed limits and to prohibit the use of mobile phones while driving. In order to convey the message clearly and effectively, this campaign is also accompanied by support material that is easy to use and understand, such as posters and videos;
- the ambitious goal of the LHS Foundation to innovate the way of communicating health and safety issues, involving as many people as possible throughout Italy continues thanks to the 'Italy Loves Security' project. Italy Loves Security is a movement of people, called Ambassadors, composed of professionals, teachers, trainers, workers, private citizens, who believe in the need to act to combat the phenomenon of workplace fatalities and promote cultural change, starting from the methods of communicating these themes, focusing on modern languages, which can be emotionally involving and can impassion people;
- strengthening of the 'Asset Integrity Management System', a system for the prevention of major accidents that involves the management of critical elements and the identification and timely monitoring of key indicators of specific project and group performance;
- the continuation of the numerous training activities always guaranteeing high quality standards of the training provided and the initiatives linked to the prevention of falls from a height, of 'dropped objects' and to

(1) IOGP - International Association Of Oil & Gas Producers, IADC, International Pipeline & Offshore Contractors Association, IMCA International Marine Contractors Association, IPLOCA - International Pipeline & Offshore Contractors Association, and of many competitors.

the protection of hands 'Keep Your Hand Safe';
- the improvement of IT tools to support HSE staff, to facilitate KPI reporting processes, consolidate the HSE audit process, and facilitate data analysis in order to identify areas for improvement.

Further evidence of the Company's commitment to health, safety and the environment is represented by the objective of achieving the transition to the new international standard ISO 45001 (Health and safety in the workplace management systems) by the end of 2019. To achieve this goal, the independent external certification body DNV-GL will conduct checks, in 2019, over the course of 60 days in various Saipem sites, projects and companies around the world.
The final target will be to confirm ISO 14001 certification (Environmental management system) and obtain ISO 45001 certification (replacing OHSAS 18001) for the entire Saipem Group.

Environment

Saipem also pursues continuous improvement in environmental performances, adopting strategies to reduce and monitoring of environmental impact and to conserve and make the most of natural resources. Achieving these objectives requires the dissemination of environmental awareness at all Saipem projects, sites and offices.
During the first half of 2019 Saipem has confirmed its objective of strengthening its commitment to specific aspects, including the following:
- energy efficiency: reducing its energy use and accompanying clients in their energy transition is one of the company's objectives. At the end of 2018, Saipem issued its first four-year strategic plan for the reduction of Greenhouse Gases (GHGs). The plan includes all the efficiency initiatives identified by each Division and by Corporate whose implementation will result in a saving, in the period 2018-2022, of 120,000 tonnes of CO_2 equivalent. With regard to the process of reporting emissions for 2019, a further extension of the area of application was planned, in particular as regards indirect emissions (Scope 3). The entire process, just as in 2018, provides for third-party certification of both the methodology and the software used for the calculation process;
- environmental communication and awareness: also for the first half of 2019, initiatives were sponsored to motivate and make staff aware of the issue of environmental protection and correct management aspects. In particular, in March the World Water Day Campaign was launched, this year on the theme 'Leave no one Behind' and in June, for the annual celebration of 'World Environment Day' (WED), the United Nations Environmental Programme (UNEP) has launched on the theme 'Beat Air Pollution'. Saipem took part, sponsoring these campaigns in its own sites and projects. For each event, dedicated material was developed, shared with each Division and made available on the company intranet. The results achieved by the divisions have been and will be reported in a dedicated section of 'e-News', an internal disclosure document, issued every four months, which focuses on initiatives and projects carried out in the company and that impacts the environment;
- spill prevention: spills are one of the most important environmental aspects for the industry in which Saipem operates. Preventing spills and response measures are an absolute priority for Saipem. Saipem operates by minimising the risk of a spill and is equipped with state-of-the-art equipment and procedures to implement mitigating measures and to manage emergencies. In particular, in 2018 the process of mapping critical elements, potential sources of spillage, present in all the Yards and in most of the offshore vehicles was completed, while Risk Assessment will be completed in 2019.

As has happened in the past, all the initiatives mentioned above, both health and safety and environment, are part of the continuous improvement process that derives from careful analysis of accidents, HSE audit results, internal and external, and requested by stakeholders and from various HSE reviews by company management.

HUMAN RESOURCES

Organisation and Quality

During the first half of 2019, Saipem continued to pursue the objectives of simplification, innovation, effectiveness and efficiency, which are the basis of the divisional model, further strengthened by the programme 'towards a new organisational structure', concluded in 2018.
At the same time, in order to effectively respond to the ever-changing conditions of the markets in which Saipem operates, the organisational initiatives and measures developed by the divisions and by the Corporate structure have been oriented towards the search for maximum operational flexibility, improved performance and company governance processes, in constant adherence to the principles of compliance and governance.
The following main activities have been carried out:
- definition of the principles and instruments underlying the role and guidance, coordination and control actions exercised by the Corporate structure and by Saipem divisions towards local entities;
- identification and introduction of innovative digital solutions aimed at simplifying the regulation and effective digitalisation of the Processes and, at the same time, facilitating the consultation of the current Company Regulatory System;
- development of the 'Keep on Changing' initiative, which aims at fostering awareness and the continuous development of the main areas of change and at guaranteeing the right commitment by Saipem personnel at all levels;
- definition of an organisational model for Cyber Security, aimed at optimising aspects of IT security and integrity, and aligning the operational and organisational model of 'Digital & Innovation' both at Corporate and Division level, aimed at promoting, guiding, and implementing company transformation initiatives.

At the Division level, the following main organisational measures were implemented:
- Onshore Engineering & Construction Division: launch of the 'Turnaround Programme' aimed at defining a new operating model, necessary to the achievement of the new strategic objectives of the Division;
- Offshore Drilling Division: establishment of the position of Area Coordinator with the aim of ensuring the protection of business interests in the various countries which are of interest to the Division, guaranteeing the development of relations with clients, institutions and local stakeholders;
- XSIGHT Division: establishment of the 'Business Development And Commercial Strategies' function in order to ensure effective management of Business Development activities and the definition of strategies and business plans with a cross-sectional view of the various Division products;
- Offshore Engineering & Construction Division and Onshore Drilling Division: fine-tuning of organisational structures, aimed at optimising the adopted operating models.

With regard to Quality management, with a view to continuously improving the Quality Management System and the related development, measurement, analysis and adaptation processes, the following actions have been taken:
- overall review of the organisational structure and the 'Multisite' certification scheme pursuant to Saipem's ISO 9001, seeking greater consistency with the divisional configuration of the Company and with the increasing autonomy attributed to the divisions;
- development of an initiative aimed at obtaining optimal dissemination of quality 'culture' at the Group level, as well as increasing awareness and sensitivity of the principles related to it;
- in line with previous years, optimisation of the methods and tools supporting the Quality and Management Functions of the Company and of the various Saipem companies, for effective management of the overall Group Quality System with particular reference to:
  a. Lessons Learned, Customer Satisfaction and 'Cost of non Quality', with the aim of improving its application to projects;
  b. Performance Indicators (PI), with the objective of simplifying the indicators and the processes of detection, collection and analysis;
- regulation by the divisions of the Quality Assurance and Control processes in projects, aimed at guaranteeing a more effective, efficient and systematic application of the project Quality Management System;
- analysis of the planning and execution process of the 'Quality System Internal Audit', which pursues an integrated and coordinated vision of the activities.

In addition, as part of the 'Regulatory System Updating' programme, the updating of Saipem's documentation and the overall adaptation of Saipem's system of powers and delegations in compliance with the specific needs of each individual business continued.

Human Resources Management and Industrial Relations

During the first half of 2019, in line with the objectives and related initiatives for maximising operating efficiency previously underway, monitoring and control activities continued on main management issues.
In particular, these actions were directed towards the search for a more structured and methodical control of the main management phenomena connected to the workforce, such as the recognition of extraordinary services, the monitoring of costs linked to travel, the correct use of holiday periods and rest days. By virtue of the new divisional structure, these were realised through a synergistic cooperation between the corporate structures and the Division structures.
The achievement of these objectives has been ensured also through the involvement of the trade unions, with which objectives and implementation tools have been shared, aimed at supporting the company's competitiveness in the reference scenario that continues to be particularly challenging and critical.
With a view to consolidating relations and the company's commitment to strengthening dialogue with the social partnership, the second edition of the European Works Council (EWC) of the Saipem Group was held in June. Meetings with Company Management took place in France, at the headquarters of Saipem SA, and involved 22 employee representatives from the Group's companies operating in the countries of the European Economic Area, in addition to the national and general representatives of the Italian Trade Unions. The main topics discussed during the three days of meetings concerned the planning process of the strategic skills of Saipem resources, the sharing of some company initiatives undertaken in the field of diversity, the further development and launch of initiatives in terms of agile working also internationally and an in-depth study of HSE issues with particular reference to the definition and monitoring of objectives and training issues.
With reference to the human resource management processes, during the first half of 2019 the company started a pilot project aimed at experimenting more innovative and agile working methods through the 'FlexAbility' Smart Working programme. The objective of the project is, in the medium-long term, to develop a new work model that is more focused on empowerment and widespread participation in achieving results, strengthening widespread leadership and company policies aimed at rewarding initiative, cooperation and the strengthening of skills.
The beginning of this experimentation also involved the Trade Unions, both through a process of sharing and monitoring the objectives of the programme, and through the implementation of the Agile Working agreement signed at the end of 2018.
Measures aimed at ensuring a generational change of resources continue, while respecting the safeguarding of business-critical skills, through the use of management tools such as Article 4, of the Fornero Law, a programme that is expected to conclude by the end of 2019.

With regard to Industrial Relations in Italy, in the first half of 2019 the relationship with the Trade Unions remained constant and constructive, both at the level of the National Secretariats and with the Rappresentanze Sindacali Unitarie (trade union representatives) of the various offices.
With regard to national bargaining in the sector, negotiations between employers and trade unions began in Confindustria Energia in order to reach an agreement for the renewal of the Energy and Oil National Collective Labour Agreement.
In terms of company agreements, the agreement relating to the 2018 Production Bonus was signed which, with reference to the new defined approach, ensured a stronger and direct correlation between the results achieved at company and divisional level and the related payment of the amounts paid to the resources.
The possibility of converting a portion of the Production Bonus into Welfare services was also confirmed, an aspect particularly appreciated by the high percentage of resources who, in line with what happened in the past years, opted for this choice.

On the International Industrial Relations front, the first half of 2019 was characterised by the renewal and new signing of collective agreements with trade unions in Peru, Mexico, Nigeria and Indonesia to protect the workforce employed at construction sites, on projects and in drilling. Furthermore, in France, Saipem SA has entered into two agreements with the trade unions regarding the introduction of the pilot project of 'teletravail', an initiative attributable to the Smart Working 'FlexAbility' programme, and the recognition of an exceptional bonus, the 'Prime Macron', in compliance with current legislation.

Skills and knowledge

As part of the process of change and profound transformation of the energy sector, in order to

ensure full and precise availability of professional skills in line with the evolution of market demands, a new model of management and development of human capital has been introduced oriented to the planning and enhancement of professional skills.
The starting point of this model is represented by the process of mapping the available skills and the creation of a real library in which all the knowledge held in the company with respect to the different reference businesses were systematised. In line with the work of mapping and updating skills, the system of professional roles was also reviewed and rationalised with a view to ensuring a closer connection with the guidelines defined in the business plan and a more precise correspondence with the skills required by the market. Downstream of this process, each role today is composed of a 'DNA' of distinctive and specific skills.

Consistently with the HR strategy aimed at safeguarding and enhancing the distinctive skills – which focuses on the Saipem resource intended as the bearer of a set of critical business skills and extended experiences gained over the course of a working life – a process was developed. Strategic Workforce Planning, to support and integrate the consolidated HR Planning process, focused on the professional roles which are identified as 'core' by the various divisions and closely linked to indications in the Saipem Strategic Plan.

The adoption of a new skills planning model, which begins with an analysis of the qualitative and quantitative aspects associated with the resources (Supply) with regards to the specific requests of the business (Demand). It will allow a more effective capacity for planning and controlling human capital and distinctive professional skills.
Therefore, the strong link between this model and the talent attraction and development strategies that will be oriented and linked to monitoring and analysis of the evolution of skills and the internal and external market is further strengthened.
Long-term partnerships with educational-training institutions, as well as with the main market players in the field of talent attraction, play an important role within the best practices regarding training, research and consolidation of specific professional skills.
For the creation of skills, the commitment of the 'Sinergia' programme continues through a new initiative, which includes an intense training course lasting six months and offered after high school graduation called High School Drilling. It is an accelerated journey for young Tour Pushers to be groomed in a short period of time for an international career as a Rig Manager.

In addition to the search for traditional profiles in the Oil&Gas industry, Saipem is moving towards the search for resources with advance technological and digital skills, such as, for example, the electro-technical skills dedicated to cyber based systems, expertise in the field of data science and big data, cyber security skills, as well as knowledge in the subsea engineering field also at the international level.
This evidence has led to a detailed analysis of the universities and courses more closely related to the professionalism sought, which has allowed us to draw up a plan of employer branding events by type, specialisation, gender and geographical area closest to the needs of the business. In the first six months of the year, Saipem was present in six schools and went to seven universities, meeting 900 students who are a potential resource pool for Saipem, as they are studying subjects that are in line with its needs.
The Attraction 2019 strategy was aimed at consolidating the missing core skills in the Saipem domestic market; among the initiatives, the Up-Skilling Programme launched by the Onshore Engineering & Construction Division for junior and expert positions, both Italian and international, with strategic skills for future projects (JV/partnership management, cryogenic tanks, maritime works gravity base structures).
The fundamental role of transversal training in international training centres in order to make the most of technical skills has been confirmed: Schiedam, for technical and HSE skills and Ploiesti for welding activities.
The project management academy was launched, an assessment and evaluation programme dedicated to the professional family of project managers, in which the most relevant professional and managerial skills are identified and developed for optimal coverage of the role of project manager; in this context, the Onshore Engineering & Construction Division has developed a continuous improvement path, called 'PM Takeaways', characterised by sharing the 'lessons learned' of the project teams.

The initiatives aimed at giving ever greater focus to the Leadership Model, a reference paradigm for all the divisions, including the Managerial Academy, structured training with the objective of strengthening the behavioural skills linked to the six pillars of the Saipem Leadership Model continue.
The 'Communication skills - Be a Leader' training initiative was particularly important in supporting Saipem Managers in their responsibilities for managing and developing people.
Saipem's focus on the development of managerial resources was highlighted in two important initiatives in the first half of 2019: the 'Leadership Path' - a Master's in General

Management dedicated to Managing Directors and upcoming Senior Managers, provided together with the MIP-Politecnico di Milano – and a new training initiative, called 'Leadership Build Up', dedicated to recently appointed executives, with the aim of enhancing transversal managerial skills for business and company departments.

Compensation

The Remuneration Policy Guidelines for 2019 defined in light of new market challenges that must be addressed, are intended to attract, motivate and retain high-profile professional and managerial resources in order to strengthen the alignment of shareholders' interests and management in the medium to long term. With the goal of selectively rewarding those skills that have a greater influence on business results and are able to offer a distinctive and decisive contribution to the success of company strategy, guaranteeing that those skills remain in the company.
The '2019 Remuneration Report' in which the guidelines are explained, was drawn up in compliance with Article 123-*ter* of Italian Legislative Decree No. 58/1998 and Article 84-*quater* of Consob Issuer regulations and was approved by the Board of Directors of Saipem on March 11, 2019, and by the Shareholders' Meeting on April 30, 2019.

As the main element of innovation, the Remuneration Policy Guidelines for 2019 have provided for the revision of the Long-Term Variable Share-based Incentive Plan (LTI) for all managerial resources. The new Long-Term Variable Incentive Plan 2019-2021 (LTI) is characterised by three annual allocations starting from October 2019, with the free assignment of Saipem ordinary shares (performance shares) upon the achievement of specific performance objectives measured at the end of the three-year reference period. Particular attention was paid to the definition of the performance indicators and targets and assessment parameters of the same, with a view to strengthening their solidity and creating value for the shareholders.

During 2019, the deployment of the company objectives for 2019 related to the Short-Term Variable Incentive Plan was carried out and specific Division objectives were defined, according to a top-down process for the entire managerial population. These objectives are consistent with Saipem's strategic objectives, the evolution of the market scenario and new business challenges.

Following the report of company objectives and management performance assessments for 2018, the Company has awarded individual Short-Term Variable Monetary Incentives as provided for by the Remuneration Policy proposals for 2019.

Innovation

The Human Resources function promotes cultural changes aimed at the dematerialisation and digitalisation of processes. During 2019, in order to pursue HR Digital transformation objectives, an inter-departmental project team was set up to define a long-term work plan aimed at overall improvement of the digital journey of an employee. The strategic and functional objectives to prepare for HR Transformation were identified and shared and consequently seven primary digitalisation initiatives were identified along with the related implementation proposal. In the coming months the project team will work on the

Year		First half average workforce	
2018	(units)	2018	2019
12,266	Offshore Engineering & Construction	12,273	12,946
12,454	Onshore Engineering & Construction	12,519	12,095
1,722	Offshore Drilling	1,759	1,650
4,503	Onshore Drilling	4,538	4,575
849	Staff positions	812	893
31,794	**Total**	**31,901**	**32,159**
5,703	Italian personnel	5,737	5,693
26,091	Other nationalities	26,164	26,466
31,794	**Total**	**31,901**	**32,159**
5,504	Italian personnel under open-ended contract	5,551	5,426
199	Italian personnel under fixed-term contract	186	267
5,703	**Total**	**5,737**	**5,693**

Dec. 31, 2018	(units)	June 30, 2018	June 30, 2019
5,559	Number of engineers	5,375	5,678
31,693	Number of employees	31,779	32,172

implementation of at least two carefully selected initiatives.
Within this framework of HR Digital Transformation further initiatives have been introduced during the implementation phase, aimed at making the experience of Millennial resources in the company more interactive, through a new largely digitalised selection process, greater use of the training contents through e-learning and new non-monetary benefits policies that appeal to new generations.
Furthermore, training initiatives were launched to spread knowledge of productivity and collaboration tools, as well as a gamification project called Xgames, by the XSIGHT Division, with the aim of promoting greater knowledge and dissemination of company procedures through new learning methods.
With the same framework, Saipem promotes the culture of feedback and flexibility in assigning and evaluating professional and behavioural objectives. The design of a new Performance Evaluation process based on continuous feedback is in progress. In addition to a new way of exchanging feedback between colleagues regarding the activation of behaviours expected by the Leadership Model, with a view to self-development and to guide professional growth.

As announced, during the first half of 2019, the company launched the 'FlexAbility' Smart Working Programme, which aims to build a new working model that can best take advantage of opportunities and face future business challenges, combining improved company performance with an improvement in the work/life balance of its resources.
The experimental phase of the Programme currently involves a pilot population of workers in Italy, France and Great Britain, with the aim of extending the perimeter of resources and countries involved.
The main measures that have been implemented in the HR area include the introduction of 'remote working' by signing agreements with union representatives and in compliance with local legislation, as well as a series of training/information initiatives covering digital, technological and health and safety issues.
These actions were accompanied by the launch of a 'digitalisation' process, which developed with the introduction of new technologies, new tools and the dematerialisation of some work processes, with the aim of optimising and making work activities more efficient.

Occupational Health and Medicine

The first half of 2019 saw the consolidation of ongoing activities and the planning of new projects aimed at protecting and maintaining the health of all Saipem personnel.
Important partnerships have been useful for the implementation of new and interesting initiatives that have involved Saipem employees. As an integral part of the WHP (Workplace Health Promotion) programme, a partnership was undertaken with INAIL (National Institute of Occupational Accident Insurance), ACI (Automobile Club of Italy) and the Region of Lombardy for the promotion of health and the prevention of road accidents.
The partnership with Humanitas Research Hospital has enabled the launch of the weekly newsletter that informs our colleagues on topics of common interest in the field of Science and Medicine, directly through subscription to the emailing list or indirectly through the intranet.
In the first half of the year, credit was made available for non-compulsory vaccination through the company Welfare system.
A project dedicated to Posturology, called 'Healthy workplaces: a model for action' was also launched as part of the promotion of company well-being.
In response to the incident that occurred due to an explosion on board the vessel 'Israfil Huseynov' that was operating in the Caspian Sea as part of the Shah Deniz II project, a process of consolidation of the 'Post-Traumatic Stress Disorders' psychological support for personnel involved in major emergencies was commenced.
For the purposes of Inter-Departmental cooperation and the integration of skills, two different working groups have been set up with participants from Corporate and the Services Centre. The first with the main objective of setting up and launching a tender for the provision of Occupational Medicine services for the year 2020. The second Working Group focused on the technological implementation of the 'Sì Viaggiare' app.
With reference to the processing of personal data, as well as to the free circulation of the same (EU Regulation 2016/679, May 25, 2018) the process of updating the 'GIPSI' software for the protection of individuals with regard to the processing of personal data, as well as the free circulation of such data came to an end.
Furthermore, as part of the progressive digitalisation and updating of existing tools, the pre-travel Health & SECUR information system for all Saipem personnel destined to operate abroad was consolidated and made fully operational.
Again this year the commitment to health promotion in the field of 'Fighting Smoking' No Smoking Building and second-hand smoke was reconfirmed, as well as cooperation within the scope of providing scientific support on Welfare initiatives within the company.

INFORMATION TECHNOLOGY

In the first half of 2019, Digital/ICT activities were spread over a new internal organisation based on four areas: the Corporate Digital Transformation function, focused on maximising the level of Digitisation in Saipem, the Corporate Services Centre, to support ordinary infrastructure management and ICT applications; for each Division, a Division ICT function for monitoring the Digital and ICT demand coming from the business; and finally, the introduction of a department dedicated to the management of Cyber Security.
This structure places a greater emphasis on the digital transformation initiatives of the company which have been identified through the divisions, concentrating the ability to supervise the maintenance and evolution of the internal information system in the Services Centre while dedicating resources to the prevention and management of technological risk.

In strategic terms, compared to 2018, the IT Adaptive Sourcing project has fundamentally revised the IT services provided, with the aim of reducing unit costs and at the same time introducing new technical and architectural solutions. The project, launched in 2017, brought profound change starting in 2018 in the structure of ICT sourcing and the service management model; Saipem has selected four main technological and service partners, both as individual companies and as a grouping of companies, by defining contracts with Tata Consulting Services, Accenture, DXC with Orange and Accenture with Orange, to cover a wide range of infrastructural and application services.

The transformation of centralised infrastructure services, which saw its peak activity in 2018, was completed in the first half of 2019 with the residual migration activities towards private and public cloud infrastructures, absorbing the impact from additional activities introduced following the cyber attack which occurred in December 2018.

The transformation of the geographic network international connections, as well as of the local IT services for foreign associated companies continues, as it does for current project sites and those in the process of acquisition.

The transformation of management and business applications included in the scope of work of the IT Adaptive Sourcing project have been completed. The process of continuous improvement continues.

The extension of the new model is being adopted on Saipem fleet vessels with particular attention to the design aspects dictated by Cyber Security.

The service delivery model arising from the new contractual and organisational structure in the ICT area of the Services Centre is based on the concept of the supply ecosystem. Its objective is to ensure that Saipem's needs are covered adequately thanks to the effort made to cooperate both for single instances and for when collaboration and integration is required to meet those needs.

The adoption of ServiceNow as a service management platform made it possible to implement the new service delivery and management model by defining a Services Catalogue and designing support processes aimed at simplifying the User's experience.

Set up continues of the Saipem Run Digital project with the objective of enhancing the possibilities for innovation in view of the upcoming transition from SAP R/3 to SAP4HANA. The processes examined, within a portfolio of digital corporate and divisional initiatives, are particularly linked to the Administration and Finance, Purchasing and Post-Order functions, but also to certain aspects of human resource management.

The separation from Eni's information systems is in progress, as planned.

In the Procurement area, the adoption of the SAP/Ariba Cloud platform was also completed for the management of electronic tenders for complex services.

Digital/ICT initiatives in the business area have been set up to revolve around the strategic need to develop a data-centric approach and a complete digitisation of corporate work processes. Developments in the sphere of business were oriented on one hand towards the automation of processes, according to a transformation approach called Project Information Management, which was introduced as a joint initiative for company improvement and made available to the Division Engineering, Project Management, Quality and Construction functions, and on the other hand towards the enhancement of the company data assets, by adopting innovative Big Data solutions which have already been moved to Cloud Azure, in order to make use of greater storage and computing power.

The outcome of initiatives carried out in the last 18 months is the identification of the PLM platform by Dassault Systemes as supplemental to project collaboration flows.

New initiatives have been started in the infrastructural area, in particular optimisation and management tools of the centralised infrastructures, using the technical tool Splunk for managing huge amounts of data, with which numerous areas of technical analysis were covered for correct analysis, configuration and management of IT systems. The experiments initiated with IT Adaptive Sourcing and the parallel development of methodologies and solutions to support smart working, have enabled the adoption of the Cloud e-mail service based on Microsoft's Office 365 collaboration suite. Migration was completed in the first half of 2019.

Governance, compliance and security processes were all carried out successfully according to schedule during the year. Activities were carried out required by company control methodology for SAP and Oracle Peoplesoft HCM, as well as for main application software, allowing internal client managers to perform the controls required by company rules.

Cyber Security

In March 2019, the Cyber Security function was set up, reporting to the corporate Security function, in order to focus on the issue of risk associated with IT security after the cyber attack suffered by Saipem in December 2018.

The restoration of the infrastructures that were affected by cyber IT attack continued following a tested and consolidated protocol using the most advanced protection tools on the market in order to increase the level of data security.

The new function aims to verify compliance with and correct implementation of operational policies and guidelines for managing Saipem workplace safety.
This approach applies both to the corporate and division structure and to projects, both for the security of the Information Technology infrastructures and for Operational Technology (industrial IT).

On the basis of the design proposed by the National Framework for Cyber Security and Data Protection (FNCS) and the EU Network and Information Security (NIS) Directive, the Advisor Leonardo, selected by Saipem, indicated the organisational configuration suitable for the implementation of Cyber Security capabilities provided by the model.

The Compromise Recovery plan was set up in two phases: the first phase ended in April and involved the segregation of identity management servers (Active Directory), and the elimination of vulnerabilities encountered by Microsoft during post-attack analysis.
The second phase consists of several measures, including the training of outsourced technical staff and the review of management processes.

Although Saipem is not classified as a critical infrastructure and therefore not subject to the European NIS Directive (Network Information Security), it has been included in the list of strategic companies at country level and therefore admitted to institutional support for the performance of preventive activities, related to cyber threats and attacks.

In this context, the operational protocol was signed with the Prime Minister's DIS (Department of Information Security) for Threat Intelligence activities.

In this context, the Advisor Leonardo supports Saipem in the implementation of a CSIRT (Computer Security Incident Response Team) for the management of first and second level security measures, coordinating the activities carried out by the SOC (Security Operations Centre). This initiative is aimed at guaranteeing the continuous execution of technical updating measures and monitoring through adequate protection tools.

Leonardo has also completed an assessment to detect the general condition of IT security.

RISK MANAGEMENT

Saipem implements and maintains an adequate system of internal control and risk management, composed of instruments, organisational structures and procedures designed to safeguard company assets and ensure the effectiveness and efficiency of company processes, reliable financial reporting, as well as compliance with laws and regulations, the Articles of Association and internal procedures. To this end, Saipem has developed and adopted an Enterprise Risk Management model that constitutes an integral part of its internal control and risk management system. This model has done this with the aim of obtaining an organic and overall vision of the main risks for the company that may impact strategic and management objectives, ensuring greater consistency of methodologies and tools to support risk management, and strengthening awareness, at all levels, of the fact that an adequate assessment and management of risks may impact on the achievement of objectives and on the company's value.
The structure of Saipem's internal control system, which is an integral part of the company's organisational and management model, assigns specific roles to the company's management bodies, compliance committees, control bodies, company management and all personnel. It is based on the principles contained in the Code of Ethics and the Corporate Governance Code, as well as on applicable legislation, the CoSO Report and national and international best practices. Additional information on the internal control system and risk management, including details concerning its architecture, instruments and design, as well as the roles, responsibilities and duties of its key actors, is contained in the Corporate Governance Report and Shareholding Structure document.
The Saipem Enterprise Risk Management model provides for the assessment of risks on a half-yearly basis both for the Group at the Corporate and division level and for the subsidiaries that are strategically relevant and that are identified on the basis of economic-financial and qualitative parameters. Risk assessment is performed by Saipem management through numerous meetings and workshops coordinated by the Corporate and division Enterprise Risk Management functions. In particular, risk assessment is performed by assessing in detail the risk events that could impact Saipem's strategic and management objectives, taking into account the changes in the business and organisation model and company procedures, developments in the external environment (specifically, political, economic, social, technological and legal aspects) and the relevant industry and competitors.
Furthermore, Saipem has developed a process to monitor the Group's main risks on a quarterly basis through specific monitoring indicators on the evolution of risk and related mitigation activities.
At the same time, on an annual basis, Saipem performs an interrelation analysis between the Group's main risks.
Furthermore, starting from the analysis of materiality carried out by the Sustainability function (more information on this tool is present in the specific, detailed section within the 'Consolidated Non-Financial Statement'), a focus group was introduced to identify the main themes which, according to Saipem's senior managers, are the most risky for the company and to assess the potential impact they may have.
Saipem is exposed to strategic, operational and external risk factors that may be associated with both Saipem's business activities and the business sector in which it operates. The occurrence of such risks could have negative effects on the Company's business and operations and on the income, balance sheet and/or financial situation of the Group. The following are the main risk factors identified, analysed, assessed and managed by Saipem management.
These risk factors have been assessed by management for each individual risk in the framework of drafting the half-yearly and, where deemed necessary, the possible liability was provided in an appropriate provision. See the 'Notes to the condensed interim consolidated financial statements' for information on liabilities for risks set aside.

List of risks

1. Financial risks
2. Risks related to strategic positioning
3. Legal and tax risks
4. Risks related to technological development
5. Risks related to health, safety and the environment
6. Risks related to profit margins
7. Risks related to commercial positioning
8. IT risks
9. Risks related to human resources
10. Risks related to the supply chain
11. Business integrity risks
12. Risks related to the political, social and economic instability
13. Risks related to business processes

1. Financial risks

Description and impact

The volatility of market conditions and the possible deterioration of the financial position of clients can cause delays in both payments from the clients for the services provided based on the contractual provisions and acknowledgement and payment of change orders and claims relating to contracts under execution. These cash flow fluctuations may occur despite the fact that the contractor and client cooperate in the search for an agreement that satisfies both parties, with the aim of not compromising the correct performance of works and of not delaying the completion of the project. Therefore, Saipem is exposed to the deterioration of working capital exposing the Group to economic and financial impacts, as well as a deterioration of the reputation in the industry and in the financial markets.
Furthermore, changes to national tax systems, tax incentives, rulings with tax authorities, international tax treaties and, in addition, risks associated with their application and interpretation in the countries where the Group's companies operate expose Saipem to tax risks.
The main risks that Saipem is facing and actively monitoring and managing are the following:
(i) the market risk deriving from exposure to fluctuations in interest rates and exchange rates and from exposure to commodity price volatility;
(ii) the credit risk deriving from the possible default of a counterparty;
(iii) the liquidity risk deriving from the lack of adequate financial resources to face short-term commitments;
(iv) the downgrading risk deriving from the possibility of a deterioration in the credit rating assigned to Saipem by the main rating agencies.
Financial risks are managed in accordance with Guidelines defined by the parent company, with the objective of aligning and coordinating Saipem Group policies on financial risks.

(i) Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. Saipem actively manages market risk in accordance with the above-mentioned Guidelines and by procedures that provide a centralised model for conducting financial activities.

Market risk - Exchange rates

Exchange rate risk derives from the fact that Saipem's operations are conducted in currencies other than the euro and that revenue and/or costs from a significant portion of projects executed are potentially denominated and settled in non-euro currencies. This impacts on:
- the economic result due to the different countervalue of costs and revenue denominated in foreign currency at the time of their recognition compared to the time when the price conditions were defined and as a result of the conversion and subsequent revaluation of trade or financing receivables/trade payables denominated in foreign currencies;
- the Group's reported results and shareholders' equity, as the income and financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro.

The risk management objective of the Saipem Group is the minimisation of the impact deriving from fluctuations in exchange rates on the result for the year.
Saipem does not undertake any hedging activity for risks deriving from the translation of foreign currency denominated profits or assets and liabilities of subsidiaries that prepare financial statements in a currency other than the euro.
Saipem adopts a strategy to reduce exchange rate risk exposure by using derivative contracts. Hedge transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable (so-called highly probable forecast transactions). To this end, different types of derivatives (outright and swaps in particular) are used. Such derivatives are evaluated at fair value on the basis of market standard evaluation and market prices provided by specialised sources.
Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS).

An exchange rate sensitivity analysis was performed for those currencies other than euro which may potentially impact exchange risk exposure in the first half of 2019 was highest in order to calculate the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in the exchange rates.
The sensitivity analysis was carried out in relation to the following financial assets and liabilities expressed in currencies other than the euro:
- exchange rate derivatives;
- trade and other receivables;

- trade and other payables;
- cash and cash equivalents;
- current and non current financial liabilities;
- lease liabilities.

For derivative instruments on exchange rates, the sensitivity analysis on the relative fair value is carried out by comparing the counter-value fixed in contracts with the counter-value determined at spot exchange rates, adjusted at more or less than 10%, and adjusted using interest rate curves consistent with the expiration dates of contracts on the basis of market prices at year-end.
The analysis did not examine the effect of exchange rate fluctuations on the valuation of long-term contracts because long-term contracts do not constitute a financial asset under IAS 32.
In light of the above, although Saipem adopts a strategy targeted at minimising exposure through the use of various types of derivatives (swaps and outrights), it cannot be excluded that exchange rate fluctuations may significantly influence the Group's results and the comparison of results of individual financial years.
A depreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of -€56 million (-€62 million at December 31, 2018) and an overall effect on shareholders' equity, before related tax effects, of -€185 million (-€201 million at December 31, 2018).
Appreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of €56 million (€63 million at December 31, 2018) and an overall effect on shareholders' equity, before related tax effects, of €185 million (€202 million at December 31, 2018).
The increases/decreases with respect to the previous year is essentially due to variations in the exposed assets and liabilities.

Market risk - Interest rate

Interest rate fluctuations influence the market value of the company's financial assets and liabilities and the level of net finance expense. The objective of risk management is to minimise the interest rate risk when pursuing financial structure objectives defined and approved by Management.
In compliance with established risk management objectives the Finance Department of Saipem assesses, when stipulating variable rate financing, where appropriate, to enter into Interest Rate Swap (IRS) transactions in order to manage fluctuations in interest rates.
Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the IFRS.
Although Saipem adopts a strategy targeted at minimising its exposure to interest rate risk through the pursuit of financial structure objectives defined, it is not to be excluded that interest rate fluctuations could significantly influence the Group's results and the comparability of the results of individual years.

Interest rate derivatives are evaluated by the Finance Department of Saipem at fair value on the basis of standard market evaluation algorithms and market prices provided by specialised sources. To measure the impact of interest rate risk a sensitivity analysis was performed. The analysis calculated the effect on the income statement and shareholders' equity which would result from a positive and negative 100 basis point movement on interest rate levels.

The analysis was performed relating to all relevant financial assets and liabilities exposed to interest rate fluctuations and regarded in particular the following items:
- interest rate derivatives;
- cash and cash equivalents;
- current and non current financial liabilities.

For derivative financial instruments on interest rates, the sensitivity analysis on fair value was conducted by discounting the contractually expected cash flows with the interest rate curves recorded on the basis of year-end market rates, with variations in excess of and less than 100 basis points. With reference to cash and cash equivalents and to variable rate financial liabilities, reference was made respectively to the stock at the closing of the year and to changes in exposure expected in the following 12 months. On this basis, a movement of interest rates has been applied in excess of and less than 100 basis points on interest rates.
A positive variation in interest rates would have produced an overall effect on pre-tax profit of €6 million (€4 million at December 31, 2018) and an overall effect on shareholders' equity, before related tax effects, of €10 million (€8 million at December 31, 2018). A negative variation in interest rates would have produced an overall effect on pre-tax profit of -€9 million (-€8 million at December 31, 2018) and an overall effect on shareholders' equity, before related tax effects, of -€12 million (-€12 million at December 31, 2018).
The increases/decreases with respect to the previous year is essentially due to variations in the assets and liabilities exposed to interest rate fluctuations.

Market risk - Commodity

Saipem's results are affected by changes in the prices of oil products (fuel oil, lubricants, bunker oil, etc.) and raw materials (copper, steel, etc.), since they represent associated costs in the running of vessels, offices and

yards and the implementation of projects and investments.
In order to reduce its commodity risk, in addition to adopting solutions at a commercial level, Saipem also trades derivatives (swap and bullet swaps) in particular on the organised ICE, NYMEX and LME markets where the relevant physical commodity market is closely correlated to the financial market and is price efficient.
As regards commodity price risk management, derivative instruments on commodities were negotiated by Saipem to hedge underlying contractual commitments. Hedge transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable (so-called highly probable forecast transactions). Despite the hedging instruments adopted by the Company to control and manage commodity risks, Saipem cannot guarantee that they will be either efficient or adequate or that in future it will still be able to use such instruments.
Commodity derivatives are measured at fair value by the Finance Department of Saipem on the basis of standard market evaluation algorithms and market prices provided by specialised sources.
With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on shareholders' equity, before related tax effects, of €2 million. A 10% negative variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on shareholders' equity, before related tax effects, of -€2 million.

(ii) Credit risk

Credit risk represents Saipem's exposure to potential losses deriving from the default of counterparties. As regards counterparty risk in commercial contracts, credit management is the responsibility of the divisions and of specific corporate Finance and Administration departments operating on the basis of standard business partner evaluation and credit worthiness procedures.
For counterparty financial risk deriving from the investment of surplus liquidity, from positions in derivative contracts and from physical commodities contracts with financial counterparties, Group companies adopt Guidelines issued by the Finance Department of Saipem in compliance with the centralised treasury model of Saipem. In spite of the measures implemented by the Company in order to avoid concentrations of risk and/or assets and for identifying the parameters and conditions within which hedging instruments can operate it is not possible to exclude the possibility that one of the Group's clients may delay payments, or fail to make payments, within the defined terms and conditions.
Any delay or default in payment by the main clients may imply difficulties in the execution and/or completion of projects, or the need to recover costs and expenses through legal action.
Assessment of the recoverability of financial assets with counterparties of a trade and financial nature was made on the basis of the so-called 'expected credit loss model' illustrated in the paragraph entitled 'Write-down of financial assets' in the 2018 Annual Report.

(iii) Liquidity risk

The evolution of working capital and of financial requirements is strongly influenced by the invoicing time frames for long-term contracts and the collection of the relevant receivables. Consequently, and despite the fact that the Group has implemented measures targeted at ensuring that adequate levels of working capital and liquidity are maintained, possible delays in the progress of projects and/or in the definition of situations being finalised with clients, may have an impact on the capacity and/or on the time frames for the generation of cash flows.
Liquidity risk is the risk that suitable sources of funding for the Group may not be available (funding liquidity risk), or that the Group is unable to sell its assets on the market place (asset liquidity risk), making it unable to meet its short-term finance requirements and settle obligations. Such a situation would negatively impact the Group's results as it would result in the company incurring higher borrowing expenses to meet its obligations or under the worst of conditions the inability of the company to continue as a going concern.
The objective of the Group's risk management is to create a financial structure which, consistent with business objectives and prescribed limits, can guarantee a level of liquidity in terms of borrowing facilities and committed credit lines sufficient for the entire Group.
At present, through the management of flexible credit lines suitable for its business requirements, Saipem believes it has access to funding that is more than adequate and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.
The liquidity management policies used have the objective of ensuring both adequate funding to meet short-term requirements and obligations and a sufficient level of operating flexibility to fund Saipem's development plans, while maintaining an adequate finance

structure in terms of debt composition and maturity.
Saipem has credit lines and financing sources available to cover its overall financial requirements. At June 30, 2019, the Group structured its sources of funding mainly along medium to long term deadlines with an average duration equal to 3.2 years.
At June 30, 2019, Saipem has unused committed credit lines of €1,000 million, to which can be added the availability of cash at the same date of €1,737 million.
In addition to the above, Saipem may use the remaining amount, equivalent to €223 million of the line guaranteed by GIEK for the Company's purchases of equipment and services from Norwegian exporters.

(iv) Downgrading risk

S&P Global Ratings assigned Saipem a long term corporate credit rating equal to 'BB+', with a stable outlook; Moody's Investor Services assigned Saipem corporate family rating equal to 'Ba1', with a stable outlook. Credit ratings influence the ability of the Group to obtain new loans, as well as the cost thereof. Consequently, should one or more ratings agencies lower the Company's rating, this could determine a worsening in the conditions for accessing financial markets.

Finance, trade and other payables

The following table shows the amounts of payments due. These are mainly financial payables, including interest payments.

	Maturity						
(€ million)	2020 (*)	2021	2022	2023	2024	After	Total
Long-term debt	367	639	625	602	62	581	2,876
Short-term debt	109	-	-	-	-	-	109
Fair value of derivative instruments	66	-	-	-	-	-	66
Total	**542**	**639**	**625**	**62**	**62**	**581**	**3,051**
Interest on debt	92	66	50	34	15	15	272

(*) Includes the second half of 2019.

The following table shows the due dates of trade and other payables.

	Maturity			
(€ million)	2020 (*)	2021-2024	After	Total
Trade payables	2,401	-	-	2,401
Other payables	337	-	-	337

(*) Includes the second half of 2019.

The table below summarises Saipem's capital expenditure commitments for major projects and other committed projects, for which procurement contracts have been entered into.

	Maturity
(€ million)	2020 (*)
Committed on major projects	-
Other committed projects	66
Total	**66**

(*) Includes the second half of 2019.

Mitigation

The Company has equipped itself with various techniques that it implements beginning from the negotiation phase with the aim of obtaining the most favourable conditions, such as contractually agreed advance payments, and of monitoring its contracts through stringent procedures to obtain the certifications necessary to proceed to invoicing, or by constant reporting to the client of all changes to the contract or to project execution, so as to maintain positive or neutral cash flows during the various phases project execution.
Saipem constantly monitors changes in tax regulations and compliance with them in order to minimise the impacts due to its operating activities in all countries of interest through internal resources and tax consultants.

2. Risks related to strategic positioning

Description and impact

The definition of strategies implemented by Saipem is based on analysis of macroeconomic and geopolitical scenarios of the relevant markets and the technological developments applied to them. Saipem also operates in an industry strongly characterised by strategic changes, also through the ever greater concentration of competitors via mergers and acquisitions and the creation of joint ventures and alliances locally or internationally and technology developments in services that are of interest to Saipem.
Furthermore, Saipem's strategic positioning can be influenced by changes in client requests and in general by changes in demand in the reference sectors.
Inadequate forecasts of the evolution of these scenarios, as well as the incorrect or delayed implementation of identified strategies may expose the Company to the risk of not being able to adjust the asset portfolio and therefore competitive positioning to changes in scenarios that are applicable to the reference industry.
Therefore, these risks potentially could result in a deterioration of strategic positioning within the sector, reducing market shares and the Group's margins.
In addition, this context can lead to the risk of concentration on some clients, in some geographic areas or on some products.

Mitigation

In order to ensure a strengthening of the Group's competitive positioning in line with the changing strategies of the industry and the ever-changing competition, Saipem implemented a divisional business model.
Furthermore, Saipem avails itself of companies which are specialised in providing periodic analyses and estimates on relevant market segment trends and on macroeconomic, geopolitical and technological developments.
Furthermore, the Company created the Sustainability, Scenarios and Governance Committee, which is responsible for assisting the Board of Directors in its review and development of scenarios in order to prepare strategies.
To ensure that Saipem's strategic positioning is strengthened, company management pursues business opportunities with a broad focus on the various clients in the energy sector (International Oil Companies, National Oil Companies, Independents, Utilities), with a global perspective on the reference markets and with a broad portfolio of products in Oil&Gas, in renewable energy and infrastructure (specifically high speed trains).

3. Legal and tax risks

Description and impact

The Group is currently a party in judicial, civil, tax, in Italy and abroad, and administrative legal proceedings. For a summary of the most significant cases, see the section 'Guarantees, commitments and risks - Legal proceedings' in the 'Notes to the condensed interim consolidated financial statements'.
Given the intrinsic and uneliminable risk that characterises legal proceedings, while the Company has carried out the necessary assessments, including on the basis of applicable reporting standards, it is not possible to exclude the possibility that the Group might in future have to face payments for damages not covered by the provision for legal proceedings, or which are covered insufficiently, or which are uninsured, or which are of an amount greater than the maximum sum that may have been insured.
Furthermore, in relation to legal proceedings brought by the Company, should it not be possible to settle the disputes by means of negotiation, the Company may have to bear further costs associated with the length of court hearings.
In addition, the progress of legal and tax proceedings exposes Saipem to potential impacts on its image and reputation in the mass media or with clients and partners.

Mitigation

In order to maximise mitigation of these risks, Saipem makes use of specialised external consultants who assist the Company in judicial, civil, tax or administrative proceedings.
Furthermore, the Board of Directors of Saipem monitors the evolution of the main legal proceedings in an active and continuous manner.

4. Risks related to technological development

Description and impact

The Engineering & Construction, Drilling and high value engineering sectors are characterised by the continuous development of the technologies, assets, patents and licences used therein.
Should Saipem be unable to upgrade the technologies, assets, patents and licences required to improve its operational performance, its competitive position could be damaged and as a result cause changes or reductions to its short or long-term objectives.

Mitigation

In order to maintain its competitive position, Saipem updates the technology, assets and licences at its disposal, with the aim of aligning its offer of services to the current and

future needs of the market.
Therefore, in addition to the extremely important experience of incremental research and development, which continues to be a key strategic point, Saipem has taken an initiative called the 'Innovation Factory', which is an incubator of ideas to develop 'disruptive' responses to face industry challenges.
An emerging area of interest for the 'Innovation Factory' is linked to technologies aimed at increasing energy efficiency in operations and technologies in the decarbonisation of energy (more information in the specific section 'Research and development').
Saipem is supported by companies specialised in analysing the technological evolution in the reference market segments and the prospective solutions that clients may require in the following years (for example, in the renewable energy sector); lastly, the Group develops agreements of various kinds both with companies that develop technological solutions in the energy industry and also in other industries (for example, in the field of digitisation) and with universities and research centres.

5. Risks related to health, safety and the environment

Description and impact

The activities carried out by Saipem in both operational projects and projects related to upgrades, maintenance or disposal of assets, using internal staff and/or subcontractors, expose the Company to potential accidents that may cause negative impacts on the health and safety of people and the environment. Additionally, Saipem is subject to laws and regulations for the protection of health, safety and the environment at national and international level when conducting its operations.
Despite the major effort made by Saipem, it cannot be excluded that, in the course of normal Group activities, events that could compromise the health of people or the environment may occur. Furthermore, the occurrence of such events could lead to civil and/or criminal sanctions against the parties responsible and, in some cases of violation of safety laws, to the application of the provisions of Italian Legislative Decree No. 231/2001, with subsequent costs linked to sanctions against Saipem and to the fulfilment of legal and regulatory obligations concerning, health, safety and the environment, as well as an impact to Saipem's reputation.
Moreover, in order to execute EPCI projects, drilling services and other services in the energy industry, the Group owns numerous assets, in particular specialised naval vessels (for example, for laying pipelines and lifting structures), Offshore and Onshore drilling rigs, production/treatment/storage and transport vessels commonly referred to as FPSO, Onshore equipment (for example, for pipe laying), manufacturing yards and logistics bases. Therefore, the Group's assets are subject to the normal risks associated with ordinary operations and to catastrophic risks linked with the weather and/or natural disasters which can impact security and the safety of personnel and the environment.
These risks connected with ordinary operations can be caused by: (i) mistaken or inadequate execution of manoeuvres and work sequences that lead to damage for assets or facilities; (ii) mistaken or inadequate ordinary and/or extraordinary maintenance.
Despite the fact that Saipem has specific know-how and competencies, has implemented internal procedures for the execution of its operations and regularly carries out maintenance work on its assets in order to monitor their quality and level of reliability, it is not possible to exclude the occurrence of incidents on assets or facilities during the execution of works.

Mitigation

With reference to these risks, Saipem has developed an HSE (Health, Safety and Environment) management system which is in line with the requirements of laws in force and with international standards ISO 45001 for health and safety in the workplace and ISO 14001 for environmental management, and for which Saipem has obtained certification for the whole Group. Specifically, HSE risk management is based on the principles of prevention, protection, awareness, promotion, and participation; its aim is to guarantee the workers' health and safety and to protect the environment and the general well-being of the community.
Regarding the risks related to the safety and health of people, Saipem has introduced a series specific mitigation initiatives, among which please note:
- the continuing and renewed implementation of the 'Leadership in Health & Safety' (LiHS) programme, which aims to strengthen the corporate culture in the field of health and safety;
- various campaigns, for example 'Life Saving Rules', aimed at promoting awareness of dangerous activities and actions that each individual can have in place to protect themselves and others;
- the development of advanced occupational health and health surveillance activities.

Regarding the risks associated with safeguarding the environment, Saipem has developed a structured system of prevention, management and response to spills.
Regarding the risks related to environmental protection, Saipem has introduced various specific mitigation initiatives, among which

please note:
- measures to eliminate the risk of spills and, if this happens, to implement measures and actions to prevent their spread;
- identification of asset-specific maintenance programmes aimed at preventing fluid leaks.

Saipem promotes initiatives aimed at saving water and managing water risk, for example the creation of the Water Management Plan (more information in the specific section of the 'Consolidated Non-Financial Statement').
Lastly, for the mitigation of the risks related to asset management, Saipem sustains significant expenses for the maintenance of assets it owns and has developed various prevention initiatives, among which we highlight the application of the Asset Integrity Management System, a system that provides for the systematic management of critical elements, the identification of Key Performance Indicators and the creation of task familiarisation cards for managing the development of personnel assigned to specific roles or the use of critical equipment.
Specifically, with regard to all vessels in the Group's fleet, Saipem periodically renews certifications issued by the appropriate classification bodies and by flag state authorities following inspections which the classification bodies perform on company vessels. In addition, the vessels, based on the technical characteristics and the type of each ship, must meet the requirements of applicable international maritime law and laws regulating the Oil&Gas industry (more information is available in the specific section of the 'Consolidated Non-Financial Statement').

6. Risks related to profit margins

Description and impact
Saipem operates in the highly competitive sector of services for the Oil&Gas industry, an industry which is significantly influenced by the trend in the price of oil in international markets, determining an impact on the demand for services offered by the Company and the margins associated with them.
For this reason, the Oil&Gas services industry has featured increasing competition on prices for contracts known as lump sum turnkey in Offshore and Onshore Engineering & Construction services and for rates of vessels in the Offshore and Onshore Drilling market.
Specifically, the preparation of bids and the determination of prices are the outcome of an accurate, precise and timely estimation exercise that involves various company departments and which is further integrated by a risk assessment to cover the areas of uncertainty inevitably present in each bid (so-called contingency). Despite these efforts made by Saipem, over the life cycle of the contract the costs, revenue and, consequently, the margins that the Company realises on lump sum contracts, could vary significantly compared to the sums originally estimated for many reasons linked, for example, to: (i) bad performance/productivity of vendors and subcontractors; (ii) bad performance/productivity of Saipem's workforce; (iii) changes in working conditions (so-called change order) not acknowledged by the client; (iv) worse weather conditions than those anticipated against the statistics available at the time; (v) a rise in the price of raw materials (e.g. steel, copper, fuel, etc.).
All of these factors in addition to other risks inherent in the sectors in which Saipem operates may imply additional costs, lost revenue and the subsequent reduction in margins from those originally estimated, leading to a decrease, perhaps even a significant one, of profitability or to losses on projects. The result of such significant differences could worsen the Group's financial position and performance and damage Saipem's reputation in the relevant industry.

Mitigation
To align its cost and competitive profile with changes in the reference sectors, Saipem has implemented a new business model based on five divisions.
In addition, in the current price of oil market scenario and the trend for demand in services in the reference business lines, Saipem is committed to applying the most advanced industry best practices and to identifying and implementing various new initiatives and solutions to reduce its costs through more efficient processes and technologies.

7. Risks related to commercial positioning

Description and impact
The market context is characterised by the persistence of volatile oil and gas prices in international markets. This condition influences the investment policies of the main clients, exposing Saipem to: (i) delays in the negotiation process and possible non award of commercial initiatives relating to future projects; (ii) cancellation and suspension of projects already under way (whether EPCI lump sum or Drilling and value added engineering services contracts); (iii) delays and difficulties in obtaining payment of contractual penalties provided for to indemnify the Company against the cancellation and suspension of such contracts;
(iv) strengthening of the level of aggression in commercial strategies by competitors;
(v) delays and difficulties in obtaining change orders for the scope of work requested by the client and executed by Saipem; (vi) delays and

difficulties in renewing contracts for onshore and offshore drilling fleets prior to the expiry thereof and under economically advantageous terms and conditions; (vii) claims and arbitration and international disputes in the most significant cases.
Therefore, Saipem is exposed to the risk of non-strengthening or weakening of its commercial positioning, which could particularly affect some product lines or specific geographical areas.
Lastly, this market context and cases of bad performance can cause complaints and even arbitration and disputes also with Saipem suppliers and subcontractors.

Mitigation

In order to mitigate any reduction in capex investments in the Oil&Gas sector by its clients, Saipem has developed a new business model based on five divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT, a new Division dedicated to engineering and other high value services. In addition, the Company has taken steps to expand its client and geographic market portfolio and look for additional or alternative business sectors such as: (i) maintenance and optimisation of existing rigs (MMOs) which are related to investments in OPEX in the Oil&Gas sector; (ii) rigs for renewable sources (in particular, wind, solar); (iii) construction of pipelines and water networks for civil use and other industries (for example in the mining industry); (iv) dismantling of oil platforms, including plug & abandonment activities; (v) construction of high-speed railway lines; (vi) high added value engineering services in the energy industry in general (including renewable energy).

8. IT risks

Description and impact

The execution and performance of Saipem's activities depend significantly on the IT system that has been developed over the years. In particular, the Group's IT system is exposed to potential cyber attacks which may have various purposes. Therefore, the non-functioning, ineffectiveness and inefficiency of IT systems can impact on business processes which may have economic and financial impacts and may damage the Company's reputation. Failure to develop innovative IT solutions by Saipem could compromise the Company's technological development and as a result, the achievement of its short or long-term objectives (more information in the specific 'Information technology' section).
Finally, Saipem is committed to facing the challenge and the resulting risks related to the exploitation and valorisation of data and information in order to maintain and strengthen its competitive position in the Engineering & Construction, Drilling and engineering sectors with high added value.

Mitigation

Saipem has developed a new transformation project, called IT Adaptive Sourcing, with various objectives including the objective of taking the company through the digital transformation process and the containment of operating costs. To this end, Saipem has selected IT technological and service partners, launching an extensive review of the supply of IT services with the aim of introducing the concept of a supply ecosystem. This ecosystem concept is aimed at ensuring that Saipem's needs are covered thanks to the effort to cooperate made by the vendors in light of supporting necessary actions both for the single area and for those activities that intrinsically require cooperation and integration.
In addition, Saipem established various IT initiatives for the business environment, focusing on the strategic assumption of developing a data-centric approach for the business and a progressive and complete digitalisation of the company's work processes. In particular, business developments have been oriented towards the automation of processes and the enhancement of internal information and data assets.
Lastly, the Company has established governance activities, as well as compliance and security processes carried out by the IT department making the most of the most advanced uses of tested and consolidated IT security technologies and protocols.
They have the goal of preventing and mitigating the risk of security threats regarding data processing required by company IT systems. Specifically, for the prevention and mitigation of cyber attacks, Saipem relies on IT service vendors to constantly monitor the risk and to use the main prevention and defence tools available on the market (more information in the specific 'Information technology' section).

9. Risks related to human resources

Description and impact

Saipem Group depends to a significant degree on the professional contribution of key personnel and highly specialised individuals. By key personnel is meant 'Senior Managers with strategic responsibilities' (further information can be found in the specific detailed section in the '2019 Remuneration Report'). By highly specialised individuals, on the other hand, is meant personnel who, on the basis of their skills and experience, are

vital to the execution of projects and to the growth and development of Saipem.
If this relationship between Saipem and one or more of the resources mentioned should be interrupted for any reason, there are no guarantees that the Company can restore it quickly using equally qualified individuals who can ensure the same operational and professional contribution in the short term.
The breaking off of relations with one of the key figures, the inability to attract and retain highly qualified personnel and competent management personnel, or to supplement the organisational structure with individuals capable of managing the growth of the Group, could have negative effects on Saipem's future business opportunities and projects in the execution phase.
Furthermore, working on international markets, the development of Saipem's future strategies will depend significantly on the Company's ability to attract and retain highly qualified and competent personnel with a high level of diversity in terms of age, nationality and gender. Lastly, the regulatory developments in labour law in the countries where Saipem operates exposes Saipem to risks of various kinds in the management of human resources, which can cause internal inefficiencies and disputes.

Mitigation
With the goal of preventing and mitigating these risks Saipem is committed to investing in generational balance, encouraging the development and growth of younger resources, as well as motivating and retaining the most experienced resources, in order to ensure the protection of the distinctive and strategic skills for Saipem through several different initiatives.
In this regard, the Human Resources Development Committee was set up, with the objective of monitoring and guiding the development and career of young people, as well as assessing their professional and managerial paths in a universal manner.
Furthermore, the aim of the Remuneration Policy, whose primary tools and objectives are defined in the Remuneration Report, is to attract and retain high-profile professional and managerial resources, and align management's interests aiming at value creation for shareholders in the medium-long term.
Saipem has adopted an innovative model for the management of human capital based on skills with the aim of advancing better energies and professional figures where necessary and ensuring greater flexibility in the development of personal and professional skills at all levels.
The continued expansion of the Company into areas and activities that require further knowledge and skills require plans to employ management and technical personnel, both international and local, with different skills.
As defined in the Code of Ethics, in full compliance with applicable legal and contractual provisions, Saipem undertakes to offer equal opportunities to all its employees, making sure that each of them receives a fair statutory and wage treatment exclusively based on merit and expertise, without discrimination of any kind. Additionally, the Group monitors the legislative developments relating to personnel management in all the countries in which it operates or is commercially involved in operating, availing itself of labour law consultants.
Lastly, Saipem has launched the Smart Working 'FlexAbility' Programme, which aims to establish a path to improve the work organisation model that is going through a cultural, technological and digital change.

10. Risks related to the supply chain

Description and impact
In executing its projects, and in the normal course of its activities, the Group relies on numerous vendors of goods and services, subcontractors and partners. Any inadequate performances by vendors, subcontractors and partners could generate deficiencies in the supply chain and, consequently, lead to: additional costs linked to the difficulty in replacing vendors at provide goods and services, subcontractors and partners identified to carry out the activities; the procurement of goods and services at higher prices or delays in the completion and delivery of projects.
In addition, Saipem is exposed to risks related to any unethical behaviour by vendors, subcontractors and partners in the different countries in which it operates.
A deterioration in relations with vendors, subcontractors and partners could transform into a competitive disadvantage linked to a reduction in Saipem's negotiating power, with subsequent increases in time and costs, a worsening of contract terms and a deterioration of commercial relations with the client and of results and a negative impact on Saipem's competitive position.

Mitigation
With the aim of preventing and mitigating these risks, the Company has adopted a structured system of qualification and selection in order to work with reliable vendors and subcontractors with a consolidated reputation. Furthermore, the services of vendors and subcontractors are constantly monitored and the responsible functions of Saipem are required to provide feedback.
To mitigate and prevent the risks associated with unethical behaviour by vendors and

subcontractors, Saipem uses various tools, checks and training programmes.
Additionally, Saipem requires its vendors, subcontractors and partners to read and accept the Model 231 in its entirety, including the Code of Ethics, which is inspired by the principles of the Universal Declaration of Human Rights of the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and to the OECD Guidelines for Multinational Enterprises (more information in the specific detail section of the 'Consolidated Non-Financial Statement').

11. Business integrity risks

Description and impact

Although Saipem conducts its business with loyalty, fairness, transparency, integrity and in full compliance with laws and regulations, the Group is subject to the risk of fraud and/or illegal conduct by employees and third parties (for example, corruption, lack of transparency, leaking confidential information, non-compliance with company procedures and regulations).
Specifically, Saipem carries out its business activities together with subcontractors, vendors and partners that could commit fraudulent acts in concert with employees to the detriment of the Company.
Furthermore, the Group operates in various countries characterised by a high level of fraud and corruption, referred to in the 'Corruption Perception Index' of Transparency International.
In the context of risks related to possible fraud or illegal activities by employees or third parties, Saipem is also exposed, in particular, to risks related to the protection of information and know-how, as the Company in the performance of its activities relies on information, data and know-how, of a sensitive nature, processed and contained in documents, also in electronic format, unauthorised access to which and disclosure of by employees or third parties may represent fraud or illegal activities, as well as causing damage to Saipem.
Lastly, it must be stated that within the Group there can be no non-compliance issues or incorrect application of the European Data Protection Regulation (GDPR), which could result in the application of sanctions to the detriment of Saipem.

Mitigation

Among the various initiatives to mitigate these risks, Saipem has designed an 'Anti-Corruption Compliance Programme', which consists of a detailed system of rules and controls, aimed at preventing corruption in line with international best practices and with the principle of 'zero tolerance' expressed in the Code of Ethics. In particular, Saipem's 'Anti-Corruption Compliance Programme' is dynamic and is constantly focused on the evolution of the national and international regulatory framework and of best practices.
In addition, Saipem's Code of Ethics (included in Model 231) establishes that 'corruption practices, illegitimate favours, collusion, solicitation, direct and/or through third parties of personal and career advantages for oneself or others, are without exception prohibited'.
Additionally, Saipem carries out periodic audits and checks, also with the assistance of external consultants. Furthermore, even if Saipem has constantly updated, within all Group companies, its internal control system, the Model 231 which includes the Saipem Code of Ethics, as well as an organisation management and control model for Group companies (including those in foreign countries), it is not entirely possible to exclude the occurrence of fraudulent or unlawful conduct.
Saipem provides employees and stakeholders with an information channel – overseen by the Compliance Committee in a way that ensures confidentiality – through which it is possible to report any problems related to the internal control system, financial reporting, corporate administrative liability, fraud or other topics (i.e. violations of the Code of Ethics, mobbing, theft, personnel security, etc.).
Furthermore, over the years Saipem has developed a management system that has recently been certified for the International Standard ISO 37001 - Anti-Corruption Management Systems, which is an important safeguard in the prevention and fight against corruption, as this ISO 37001 standard defines requirements and provides a guideline to help an organisation prevent, detect, respond to corruption and comply with anti-corruption legislation and any other voluntary commitments applicable to its activities.
For the management of these risks related to the leak of confidential information, it should be noted that Saipem makes use of IT security technologies and procedures to mitigate this exposure (more information in the specific 'Information technology' section).
Lastly, Saipem has adopted principles and rules to be followed by the Group in its internal management and external communication of corporate documents and information regarding Saipem, with particular reference to inside information (more information in the specific section within the 'Corporate Governance and Shareholding Structure Report').
Lastly, beginning in April 2018 Saipem developed an ad hoc Privacy Organisation Model aimed at guaranteeing compliance with the European directive on data protection (General Data Protection Regulation - GDPR).

12. Risks related to the political, social and economic instability

Description and impact

Substantial portions of Saipem's operations are performed in countries which may be politically, socially or economically unstable or at risk of terrorist threats. Developments in the political framework, economic crises, internal social unrest and conflicts, terrorist attacks and embargoes with other countries may temporarily or permanently compromise the Group's ability to operate cost efficiently in such countries, as well as its ability to recover company assets therein, or may require specific measures (where possible in compliance with Saipem corporate policy) to be taken at an organisational or management level in order to enable the continuation of activities under way in conditions that differ from those originally anticipated.
Moreover, Saipem's operations, staff, and assets can be found in many countries which are potentially exposed to the threat of terrorism on a global scale by various types of extremist groups.
Additional risks associated with operations in these countries are: (i) the absence of a stable legislative framework and the change in the rules and regulations valid within the territory where it is operating, including laws that implement international protocols or conventions for that sector of activity; (ii) uncertainty over the protection of the foreign company's rights in the event of contractual violation by private companies or state entities; (iii) penalising developments or applications of laws, regulations, unilateral contract amendments which lead to reduction in the value of the assets, forced divestment and expropriation; (iv) restrictions of varying nature on the activities of construction, drilling, import and export; (v) changes in local regulations that impose the use of certain numbers of staff, and goods and services supplied by local companies (so-called 'local content').
Moreover, amongst other things the regulatory framework also impacts the methods with which Saipem carries out its activities. Any adoption of more restrictive or unfavourable regulations, or the imposition of obligations for compliance, or further requirements linked to Engineering & Construction and Drilling activities, may lead to changes in operating conditions and require an increase in investments, production costs or, at any rate, to a slow-down in the development of activities. Any violations of health, safety and environmental laws could lead to limitations to the Group's activities or to fines, sanctions or penalties in the event of non-compliance with environmental and health and safety laws and regulations.
Lastly, considering that Saipem carries out its business activities in a global context characterised by the management of diversity deriving from socio-economic, political, industrial and regulatory contexts, the Group is exposed to multiple situations regarding relations with staff and, where present, with trade unions. Such relationships, if not properly managed, can expose the Company to risks associated with relationships with personnel and possibly with trade unions which, can generate extra costs and impact the timing of the activities carried out in Saipem's operational offices and projects, as well as having negative repercussions on Saipem's image and reputation.

Mitigation

Saipem is committed to constantly and closely monitoring the political, social and economic developments and terrorist threats in the countries of interest, both through specialised Group resources and through providers of security services and information analyses.
Therefore, Saipem is able to periodically assess these political, social and economic risks in the countries it operates in or intends to invest in based on a specific risk assessment model. Specifically, Saipem has adopted an articulate security model based on the criteria of prevention, precaution, protection, information, promotion and participation, with the objective of reducing risks deriving from the actions of physical or legal persons who expose the Company and its assets, people, goods, image and reputation to potential damage. In particular, in order to prevent these risks, Saipem also makes use of agencies that provide security services in the countries in which it operates. These agencies could expose Saipem to risks related to the violation of human rights in the execution of security services which they provide, for this reason the mitigation actions implemented by Saipem consist of training activities and regular controls.
In cases where Saipem's ability to operate is compromised, demobilisation is planned according to the criteria of protecting personnel and if necessary company assets and of minimising interruptions to operations through the adoption of solutions that render more rapid and less costly the recommencement of ordinary activities once favourable conditions are restored.
These measures can increase costs and delays and have a negative impact on the profitability of projects executed in such countries.
Furthermore, Saipem constantly monitors changes in regulations of a various nature and compliance with them in order to minimise the impacts due to its operating activities in all countries of interest.
Lastly, in support of its presence in the countries and in order to mitigate the impact of its operating activities on local economies

and the risks generated by relationships with subjects operating in the same areas, Saipem adopts a system of engagement with its local stakeholders, with the goal of maintaining dialogue and consolidating relationships and creating shared value, especially through active participation in the socio-economic development of the areas in which it operates.
In addition, Saipem has faced and is continuing to manage the complex adjustment of the workforce to the significant changes in the market in which it operates on the basis of a new divisional business model taking into account the relationships with both the staff and with trade unions in the countries where it operates.
In fact, in order to mitigate and prevent these risks, Saipem has configured an approach of maximum awareness to industrial relations in the countries in which it operates.
Specifically, Saipem is committed to strengthening relations and communication with staff, trade unions and reaching and renewing specific agreements with the social partners involved.

13. Risks related to business processes

Description and impact

The industry in which Saipem operates has gone through a period of great transformation characterised by stronger competition and a reduction in profit margins. Therefore, the need to change the organisation model and the complexity of the market context are elements that challenged Saipem's management over recent years.

Mitigation

The Company has launched several initiatives aimed at recovering efficiency and effectiveness in which particular emphasis was placed on the rationalisation of business processes. The divisionalisation process occurred at the same time and had the aim of leading to a greater focus on business activities by allocating directly within the divisions many activities and processes that were previously monitored centrally in Corporate.
Finally, Saipem has embarked on a path to improve the work organisation model that is going through a cultural, technological and digital change and that can positively contribute to the achievement of its results through increases in efficiency and effectiveness. In order to adapt quickly to these cultural changes, initiatives aimed at dematerialisation and digitisation are ongoing.

Transfer of risks to the insurance market

In close cooperation with top management the Corporate insurance function annually defines the Saipem Group's guidelines on insurance coverage against residual risks of material damages and civil liability, and those deriving from contracts taken on.
An insurance programme is defined on the basis of the guidelines, which identifies specific excess and maximum limit coverage for each type of risk based on an analysis that takes into account claim records for recent years, industry statistics and conditions offered by the international insurance market.
The Saipem insurance programme is structured in such a way as to appropriately transfer risks deriving from operations to the insurance market, in particular the risks associated with the management of the fleet, equipment and other assets, including third party liability risks, those relating to Saipem personnel, cyber security risks and risks deriving from the performance of contracts awarded by its clients.
Given the coverage that is offered by the insurance market and the changing circumstances on the energy market in which Saipem operates, it is not possible to guarantee that all circumstances and events will be adequately covered by the insurance programme. Equally, due to the volatility of the insurance market, it cannot be guaranteed that it will be possible in the future to reasonably maintain adequate insurance coverage at the current rates, terms and conditions.
Within the Saipem insurance programme, a distinction can be made between insurance cover for Group assets ('Corporate insurance policies') and the insurance cover connected with project execution.

Corporate insurance policies

The Corporate insurance programme is structured with an initial band of risk that is self-insured through a captive reinsurance company, with amounts in excess covered by a catastrophic insurance programme taken out on the insurance market.
The catastrophic insurance programme is composed of policies that cover damage to property, and maritime and non-maritime third party liability. Cover can be broken down as follows:

Material damages

- 'Fleet Insurance' policy: covers the entire fleet against events that cause partial or total damage to vessels;
- 'Equipment' policy: covers all onshore and offshore equipment, for example site

equipment, onshore drilling rigs, subsea equipment, etc.;
- 'Transport' policy: covers transport, handling and storage of assets and equipment by land, sea or air;
- 'Buildings and Sites' policy: covers owned or rented buildings, offices, storage facilities and shipyards.

Third-party liability
- 'Protection & Indemnity' ('P&I') policy: shipowners' liability cover through a P&I Club that is part of the International Group of P&I Clubs for events occurring during transit and/or for events occurring during offshore drilling and construction operations;
- 'Comprehensive General Liability' policy: covers all other types of general and third party liability claims arising from Saipem's industrial activities and supplements previous P&I coverage;
- 'Employer's Liability' and 'Personal Accident' policies: these cover employer liability and employee accident risks respectively on the basis of the specific regulations in force in each country where the Group operates;
- 'Directors & Officers' ('D&O') policy: it covers the responsibilities of the administrative and control bodies, as well as managers, of the Company and its subsidiaries in the performance of their mandates and duties.

A key tool in the management of Saipem's insurable risks is Sigurd Rück AG, a captive reinsurance company, which operates to cover the first level of risk. Sigurd Rück AG in turn carries out risk mitigation by re-insuring its portfolio on primary securities markets.

Insurance policies relating to the execution of projects

For all contracts assigned there must be specific project insurance coverage in place and said coverage generally falls within the client's contractual scope of responsibility.
In cases where such coverage instead falls within the contractor's scope of responsibility, Saipem defines an insurance suitable for covering all project-related risks, for the entire term.
Usually it takes out 'Builders' All Risks' insurance, which covers the scope of work of the contract, i.e. damage to the works under construction, as well as to equipment, products and materials required for its construction and third party liability for all works to be performed by the Group during all phases of project execution (engineering, transportation, construction, assembly, testing) including the contractual guarantee period.
The high level of insurance premiums and excess amounts payable on these policies lead Saipem to implement continual improvement of prevention and protection processes in terms of quality, health, safety and environmental impact.

ADDITIONAL INFORMATION

Regulation on Markets

Article 15 of Consob Regulation on Markets (adopted with Resolution No. 20249, of December 28, 2017): conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries

With regard to the published regulations setting out conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries and that are deemed to be of material significance in relation to the consolidated financial statements:

i. as at June 30, 2019, the regulatory provisions of Article 15 of the Regulation on Markets applied to the following 19 subsidiaries:
- Boscongo SA;
- ER SAI Caspian Contractor Llc;
- Global Petroprojects Services AG;
- Petrex SA;
- PT Saipem Indonesia;
- Saimexicana SA de Cv;
- Saipem America Inc;
- Saipem Canada Inc;
- Saipem Contracting Nigeria Ltd;
- Saipem do Brasil Serviçõs de Petroleo Ltda;
- Saipem Drilling Norway AS;
- Saipem India Projects Private Ltd;
- Saipem Misr for Petroleum Services (S.A.E.);
- Saipem Offshore Norway AS;
- Saipem Services Mexico SA de Cv;
- Saudi Arabian Saipem Ltd;
- Sigurd Rück AG;
- Snamprogetti Engineering & Contracting Co Ltd;
- Snamprogetti Saudi Arabia Co Ltd Llc.

ii. Procedures designed to ensure full compliance with the aforementioned regulations have been adopted.

Disclosure of transactions with related parties

Transactions concluded by Saipem with related parties essentially regard the exchange of goods, the supply of services, the provision and utilisation of financial resources including entering into derivatives contracts. All transactions form part of ordinary operations, are settled at market conditions, i.e. at the conditions that would have applied between two independent parties, and are concluded in the interest of Group companies.

Directors, auditors, general managers and senior managers with strategic responsibilities must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party. Directors and Statutory Auditors release every six months and/or in the event of a change, a statement in which each potential interest is represented in relation to the Company and the Group and in any case report to the Chief Executive Officer (or the Chairman where the Chief Executive Officer is involved), who informs the other directors and the Board of Statutory Auditors of the individual transactions that the Company intends to perform, in which they have direct interests.

At June 30, 2019, Saipem SpA is not subject to the management and coordination of other parties. Saipem SpA directs and coordinates its own subsidiaries pursuant to Article 2497 ff. of the Italian Civil Code.

The value of transactions of a trade, financial or other nature entered into with related parties are illustrated in Note 44 of the 'Notes to the condensed interim consolidated financial statements'.

Outlook

High volatility in the price of oil and the still limited level of new investments by oil companies will probably also characterise the second half of 2019. In the six months, some important final investment decisions ('FID' - Final Investment Decision) in the gas segment contributed significantly to the high level of acquisitions.

The backlog at the end of June 2019, combined with the acquisition of new contracts made after closing at the end of June 2019 and with forecasts of commercial offers in progress, allow forecasts of revenue of around €9 billion for the 2019, and an adjusted EBITDA of over 10%.

Capital expenditure is expected to be approximately €500 million, while the net financial debt pre IFRS 16 is expected to be around €800 million at the end of 2019.

Events subsequent to period end

New contracts

On July 9, 2019, Saipem was awarded two new contracts in Saudi Arabia, awarded by

Saudi Aramco to the Onshore Engeenering & Construction Division, for the development of some ground structures needed for the Berri and Marjan gas fields, both located in the Arabian Gulf and, for Adnoc, a new 4-year drilling contract in the United Arab Emirates, in continuity with the existing operations; the activities will be carried out with the use of the jack-up Perro Negro 8.

Legal proceedings

With the judgement handed down on July 17, 2019, the Algerian Court of Cassation has fully overruled the decision of the Tribunal of Algiers of February 2, 2016 in the 'Sonatrach 1' proceedings. These ongoing proceedings involve Saipem Contracting Algérie SpA, a Saipem Group company registered in Algeria, in relation to the tender procedure for the award of the GK3 contract in 2009. The same proceedings are also ongoing regarding various matters against other 18 parties, all unrelated to the Saipem Group. The reasons for the ruling of the Algerian Court of Cassation have not yet been filed and are expected to be published in September 2019. Following the ruling of the Algerian Court of Cassation, the Tribunal of Appeal of Algiers will have to rule on the matter following a new trial. The future Tribunal of Appeal's decision can be challenged before the Algerian Court of Cassation. For further details on the 'Sonatrach 1' proceedings please refer to the section 'Legal proceedings - Algeria - Proceedings in Algeria'.

In the section 'Legal proceedings' is described the positive outcome for Saipem of the arbitration award filed on June 27, 2019 related to the dispute with the client GLNG in relation to the Gladstone project (Australia). With reference to this dispute, on July 31, 2019, the client GLNG paid the sums due to Saipem as per the arbitration award of June 27, 2019 (equal to approximately AUD 101 million).

Secondary offices

The Board of Directors has resolved, by virtue of the powers attributed by Article 20 of the Articles of Association pursuant to Article 2365, paragraph 2 of the Italian Civil Code, the closure of the secondary office of Cortemaggiore, no longer operational, and the subsequent modification of Article 3 of the Articles of Association.

The resolution and the new text of the Statute are made available to the public in accordance with the law.

Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes

Reclassified balance sheet

(€ million)	Dec. 31, 2018		June 30, 2019	
Reclassified balance sheet items (where not stated otherwise, items comply with the statutory scheme)	Partial values from the mandatory statement	Values from the reclassified statement	Partial values from the mandatory statement	Values from the reclassified statement
A) Net tangible assets		4,326		4,222
Note 14 - Property, plant and equipment	*4,326*		*4,222*	
B) Net intangible assets		702		699
Note 15 - Intangible assets	*702*		*699*	
C) Right of use assets		-		531
Note 16 - Right of use assets	*-*		*531*	
D) Investments		78		77
Note 17 - Investments	*119*		*113*	
Reclassified from F) - provisions for losses related to investments	*(41)*		*(36)*	
E) Working capital		584		570
Note 8 - Other current financial assets	*34*		*35*	
Reclassified to L) - financing receivables not related to operations	*(32)*		*(32)*	
Note 9 - Trade and other receivables	*2,610*		*2,475*	
Note 10 - Inventories and contracts	*1,389*		*1,548*	
Note 11 - Current tax assets	*201*		*211*	
Note 12 - Other current tax assets	*117*		*151*	
Note 13 - Other current assets	*100*		*109*	
Note 19 - Deferred tax assets	*250*		*265*	
Note 20 - Other non-current assets	*67*		*62*	
Note 21 - Trade payables, other debt and contract liabilities	*(3,879)*		*(3,965)*	
Note 22 - Income tax payables	*(46)*		*(56)*	
Note 23 - Other current tax liabilities	*(108)*		*(110)*	
Note 24 - Other current liabilities	*(92)*		*(90)*	
Note 29 - Deferred tax liabilities	*(18*		*(30)*	
Note 30 - Other non-current liabilities	*(9)*		*(3)*	
F) Provisions for contingencies		(289)		(272)
Note 27 - Provisions for contingencies	*(330)*		*(308)*	
Reclassified to D) - provisions for losses related to investments	*41*		*36*	
G) Provisions for employee benefits		(208)		(224)
Note 28 - Provisions for employee benefits	*(208)*		*(224)*	
H) Assets held for sale		2		-
Note 32 - Assets held for sale	*2*		*-*	
EMPLOYED CAPITAL, NET		**5,195**		**5,603**
I) Shareholders' equity		3,962		3,991
Note 33 - Saipem's shareholders' equity	*3,962*		*3,991*	
L) Non-controlling interests		74		38
Note 33 - Non-controlling interests	*74*		*38*	
M) Net debt pre lease liabilities		1,159		1,043
Note 6 - Cash and cash equivalents	*(1,674)*		*(1,737)*	
Note 7 - Financial assets measured at fair value through OCI	*(86)*		*(78)*	
Note 18 - Other non-current financial assets	*-*		*(68)*	
Note 25 - Short-term debt	*80*		*109*	
Note 25 - Long-term debt	*2,646*		*2,615*	
Note 25 - Current portion of long-term debt	*225*		*234*	
Reclassified from E) - financing receivables not related to operations (Note 8)	*(32)*		*(32)*	
N) Lease liabilities		-		531
Note 16 - Financial liabilities for leases	*-*		*531*	
O) Net debt		-		1,574
FUNDING		**5,195**		**5,603**

Reclassified income statement

The reclassified income statement differs from the mandatory scheme solely for the following reclassifications:

- the items ‘other income and revenue’ (€8 million), relating to ‘reimbursements for services that are not part of core operations’ (€2 million), have been recorded as reductions to the corresponding cost items in the reclassified income statement;
- the items ‘financial income’ (€99 million), ‘financial expenses’ (-€154 million) and ‘derivatives’ (-€46 million), which are indicated separately under the statutory scheme, are stated under the item ‘financial (expense) income’ (-€101 million) in the reclassified income statement;
- the item ‘other operating income (expense)’ (-€1 million), which is indicated separately under the statutory scheme, is stated under the item ‘purchases, services and other costs’ in the reclassified income statement.

All other items are unchanged.

Items of the reclassified cash flow statement

The reclassified cash flow statement differs from the mandatory scheme solely for the following reclassifications:

- the items ‘depreciation and amortisation’ (€298 million), ‘net impairment of tangible and intangible assets’ (€14 million), ‘other changes’ (€8 million), ‘change in the provision for employee benefits’ (€17 million) and ‘effect of accounting using the equity method’ (€38 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item ‘depreciation/amortisation and other non-monetary items’ (€375 million);
- the items ‘income taxes’ (€77 million), ‘interest expense’ (€58 million) and ‘interest income’ (-€3 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item ‘dividends, interests and taxes’ (€132 million);
- the items regarding changes in ‘trade receivables’ (€247 million), to changes in ‘inventories’ (-€1 million), to ‘provisions for contingencies’ (-€18 million), to ‘trade payables’ (€6 million), to ‘other contracts and contract liabilities’ (-€139 million) and ‘other assets and liabilities’ (-€116 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item ‘changes in working capital related to operations’ (-€21 million);
- the items ‘interest received’ (€3 million), ‘dividends received’ (€1 million), ‘income taxes paid net of refunds of tax credits’ (-€50 million) and ‘interest paid’ (-€62 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item ‘dividends received, income taxes paid and interest paid and received’ (-€108 million);
- the items relating to investments in ‘tangible assets’ (-€132 million) and ‘intangible assets’ (-€3 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item ‘capital expenditure’ (-€135 million);
- the items ‘proceeds from long-term debt’ (€61 million), ‘increase (decrease) in short-term debt’ (€25 million) and ‘repayments of long-term debt’ (-€83 million), indicated separately and included in net cash flow used in financing activities in the statutory scheme, are shown net under the item ‘changes in short and long-term financial debt’ (€3 million).

All other items are unchanged.

GLOSSARY

Financial terms

- **Adjusted EBIT** operating result net of special items.
- **Adjusted EBITDA** gross operating margin net of special items.
- **Beta** coefficient that defines the measure of the systematic risk of a financial asset, i.e. the trend of an asset's return to adapt in line with changes in the reference market. The beta is defined as the ratio between the probability of the expected return of a specific asset with the expected market return, and the variance of the market return.
- **CGU** Cash Generating Unit refers to, as part of the execution of the impairment test, the smallest identifiable group of assets that generates incoming and/or outgoing financial flows, deriving from the continuous use of assets, largely independent from incoming and/or outgoing financial flows generated by other assets or groups of assets.
- **EBIT** (earnings before interest and tax).
- **EBITDA** (earnings before interest, taxes, depreciation and amortisation).
- **Headroom** (Impairment Loss) positive (or negative) excess of the recoverable amount of a CGU over the carrying amount.
- **IFRS** International Financial Reporting Standards. Accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Commission. They comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) adopted by the IASB. The name International Financial Reporting Standards (IFRS) has been adopted by the IASB for standards issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.
- **Leverage** measures a company's level of indebtedness, calculated as the ratio between net financial debt and shareholders' equity including non-controlling interests.
- **OECD** (Organisation for Economic Co-operation and Development) composed of thirty-five developed countries having in common a democratic system of government and a free market economy.
- **OPEC** Organization of the Petroleum Exporting Countries.
- **Receivables 'in bonis'** total amount of receivables of a commercial nature, not expired or past due by no more than twelve months, towards clients deemed solvent.
- **ROACE** (Return On Average Capital Employed) calculated as the ratio between the net result before non-controlling interests, plus net financial expense on net financial debt less the related tax effect and net average capital employed.
- **Special items** items of income arising from events or transactions that are non-recurring or that are not considered to be representative of the ordinary course of business.
- **WACC** Weighted Average Cost of Capital calculated as a weighted average of the cost of the company's debt capital and the cost of risk capital, defined on the basis of the Capital Asset Pricing Model (CAPM) methodology, consistent with the specific risk of Saipem's business, measured by the beta of the Saipem share.
- **Write-off** cancellation or reduction of the value of an asset.

Operational terms

- **Buckle detection** system that utilises electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.
- **Bundles** bundles of cables.
- **Carbon Capture and Storage** technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating carbon dioxide emissions into the atmosphere.
- **Central Processing Facility** production unit performing the first transformation of crude oil or natural gas.
- **Cold stacked** idle plant with a significant reduction in personnel and reduced maintenance.
- **Commissioning** series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.
- **Concrete coating** reinforced concrete coating for subsea pipelines in order to ballast and protect them from damage and corrosion.
- **Conventional waters** water depths of up to 500 metres.
- **Cracking** chemical-physical process, typically employed in dedicated refinery

plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
- **Debottlenecking** removal of obstacles (in rigs/fields) which leads to higher production.
- **Deck** area of a vessel or platform where process plants, equipment, accommodation modules and drilling units are located.
- **Decommissioning** process undertaken in order to end operations of a gas pipeline, associated plant and equipment. It is performed at the end of the useful life of the plant or vessel following an incident, for technical or financial reasons, for safety or environmental reasons.
- **Deep waters** water depths of over 500 metres.
- **Downstream** all operations that follow exploration and production operations in the oil sector.
- **Drillship** vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
- **Dry-tree** wellhead located above the water on a floating production platform.
- **Dynamically Positioned Heavy Lifting 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, currents, etc.
- **EPC** (Engineering, Procurement, Construction) a type of contract typical of the Onshore Engineering & Construction segment, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' is used to indicate that the system is delivered to the client ready for operations, i.e. already commissioned.
- **EPCI** (Engineering, Procurement, Construction, Installation) type of contract typical of the Offshore Engineering & Construction segment, 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 for the start-up of operations.
- **Fabrication yard** yard at which offshore structures are fabricated.
- **Facilities** auxiliary services, structures and installations required to support the main systems.
- **Farm out** awarding of the contract by the client to another entity for a fixed period of time.
- **FDS** (Field Development Ship) dynamically-positioned multi-purpose crane and pipelay vessel.
- **FEED** (Front-End Engineering and Design) basic engineering and preliminary activities carried out before beginning a complex project to evaluate its technical aspects and enable an initial estimate of the investment required.
- **Flare** tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilise it on site or ship it elsewhere.
- **FLNG** Floating Liquefied Natural Gas unit used for the treatment, liquefaction and storage of gas which is subsequently transferred onto vessels for transportation to end-use markets.
- **Floatover** type of module installation on 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. Once the module is in contact with the supports, the vessel disconnects and the module is subsequently secured to the support structure.
- **Flowline** pipeline used to connect individual wells to a manifold or to gathering and processing facilities.
- **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 subsea wellheads to the on-board processing, storage and offloading systems.
- **FSHR** (Free Standing Hybrid Risers) system consisting of a vertical steel pipe ('riser'), which is kept under tension by a floating module position near the water whose buoyancy ensures stability. A flexible pipe (jumper) connects the upper part of the riser to the Floating Production Unit (FPU), while the riser is anchored to the sea bottom by means of an anchoring system. A rigid pipe (riser base jumper) connects the lower part of the FSHR to the Pipe Line End Terminations (PLETs).
- **FSRU** (Floating Storage Regasification Unit) a floating terminal in which liquefied natural gas is stored and then regasified before being transported by pipeline.
- **Gas export line** pipeline for carrying gas from the subsea reservoirs to the mainland.
- **Grass Root Refinery** a refinery that is built from scratch with a planned capacity.
- **Hydrocracker** installation in which large hydrocarbon molecules are broken down into smaller ones.
- **Hydrotesting** operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
- **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
- **Ice Class** classification that indicates the additional level of upgrading and other

criteria that make a ship sea worthy to sail in sea ice.
- **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
- **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 pipelaying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter 'J'. This type of pipelaying is suitable for deep waters.
- **Lay-up** idle vessel with suspension of the period of validity of the class certificate.
- **Leased FPSO** FPSO (Floating Production, Storage and Offloading) vessel for which a lease contract is in place between a client/lessee (Oil Company) and a contractor/lessor, whereby the lessee (client/Oil Company) makes lease payments to the lessor for use of the vessel for a specific period of time. At the end of the lease term, the lessee has the option to purchase the FPSO.
- **LNG** (Liquefied Natural Gas) obtained by cooling natural gas to minus 160 °C. At normal pressure, gas is liquefied to facilitate its transportation from the place of extraction to that of processing and/or utilisation. A tonne of LNG is equivalent to 1,500 cubic metres of gas.
- **Local Content** policy whereby a company develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.
- **LPG** (Liquefied Petroleum Gas) produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gas exists in a gaseous state at ambient temperatures and atmospheric pressure, but changes to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy-to-handle metal pressure vessels.
- **LTI** (Lost Time Injury) any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
- **Marginal fields** oil fields with scarce exploitable resources or at a stage of declining production for which extended use is attempted through low risk, cost effective technologies are used.
- **Midstream** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
- **Moon pool** opening in the hull of a drillship to allow for the passage of equipment.
- **Mooring buoy** offshore mooring system.
- **Multipipe subsea** subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deep water application).
- **National Oil Companies** State-owned/ controlled companies engaged in oil exploration, production, transportation and conversion.
- **NDT** (Non Destructive Testing) a series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** industrial sector that provides services and/or products to the National or International Oil Companies engaged in oil exploration, production, transportation and conversion.
- **Open Book Estimate** (OBE) type of contract where the lump-sum fee for the project (usually for turnkey or EPC projects) is agreed on with the client, with complete transparency, after the contract has been signed and during an advanced stage of the base engineering, on the basis of an overall project cost estimate.
- **P&ID** (Piping and Instrumentation Diagram) diagram showing all plant equipment, piping and instrumentation with associated shut-down and safety valves.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy back pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long and heavy steel pylon driven into the seabed. A system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- **Pipe-in-pipe** subsea pipeline system comprising 2 coaxial pipes, used to transport hot fluids (Oil & Gas). The internal pipe has the function of transporting the fluid. The space between the two pipes is insulated to reduce heat exchange with the external environment. The external pipe provides mechanical protection from the pressure of the water.
- **Pipe-in-pipe forged end** forged end of a coaxial double pipe.
- **Pipelayer** vessel used for subsea pipe laying.
- **Pipeline** pipes and auxiliary equipment used principally for transporting crude oil, oil

products and natural gas to the point of delivery.
- **Pre Assembled Rack** (PAR) pipeline support beams.
- **Pre-commissioning** phase comprising pipeline clean-out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** geological formation present on the continental shelves offshore Brazil and Africa.
- **Pre Travel Counselling** health and medical advice designed to take into account the health of the individual worker and ensure that he/she is furnished with adequate information on the specific risks present in his/her country of destination and the preventive measures that should be adopted.
- **PTS** (Pipe Tracking System) an electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Pulling** minor operations on oil wells due to maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit, as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.
- **ROV** (Remotely Operated Vehicle) unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- **Shale gas** unconventional gas extracted from shale deposits.
- **Shale oil** non conventional oil obtained from bituminous shale.
- **Shallow water** see Conventional waters.
- **Sick Building Syndrome** a combination of ailments associated with a person’s place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites may be contributing factors.
- **S-laying** method of pipelaying that utilises the elastic properties of steel, making the pipe configuration resemble the letter ‘S’, with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipelaying.
- **Slug catcher** equipment for the purification of gas.
- **Smart stacking** period of idleness that allows for optimising costs and the application of a rig preservation plan.
- **Sour water** water containing dissolved pollutants.
- **Spar** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
- **Spare capacity** relationship between crude oil production and production capacity, i.e. quantity of oil which is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of 2 pipelines.
- **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
- **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
- **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
- **Subsea treatment** a new process for the development of marginal fields. The system involves the injection and treatment of sea-water directly on the seabed.
- **SURF** (Subsea, Umbilicals, Risers, Flowlines) facilities, pipelines and equipment connecting the well or subsea system to a floating unit.
- **TAD** (Tender Assisted Drilling unit) an offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).
- **Tar sands** mixture of clay, sand, mud, water and bitumen. The tar is made up primarily of high molecular weight hydrocarbons and can be transformed into various petroleum products.
- **Template** rigid and modular subsea structure where the oilfield well-heads are located.
- **Tendons** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **Termination for Convenience** the right to unilaterally terminate the contract at any time without giving a reason, upon payment of a contractually negotiated settlement in order to exercise said right (so called ‘termination fee’).
- **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
- **Tight oil** oil ‘trapped’ in liquid form deep below the earth’s surface in low permeability rock formations, which it is difficult to extract using conventional methods.
- **TLP** (Tension Leg Platform) 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.
- **Topside** portion of a platform above the jacket.
- **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
- **Trenching** burying of offshore or onshore pipelines.
- **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
- **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
- **Upstream** relating to exploration and production operations.
- **Vacuum** second stage of oil distillation.
- **Warm Stacking** idle plant, but one ready to resume operations in the event that a new contract is acquired. Personnel is at full strength and ordinary maintenance is normally carried out.
- **Wellhead** fixed structure separating the well from the outside environment.
- **WHB** (Wellhead Barge) vessel equipped for drilling, workover and production (partial or total) operations, connected to process and/or storage plants.
- **Workover** major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet

(€ million)	Note (1)	Dec. 31, 2018 Total	Dec. 31, 2018 *of which with related parties (2)*	June 30, 2019 Total	June 30, 2019 *of which with related parties (2)*
ASSETS					
Current assets					
Cash and cash equivalents	(No. 6)	1,674		1,737	
Financial assets measured at fair value through OCI	(No. 7)	86		78	
Other current financial assets	(No. 8)	34	2	35	2
Current financial assets for leasing	(No. 16)	-		4	
Trade and other receivables	(No. 9)	2,610	756	2,475	990
Inventories	(No. 10)	303		304	
Contract assets	(No. 10)	1,086		1,244	
Current tax assets	(No. 11)	201		211	
Other current tax assets	(No. 12)	117		151	
Other current assets	(No. 13 and 31)	100	-	109	-
Total current assets		**6,211**		**6,348**	
Non-current assets					
Property, plant and equipment	(No. 14)	4,326		4,222	
Intangible assets	(No. 15)	702		699	
Right-of-Use-assets in leasing	(No. 16)	-		531	
Investments accounted for using the equity method	(No. 17)	119		113	
Other investments	(No. 17)	-		-	
Other non-current financial assets	(No. 18)	-		68	
Non-current financial assets for leasing	(No. 16)	-		13	
Deferred tax assets	(No. 19)	250		265	
Other non-current assets	(No. 20 and 31)	67	1	62	1
Total non-current assets		**5,464**		**5,973**	
Assets held for sale	(No. 32)	2		-	
TOTAL ASSETS		**11,677**		**12,321**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(No. 25)	80		109	
Current portion of long-term debt	(No. 25)	225		234	
Short-term lease liabilities	(No. 16)	-		140	
Trade and other payables	(No. 21)	2,674	49	2,738	31
Contract liabilities	(No. 21)	1,205	292	1,227	313
Income tax payables	(No. 22)	46		56	
Other current tax payables	(No. 23)	108		110	
Other current liabilities	(No. 24 and 31)	92	-	90	-
Total current liabilities		**4,430**		**4,704**	
Non-current liabilities					
Long-term debt	(No. 25)	2,646		2,615	
Long-term lease liabilities	(No. 16)	-	-	408	3
Provisions for contingencies	(No. 27)	330		308	
Provisions for employee benefits	(No. 28)	208		224	
Deferred tax liabilities	(No. 29)	18		30	
Other non-current liabilities	(No. 30 and 31)	9		3	
Total non-current liabilities		**3,211**		**3,588**	
TOTAL LIABILITIES		**7,641**		**8,292**	
SHAREHOLDERS' EQUITY					
Non-controlling interests	(No. 33)	74		38	
Saipem's shareholders' equity:	(No. 33)	3,962		3,991	
- share capital	(No. 33)	2,191		2,191	
- share premium reserve	(No. 33)	553		553	
- other reserves	(No. 33)	(122)		(57)	
- retained earnings		1,907		1,385	
- profit (loss) for the period		(472)		14	
- negative reserve for treasury shares in portfolio	(No. 33)	(95)		(95)	
Total shareholders' equity		**4,036**		**4,029**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11,677**		**12,321**	

(1) The notes are an integral part of the condensed interim consolidated financial statements.
(2) For an analysis of figures shown as 'of which with related parties', see Note 44 'Transactions with related parties'.

Income statement

(€ million)	Note	First half 2018 Total	First half 2018 *of which with related parties* [1]	First half 2019 Total	First half 2019 *of which with related parties* [1]
REVENUE					
Net sales from operations	(No. 36)	3,798	1,018	4,519	1,047
Other income and revenue	(No. 36)	6		8	
Total revenue	**3,804**		**4,527**		
Operating expenses					
Purchases, services and other costs	(No. 37)	(2,661)	(31)	(3,097)	(4)
Net reversals (impairments) of trade and other receivables	(No. 37)	3		(22)	
Payroll and related costs	(No. 37)	(738)		(835)	
Depreciation, amortisation and impairment	(No. 37)	(484)		(312)	
Other operating income (expense)	(No. 37)	2		1	
OPERATING RESULT		**(74)**		**262**	
Financial income (expense)					
Financial income			127		99
Financial expense		(152)		(154)	
Derivative financial instruments		(55)		(46)	
Total financial income (expense)	(No. 38)	**(80)**		**(101)**	
Income (expense) from investments					
Share of profit (loss) of equity accounted investments		(49)		(38)	
Other income (expense) from investments		-		-	
Total income (expense) from investments	(No. 39)	**(49)**		**(38)**	
RESULT BEFORE INCOME TAXES		**(203)**		**123**	
Income taxes	(No. 40)	(95)		(77)	
NET PROFIT (LOSS) FOR THE PERIOD		**(298)**		**46**	
Attributable to:					
- Saipem		(323)		14	
- non-controlling interests	(No. 41)	25		32	
Earnings (losses) per share attributable to Saipem (€ per share)					
Basic earnings (losses) per share	(No. 42)	(0.3243)		0.0141	
Diluted earnings (losses) per share	(No. 42)	(0.3203)		0.0139	

(1) For an analysis of figures shown as 'of which with related parties', see Note 44 'Transactions with related parties'.

Statement of comprehensive income

(€ million)	First half 2018	First half 2019
Profit (loss) for the period	**(298)**	**46**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans for employees	-	-
Change in the fair value of investments measured at fair value through OCI	-	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans	-	-
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassified subsequently to profit or loss		
Change in the fair value of cash flow hedges	(80)	21
Change in the fair value of financial assets, other than investments, measured at fair value through OCI	(1)	1
Exchange rate differences arising from the translation into euro of financial statements currencies other than euro	21	9
Share of other comprehensive income of investments accounted for using the equity method	-	-
Income tax relating to items that will be reclassified	13	(4)
Total other items of comprehensive income net of taxation	**(47)**	**27**
Total comprehensive income (loss) for the period	**(345)**	**73**
Attributable to:		
- Saipem Group	(371)	40
- non-controlling interests	26	33

Statement of changes in shareholders' equity

	Saipem shareholders' equity															
(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Investments carried at fair value	Cash flow hedge reserve, net of tax	Fair value reserve financial instruments available for sale net of tax effects	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings (losses) carried forward	Profit (loss) for the period	Negative reserve for treasury shares in portfolio	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2017	**2,191**	**1,049**	**2**	**88**	**-**	**1**	**41**	**(1)**	**(154)**	**(21)**	**1,786**	**(328)**	**(96)**	**4,558**	**41**	**4,599**
Changes to accounting standards - Application of IFRS 9	-	-	-	-	-	-	-	-	-	-	(28)	-	-	(28)	-	(28)
Changes to accounting standards - Application of IFRS 15	-	-	-	-	-	-	-	-	-	-	(20)	-	-	(20)	-	(20)
Balance after account standard changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(48)**	**-**	**-**	**(48)**	**-**	**(48)**
Balance at January 1, 2018	**2,191**	**1,049**	**2**	**88**	**-**	**1**	**41**	**(1)**	**(154)**	**(21)**	**1,738**	**(328)**	**(96)**	**4,510**	**41**	**4,551**
Profit (loss) for the first half of 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(323)**	**-**	**(323)**	**25**	**(298)**
Other items of comprehensive income																
Items that will not be reclassified subsequently to profit or loss																
Remeasurements of defined benefit plans for employees net of the tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of investments through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Items that may be reclassified subsequently to profit or loss																
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	-	(67)	-	-	-	-	-	-	(67)	-	(67)
Change in the fair value of financial assets, other than investments, measured at fair value through OCI	-	-	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	-	-	26	-	(6)	-	-	20	1	21
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total							**(67)**	**(1)**	**26**	**-**	**(6)**	**-**	**-**	**(48)**	**1**	**(47)**
Total recognised income (expense) for the first half of 2018							**(67)**	**(1)**	**26**	**-**	**(6)**	**(323)**	**-**	**(371)**	**26**	**(345)**
Transactions with shareholders																
Dividend distribution first half of 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Retained earnings (losses)	-	(496)	-	-	-	-	-	-	-	-	168	328	-	-	-	-
Increase (reduction) of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalisation of costs of share capital increase net of taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**(496)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**168**	**328**	**-**	**-**	**(8)**	**(8)**
Other changes in shareholders' equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	4	-	1	5	-	5
Other changes	-	-	-	-	-	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**1**
Balance at June 30, 2018	**2,191**	**553**	**2**	**88**	**-**	**1**	**(26)**	**(2)**	**(128)**	**(21)**	**1,900**	**(323)**	**(95)**	**4,140**	**59**	**4,199**
Profit (loss) for the second half of 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(149)**	**-**	**(149)**	**37**	**(112)**
Other items of comprehensive income																
Items that will not be reclassified subsequently to profit or loss																
Remeasurements of defined benefit plans for employees net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in the fair value of investments measured at fair value through OCI	-	-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Items that may be reclassified subsequently to profit or loss																
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	-	(15)	-	-	-	-	-	-	(15)	-	(15)

cont'd **Statement of changes in shareholders' equity**

(€ million)	Saipem shareholders' equity															
	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Investments carried at fair value	Cash flow hedge reserve, net of tax	Fair value reserve financial instruments available for sale net of tax effects	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings (losses) carried forward	Profit (loss) for the period	Negative reserve for treasury shares in portfolio	Total	Minority interest	Total shareholders' equity
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	-	-	20	-	(2)	-	-	18	1	19
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to fair value financial instruments available for sale net of tax effects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(15)**	**-**	**(20)**	**-**	**(2)**	**-**	**-**	**3**	**1**	**4**
Total comprehensive income (loss) for the second half of 2018	**-**	**-**	**-**	**-**	**-**	**(1)**	**(15)**	**-**	**(20)**	**-**	**(2)**	**(149)**	**-**	**(147)**	**38**	**(109)**
Transactions with shareholders																
Dividend distribution second half of 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	(41)	-	-	-	-	-	-	-	-	-	-	(41)	(23)	(64)
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**(41)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(41)**	**(23)**	**(64)**
Other changes in shareholders' equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	10	-	-	10	-	10
Other changes	-	-	-	-	-	-	1	(1)	1	-	(1)	-	-	-	-	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**(1)**	**1**	**-**	**9**	**-**	**-**	**10**	**-**	**10**
Balance at December 31, 2018	**2,191**	**553**	**(39)**	**88**	**-**	**-**	**(40)**	**(3)**	**(107)**	**(21)**	**1,907**	**(472)**	**(95)**	**3,962**	**74**	**4,036**
Profit (loss) for the first half of 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**-**	**14**	**32**	**46**
Other items of comprehensive income																
Items that will not be reclassified subsequently to profit or loss																
Remeasurements of defined benefit plans for employees net of the tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of investments through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Items that may be reclassified subsequently to profit or loss																
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	-	17	-	-	-	-	-	-	17	-	17
Change in the fair value of financial assets, other than investments, measured at fair value through OCI	-	-	-	-	-	-	-	1	-	-	-	-	-	1	-	1
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	-	-	54	-	(46)	-	-	8	1	9
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**1**	**54**	**-**	**(46)**	**-**	**-**	**26**	**1**	**27**
Total recognised income (expense) for the first half of 2019	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**1**	**54**		**(46)**	**14**	**-**	**40**	**33**	**73**
Transactions with shareholders																
Dividend distribution first half of 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(62)	(62)
Retained earnings (losses)	-	-	-	-	-	-	-	-	-	-	(472)	472	-	-	-	-
Increase (reduction) of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	(7)	-	-	-	-	-	(1)	-	-	-	-	(8)	(7)	(15)
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**(7)**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(472)**	**472**	**-**	**(8)**	**(69)**	**(77)**
Other changes in shareholders' equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Other changes	-	-	-	-	-	-	-	-	1	-	(1)	-	-	-	-	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**(4)**	**-**	**-**	**(3)**	**-**	**(3)**
Balance at June 30, 2019	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**(23)**	**(2)**	**(53)**	**(21)**	**1,385**	**14**	**(95)**	**3,991**	**38**	**4,029**

Cash flow statement

(€ million)	Note	First half 2018	First half 2019
Profit (loss) for the period		(323)	14
Non-controlling interests		25	32
Adjustments to reconcile profit (loss) to net cash provided by operating activities:			
- depreciation and amortisation	(No. 37)	228	298
- net impairment (reversals) of tangible and intangible assets	(No. 37)	256	14
- share of profit (loss) of equity accounted investments	(No. 39)	49	38
- net (gains) losses on disposal of assets		1	(5)
- interest income		(3)	(3)
- interest expense		46	58
- income taxes	(No. 40)	95	77
- other changes		(38)	8
Changes in working capital:			
- inventories		14	(1)
- trade receivables		(121)	247
- trade payables		(49)	6
- provisions for contingencies		(20)	(18)
- contract assets and contract liabilities		152	(139)
- other assets and liabilities		70	(116)
Cash flow from working capital		*46*	*(21)*
Change in the provision for employee benefits		9	17
Dividends received		1	1
Interest received		3	3
Interest paid		(43)	(62)
Income taxes paid net of refunds of tax credits		(64)	(50)
Net cash provided by operating activities		**288**	**419**
of which with related parties	(No. 44)	**533**	**812**
Investing activities:			
- tangible assets	(No. 14)	(308)	(132)
- intangible assets	(No. 15)	(5)	(3)
- investments	(No. 17)	-	(35)
- securities		-	-
- financing receivables		-	-
Cash flow from investing activities		*(313)*	*(170)*
Disposals:			
- tangible assets		-	8
- consolidated subsidiaries and businesses		-	-
- investments		-	2
- securities			9
- financing receivables		-	-
Cash flows from disposals		-	*19*

cont'd **Cash flow statement**

(€ million)	Note	First half 2018		First half 2019	
Net cash used in investing activities [1]		**(313)**		**(151)**	
of which with related parties	(No. 44)		**-**		**-**
Proceeds from long-term debt		110		61	
Repayments of long-term debt		(131)		(83)	
Repayments of lease liabilities		-		(62)	
Increase (decrease) in short-term debt		(50)		25	
		(71)		**(59)**	
Net capital contributions by non-controlling interests		-		-	
Sale (purchase) of additional interests in consolidated subsidiaries				(15)	
Dividend distribution		(15)		(62)	
Sale (buy-back) of treasury shares		-		-	
Net cash from financing activities		**(86)**		**(136)**	
of which with related parties	(No. 44)		**-**		**-**
Effect of changes in consolidation		-		-	
Effect of exchange rate changes and other changes on cash and cash equivalents		15		(69)	
Net cash flow for the period		**(96)**		**63**	
Cash and cash equivalents - beginning of period	(No. 6)	**1,751**		**1,674**	
Cash and cash equivalents - end of period	(No. 6)	**1,655**		**1,737**	

(1) Net cash used in investing activities included investments in certain financial assets to absorb temporary surpluses of cash or as part of our ordinary management of financing activities. Due to their nature and the fact that they are very liquid, these financial assets are netted against finance debt in determining net financial debt. For the definition of net financial debt, see the 'Financial and economic results' section of the 'Interim Directors' Report'.
The cash flows of these investments were as follows:

(€ million)	First half 2018	First half 2019
Financing investments:		
- securities	-	-
- financing receivables	-	-
Disposals of financing investments:		
- securities		9
- financing receivables	-	-
Net cash flows from investments/disposals related to financing activities	**-**	**9**

For reporting required by IAS 7, please refer to Note 25 'Financial liabilities'.

Index of Notes to the condensed interim consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'.
The condensed interim consolidated financial statements at June 30, 2019 have been prepared in accordance with the same principles of consolidation and accounting policies described in the 2018 Annual Report, with the exception of the provisions in IFRS 16 'Leases' and for other changes to IFRS that came into effect as of January 1, 2019, as illustrated in the 'Recent accounting principles' section of said Report.
IFRS 16 defines a single model of recognition of lease contracts based on the recognition by the lessee of 'Right-of-Use-asset' for underlying leased asset and a lease liability representing its obligation to make lease payments provided by the contract ('Lease Liability').
The 'Right-of-Use-asset' at the commencement date, the date on which the asset is made available for use, is initially measured at cost and derives from the sum of the following components:
- the initial amount of the 'Lease Liability';
- payments due for leasing made on or before the effective date, net of any incentives for leasing received;
- initial direct costs incurred by the lessee;
- the estimate of the costs that the lessee expects to incur for the dismantling and removal of the underlying asset and for the restoration of the site in which it is located or for the restoration of the underlying asset in the conditions established by the terms and conditions established in the lease contract.

After initial recognition, the 'Right-of-Use-asset' is reduced by accumulated depreciation, any impairment losses and the effects associated with any remeasurement of the 'Lease Liability'.
Depreciation rates are constant and follow the duration of the contract, taking into account renewal/term options which are highly probable for the year. Only if the lease provides for the exercise of a reasonably certain purchase option the 'Right-of-Use-asset' is amortised systematically over the useful life of the underlying asset.
IFRS 16 requires that, in the presence of sub-leasing contracts, the lessee as an intermediate lessor must proceed to classify the sub-lease as operational if the main lease is short-term, recognising the relative revenue in the income statement. Otherwise, it must be classified with reference to the Right-of-Use-asset deriving from the main lease, rather than making reference to the underlying asset, or with reference to the duration of the sub-leasing contract: if it covers most or all of the duration of the main contract, the sub-lease must be considered to be of a financial nature, accounting for a financial receivable to replace, totally or partially, the 'Right-of-Use-asset' arising from the main lease.
On the basis of IFRS 16, 'Lease liability' is initially recognised at the current value of payments due for leasing not yet made at the commencement date, which include:
- fixed payments that will be paid with reasonable certainty, net of any lease incentives that may be received;
- variable payments due that depend on an index or a rate (variable payments such as fees based on the use of the leased asset, are not included in the lease, but are recognised in the income statement as operating costs over the lease term);
- any amounts that are expected to be paid as collateral for the residual value granted to the lessor;
- the strike price of the purchase option, if the lessee is reasonably certain to exercise this option;
- penalty payments for termination of the lease, if the lessee is reasonably certain to exercise this option.

The present value of the aforementioned payments is calculated by adopting a discount rate equal to the implicit interest rate of the lease or, if this is not easily determined, using the incremental borrowing rate of the lessee. The incremental borrowing rate of the lessee is defined by taking into account the intervals and duration of the payments provided for in the leasing contract, the currency in which they are denominated and the characteristics of the lessee's economic environment.
After initial recognition, the 'Lease Liability' is valued at amortised cost (i.e. increasing its book value to take into account the interest on the liability and decreasing it to take into account the payments made) using the effective interest rate and is restated, against the registration value of the related 'Right-of-Use-asset', to take into account any changes to the lease following contractual renegotiations, changes in indices or rates, changes relating to the exercise of contractually envisaged options for renewal, early withdrawal or purchase of the leased asset.
The new standard eliminates, for the lessee, the classification of leases as operating or financial, with limited exceptions of application of the accounting procedures (assignment of the lease rates to the income statement on accrual basis for leases responding to the requirements to be considered as 'short term' or 'low value').
For the lessor's financial statements, the distinction between operating and financial leases is maintained.

Consistently with the provisions of IAS 34, the notes to the financial statements are presented in summary form, while the financial statements are presented in complete form, in line with the provisions of IAS 1 'Presentation of the financial statements'. The changes in the financial statements following the application of IFRS 16 are indicated in Note 3 'Changes to accounting standards'.
Current income taxes are determined on the basis of estimated taxable income at the balance sheet date. Current income tax assets and liabilities are measured at the amount expected to be paid to/recovered from the tax authorities, using tax laws that have been enacted or substantively enacted by the end of the reporting period and tax rates estimated on an annual basis.
Consolidated companies, non-consolidated subsidiaries, interests in joint ventures and joint operations and associated companies are indicated in the section 'Scope of consolidation', which constitutes an integral part of these notes. The same section contains a list detailing the changes that occurred in the scope of consolidation during the period. The condensed interim consolidated financial statements as of June 30, 2019, approved by Saipem's Board of Directors on July 24, 2019, were subjected to a limited review by the independent auditor KPMG SpA. A limited review is substantially less in scope than an audit performed in accordance with generally accepted auditing standards.
Amounts stated in financial statements and the notes thereto are in millions of euros.

Foreign currency translation

Financial statements of foreign companies having a functional currency other than euro are converted into euro applying: (i) closing exchange rates for assets and liabilities; (ii) historical exchange rates for equity accounts; (iii) the average rates for the period to the income statement (source: Banca d'Italia).
Cumulative exchange rate differences resulting from this translation are recognised in shareholders' equity under the caption 'Cumulative currency translation differences' for the portion relating to the Group's share and under 'Non-controlling interests' for the portion related to non-controlling interests. Cumulative exchange differences are charged to the income statement when an investment is fully disposed of or when the investment ceases to qualify as a controlled company. In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under non-controlling interests in equity.
The financial statements translated into euros are those denominated in the functional currency, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.
The exchange rates that have been applied for the translation of financial statements in foreign currencies are as follows:

Currency	Exchange at Dec. 31, 2018	Exchange at June 30, 2019	2019 average exchange rate
US Dollar	1.145	1.138	1.1298
British Pound Sterling	0.89453	0.89655	0.87363
Algerian Dinar	135.4881	135.1447	134.4534
Angolan Kwanza	353.021	387.267	361.777
Argentine Peso	43.1593	48.5678	46.8002
Australian Dollar	1.622	1.6244	1.6003
Brazilian Real	4.444	4.3511	4.3417
Canadian Dollar	1.5605	1.4893	1.5069
Croatian Kuna	7.4125	7.3973	7.42
Egyptian Pound	20.5108	19.0006	19.5659
Ghanaian New Cedi	5.6218	6.2015	5.9183
Indian Rupee	79.7298	78.524	79.124
Indonesian Rupee	16,500	16,083.35	16,039.1
Kazakhstan Tenghè	437.52	433	428.6
Malaysian Ringgit	4.7317	4.7082	4.6545
Nigerian Naira	350.9425	348.6832	346.1659
Norwegian Kroner	9.9483	9.6938	9.7304
Peruvian New Sol	3.863	3.7448	3.755
Qatari Riyal	4.1678	4.1423	4.1124
Romanian New Leu	4.6635	4.7343	4.7418
Russian Rouble	79.7153	71.5975	73.7444
Singapore Dollar	1.5591	1.5395	1.5356
Saudi Arabian Riyal	4.2938	4.2675	4.2367
Swiss Franc	1.1269	1.1105	1.1295

2 Accounting estimates and significant judgements

The preparation of consolidated financial statements and interim reports in accordance with generally accepted accounting standards requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Accounting estimates are a critical factor in the preparation of consolidated financial statements and interim reports because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results.

With reference to the detail of the accounting estimates and to the significant judgements made by Management, reference is made to the 2018 Annual Report to which the following are also added: the determination of the duration of the leases containing renewal or termination options, as well as for the determination of the discount rate to be used for the 'Lease Liability'.

In addition, as regards the impairment test, IFRS 16 requires the lessee to have the 'Right-of-Use-assets' subjected to the test to assess any impairment pursuant to IAS 36, similarly to the other company owned assets. As a result, in the presence of indicators of loss of value, it is necessary to determine whether the 'Right-of-Use-asset' can be tested on a stand-alone basis or at the level of the CGU.

With reference to the verification of recoverability of the 'Right-of-Use-asset' it is necessary to consider: (i) at FTA, the keeping of the book values based on the absence (or not) of provisions for onerous contracts relating to existing leasing contracts; (ii) the allocation to the CGUs of the 'Right-of-Use-assets'; (iii) the duration of the underlying leasing contract with respect to the time horizon considered in the determination of the cash flows of the CGU; (iv) the value of use of a CGU that contains a 'Right-of-Use-asset'.

Following the examination of the various options currently available in the literature, Saipem deemed it appropriate to include the 'Right-of-Use-asset' net of the related 'Lease Liability' within the CGU being evaluated and the determination of the value in use considering the disbursements for lease payments and using a discount rate pre IFRS 16.

3 Changes to standards

Compared to what is indicated in the 2018 Annual Report, to which reference should be made, there have been no changes in accounting policies, except for the changes that occurred as a consequence of the first-time adoption of IFRS 16 'Leases' entered into force on January 1, 2019 and illustrated above in the 'Basis of presentation' paragraph.

The new standard requires for the lessee to recognise:

- in the balance sheet: (i) the 'Right-of-Use-asset', recognised by Saipem in a specific item 'Use of leasing rights in leasing' distinct from tangible and intangible assets and trade receivables related to financial sub-leasing contracts recorded by Saipem as a specific item in 'Financial assets for leasing'; (ii) of the financial liabilities relating to the obligation to make the payments envisaged by the contract ('Lease Liability'), recorded by Saipem in a specific item 'Lease liabilities';
- in the income statement: amortisation of the 'Right-of-Use-assets' (under operating expenses) and interest expenses accrued on the lease liability (in the financial section) if not subject to capitalisation (with respect to the operating lease payments recognised among the operating costs based on the previous IAS 17) giving separate evidence of these in the Notes. The income statement also includes the lease contract payments that meet short-term and low-value requirements and variable payments linked to the use of assets, not included in determining the 'Right-of-Use-asset/Lease Liability';
- the following effects are determined in the cash flow statement: (a) a change in the net cash flow provided by operating activities that will no longer receive the payments for lease rates, but the disbursements for interest paid on the lease liability not subject to capitalisation; (b) a change in the net cash flow used in investing activities, that will no longer receive the payments relative to lease rates capitalised on tangible and intangible assets, but only the disbursements for interest paid on the lease liability subject to capitalisation; (c) a change in the net cash flow from financing activities that will receive the disbursements connected with repayment of the principal amount of the 'Lease Liability'.

The application of the new standard has had a significant impact on the Group's balance sheet, income statement and cash flows as a result:

(i) an increase in fixed assets for the right of use of the underlying leased assets;
(ii) an impact on the net debt, deriving from the increase in financial liabilities for lease liabilities;
(iii) an increase of the EBITDA, and to a lesser extent of the EBIT, due to the cancellation of lease payments currently included in operating costs, and a simultaneous increase in amortisation;

(iv) a marginal variation in profit due to the recognition of the financial expenses;
(v) an improvement in net cash flows from operating activities that no longer includes payments for non-capitalised lease payments, but disbursements for interest expenses on 'Lease Liabilities' not subject to capitalisation;
(vi) a worsening of the net cash flow from financing activities which includes the disbursements related to the repayment of the 'Lease Liability'.

For details, see the specific sections of the 'Interim Directors' Report' and the 'Notes to the condensed interim consolidated financial statements' that summarise the effects deriving from the first-time adoption of the new standard.

The main contracts relating to leased assets linked to specific categories of assets that concern most of the companies in the Group are as follows:

- vessels for the performance of projects by the Offshore Engineering & Construction Division;
- rental contracts for real estate;
- industrial areas and construction yards in support of the projects of the Onshore Engineering & Construction Division;
- vehicles and office machines.

The complexity of the contracts, as well as their multi-year duration required the exercise of a complex professional judgement by the Company Management to define the assumptions to be adopted for the purpose of determining the impacts connected with the new provisions of the standard. In particular, the main assumptions adopted concerned:

- the evaluation of the periods covered by extension options or early termination for the purpose of determining the duration of the lease contract;
- the identification of variable payments and their characteristics for the purposes of estimating the inclusion, or not (pursuant to the provisions of IFRS 16, variable payments linked to the use of the asset or turnover are charged to the income statement and therefore they do not participate in the determination of the 'Lease Liability/Right-of-Use-asset'), in the determination of the 'Lease Liability' and the 'Right-of-Use-asset';
- the discount rate used to determine the 'Lease Liability', represented by the lessee's incremental borrowing rate. This rate was defined taking into account the duration of the lease contracts, the currency in which they are denominated and the characteristics of the economic environment in which the lessee operates, defined on the basis of the country risk premium attributed to the individual countries in which Saipem operates. The present value of payments owed on a lease is determined by using a discount rate that reflects the incremental borrowing rate of Saipem and is defined on the basis of the Euro benchmark zero coupon yield curve adjusted for Saipem risk. The rate is determined, also taking account, the risk related to the currency of denomination and duration of the underlying contract.

The adoption of the IFRS 16 led to the recognition of the 'Right-of-Use-asset' and 'Lease Liabilities' as at January 1, 2019 of €547 million.

Based on business considerations, renewal options relevant to vessels of the Offshore Engineering & Construction Division and to properties, for €270 million totally, have not been considered in determining the overall duration of the contracts and in determining the 'Lease Liability' as of January 1, 2019.

The first time it applied the new standard, Saipem:

- applied the so-called 'modified retrospective approach', recognising the effect connected to retroactive recalculation of the shareholders' equity values as of January 1, 2019, without making the restatement of previous years used for comparison;
- availed itself of the practical expedient consisting of not applying IFRS 16 to leases for which the residual duration as of January 1, 2019, is less than 12 months, for all types of assets;
- considered as leases all contracts classifiable as such based on IFRS 16 without applying the 'grandfathering' expedient (the possibility not to review every contract existing as of January 1, 2019, applying IFRS 16 only to those contracts previously identified as leases based on IAS 17 and IFRIC 4);
- recognised an asset for the right of use at an amount corresponding to the 'Lease Liability' adjusted, where necessary, to take into account any prepaid expenses for advances and without considering the initial direct costs incurred in years prior to January 1, 2019.

Furthermore:

- the 'Lease Liability' was recognised at the present value of the payments due for the lease, discounted using Saipem's incremental borrowing rate in effect at January 1, 2019; variable payments linked to the use of an asset have not been included in the 'Lease Liability/Right-of-Use-asset' of the asset but have been recognised, pursuant to the provisions of IFRS 16, in the income statement as costs for the period;
- the options of renewal or advance termination were analysed, where present, in order to determine the overall duration of the contract.

The following is a reconciliation between the amount of minimum future payments due for non-cancellable operating leases as at December 31, 2018 (based on IAS 17) and the opening balance of the 'Lease Liability', not discounted, as of January 1, 2019 (based on IFRS 16):

(€ million)

Minimum future payments due for non-cancellable operating leases (based on IAS 17) at December 31, 2018	**584**
Short term lease included in non-cancellable operating lease contracts and other variations	(7)
Cancellable leases based on IAS 17	60
Lease liability, not discounted (based on IFRS 16), at January 1, 2019	**637**
Discounting effect	(90)
Lease liability (based on IFRS 16) at January 1, 2019	**547**

With regard to IFRS 9 'Financial Instruments' in force since January 1, 2018, as indicated in the 2018 Annual Report to which reference is made, with regard to the new provisions on hedge accounting, certain areas of optimisation in the management of strategies have been identified in light of the innovations and simplifications introduced by the standard. Following the analyses carried out, a new hedge accounting management model was defined, fully adopted starting from January 1, 2019, focused on the coverage of net positions.

Recent standards

The following are the changes to the IFRS approved by the European Commission, already reported in the 2018 Annual Report, the provisions of which are effective from January 1, 2019.

With Regulation No. 2018/498, issued by the European Commission on March 22, 2018, the regulations contained in 'Prepayment Features with Negative Compensation - Amendments to IFRS 9', issued by the IASB on October 12, 2017, were approved. The document allows for the measurement at amortised cost or at Fair Value Through Other Comprehensive Income (FVTOCI) of a financial asset characterised by an advance payment option through negative compensation. The document also clarified the method of accounting for a change or an exchange of a financial liability at amortised cost that was not subject to derecognition. The difference between the original contractual cash flows and the modified cash flows, discounted at the effective interest rate, must be recognised in the income statement at the date of the change or exchange.

With Regulation No. 2018/1595, issued by the European Commission on October 23, 2018, IFRIC 23 'Uncertainty Over Income Tax Treatments' was approved which provides indications on how to consider the uncertainties on certain tax treatments used by the entity in applying tax legislation (for example, tax treatments adopted for this issue of transfer prices that could be challenged by the tax authorities, or uncertainties regarding the period of deduction of tax depreciation of certain assets). The likelihood of the tax authorities accepting the entity's tax treatment and whether to consider the uncertainty in itself or in relation to the general tax burden of the entity should be verified.

With Regulation No. 2019/237, issued by the European Commission on February 8, 2019, IAS 28 'Long-term Interests in Associates and Joint Ventures', was approved. It is aimed at clarifying that the provisions of IFRS 9, including those relating to impairment, also apply to the financial instrument assets representing long-term interests in an associate or joint venture which, in substance, form part of the net investment in the associated company or joint venture (so-called long-term interest).

With Regulation No. 2019/402, issued by the European Commission on March 13, 2019, the amendments to IAS 19 'Plan Amendment, Curtailment or Settlement', were approved and are aimed essentially at requiring the use of up-to-date actuarial assumptions in determining the cost related to service costs and net interest for the period following a modification, reduction or termination of an existing defined benefit plan.

With Regulation No. 2019/412, issued by the European Commission on March 14, 2019, the document 'Annual Improvements to IFRS Standards 2015-2017 Cycle', was approved and which essentially consists of changes of a technical and editorial nature to some standards.

The above amendments did not produce significant impacts for Saipem at this time.

4 Scope of consolidation at June 30, 2019

Parent company

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Saipem SpA	San Donato Milanese	EUR	2,191,384,693	Eni SpA CDP Equity SpA (formerly Fondo Strategico Italiano) Saipem SpA Third parties	30.54 12.55 1.46 55.45		

Subsidiaries

Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Denuke Scarl	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	55.00 45.00	55.00	F.C.
Saipem Offshore Construction SpA	San Donato Milanese	EUR	20,000,000	Saipem SpA	100.00	100.00	F.C.
Servizi Energia Italia SpA	San Donato Milanese	EUR	291,000	Saipem SpA	100.00	100.00	F.C.
Smacemex Scarl (**)	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	60.00 40.00	60.00	Co.
SnamprogettiChiyoda sas di Saipem SpA	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	99.90 0.10	99.90	F.C.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	20,494,210	Saipem SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Boscongo SA	Pointe-Noire (Congo)	XAF	1,597,805,000	Saipem SA	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
European Maritime Construction sas	Montigny le Bretonneux (France)	EUR	1,000	Saipem SA	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
North Caspian Service Co	Almaty (Kazakhstan)	KZT	1,910,000,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Lima (Peru)	PEN	1,200,529,045	Saipem International BV	100.00	100.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	372,778,100	Saipem International BV Third parties	99.99 0.01	99.99	F.C.
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Ltda (**)	Luanda (Angola)	AOA	1,600,000	Saipem International BV Third parties	60.00 40.00	60.00	E.M.

(*) F.C. = full consolidation, J.O.= joint operation, E.M. = equity method, Co. = cost method
(**) In liquidation.

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Saigut SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	998.259.500	Saimexicana SA de Cv	100.00	100.00	F.C.
SAIMEP Lda	Maputo (Mozambique)	MZN	70,000,000	Saipem SA Saipem International BV	99.98 0.02	100.00	F.C.
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	5,341,669,200	Saipem SA	100.00	100.00	F.C.
Saipem (Beijing) Technical Services Co Ltd	Beijing (China)	USD	1,750,000	Saipem International BV	100.00	100.00	F.C.
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	61,033,500	Saipem International BV Third parties	41.94 58.06 (a)	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	Caniçal (Portugal)	EUR	299,278,738	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	1,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina de Perforaciones, Montajes y Proyectos Sociedad Anónima, Minera, Industrial, Comercial y Financiera (**) (***)	Buenos Aires (Argentina)	ARS	1,805,300	Saipem International BV Third parties	99.90 0.10	99.90	E.M.
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd	West Perth (Australia)	AUD	566,800,001	Saipem International BV	100.00	100.00	F.C.
Saipem Canada Inc	Montreal (Canada)	CAD	100,100	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Algérie SpA	Algiers (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Nigeria Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem do Brasil Serviçõs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	2,000,796,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Llc	Moscow (Russia)	RUB	10,000	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	110,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	50,000,000	Saipem International BV Snamprogetti Netherlands BV	51.00 49.00	100.00	F.C.
Saipem Finance International BV	Amsterdam (Netherlands)	EUR	1,000,000	Saipem International BV Saipem SpA	75.00 25.00	100.00	F.C.
Saipem India Projects Private Ltd	Chennai (India)	INR	526,902,060	Saipem SA	100.00	100.00	F.C.
Saipem Ingenieria Y Construcciones SLU	Madrid (Spain)	EUR	80,000	Saipem International BV	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Libya LLC - SA.LI.CO. Llc (**)	Tripoli (Libya)	LYD	10,000,000	Saipem International BV Snamprogetti Netherlands BV	60.00 40.00	100.00	Co.
Saipem Ltd	Kingston upon Thames Surrey (United Kingdom)	EUR	7,500,000	Saipem International BV	100.00	100.00	F.C.

(a) Percentage of control. The percentage of compensatory ownership of preferential shares is 99.02 held by Saipem International BV and 0.98 by third-party shareholders.
(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the year.

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sàrl Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Norge AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem Romania Srl	Bucharest (Romania)	RON	29,004,600	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Saipem SA	Montigny le Bretonneux (France)	EUR	528,837,858	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	36,090,000	Saipem SA	100.00	100.00	F.C.
Saiwest Ltd	Accra (Ghana)	GHS	937,500	Saipem SA Third parties	49.00 51.00	49.00	F.C.
Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV	100.00	100.00	F.C.
Sigurd Rück AG	Zurich (Switzerland)	CHF	25,000,000	Saipem International BV	100.00	100.00	F.C.
Snamprogetti Engineering & Contracting Co Ltd	Dhahran (Saudi Arabia)	SAR	10,000,000	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Engineering BV	Schiedam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	203,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid SA Third parties	99.99 0.01	100.00	F.C.
Sofresid SA	Montigny le Bretonneux (France)	EUR	312,253,842	Saipem SA	100.00	100.00	F.C.
Sonsub International Pty Ltd	West Perth (Australia)	AUD	13,157,570	Saipem Australia Pty Ltd	100.00	100.00	F.C.

(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method

Associates and jointly controlled companies

Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
ASG Scarl	San Donato Milanese	EUR	50,864	Saipem SpA Third parties	55.41 44.59	55.41	E.M.
CCS JV Scarl Δ	San Donato Milanese	EUR	150,000	Servizi Energia Italia SpA Third parties	74.95 25.05	74.95	Co.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	59.09 40.91	59.09	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	E.M.
Consorzio F.S.B. Δ	Venice - Marghera	EUR	15,000	Saipem SpA Third parties	29.10 70.90	29.10	Co.
Consorzio Sapro Δ	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Rodano Consortile Scarl (**)	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	E.M.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.
Ship Recycling Scarl (**) Δ	Genoa	EUR	10,000	Saipem SpA Third parties	51.00 49.00	51.00	J.O.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
CCS LNG Mozambique Lda (***) Δ	Maputo (Mozambique)	MZN	150,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
CCS Netherlands BV (***) Δ	Amsterdam (Netherlands)	EUR	300,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
Charville - Consultores e Serviços Lda Δ	Funchal (Portugal)	EUR	5,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Hazira Cryogenic Engineering & Construction Management Private Ltd Δ	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.
KWANDA Suporte Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem SA Third parties	40.00 60.00	40.00	E.M.
Mangrove Gas Netherlands BV Δ	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Petromar Lda Δ	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	E.M.
PSS Netherlands BV Δ	Leiden (Netherlands)	EUR	30,000	Saipem SpA Third parties	36.00 64.00	36.00	E.M.
Sabella SAS	Quimper (France)	EUR	9,707,940	Sofresid Engineering SA Third parties	11.95 88.05	11.95	E.M.
SaiPar Drilling Co BV Δ	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Saipem Dangote E&C Ltd (***) Δ	Victoria Island - Lagos (Nigeria)	NGN	100,000,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipem Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	40,000,000	Saipem International BV Third parties	40.00 60.00	40.00	E.M.
Saipon Snc Δ	Montigny le Bretonneux (France)	EUR	20,000	Saipem SA Third parties	60.00 40.00	60.00	J.O.
Sairus Llc (**) Δ	Krasnodar (Russia)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Saren BV Δ	Amsterdam (Netherlands)	EUR	20,000	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	E.M.

(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the year.
Δ Jointly-controlled company

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Société pour la Réalisation du Port de Tanger Méditerranée ∆	Anjra (Morocco)	EUR	33,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
Southern Gas Constructors Ltd ∆	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Sud-Soyo Urban Development Lda (***) ∆	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
TMBYS SAS ∆	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
TSGI Mühendislik İnşaat Ltd Şirketi ∆	Istanbul (Turkey)	TRY	1,471,099,950	Saipem Ingenieria Y Construcciones SLU Third parties	33.33 66.67	33.33	E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Serviços de Engenharia Lda	100.00	25.00	E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00	25.00	E.M.
TSKJ - Serviços de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Xodus Subsea Ltd ∆	London (United Kingdom)	GBP	1,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.

At June 30, 2019, the companies of Saipem SpA can be broken down as follows:

	Controlled companies			Associates and jointly controlled companies		
	Italy	Outside Italy	Total	Italy	Outside Italy	Total
Subsidiaries/Joint operations and their participating interests	**4**	**53**	**57**	**1**	**1**	**2**
Companies consolidated using the full consolidation method	4	53	57	-	-	-
Companies consolidated as a joint operation	-	-	-	1	1	2
Participating interests held by consolidated companies (1)	**1**	**3**	**4**	**8**	**24**	**32**
Accounted for using the equity method	-	2	2	5	24	29
Accounted for using the cost method	1	1	2	3	-	3
Total companies	**5**	**56**	**61**	**9**	**25**	**34**

(1) The participating interests held by subsidiaries and joint operations accounted for using the equity method and the cost method concern non-material entities and entities whose consolidation would not have a material impact.

(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method
(***) Inactive throughout the year.
∆ Jointly-controlled company

Changes in the scope of consolidation

There were no significant changes in the scope of consolidation during the first six months of 2019 with respect to the consolidated financial statements at December 31, 2018. Changes are shown by order of occurrence.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Tecnoprojecto Internacional Projectos e Realizações Industriais SA**, previously accounted for using the cost method, was sold to third parties;
- **Snamprogetti Netherlands BV** purchased 30% of Snamprogetti Engineering & Contracting Co Ltd;
- **Saipem Libya LLC - SA.LI.CO. Llc**, previously accounted for using the full consolidation method, was accounted for using the cost method due to inactivity;
- **Sairus Llc**, accounted for using the equity method, was placed into liquidation;
- **02 Pearl Snc**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Smacemex Scarl**, previously accounted for using the full consolidation method, was placed into liquidation and then accounted for using the cost method due to inactivity;
- **CCS JV Scarl** was established in Italy and accounted for using the cost method.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:
- **INFRA SpA**, consolidated using the full consolidation method, has changed its name to Saipem Offshore Construction SpA.

5 Summary of the effects deriving from the first-time adoption of IFRS 16

The adoption of the new IFRS 16 'Leases', as reported in the basis of presentation, had the following effects as of January 1, 2019.

(€ million)	Dec. 31, 2018	Effect of adopting IFRS 16	Situation as at Jan. 1, 2019
Non-current assets	5,106	550	5,656
Net working capital	295	(3)	292
Net financial debt	1,159	547	1,706
Shareholders' equity	4,036	-	4,036

The impacts of the adoption of IFRS 16 on the consolidated statements at June 30, 2019 are shown below:

Income statement

(€ million)	Pre IFRS 16	Effect of adopting IFRS 16	Situation as at June 30, 2019
Purchases, services and other costs	(3,172)	75	(3,097)
Amortisation/depreciation	(231)	(67)	(298)
Operating profit	254	8	262
Financial expense	(141)	(13)	(154)
Profit	51	(5)	46

Cash flow statement

(€ million)	Pre IFRS 16	Effect of adopting IFRS 16	Situation as at June 30, 2019
Net cash provided by operating activities	357	62	419
Free cash flow	197	62	259
Net cash from financing activities	(74)	(62)	(136)
Net cash for the period	63	-	63

6 Cash and cash equivalents

Cash and cash equivalents amounted to €1,737 million, an increase of €63 million compared with December 31, 2018 (€1,674 million).
Cash and cash equivalents at the end of the first half of the year, denominated in euros for 67%, US dollars for 15% and other currencies for 18%, were found to be remunerated at an average rate of 0.22%. Cash and cash equivalents included cash and cash on hand of €1 million (€2 million at December 31, 2018).
In the first half of the year, due to the continuation of the proceedings in Algeria ('Sonatrach 1 investigation'), the amount of two blocked accounts of the subsidiary Saipem Contracting Algérie SpA for an amount of €67 million (€71 million before discounting), was reclassified from the liquidity account to the other long-term financial account.
Bank and post office deposits include: (i) cash and cash equivalents of €281 million in current accounts of projects executed in partnership or joint venture; (ii) cash and cash equivalents of €83 million in current accounts denominated in currencies subject to movement and/or convertibility restrictions; (iii) cash and cash equivalents amounting to €3 million in current accounts subject to restrictions in the event of disputes with some vendors, for a total of €367 million.
The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2019 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Italy	973	1,129
Rest of Europe	88	126
CIS	15	26
Middle East	158	170
Far East	100	118
North Africa	81	1
Sub-Saharan Africa	25	38
Americas	234	129
Total	**1,674**	**1,737**

7 Financial assets measured at fair value through OCI

Financial assets measured at fair value through OCI amounted to €78 million (€86 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Financial assets for non-operating purposes		
Listed bonds issued by sovereign states/supranational institutions	22	22
Listed bonds issued by industrial companies	64	56
Total	**86**	**78**

Listed bonds issued by sovereign states/supranational institutions at June 30, 2019 of €22 million were as follows:

(€ million)	Notional value	Fair value	Nominal rate of return (%)	Maturity	Standard & Poor's rating classification
Fixed rate bonds					
France	3	3	2.50	2020	AA
Ireland	4	4	2.50	2020	A+
Poland	6	7	3.75-4.50	2022-2023	A-
Other	7	8	1.375-2.50	2019-2020	AAA/A
Total	**20**	**22**			

Listed bonds issued by industrial companies at June 30, 2019 of €56 million were as follows:

(€ million)	Notional value	Fair value	Nominal rate of return (%)	Maturity	Standard & Poor's rating classification
Fixed rate bonds					
Listed bonds issued by industrial companies	54	56	0.00-6.25	2020-2027	AA-/BBB
Total	**54**	**56**			

The fair value of bonds is determined on the basis of market prices. The fair value hierarchy is level 1. The bonds measured at fair value through OCI are held both to collect contractual cash flows and for future sale.
Listed bonds issued by sovereign states/supranational institutions and by industrial companies held by the Group fall within the scope of analysis for the determination of expected losses.
Given the high creditworthiness of the issuers (investment grade) the impact of expected losses on the bonds in question at June 30, 2019 is irrelevant.

8 Other current financial assets

Other current financial assets of €35 million (€34 million at December 31, 2018) consist of the following:

(€ million)	Dec. 31, 2018	June 30, 2019
Financial receivables for operating purposes	2	3
Financial receivables for non-operating purposes	32	32
Total	**34**	**35**

Financial receivables for operating purposes of €3 million (€2 million at December 31, 2018) were mainly related to receivables held by Saipem SpA from Serfactoring SpA.
Financial receivables for non-operating purposes of €32 million (€32 million at December 31, 2018) were mainly related to Saipem SpA's acceptance of an escrow account with an Italian credit institution to guarantee an amount collected by an associate in the form of a contractual advance.
Other current financial assets from related parties are shown in Note 44 'Transactions with related parties'.

9 Trade and other receivables

Trade and other receivables of €2,475 million (€2,610 million at December 31, 2018) were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Trade receivables	2,292	2,076
Prepayments for services	176	232
Other receivables	142	167
Total	**2,610**	**2,475**

Receivables are stated net of a provision for impairment losses of €725 million.

(€ million)	Dec. 31, 2018	Additions	Deductions	Currency translation differences	Other changes	June 30, 2019
Trade receivables	674	26	(8)	3	-	695
Other receivables	29	-	-	-	1	30
Total	**703**	**26**	**(8)**	**3**	**1**	**725**

Trade receivables amounted to €2,076 million, representing a decrease of €216 million compared to December 31, 2018.
The credit exposure to the top five clients is in line with the Group's operations and represents around 30% of total loans.
The recoverability of trade receivables is checked against the so-called 'expected credit loss model'. The management model adopted by Saipem uses the simplified approach envisaged by standard IFRS 9, which requires the valuation of the provision to cover losses for an amount equal to the losses expected over the entire life of the credit and uses the probability of client default for the quantification of expected losses, based on observable market data and on assessments collected by info-providers. Alongside the allocations made to the provision for bad debt after reviewing each expired receivable, which effectively already discounts a prospective view of the projects, an assessment is made of the creditworthiness of the clients. This assessment is performed at Corporate level on the portfolio of receivables and communicated to the companies to enable them to quantify and recognise the effects in their interim reporting.
At June 30, 2019, the effect of expected losses on trade receivables, determined on the basis of the assessment of the creditworthiness of the clients, amounted to €79 million on the total provision for bad debt of €695 million.
At June 30, 2019, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to €104 million (€116 million at December 31, 2018). Saipem SpA is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factors.
Trade receivables included retention amounts guaranteeing contracts of €211 million (€200 million at December 31, 2018), of which €73 million was due within twelve months and €138 million due after twelve months.
At June 30, 2019, there were no receivables relating to projects in dispute (€74 million at December 31, 2018).
Other receivables of €167 million were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Receivables from:		
- employees	34	26
Guarantee deposits	11	13
Other receivables	97	128
Total	**142**	**167**

Trade receivables and other receivables from related parties are detailed in Note 44 'Transactions with related parties'.
The fair value of trade and other receivables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

10 Inventories and contract assets

Inventories

Inventories amounted to €304 million (€303 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Raw and auxiliary materials and consumables	303	304
Total	**303**	**304**

The item 'Raw and auxiliary materials and consumables' includes spare parts for drilling and construction activities, as well as consumables for internal use and not for sale. The item is stated net of a valuation allowance of €129 million.

(€ million)	Dec. 31, 2018	Additions	Deductions	Other changes	June 30, 2019
Raw and auxiliary materials and consumables valuation allowance	123	9	(3)	-	129
Total	**123**	**9**	**(3)**	**-**	**129**

Contract assets

Contract assets for €1,244 million (€1,086 million at December 31, 2018) consisted of the following:

(€ million)	Dec. 31, 2018	June 30, 2019
Contract assets (from work in progress)	1,089	1,251
Provisions for expected losses on contract assets (from work in progress)	(3)	(7)
Total	**1,086**	**1,244**

The item ‘Contract assets (from work in progress)’ relates to timing differences between actual project progress and the achievement of contractual invoicing milestones, and to the recognition of additional contract revenue deemed probable and reasonably estimated.
The amount of the contract assets increased due to a delay in the recognition of milestones by the clients.

11 Current tax assets

Current tax assets amounted to €211 million (€201 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Italian tax authorities	57	57
Foreign tax authorities	144	154
Total	**201**	**211**

12 Other current tax assets

Other current tax assets amounted to €151 million (€117 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Italian tax authorities	2	2
Foreign tax authorities	115	149
Total	**117**	**151**

13 Other current assets

Other current assets amounted to €109 million (€100 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Fair value on derivative financial instruments	16	16
Other assets	84	93
Total	**100**	**109**

The fair value of derivative financial instruments is commented in Note 31 ‘Derivative financial instruments’.
Other assets at June 30, 2019 amounted to €93 million, representing an increase of €9 million compared with December 31, 2018, and consisted mainly of prepayments related mostly to the preparation of vessels to be used on contracts and insurance costs.
Other assets from related parties are shown in Note 44 ‘Transactions with related parties’.

14 Property, plant and equipment

Property, plant and equipment amounted to €4,222 million (€4,326 million at December 31, 2018) and consisted of the following:

(€ million)	Property, plant and equipment
Gross value at December 31, 2018	13,612
Provision for depreciation and impairments at December 31, 2018	9,286
Net value at December 31, 2018	**4,326**
Capital expenditure	132
Depreciation, amortisation and impairment	(239)
Disposals	(3)
Change in the scope of consolidation	-
Business division transactions	-
Currency translation differences	6
Other changes	-
Net value at June 30, 2019	**4,222**
Gross value at June 30, 2019	13,619
Provision for depreciation and impairments at June 30, 2019	9,397

Capital expenditure in the first half of 2019 amounted to €132 million (€308 million in the first half of 2018) and mainly related to:
- €77 million in the Offshore Engineering & Construction sector: for class reinstatement works on the vessel the Saipem Constellation and upgrading of the S7000 and upgrading of the existing asset base;
- €4 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;
- €18 million in the Offshore Drilling sector: upgrading of the drillship for the purchase of the second BOP and class reinstatement works, in addition to maintenance and upgrading on other vessels;
- €33 million for Onshore Drilling: upgrading of rigs for operations in Kazakhstan and South America, as well as the upgrading and maintaining of other assets.

No financial expenses were capitalised during the year.
Exchange rate differences due to the translation of financial statements prepared in currencies other than euro, amounting to positive €6 million.
During the year, no government grants were recorded as a decrease of the carrying value of property, plant and equipment.
At June 30, 2019, all property, plant and equipment was free from pledges, mortgages and any other obligations.
The total commitment on current items of capital expenditure at June 30, 2019 is indicated in the 'Risk management' section of the 'Interim Directors' Report'.
Following strategic/operational assessments by the Offshore Drilling Division, a jack-up was partially written down for the amount of €14 million during the first half of the year, because it will be replaced, due to completion of the contract, by a leased rig starting in March 2020.
The impairment test carried out at June 30, 2019 did not show any write-downs.

Impairment

In monitoring impairment indicators, Saipem considers, among other factors, the relationship between its market capitalisation and net assets. At June 30, 2019, the Group's market capitalisation was higher than the currying amount of shareholders' equity at March 31, 2019 (the Group's last reporting period) of approximately €200 million; despite the absence of this and of other indicators for potential impairment of goodwill and/or other assets, in consideration of the impairment losses recognised in the annual reports of previous years, of the consequent absence of headroom at December 31, 2018 of the CGUs, for which impairment losses were recognised at the end of 2018, as well as the slight increase in the discount rates compared to December 31, 2018, management has considered appropriate to carry out the impairment test on all the CGUs of the Group. Specifically, impairment tests were carried out on 15 CGUs (unchanged from December 2018) and they were: one leased FPSO unit, the Offshore Engineering & Construction Division, the Onshore Engineering & Construction Division excluding the leased FPSO, the XSIGHT Division, the Onshore Drilling Division, and the individual rigs the Offshore Drilling Division (10 separate rigs).
The CGUs were tested for impairment by comparing the carrying amount with the relative recoverable amount which is determined on the basis of the value in use obtained by discounting future cash flows generated by each CGU at the weighted average cost of capital ('WACC') specific to each business segment in which the individual CGU operates. In fact, considering the nature of Saipem's assets, the fair value of the CGUs cannot be determined from information directly observable on the market, and its estimate is based on alternative techniques, such as market multiples, would be of limited reliability in general and, in many cases, not readily applicable.
The expected future cash flows used to estimate the recoverable amount of the individual CGUs are based on the best information available at the date of the review and, taking into account also actual results, consider future expectations of Division Management regarding the relevant markets. In particular, the estimate of cash flows in the first four years of projection made explicitly for purposes of the impairment test is carried out on the basis of the projections of the 2019-2022 Strategic Plan approved by the Board of Directors in February 2019. The plan's assumptions were updated with the most recent forecasts of results for the second half of 2019 and have been reviewed by the divisions in order to confirm their validity and ensure that significant elements haven't been happened that put the sustainability of the projections underlying the testing of the last

impairment at December 31, 2018 at risk. The result of the sanity check was formalised in notes approved by the Board of Directors on June 26, 2019, who on the same dated, pre-approved the methodology with regard to approval of the interim consolidated financial statements.
These estimates, in accordance with the provisions of IAS 36, do not consider cash inflows or outflows deriving from: (i) a future restructuring still to be approved or to which the company is not committed yet, or (ii) the improvement or optimisation of business performance on the basis of initiatives still to be undertaken or approved, or for which there is still no commitment towards third parties for the increase of production capacity with respect to current capacity.
For the following years after Plan horizon, the cash flows are calculated on the basis of a terminal value, determined: (a) for the Offshore Engineering & Construction, Onshore Engineering & Construction, XSIGHT and Onshore Drilling CGUs using the perpetuity model, applying to the terminal free cash flow 'normalised' (to take into consideration the dynamics of the business and/or the cyclical nature of the sector) a long term growth rate of 2% (not exceeding nominal growth rates expected in the long term for relevant energy sectors which consider market expectations in terms of real growth and inflation); (b) for the leased FPSO Cidade de Vitoria CGU and for the Offshore Drilling rigs, considering beyond the plan horizon (on the basis of the residual economic and technical life of the individual assets, or, if earlier the expected expiry date of the last cyclical maintenance): (i) long-term lease rates defined as part of the planning process, by the related Division, through an estimate procedure based on managerial assessments developed through a critical exercise on collected information (both internal and external), inflated by 2% over the period of projection; (ii) 'normalised' idle days; (iii) operating costs based on figures of the last year of the plan, inflated by 2% (in line with revenue); (iv) investments and related plant down times for cyclical maintenance and replacements estimated by the divisions on the basis of the planned schedule for cyclical and intermediate maintenance.
Value in use at June 30, 2019 was calculated by discounting post-tax cash flows with a discount rate, specific to each business segment as shown in the table below:

(%)	WACC at Dec. 31, 2018	WACC at June 30, 2019
Offshore E&C	9.9	9.9
Onshore E&C	9.4	9.1
XSIGHT	9.4	9.1
Leased FPSO	6.2	6.3
Offshore Drilling	7.7	7.9
Onshore Drilling	8.4	8.4

The discount rates used (WACC) reflect market assessments of the time value of money and the systematic risks specific to the activities of the individual CGUs that are not reflected in the estimate of future cash flows and have been estimated for each business segment taking into account: (i) a cost of debt coherent with the average estimated in the four-year period of the Plan adjusted in light of the credit spread, observed on the market, relating to a panel of operators assembled to take into consideration the specific business segment; (ii) median leverage of the same panel of operators (based on the latest data regarding debt and market capitalisation of the last 6 months); (iii) the median beta of the securities of companies belonging to the same panel estimated on a long-term historical horizon. Post-tax cash flows and discount rates were used as they produce outcomes which are equivalent to those resulting from a valuation using pre-tax cash flows and discount rates.
The assumptions adopted take account of the level of interest rates in the last six months, the risks of the individual activities already included in the cash flows, and the expectations of long-term growth in the business.
As explained in Note 2 'Accounting estimates and significant judgements', in terms of impairment tests, IFRS 16 requires, for the lessee, that the 'Right-of-Use-asset' is tested to assess any impairment pursuant to IAS 36, similarly to other proprietary assets, on a stand-alone basis or at the level of the CGU. As of June 30, 2019, no 'Right-of-Use-asset' is a stand-alone CGU, as a result the Right-of-Use-assets have been allocated to the relevant CGUs and tested with them. Following the examination of the various options currently available in the literature, Saipem deemed it appropriate to include the 'Right-of-Use-asset' net of the related 'Lease Liability' within the CGU being tested and determined the value in use including the disbursements for lease payments in the cash flows and using a discount rate pre IFRS 16.
The impairment test carried out at June 30, 2019 did not show any impairment losses.
Sensitivity analysis can be found below for the 12 CGU, with reference to 10 Offshore Drilling rigs and one leased FPSO, vessel and the Onshore Drilling CGU while the sensitivity analysis for the CGU Offshore Engineering & Construction, CGU Onshore Engineering & Construction and CGU XSIGHT can be found in Note 15 'Intangible assets'.

Sensitivity analysis of the CGUs referring to 10 Offshore Drilling rigs and the leased FPSO

The key assumptions adopted in assessing the recoverable amounts of the 11 CGUs representing the Group's offshore vessels (10 from Offshore Drilling and one leased FPSO) related mainly to the operating result of the CGUs (based on a combination of various factors, including charter rates and exchange rates) and the discount rate applied to the cash flows. Since the impairment test at June 30 showed no impairment, the effects of the negative change in the parameters used for the estimate will be analysed below on the recoverable amount of these CGUs:
- an increase in the discount rate of 1% would produce an impairment loss equal to €104 million;
- decreases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce an impairment loss of €309 million;

- an increase in long-term euro/dollar exchange rate of 0.1 compared to the scenario assumed in plan projections would produce an impairment loss of €229 million;
- the use, for the FPSO Cidade de Vitoria CGU, of a discount rate of 6.4%, based on the specific WACC of the leased FPSO business segment and including a possible premium for the additional risk linked to the country risk differential with respect to Italy, in any case it would not result in any impairment for the period. This sensitivity is considered due to the usual dedication of this CGU to a specific country, with a local client, and because the country risk differential is positive with respect to Italy.

Sensitivity analysis on the Onshore Drilling CGU

The excess of the recoverable amount of the Onshore Drilling CGU over the corresponding value of the net capital employed in the cash generating unit is reduced to zero under the following circumstances:
- decrease by 35% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 11.5%;
- use of a negative terminal growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the CGU would increase in the event that working capital flows have been zeroed.

15 Intangible assets

Intangible assets of €699 million (€702 million December 31, 2018) consisted of the following:

(€ million)	Intangible assets with finite useful lives	Other intangible assets with indefinite useful lives	Total
Gross value at December 31, 2018	245	-	-
Provision for depreciation and impairments at December 31, 2018	210	-	-
Net value at December 31, 2018	**35**	**667**	**702**
Capital expenditure	3	-	3
Depreciation, amortisation and impairment	(6)	-	(6)
Currency translation differences and other changes	-	-	-
Net value at June 30, 2019	**32**	**667**	**699**
Gross value at June 30, 2019	248	-	-
Provision for depreciation and impairments at June 30, 2019	216	-	-

Goodwill of €667 million related to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€629 million), Sofresid SA (€21 million) and the Moss Maritime Group (€12 million) on the date that control was acquired.

For impairment purposes, goodwill has been allocated to the following CGUs:

(€ million)	Dec. 31, 2018	June 30, 2019
Offshore E&C	403	403
Onshore E&C	231	231
XSIGHT	33	33
Total	**667**	**667**

The recoverable amount of the three CGUs was determined based on value in use, calculated by discounting the future cash flows expected to be generated by each CGU.

The basis of the cash flow estimate, the discount rate used and the terminal growth rate for the estimate of the recoverable amount of the CGUs to which goodwill is allocated are described in the 'Impairment' section of Note 14 'Property, plant and equipment'.

The table below shows, at June 30, 2019, the amounts by which the recoverable amounts of the Offshore Engineering & Construction, Onshore Engineering & Construction and XSIGHT CGUs exceed their carrying amounts, including allocated goodwill.

(€ million)	Offshore	Onshore	XSIGHT	Total
Goodwill	403	231	33	667
Amount by which recoverable amount exceeds carrying amount	247	1,882	57	2,186

The key assumptions adopted for assessing recoverable amounts were principally the operating results of the CGU (based on a combination of various factors, e.g. sales volumes, service prices, project profit margins, cost structure), the discount rate, the growth rates adopted to determine the terminal value and working capital projections. The effects of changes in these parameters in relation to the amount by which recoverable amount exceeds the carrying amounts (including goodwill) for each of the three CGUs to which goodwill was allocated are described below.

Sensitivity analysis on the Offshore Engineering & Construction CGU

The excess of the recoverable amount of the CGU Offshore Engineering & Construction over is carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstance:
- decrease by 9% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 10.7%;
- use of a real growth rate equal to 1.1%.

Further, the excess of the recoverable amount over the value of the net capital employed in the Offshore Engineering & Construction CGU would decrease but would still remain positive in the event that working capital flows have been zeroed.

Sensitivity analysis on the Onshore Engineering & Construction CGU

The excess of the recoverable amount of the CGU Onshore Engineering & Construction over its carrying amount, including the allocated portion of goodwill, is never reduced to zero for any variation of the discount rate and terminal growth rate, while it is reduced to zero when there is a reduction of 102% in the operating profit along the entire period of the plan and in perpetuity.
Further, the excess of the recoverable amount over the value of the net capital employed in the Onshore Engineering & Construction CGU would increase in the event that working capital cash flows have been zeroed.

Sensitivity analysis on the XSIGHT CGU

The excess of the recoverable amount of the XSIGHT CGU over is carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstances:
- decrease by 54% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 16.4%;
- use of a negative terminal growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the XSIGHT CGU would increase in the event that working capital cash flows have been zeroed.

16 Right-of-Use-assets, lease financial assets and liabilities

The movements during the period of the ‘Right-of-Use-assets and lease financial assets and liabilities as of June 30 are shown as follows:

		Financial receivables for leasing		Lease liabilities	
(milioni di euro)	**Right-of-Use-asset**	Current	Non-current	Current	Non-current
Opening balance (effect of adopting IFRS 16 - January 1, 2019)	**550**	**-**	**1**	**130**	**418**
Increases	54	-	18	-	72
Decreases	-	(2)	-	(77)	(6)
Amortisation/depreciation	(67)	-	-	-	-
Disposals	(6)	-	-	-	-
Exchange rate differences	-	-	-	-	2
Interest	-	-	-	13	-
Other changes	-	6	(6)	74	(78)
Final value at June 30, 2019	**531**	**4**	**13**	**140**	**408**

As at 30 June 2019, no ‘Right-of-Use-asset’ is an autonomous CGU, for the purposes of determining the recoverable value, the right of use assets have been allocated to the relevant CGUs and tested as described in the paragraph ‘Impairment’ of Note 14 ‘Property, plant and equipment’.
On the basis of business assessments, renewal options relating mainly to vessels belonging to the Offshore Engineering & Construction Division and to properties totalling €316 million (€270 million at January 1, 2019) are not considered in the determination of the total duration of the contracts and lease liability as at June 30, 2019.
The lease liabilities refer to subleasing transactions.

17 Investments

Investments accounted for using the equity method

Investments accounted for using the equity method of €113 million (€119 million at December 31, 2018) were as follows:

(€ million)	Opening net value	Acquisitions and subscriptions	Sales and reimbursements	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Change in the scope of consolidation	Currency translation differences	Movements in reserves	Other changes	Closing net value	Provision for impairment
Dec. 31, 2018												
Investments in subsidiaries, joint ventures and associates	142	27	-	13	(57)	(3)	-	5	-	(8)	119	-
Total	**142**	**27**	**-**	**13**	**(57)**	**(3)**	**-**	**5**	**-**	**(8)**	**119**	**-**
June 30, 2019												
Investments in subsidiaries, joint ventures and associates	119	35	-	4	(10)	(1)	-	1	-	(35)	113	-
Total	**119**	**35**	**-**	**4**	**(10)**	**(1)**	**-**	**1**	**-**	**(35)**	**113**	**-**

Investments accounted for using the equity method are detailed in Note 4 'Scope of consolidation at June 30, 2019'.
The share of profit of investments accounted for using the equity method of €4 million included profits for the period of €3 million recorded by the joint venture companies and €1 million for the period recorded by associates.
The share of losses of investments accounted for using the equity method of €10 million included losses for the period of €8 million recorded by the joint venture companies and €2 million for the period recorded by associates.
Deductions following the distribution of dividends of €1 million related to an associate company.
The other negative changes of €35 million relate to transfers from the provision to cover losses.
The net carrying value of investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Net value at Dec. 31, 2018	Net value at June 30, 2019
Rosetti Marino SpA	20.00	30	30
Petromar Lda	70.00	39	37
Other		50	46
Total investments accounted for using the equity method		**119**	**113**

The total of investments accounted for using the equity method does not include the allocation of the provision to cover losses, commented on in Note 27 'Provisions for contingencies'.

Other investments

The other investments are not significant as of June 30, 2019.

18 Other non-current financial assets

The other non-current financial assets that are not instrumental to operations equal to €68 million, include the amount of two frozen back accounts belonging to Saipem Contracting Algérie SpA for a total of €67 million (€71 million before discounting) reclassified from cash and cash equivilants as specified in Note 6 'Cash and cash equivalents'.

19 Deferred tax assets

Deferred tax assets of €265 million (€250 million at December 31, 2018) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2018	Additions	Deductions	Currency translation differences	Other changes	June 30, 2019
Deferred tax assets	250	61	(35)	-	(11)	265
Total	**250**	**61**	**(35)**	**-**	**(11)**	**265**

The item 'Other changes', which amounted to negative €11 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €10 million); (ii) the negative tax effects (€4 million) of fair value changes of derivatives

designated as cash flow hedges reported in equity; (iii) other changes (positive €3 million).
Net deferred tax assets consisted of the following:

(€ million)	Dec. 31, 2018	June 30, 2019
Deferred tax liabilities	(123)	(145)
Offsettable deferred tax assets	105	115
Net deferred tax liabilities	**(18)**	**(30)**
Non-offsettable deferred tax assets	250	265
Net deferred tax assets (liabilities)	**232**	**235**

Tax losses

Tax losses amounted to €3,467 million (€3,207 million at December 31, 2018), of which €2,537 million can be carried forward without limit. Tax recovery corresponds to a tax rate of 24% for Italian companies and to an average tax rate of 26.7% for foreign companies.
Tax losses related mainly to foreign companies and can be used in the following periods:

(€ million)	Italy	Outside Italy
2019	-	22
2020	-	24
2021	-	51
2022	-	23
2023	-	19
After 2023	-	791
Without limit	965	1,572
Total	**965**	**2,502**

Tax losses for which deferred tax assets have not been accounted for, in accordance with the provisions of IAS 12, amounted to €2,845 million.
Taxes are shown in Note 40 'Income taxes'.

20 Other non-current assets

Other non-current assets of €62 million (€67 million at December 31, 2018) were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Fair value on derivative financial instruments	-	2
Other receivables	11	12
Other non-current assets	56	48
Total	**67**	**62**

The fair value of derivative financial instruments is commented in Note 31 'Derivative financial instruments'.
Other non-current assets mainly related to prepayments.
Other non-current assets from related parties are shown in Note 44 'Transactions with related parties'.

21 Trade and other payables and contract liabilities

Trade and other payables

Trade and other payables of €2,738 million (€2,674 million at December 31, 2018) consisted of the following:

(€ million)	Dec. 31, 2018	June 30, 2019
Trade payables	2,372	2,401
Other payables	302	337
Total	**2,674**	**2,738**

Trade payables amounted to €2,401 million, representing an increase of €29 million compared with December 31, 2018.
Trade and other payables to related parties are shown in Note 44 'Transactions with related parties'.

Other payables of €337 million were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Payables to:		
- employees	147	173
- national insurance/social security contributions	59	45
- insurance companies	3	4
- consultants and professionals	7	6
- Board Directors and Statutory Auditors	1	1
Other payables	85	108
Total	**302**	**337**

The fair value of trade and other payables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

Contract liabilities

Contract liabilities of €1,227 million (€1,205 million at December 31, 2018) consisted of the following:

(€ million)	Dec. 31, 2018	June 30, 2019
Contract liabilities (from work in progress)	681	654
Advances from clients	524	573
Total	**1,205**	**1,227**

Contract liabilities (from work in progress) of €654 million (€681 million at December 31, 2018) relates to adjustments in revenue invoiced on long-term contracts, in order to comply with the principle of entry on an accruals basis, in application of the accounting policies based on the contractual amounts accrued.
Advances from clients of €573 million (€524 million at December 31, 2018), received on contracts in execution, refer to the parent company and a number of foreign subsidiaries.
Contract liabilities to related parties are shown in Note 44 'Transactions with related parties'.

22 Income tax payables

Income tax payables amounted to €56 million (€46 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Italian tax authorities	1	2
Foreign tax authorities	45	54
Total	**46**	**56**

23 Other current tax payables

Other current tax payables amounted to €110 million (€108 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Italian tax authorities	14	5
Foreign tax authorities	94	105
Total	**108**	**110**

24 Other current liabilities

Other current liabilities amounted to €90 million (€92 million at December 31, 2018) and were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Fair value on derivative financial instruments	86	63
Other liabilities	6	27
Total	**92**	**90**

The fair value of derivative financial instruments is commented in Note 31 'Derivative financial instruments'.
Other liabilities amounted to €27 million (€6 million at December 31, 2018).
Other liabilities to related parties are shown in Note 44 'Transactions with related parties'.

25 Financial liabilities

Financial liabilities were as follows:

(€ million)	Dec. 31, 2018 Short-term debt	Current portion of long-term debt	Long-term debt	Total	June 30, 2019 Short-term debt	Current portion of long-term debt	Long-term debt	Total
Banks	73	187	655	915	103	208	623	934
Ordinary bonds	-	38	1,991	2,029	-	26	1,992	2,018
Other financial institutions	7	-	-	7	6	-	-	6
Total	**80**	**225**	**2,646**	**2,951**	**109**	**234**	**2,615**	**2,958**

The analysis by maturity of long-term debt at June 30, 2019 is as follows:

(€ million)

Type	Maturity range	2020	2021	2022	2023	After	Total long-term debt
Banks	2020-2027	123	136	122	100	142	623
Ordinary bonds	2021-2027	-	498	498	498	498	1,992
Total		**123**	**634**	**620**	**598**	**640**	**2,615**

With reference to future contractual payments due, the maturities of long-term debt are analysed as follows:

(€ million)	Accounting value at June 30, 2019	Short-term maturity June 30, 2020	Long-term maturity: Second half of 2020	2021	2022	2023	2024	After	Total future payments as at June 30, 2019
Banks	830	211	127	139	125	102	62	81	847
Ordinary bonds	2,019	29	-	500	500	500	-	500	2,029
Other financial institutions	-	-	-	-	-	-	-	-	-
Total	**2,849**	**240**	**127**	**639**	**625**	**602**	**62**	**581**	**2,876**

The difference of €27 million between the value of the long-term debt recorded in the financial statements at June 30, 2019 and the total of future payments derived from the measurement using the amortised cost method.
The analysis of financial liabilities by currency with an indication of the interest rate is as follows:

(€ million)

	Dec. 31, 2018						June 30, 2019					
		Interest rate %			Interest rate %			Interest rate %			Interest rate %	
Currency	Short-term debt	from	to	Long-term debt and current portion of long-term debt	from	to	Short-term debt	from	to	Long-term debt and current portion of long-term debt	from	to
Euro	4	0.00	0.00	2,871	0.90	3.75	4	0.00	0.00	2,849	0.90	3.75
US Dollar	1	0.00	0.00				-	0.00	0.00	-		
Other	75	variable					105	variable				
Total	**80**			**2,871**			**109**			**2,849**		

Long-term debt, including the short-term portion, mature between the second half of 2019 and 2027.
At June 30, 2019, Saipem had unused uncommitted short-term credit lines amounting to €248 million (€283 million at December 31, 2018) and unused committed long-term credit lines amounting to €1,223 million (€1,258 million at December 31, 2018). Commission fees on unused lines of credit were not significant.
There was no debt secured by mortgages or liens on fixed assets of consolidated companies and by pledges on securities.
The fair value of long-term debt, including the current portion of long-term debt, amounted to €2,997 million (€2,875 million at December 31, 2018) and was calculated by discounting the expected future cash flows in the main currencies of the loan at the following, approximate rates:

(%)	2018	2019
Euro	0.23-4.23	0.00-2.16

The market value of listed financial instruments was calculated using the closing stock price at the last available date of the first half of the year.

The difference in the market value of long-term debt with respect to nominal value is mainly related to bond issues outstanding at the date.
Based on the provisions of IAS 7 'Disclosure Initiative' the following is a reconciliation between the initial and final values of finance debt and the net financial position:

			Non-cash changes				
(€ million)	Dec. 31, 2018	Cash flows	Acquisitions	Currency translation differences	Change in the fair value	Other non-monetary changes	June 30, 2019
Short-term debt	80	25	-	3	-	1	109
Long-term debt and current portion of long-term debt	2,871	(22)	-	-	-	-	2,849
Total liabilities from financing activities	**2,951**	**3**	**-**	**3**	**-**	**1**	**2,958**

Long-term debt to related parties are shown in Note 44 'Transactions with related parties'.

26 Analyses of net financial debt

Net financial debt indicated in 'Financial and economic results' of the 'Interim Directors' Report' are shown below:

	Dec. 31, 2018			June 30, 2019		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,674	-	1,674	1,737	-	1,737
B. Financial assets measured at fair value through OCI	86	-	86	78	-	78
C. Liquidity (A+B)	**1,760**	**-**	**1,760**	**1,815**	**-**	**1,815**
D. Financing receivables	**32**	**-**	**32**	**32**	**68**	**100**
E. Short-term bank debt	73	-	73	103	-	103
F. Long-term bank debt	187	655	842	208	623	831
G. Short-term related parties debt	-	-	-	-	-	-
H. Ordinary bonds	38	1,991	2,029	26	1,992	2,018
I. Long-term related parties debt	-	-	-	-	-	-
L. Other short-term debt	7	-	7	6	-	6
M. Other long-term debt	-	-	-	-	-	-
N. Total financial debt (E+F+G+H+I+L+M)	**305**	**2,646**	**2,951**	**343**	**2,615**	**2,958**
O. Net financial debt pre lease liabilities (N-C-D)	**(1,487)**	**2,646**	**1,159**	**(1,504)**	**2,547**	**1,043**
P. Lease assets	-	-	-	4	13	17
Q. Lease liabilities	-	-	-	140	408	548
R. Lease liabilities (Q-P)	**-**	**-**	**-**	**136**	**395**	**531**
S. Net financial debt (O+R)	**(1,487)**	**2,646**	**1,159**	**(1,368)**	**2,942**	**1,574**

Net financial debt include a liability relating to the interest rate swap, equal to €2 million, but do not include the fair value of derivatives indicated in Note 13 'Other current assets', Note 20 'Other non-current assets', Note 24 'Other current liabilities' and Note 30 'Other non-current liabilities'.
The change in net financial debt pre lease liabilities compared to the balance at December 31, 2018, negative for €116 million, is mainly due to the cash flow generated during the period net of investments for the period.
Financial receivables are explained in Note 8 'Other current financial assets' and Note 18 'Other non-current financial assets'.

27 Provisions for contingencies

Provisions for contingencies of €308 million (€330 million at December 31, 2018) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2018					
Provisions for taxes	69	6	(10)	-	65
Provisions for contractual penalties and disputes	74	69	(17)	-	126
Provisions for losses of investments	2	43	-	(4)	41
Provision for contractual expenses and losses on long-term contracts	50	34	(46)	19	57
Provisions for redundancy incentives	25	-	(18)	-	7
Other provisions	120	10	(74)	(22)	34
Total	**340**	**162**	**(165)**	**(7)**	**330**
June 30, 2019					
Provisions for taxes	65	-	-	-	65
Provisions for contractual penalties and disputes	126	1	(4)	-	123
Provisions for losses of investments	41	32	-	(37)	36
Provision for contractual expenses and losses on long-term contracts	57	14	(19)	(6)	46
Provisions for redundancy incentives	7	-	(4)	-	3
Other provisions	34	6	(5)	-	35
Total	**330**	**53**	**(32)**	**(43)**	**308**

The **provisions for taxes** amounted to €65 million related principally to disputes with foreign tax authorities that are either ongoing or potential, taking into account the results of recent assessments.
The Saipem Group operates in numerous countries with complex tax laws to which it also adheres thanks to the support of local tax consultants. In some of these jurisdictions, the Group is handling, through appeals, some requests made by the tax authorities, from which the Directors believe that no further significant charges will arise with respect to what has already been set aside.
The **provisions for contractual penalties and disputes** amounted to €123 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes.
The **provisions for losses of investments** amounted to €36 million and related to provisions for losses of investments that exceed their carrying amount. The other changes mainly refer to the payment of previous losses.
The **provision for contractual expenses and losses on long-term contracts** amounted to €46 million and included the estimate of losses of the Offshore and Onshore Engineering & Construction divisions for €22 million and the fund for final project costs for the amount of €24 million.
The **provisions for redundancy incentives** amounted to €3 million and refers to provisions in foreign subsidiaries.
Other provisions amounted to €35 million and are for other contingencies.

28 Provisions for employee benefits

Provisions for employee benefits amounted to €224 million (€208 million at December 31, 2018).

29 Deferred tax liabilities

Deferred tax liabilities of €30 million (€18 million at December 31, 2018) are shown net of offsettable deferred tax assets of €115 million.

(€ million)	Dec. 31, 2018	Additions	Deductions	Currency translation differences	Other changes	June 30, 2019
Deferred tax liabilities	18	26	(8)	-	(6)	30
Total	**18**	**26**	**(8)**	**-**	**(6)**	**30**

The item 'Other changes', which amounted to negative €6 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €10 million); (ii) the positive tax effects (€1 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) other changes (positive €3 million).
A breakdown of deferred tax liabilities is provided in Note 19 'Deferred tax assets'.

30 Other non-current liabilities

Other non-current liabilities of €3 million (€9 million at December 31, 2018) were as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Fair value on derivative financial instruments	9	3
Total	**9**	**3**

The fair value of derivative financial instruments is commented in Note 31 'Derivative financial instruments'.

31 Derivative financial instruments

	Dec. 31, 2018		June 30, 2019	
(€ million)	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Derivative contracts qualified for hedge accounting				
Interest rate contracts (Spot component)				
- purchase	-	1	-	2
- sale	-	-	-	-
Forward currency contracts (Spot component)				
- purchase	4	5	2	2
- sale	3	37	7	17
Forward currency contracts (Forward component)				
- purchase	2	-	2	2
- sale	(1)	18	(2)	22
Forward commodity contracts (Forward component)				
- purchase	-	1	-	1
- sale	-	-	-	-
Total derivative contracts qualified for hedge accounting	**8**	**62**	**9**	**46**
Derivative contracts not qualified for hedge accounting				
Forward currency contracts (Spot component)				
- purchase	2	4	6	1
- sale	6	21	4	12
Forward currency contracts (Forward component)				
- purchase	1	(1)	-	-
- sale	(1)	10	(1)	9
Forward commodity contracts (Forward component)				
- purchase	-	-	-	-
- sale	-	-	-	-
Total derivative contracts not qualified for hedge accounting	**8**	**34**	**9**	**22**
Total derivative contracts	**16**	**96**	**18**	**68**
Of which:				
- current	16	86	16	63
- non-current (includes IRS, Note 25 'Financial liabilities')	-	10	2	5

The derivative contracts fair value hierarchy is level 2.
Purchase and sale commitments on derivative contracts are detailed as follows:

	Dec. 31, 2018		June 30, 2019	
(€ million)	Assets	Liabilities	Assets	Liabilities
Purchase commitments				
Derivative contracts qualified for hedge accounting:				
- interest rate contracts	-	150	-	150
- currency contracts	250	424	181	355
- commodity contracts	-	21	-	16
Derivative contracts not qualified for hedge accounting:				
- currency contracts	214	438	205	183
	464	**1,033**	**386**	**704**
Sale commitments				
Derivative contracts qualified for hedge accounting:				
- currency contracts	342	1,330	463	1,005
Derivative contracts not qualified for hedge accounting:				
- currency contracts	566	1,297	347	1,120
	908	**2,627**	**810**	**2,125**

The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on year-end market data (exchange and interest rates).
The fair value of forward contracts (forward outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2019, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the year-end exchange rate and the respective forward interest rate curves.
A liability of €2 million (€1 million at December 31, 2018) relating to the fair value of an interest rate swap has been recorded under Note 25 'Financial liabilities'. The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at June 30, 2019 with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.
Cash flow hedge transactions related to forward purchase and sale transactions (forward outrights and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions at June 30, 2019 are expected to occur up until 2020.
During the first half of 2019, there were no significant cases of hedged items being no longer considered highly probable.
The positive fair value of derivatives qualified for hedge accounting at June 30, 2019 totalled €9 million (€8 million at December 31, 2018). For these derivatives, the spot component, amounting to €9 million (€7 million at December 31, 2018), was suspended in the hedging reserve.
The fair value payable on derivative hedging contracts at June 30, 2019, amounts to €46 million (€62 million at December 31, 2018). The spot component of these derivatives of €19 million was deferred in a hedging reserve in equity (€46 million at December 31, 2018) while the forward component was recorded as financial income and expense for €24 million (€18 million at December 31, 2018).
With regard to commodities contracts, the fair value of €1 million was suspended in the hedging reserve.
During the first half of 2019, operating revenue and expenses were adjusted by a net negative amount of €30 million to reflect the effects of hedging.

32 Assets held for sale

In February 2019, Saipem SA concluded the sale of its stake in Tecnoprojecto International Projectos and Realizações Industriais SA. As of June 30, 2019 there were no assets held for sale.

33 Shareholders' equity

Non-controlling interests

Non-controlling interests at June 30, 2019 amounted to €38 million (€74 million at December 31, 2018).
During the first half of 2019, it should be noted that Snamprogetti Netherlands BV acquired a 30% interest and shareholding in Snamprogetti Engineering & Contracting Co Ltd, which is therefore entirely held by the Group as of June 30, 2019.
The following table summarises the effect of the changes.

(€ million)	Dec. 31, 2018
Consolidated value of the third-party share acquired	7
Amount paid to third parties	15
Decrease in shareholders' equity attributable to the Group	**(8)**

Decrease in shareholders' equity attributable to the Group includes:
- a decrease in other net shareholders' equity reserves of €7 million, and
- a decrease in the reserve for exchange differences due to the conversion of €1 million.

Saipem's shareholders' equity

Saipem's shareholders' equity at June 30, 2019 amounted to €3,991 million (€3,962 million at December 31, 2018) and was as follows:

(€ million)	Dec. 31, 2018	June 30, 2019
Share capital	2,191	2,191
Share premium reserve	553	553
Legal reserve	88	88
Cash flow hedge reserve	(40)	(23)
Available for sale financial instruments carried at fair value	(3)	(2)
Cumulative currency translation differences	(107)	(53)
Employee defined benefits reserve	(21)	(21)
Other	(39)	(46)
Retained earnings	1,907	1,385
Profit (loss) for the period	(472)	14
Negative reserve for treasury shares in portfolio	(95)	(95)
Total	**3,962**	**3,991**

Saipem's shareholders' equity at June 30, 2019 included distributable reserves of €1,388 million.
Some of which are subject to taxation upon distribution. A deferred tax liability has been recorded in relation to the share of reserves that may potentially be distributed (€17 million).

Share capital
At June 30, 2019, the share capital of Saipem SpA, fully paid-up, amounted to €2,191 million, corresponding to 1,010,977,439 shares, none with a nominal value, of which 1,010,966,841 are ordinary shares and 10,598 savings shares.

Share premium reserve
Amounts to €553 million at June 30, 2019 (€553 million at December 31, 2018).

Other reserves
At June 30, 2019, 'Other reserves' amounted to negative €57 million (negative €122 million at December 31, 2018) and consisted of the following items:

(€ million)	Dec. 31, 2018	June 30, 2019
Legal reserve	88	88
Cash flow hedge reserve	(40)	(23)
Available for sale financial instruments carried at fair value	(3)	(2)
Cumulative currency translation differences	(107)	(53)
Employee defined benefits reserve	(21)	(21)
Other	(39)	(46)
Total	**(122)**	**(57)**

Legal reserve
At June 30, 2019, the legal reserve stood at €88 million. This represents the portion of profits of the parent company Saipem SpA, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends.

Cash flow hedge reserve
This reserve showed a negative balance at period end of €23 million (negative balance of €40 million at December 31, 2018), which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges at June 30, 2019.
The cash flow hedge reserve is shown net of tax effects of €5 million (€9 million at December 31, 2018).

Available for sale financial instruments carried at fair value
The negative reserve of €2 million includes the fair value of financial instruments available for sale.

Cumulative currency translation differences
This reserve amounted to negative €53 million (negative €107 million at December 31, 2018) and related to exchange rate differences arising from the translation into euro of financial statements denominated in functional currencies other than euro (mainly the US dollar). The change is mainly due to the change in the operating currency of a subsidiary.

Employee defined benefits reserve
This reserve has a negative balance for €21 million (it was negative for €21 million at December 31, 2018), net of the fiscal effect of €6 million.
This reserve, in accordance with the provisions of IAS 19, receives the actuarial profits and losses relative to the employees defined benefit plans. These remeasurements are not allocated to the income statement.

Other
'Other reserves' negative for €46 million (negative €39 million at December 31, 2018) and consisted of the following items:
- positive for €2 million with regard to the revaluation reserve consisting of the positive revaluation balance following the application of Law No. 413 of December 30, 1991, Article 26 (in the case of distribution, 5% of the reserve contributes to forming the taxable income of the Company and is subject to the tax rate of 24%);
- negative for €41 million for the period effect recognised as a reserve following the acquisition in previous years of non-controlling interests in a subsidiary;
- negative for €7 million due to the effect recognised as a reserve following the acquisition of 30% non-controlling interests in Snamprogetti Engineering & Contracting Co Ltd.

Negative reserve for treasury shares in portfolio
The negative reserve amounts to €95 million (€95 million at December 31, 2018) and it includes the value of treasury shares for the implementation of long-term incentive plans for Group's Senior Managers.

The breakdown of treasury shares is as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares held at January 1, 2019	14,756,335	6.446	95	1.46
Purchases for 2019	-	-	-	-
Allocation	-	-	-	-
Treasury shares held at June 30, 2019	**14,756,335**	**6.446**	**95**	**1.46**

As at June 30, 2019, the share capital amounted to €2,191,384,693. On the same day, the number of shares in circulation was 996,221,104.

34 Additional information

Supplement to cash flow statement

(€ million)	Dec. 31, 2018	June 30, 2019
Analysis of disposals of consolidated entities and businesses branches		
Current assets	-	1
Non-current assets	-	-
Net liquidity (net financial debt)	-	-
Current and non-current liabilities	-	(1)
Net effect of disposals	**-**	**-**
Fair value of interest after control has ceased	-	-
Gain (loss) on disposals	-	-
Non-controlling interests	-	-
Total sale price	**-**	**-**
less:		-
Cash and cash equivalents	-	-
Cash flows from disposals	**-**	**-**

Disposals in the first half of 2019 concern the sale of a branch of the company by Sofresid Engineering SA.

35 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €5,694 million (€5,461 million at December 31, 2018), and were as follows:

	Dec. 31, 2018			June 30, 2019		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Joint ventures and associates	207	173	380	183	173	356
Consolidated companies	47	234	281	49	202	251
Own	-	4,800	4,800	-	5,087	5,087
Total	**254**	**5,207**	**5,461**	**232**	**5,462**	**5,694**

Other guarantees issued for consolidated companies amounted to €202 million (€234 million at December 31, 2018) and related to independent guarantees given to third parties relating mainly to bid bonds and performance bonds.
Guarantees issued to/through related parties are detailed in Note 44 'Transactions with related parties'.

Commitments

Saipem SpA has provided commitments towards clients and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries or associated companies in the event of non-performance and payment of any damages arising from non-performance.
These commitments guarantee contracts whose overall value amounted to €55,019 million (€46,040 million at December 31, 2018), including both work already performed and the relevant portion of the backlog of orders at June 30, 2019.
The repayment obligations of bank loans granted to Saipem Group companies are generally supported by guarantees issued by the parent company Saipem SpA and other Group companies. The repayment obligations of the Group's bond issues are covered by guarantees issued by the parent company Saipem SpA, and other Group companies.

Risk management

The main risks that the Company is facing and actively monitoring and managing are described in the 'Risk management' section included in the 'Interim Directors' Report'.

LEGAL PROCEEDINGS

The Group is a party in some judicial proceedings. Provisions for legal risks are made on the basis of information currently available, including information acquired by external consultants providing the Company with legal support. Information available to the Company for the purposes of risk assessment regarding criminal proceedings is by its very nature incomplete due to the principle of pre-trial secrecy. A brief summary of the most important disputes is provided below.

Algeria

Investigations in Italy: on February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Code of Criminal Procedure. This related to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of 'international corruption' specified in the request is one of the offences punishable under Legislative Decree No. 231 of June 8, 2001 in connection with the direct responsibility of collective entities for certain crimes committed by their own employees.
The collection of documentation was commenced in prompt compliance with the request, and on February 16, 2011, Saipem filed the material requested.
On November 22, 2012, Saipem received a notification of inquiry from the Milan Public Prosecutor's office related to alleged unlawful administrative acts arising from the crime of international corruption pursuant to Article 25, paragraphs 2 and 3 of Legislative Decree No. 231/2001, together with a request to provide documentation regarding a number of contracts connected with activities in Algeria. This request was followed by notification of a seizure order on November 30, 2012, two further requests for documentation on December 18, 2012 and February 25, 2013 and the issue of a search warrant on January 16, 2013.
On February 7, 2013, a search was conducted, including at offices belonging to Eni SpA, to obtain additional documentation relating to intermediary agreements and subcontracts entered into by Saipem in connection with its Algerian projects. The subject of the investigations are allegations of corruption which, according to the Milan Public Prosecutor, occurred up until and after March 2010 in relation to a number of contracts the Company was awarded in Algeria.
Several former employees of the Company were involved in the proceedings, including the former Deputy Chairman and CEO, the former Chief Operating Officer of the Engineering & Construction Business Unit and the former Chief Financial Officer. The Company collaborated fully with the Prosecutor's Office and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that might result in the course of the proceedings. In agreement with the Board of Statutory Auditors and the Internal Control Bodies, and having duly informed the Prosecutor's Office, Saipem looked into the contracts that are subject to investigation, and to this end appointed an external legal firm. On July 17, 2013, the Board of Directors analysed the conclusions reached by the external consultants following an internal investigation carried out in relation to a number of brokerage contracts and subcontracts regarding projects in Algeria. The internal investigation was based on the examination of documents and interviews of personnel from the Company and other companies in the Group, excluding those, that to the best knowledge of the Company, would be directly involved in the criminal investigation so as not to interfere in the investigative activities of the Prosecutor. In July 2013, the Board of Directors, confirming its full cooperation with the investigative authorities, decided to convey the findings of the external consultants to the Public Prosecutor of Milan, for any appropriate assessment and initiatives under its responsibility in the wider context of the ongoing investigation. The consultants reported to the Board: (i) that they found no evidence of payments to Algerian public officials through the brokerage contracts or subcontracts examined; (ii) that they found violations, deemed detrimental to the interests of the Company, of internal rules and procedures – in force at the time – in relation to the approval and management of brokerage contracts and subcontracts examined and a number of activities in Algeria.
The Board decided to initiate legal action against certain former employees and suppliers in order to protect the interests of the Company, reserving the right to take any further action necessary should additional information emerge.
On June 14, 2013, January 8, 2013 and July 23, 2014 the Milan Public Prosecutor's office submitted requests for extensions to the preliminary investigations. On October 24, 2014, notice was received of a request from the Milan Public Prosecutor to gather evidence before trial by way of questioning the former Chief Operating Officer of the Saipem Engineering & Construction Business Unit and another former manager of Saipem, who are both under investigation in the criminal proceedings. After the request was granted, the Judge for the Preliminary Hearing in Milan set hearings for December 1 and 2, 2014. On January 15, 2015, Saipem SpA defence counsel received notice from the Milan Public Prosecutor's office of the conclusion of preliminary investigations, pursuant to Article 415-*bis* of the Italian code of criminal procedure. Notice was also received by eight physical persons and the legal person of Eni SpA. In addition to the crime of 'international corruption' specified in the request from the Milan Public Prosecutor's office, the notice also contained an allegation against seven physical persons of a violation of Article 3 of Legislative Decree No. 74 of March 10, 2000 concerning the filing of fraudulent tax returns, in connection with the recording in the books of Saipem SpA of *'brokerage costs deriving from the agency agreement with Pearl Partners signed on October 17, 2007, as well as Addendum No. 1 to the agency agreement entered into August 12, 2009'*, which is alleged to have led subsequently *'to the inclusion in the consolidated tax return of Saipem SpA of profits that were lower than the real total by the following amounts: 2008: -€85,935,000; 2009: -€54,385,926'*.
Criminal proceedings in Italy: on February 26, 2015, Saipem SpA defence counsel received notice from the Judge for the Preliminary Hearing of the scheduling of a preliminary hearing, together with a request for committal for trial filed by the Milan Public Prosecutor's office on February 11, 2015. Notice was also received by eight physical persons and the legal person of Eni

SpA. The hearing was scheduled by the Judge for the Preliminary Hearing for May 13, 2015. During the hearing, the Revenue Office appeared as plaintiff in the proceedings whereas other requests to be admitted as plaintiff were rejected.
On October 2, 2015, the Judge for the Preliminary Hearing rejected the questions of unconstitutionality and those relating to the statute of limitations presented by the defence attorneys and determined as follows:
(i) ruling not to proceed for lack of jurisdiction in regard to one of the accused;
(ii) ruling of dismissal in regard to all of the accused in relation to the allegation that the payment of the commissions for the MLE project by Saipem (approximately €41 million) may have served to enable Eni to acquire the Algerian ministerial approvals for the acquisition of First Calgary and for the expansion of a field in Algeria (CAFC). This measure also contains the decision to acquit Eni, the former CEO of Eni and an Eni executive in regard to any other charge;
(iii) a decree that orders trial, among others, for Saipem and three former Saipem employees (the former Deputy Chairman and CEO, the former Chief Operating Officer of the Engineering & Construction Business Unit and the former Chief Financial Officer) with reference to the charge of international corruption formulated by the Public Prosecutor's office according to which the accused were complicit in enabling Saipem to win seven contracts in Algeria on the basis of criteria of mere favouritism. For the physical persons only (not for Saipem) the committal for trial was pronounced also with reference to the allegation of fraudulent statements (tax offences) brought by the Public Prosecutor's office.

On the same date, at the end of the hearing relating to a section of the main proceedings, the Judge for the Preliminary Hearing of Milan issued a plea bargaining sentence in accordance with Article 444 of the code of criminal procedure for a former executive of Saipem SpA.
On November 17, 2015, the Public Prosecutor of Milan and the Prosecutor General at the Milan Court of Appeal filed an appeal with the Court of Cassation against the first two measures. On February 24, 2016 the Court of Cassation upheld the appeal lodged by the Public Prosecutor of Milan and ordered the transmission of the trial documents to a new Judge for the Preliminary Hearing at the Court of Milan.
With reference to this branch of the proceedings (the so-called 'Eni branch'), on July 27, 2016, the new Judge for the Preliminary Hearing ordered the committal for trial of all the accused parties.
On November 11, 2015, on the occasion of publication of the 2015 corporate liability report of the office of the Public Prosecutor in Milan, it was affirmed that: *'a ruling was recently issued by the Judge for the Preliminary Investigation for the preventive seizure of assets belonging to the accused parties for the sum of €250 million. The ruling confirms the freezing previously decided upon by the foreign authorities of monies deposited in bank accounts in Singapore, Hong Kong, Switzerland and Luxembourg, totalling in excess of €100 million'*. While Saipem is not the target of any such measures, it has come to its attention that the seizure in question involves the personal assets of the Company's former Chief Operating Officer and two other persons accused.
At the same time, following the decree ordering the trial pronounced on October 2, 2015 by the Judge for the Preliminary Hearing, the first hearing before the Court of Milan in the proceedings of the so-called 'Saipem branch' was held on December 2, 2015. During said hearing, Sonatrach asked to be admitted as plaintiff only against the physical persons charged. The Movimento cittadini algerini d'Italia e d'Europa likewise put forward a request to be admitted as plaintiff. The Revenue Office confirmed the request for admission as plaintiffs only against the physical persons accused of having made fraudulent tax returns. At the hearing of January 25, 2016, the Court of Milan rejected the request put forward by Sonatrach and the Movimento cittadini algerini d'Italia e di Europa to be admitted as plaintiff. The Court adjourned to February 29, 2016, reserving the right to pass judgement on the claims put forward by the accused of invalidity of the committals to trial.
At the hearing of February 29, 2016, the Court combined the proceedings with another pending case against a sole defendant (a physical person against whom Sonatrach had appeared as a plaintiff) and rejected the claims of invalidity of the committal to trial, calling on the Public Prosecutor to reformulate the charges against a sole defendant and adjourning the hearing to March 21, 2016. The Court then adjourned the proceedings to the hearing of December 5, 2016 in order to assess whether to combine it with the proceedings described earlier (the so-called Eni branch) for which the Judge for the Preliminary Hearing ordered the committal for trial of all the accused parties on July 27, 2016.
With the order of December 28, 2016 the President of the Court of Milan authorised the abstention request of the Chairman of the Panel of judges.
At the hearing on January 16, 2017, the two proceedings (the so-called Saipem branch and the so-called Eni branch) were combined before a new panel appointed on December 30, 2016.
Once the hearings on evidence finished with the hearing of February 12, 2018, in the subsequent hearings of February 19, 2018 and February 26, 2018, the Public Prosecutor proceeded with the indictment.
Generic extenuating circumstances were not considered to be initially attributable to the defendants and, conversely, that the aggravating circumstance of the transnational crime allegedly subsisted, the Public Prosecutor formulated sentencing requests for the accused natural persons.
With regard to Saipem SpA and Eni SpA the Public Prosecutor requested a fine of €900,000 as the sentence for each company. Furthermore, the Public Prosecutor requested a 'seizure of assets', equal to currently seized assets, relating to some seizures previously carried out against certain natural persons accused. Therefore, the request for seizure of assets did not concern Saipem SpA.
At the hearing of March 5, 2018:
(i) the Italian Revenue Agency has requested the conviction of only the physical persons indicted as was requested by the Public Prosecutor with the conviction of only the physical persons charged for compensation of the pecuniary and non-pecuniary damage in favour of the Italian Revenue Agency to be liquidated on an equitable basis and with a provisional amount of €10 million;
(ii) Sonatrach has requested the conviction of the accused Samyr Ourayed and sentencing of the latter to the compensation of the damage to be liquidated in equitable way.

On September 19, 2018, the hearings dedicated to arguments by the defence and to the replies by the Public Prosecutor and the defence ended.

The first instance ruling of the Court of Milan: on September 19, 2018, the Court of Milan pronounced the first instance ruling. The Court of Milan convicted, among others, some former managers of Saipem SpA for international corruption offences and also sentenced Saipem SpA to pay the pecuniary fine of €400,000, considering it to be allegedly responsible for offences pursuant to Legislative Decree No. 231/2001 with reference to the crime of international corruption.
The former managers of Saipem SpA who were convicted by the Court of Milan had all left the Company between 2008 and 2012. The Court also ordered the confiscation of, as alleged profit from the crime, the total sum of approximately €197 million from all the individuals who were convicted (and among them some of the former managers of the Company).
The Court also ordered the confiscation of, as alleged price from the crime, the total sum of approximately €197 million from Saipem pursuant to Article 19 of Legislative Decree No. 231/2001.
From what emerged during the proceedings and the requests of the Public Prosecutor, at present, a preventive seizure has already been in place in order to confiscate an amount totalling approximately €160 million from certain individuals – other than the Company – all convicted in the first instance ruling.
The first instance ruling of the Court is not enforceable. The reasons for the first instance ruling were filed by the Court of Milan on December 18, 2018.
The judgement before the Court of Appeal of Milan: on February 1, 2019, Saipem SpA challenged the first instance ruling before the Court of Appeal of Milan. Even the individuals convicted in the first instance have appealed the first instance ruling. The Public Prosecutor's Office of Milan also appealed the first instance ruling requesting, in a reversal of that ruling, that the conviction of Eni SpA, of the former Chief Executive Officer of Eni and of one of its managers '*be imposed by the Court of Appeal, as well as financial penalties and interdictory sanctions deemed lawful*'. The Public Prosecutor's Office of Milan has also requested a reversal of the contested ruling to '*condemn the company Saipem to financial penalties and interdictory sanctions deemed lawful*'. On February 14, 2019, Saipem's lawyers lodged a defence brief in which they pleaded: (i) the inadmissibility of the appeal by the Public Prosecutor of the Court's decision not to consider interdictory sanctions applicable to Saipem SpA; and/or (ii) the inapplicability of the interdictory sanctions requested by the Public Prosecutor's Office against Saipem SpA.
The beginning of the second degree proceedings was notified to Saipem's lawyers on June 18, 2019, through a writ of summons before the Court of Appeal of Milan which scheduled the hearings before the Court of Appeal on October 30, November 13 and 27, 2019.
Request for documents from the US Department of Justice: at the request of the US Department of Justice ('DoJ'), in 2013 Saipem SpA entered into a 'tolling agreement' which extended by 6 months the limitation period applicable to any possible violations of federal laws of the United States in relation to previous activities of Saipem and its subsidiaries. The tolling agreement, which has been renewed until November 29, 2015, does not constitute an admission by Saipem SpA of having committed any unlawful act, nor does it imply any recognition on the Company's part of United States jurisdiction in relation to any investigation or proceedings. Saipem therefore offered its complete cooperation in relation to investigations by the Department of Justice, which on April 10, 2014 made a request for documentation relating to past activities of the Saipem Group in Algeria, with which Saipem has complied. On November 29, 2015, the tolling agreement expired and, at the time of writing, nearly four years have passed since the deadline, no request for an extension has been received from the Department of Justice.
Proceedings in Algeria: in 2010, proceedings were initiated in Algeria regarding various matters and involving 19 parties investigated for various reasons (so-called 'Sonatrach 1 investigation'). The Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures SpA ('Sonatrach') appeared as plaintiff in these proceedings and the Algerian Trésor Public also applied to appear as a plaintiff.
The Algerian company Saipem Contracting Algérie SpA ('Saipem Contracting Algérie') is also part of these proceedings regarding the manner in which the GK3 contract was awarded by Sonatrach. In the course of these proceedings, some bank accounts denominated in local currency of Saipem Contracting Algérie were frozen.
In particular, in 2012 Saipem Contracting Algérie received formal notice of the referral to the Chambre d'accusation at the Court of Algiers of an investigation underway into the company regarding allegations that it took advantage of the authority or influence of representatives of a government-owned industrial and trading company in order to inflate prices in relation to contracts awarded by that company. The GK3 contract was awarded in June 2009 and had an equivalent value of €433.5 million (at the exchange rate in effect when the contract was awarded).
At the beginning of 2013, the 'Chambre d'accusation' ordered Saipem Contracting Algérie to stand trial and further ordered that the aforementioned bank accounts remain frozen. According to the prosecution, the price offered was 60% over the market price. The prosecution also claimed that, following a discount negotiated between the parties subsequent to the offer, this alleged increase was reduced by up to 45% of the price of the contract awarded. In April 2013 and in October 2014, the Algerian Supreme Court rejected a request to unfreeze the bank accounts that had been made by Saipem Contracting Algérie in 2010. The documentation was then transmitted to the Court of Algiers which, in the hearing of March 15, 2015, adjourned the proceedings to the hearing of June 7, 2015, during which, in the absence of certain witnesses, the Court officially handed over the case to a criminal court. The trial commenced with the hearing fixed for December 27, 2015. In the hearing of January 20, 2016, the Algiers Public Prosecutor requested the conviction of all 19 defendants accused in the 'Sonatrach 1' trial.
The Algiers Public Prosecutor requested that Saipem Contracting Algérie be fined 5 million Algerian dinars (approximately €40,000 at the current rate of exchange).
The Algiers Public Prosecutor also requested the confiscation of the alleged profit, that will be ascertained by the Court, of all 19 parties whose conviction has been requested (including Saipem Contracting Algérie).
For the offence with which Saipem Contracting Algérie is charged, local regulations prescribe a fine as the main punishment (up to a maximum of about €40,000) and allow, in the case of the alleged offence, additional sanctions such as the confiscation of the profit arising from the alleged offence (which would be the equivalent of the amount allegedly over the market price of the GK3 contract as far as the profit is ascertained by the judicial authority) and/or disqualification sanctions.
On February 2, 2016, the Court of Algiers issued the first instance ruling. Amongst other things, this ruling ordered Saipem Contracting Algérie to pay a fine of about 4 million Algerian Dinars (corresponding to about €30,000). In particular Saipem

Contracting Algérie was held to be responsible, in relation to the call for bids for the construction of the GK3 gas pipeline, of 'an increase in price during the awarding of contracts signed with a public company of an industrial and commercial character in a way that causes benefit to be derived from the authority or influence of representatives of said company', an act punishable according to Algerian law. The ruling also returned two bank accounts denominated in local currency to Saipem Contracting Algérie. These held a total of about €71 million (amount calculated at the exchange rate as at June 30, 2019), which were frozen in 2010.
The client Sonatrach, which appeared as plaintiff in the proceedings, reserved the right to pursue its claims in the civil courts. The request by the Algerian Trésor Civil to appear as plaintiff was rejected.
Pending the filing of the reasons thereof, the ruling of February 2, 2016 of the Court of Algiers was challenged in the Court of Cassation: by Saipem Contracting Algérie (which requested acquittal and had announced that it would challenge the decision); by the Prosecutor General (who had requested the imposition of a fine of 5 million Algerian dinars and the confiscation, requests that were rejected by the Court, which, as said, fined Saipem Contracting Algérie the lesser amount of about 4 million Algerian dinars); by the Trésor Civil (whose request to be admitted as plaintiff against Saipem Contracting Algérie had been – as already stated – rejected by the Court); by all the other parties sentenced, in relation to the cases concerning them.
Owing to these challenges, the decision of the Court of Algiers was fully suspended and pending the ruling of the Court of Cassation:
- the payment is suspended of the fine of approximately €30,000; and
- the unfreezing of the two banks accounts is suspended containing a total of about €71 million (amount calculated at the exchange rate as at June 30, 2019). Sonatrach has not challenged the decision of the Court, consistently with its request, accepted by the Court, to be allowed to claim compensation subsequently in civil proceedings. This civil action was not initiated by Sonatrach.

With the judgement handed down on July 17, 2019, the Algerian Court of Cassation has fully overruled the decision of the Tribunal of Algiers of February 2, 2016, meaning that the Tribunal of Appeal of Algiers will have to rule on the matter following a new trial. The future Tribunal of Appeal's decision can be challenged before the Algerian Court of Cassation. The reasons for the judgement of the Algerian Court of Cassation are not yet available and are expected to be published in September 2019.
In March 2013, the legal representative of Saipem Contracting Algérie was summoned to appear at the Court of Algiers, where he received verbal notification from the local investigating judge of the commencement of an investigation ('Sonatrach 2') underway 'into Saipem for charges pursuant to Articles 25a, 32 and 53 of Anti-Corruption Law No. 01/2006'. The investigating judge also requested documentation (Articles of Association) and other information concerning Saipem Contracting Algérie, Saipem and Saipem SA. After this summons, no further activities or requests followed.
Amicable Settlement of Mutual Differences - Saipem Sonatrach agreement - Press Release of February 14, 2018: on February 14, 2018, the following joint press release was issued.
Sonatrach and Saipem announce the Amicable Settlement of Mutual Differences.
San Donato Milanese (MI), February 14, 2018 - Sonatrach and Saipem have decided to settle their mutual differences amicably and have signed an agreement to put an end to litigations in course concerning the contract for the construction of a gas liquefaction plant in Arzew (Arzew); the contract for the realisation of three trains of LPG, of an oil separation unit (LDPH) and of installations for the production of condensates in Hassi Messaoud (LPG); the contract for the realisation of the LZ2 24'' LPG pipeline (line and station) in Hassi R'Mel (LZ2); and the contract for the construction of a gas and production unit in the Menzel Ledjmet field on behalf of the association Sonatrach/FCP (MLE). This agreement is the result of constructive dialogue and represents an important step forward in relations between the two companies. Sonatrach and Saipem have expressed their satisfaction at having reached a definitive agreement that puts an end to litigations that were detrimental to both parties.

Ongoing investigations - Public Prosecutor's Office of Milan - Brazil

On August 12, 2015, the Public Prosecutor's office of Milan served Saipem SpA with a notice of investigation and a request for documentation in the framework of new criminal proceedings, for the alleged crime of international corruption, initiated by the Court of Milan in relation to a contract awarded in 2011 by the Brazilian company Petrobras to Saipem SA (France) and Saipem do Brasil (Brazil). Investigations are still underway.
According to what was learned only through the press, this contract is being looked into by the Brazilian judicial authorities in relation to a number of Brazilian citizens, including a former associate of Saipem do Brasil.
In particular, on June 19, 2015, Saipem do Brasil learned through the media of the arrest (in regard to allegations of money laundering, corruption and fraud) of a former associate, as a result of a measure taken by the Brazilian Public Prosecutor's office of Curitiba, in the framework of a judicial investigation in progress in Brazil since March 2014 ('Lava Jato' investigation). On July 29, 2015, Saipem do Brasil then learned through the press that, in the framework of the conduct alleged against the former associate of Saipem do Brasil, the Brazilian Public Prosecutor's office also alleges that Petrobras was unduly influenced in 2011 to award Saipem do Brasil a contract called 'Cernambi' (for a value, at the current exchange rate, of approximately €56 million). This has been purportedly deduced from the circumstance that in 2011, in the vicinity of the Petrobras headquarters, said former associate of Saipem do Brasil claims to have been the target of a robbery in which approximately 100,000 reals (approximately €26,000) just withdrawn from a credit institution were stolen from him. According to the Brazilian prosecutor, the robbery allegedly took place in a time period prior to the award of the aforesaid 'Cernambi' contract.
Saipem SpA has cooperated fully with the investigations and has started an audit with the assistance of a third-party consultant. The audit examined the names of numerous companies and persons reported by the media as being under investigation by the Brazilian judicial authorities. The audit report, issued on July 14, 2016, recognised the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.
The witnesses heard in the criminal proceedings underway in Brazil against this former associate, as well as in the framework of the works of the parliamentary investigative committee set up in Brazil on the 'Lava Jato' case, have stated that they were unaware of any irregularities regarding Saipem's activities.

Petrobras appeared as a plaintiff ('Assistente do Ministerio Publico') in the proceedings against the three physical persons charged. The proceedings were then resumed on June 9, 2017 as the Brazilian Attorney General considered that the conditions for keeping confidential an agreement signed in October 2015 by the former associate of Saipem do Brasil – who, with such agreement committed himself to substantiating with evidence some of the statements made – had ceased. The Attorney General noted in particular that attempts to substantiate such statements had not been successful, the reason why the content of the statements contained in the additional agreement had not been maintained confidential. At the hearing on June 9, 2017, the depositions of the three defendants were obtained, among them the former associate of Saipem do Brasil and a former Petrobras official.
Saipem do Brasil's former associate, with regard to the theft of 100,000 Brazilian reals (approximately €26,000) in October 2011, said that money was needed to pay the costs of real estate for a company he was managing on behalf of a third party vis-à-vis Saipem (that is, the former Petrobras official charged in the same proceeding who confirmed that statement).
The former Saipem do Brasil associate also stated that the Saipem Group did not pay any bribes because Saipem's compliance system prevented this from happening. That statement was confirmed by the former Petrobras official charged in the same proceeding. The former associate of Saipem do Brasil and the former Petrobras official charged in the same proceeding, while offering a reconstruction of the facts which was partially different, reported, that the possibility of some inappropriate payments was discussed with reference to certain contracts of Saipem do Brasil but in any case no payment was made by the Saipem Group. The former Saipem do Brasil associate and the former Petrobras official charged in the same proceeding stated that the contracts awarded by the client to the Saipem Group were won through regular bidding procedures. The proceedings in Brazil against the former associate of Saipem do Brasil and another two defendants has not yet ended with a final ruling. During the proceedings against the former associate of Saipem do Brasil, no evidence of irregularities emerged in the management of tenders assigned by Petrobras to Saipem Group and/or evidence of illegal payments by Saipem Group in relation to tenders assigned by Petrobras to Saipem Group and/or evidence of damages suffered by Petrobras in relation to tenders assigned to Saipem Group. Saipem Group is not involved in this proceeding.
The audit that was concluded in 2016 was relaunched with the support of the same third party consultant used earlier and with the same methodology in order to analyse some of the information mentioned during the depositions of June 9, 2017.
The audit report, issued on July 18, 2018, confirmed the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.
With the press release dated May 30, 2019, Saipem SpA has informed as follows:
'Saipem: notification of administrative proceedings in Brazil to the subsidiaries Saipem SA and Saipem do Brasil in relation to a contract awarded in 2011.
San Donato Milanese (Milan), May 30, 2019 - Saipem SpA informs that today its French subsidiary Saipem SA and its Brazilian subsidiary Saipem do Brasil were notified by the competent Brazilian administrative authority (Controladoria-Geral da União through the Corregedoria-Geral da União) about the opening of an administrative proceedings with respect to alleged irregularities in relation to the award by the Brazilian oil company Petrobras, as leader of the 'Consortium BMS 11', in December 2011, of the contract (whose value was equal to about Brazilian Real 249 million, currently equivalent to about €56 million) for the installation of the underwater gas pipeline connecting the Lula and Cernambi fields in Santos Basin.
Saipem SA and Saipem do Brasil will cooperate in the administrative proceedings by providing all the clarifications requested by the competent administrative authority and have confidence in the correctness of the award of the above mentioned contract and in the absence of circumstances to affirm the administrative liability of the companies'.
This administrative proceedings is in its initial stage.

Preliminary investigations in progress - Public Prosecutor's Office at the Court of Milan - Iraq

On August 2, 2018, the Public Prosecutor of the Court of Milan notified Saipem SpA of a request for documents relating to previous activities (2010-2014) of Saipem Group in Iraq and in particular to relations with the Unaoil group. The request also contains information that – with regard to these past activities – Saipem SpA is subject to investigations for international corruption. In January 2019, the US Department of Justice, which claimed to have an ongoing investigation into the activities and relations of Unaoil for some time and to be aware of a pending investigation in Italy against Saipem SpA by the Public Prosecutor's Office of Milan, asked Saipem if it would be willing to provide 'voluntary production' of documents relating to previous activities of Saipem Group in Iraq with the involvement of Unaoil and, more in general, the previous between Saipem and the Unaoil Group. Saipem has confirmed that it is willing to provide such 'voluntary production'. The 'voluntary production' is without prejudice to any question concerning possible US jurisdiction, an aspect for which the US Department of Justice has not indicated at the moment any supporting evidence, asking only for Saipem to cooperate in the assessments that the US Department of Justice has under way. Within the context of the aforementioned 'voluntary production', Saipem SpA in March 2019, through its US lawyers, delivered to the US Department of Justice the files delivered in 2018 to the Milan Public Prosecutor's Office in order to fulfil the above-mentioned request for documents received on August 2, 2018.

EniPower

As part of the inquiries commenced by the Milan Public Prosecutor (criminal proceedings 2460/2003 R.G.N.R. pending at the Milan Public Prosecutor's office) into contracts awarded by EniPower to various companies, Snamprogetti SpA (now Saipem SpA as engineering and procurement services contractor), together with other parties, were served a notice informing them that they were under investigation, pursuant to Article 25 of Legislative Decree No. 231/2001. Preliminary investigations ended in August 2007, with a favourable outcome for Snamprogetti SpA, which was not included among the parties still under investigation for whom committals for trial were requested. Snamprogetti subsequently brought proceedings against the physical and legal persons implicated in transactions relating to the Company and reached settlements with a number of parties that requested the application of settlement procedures. Following the conclusion of the preliminary hearing, criminal proceedings continued against former employees of the above companies, as well as against employees and managers of a number of their suppliers, pursuant

to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA presented themselves as plaintiffs in the preliminary hearing. In the preliminary hearing related to the main proceeding of April 27, 2009, the judge for the preliminary hearing requested that all parties that did not request the application of plea agreements stand trial, with the exception of several parties for whom the statute of limitations now applied. In the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. Subsequently, at the hearing of September 20, 2011, sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums ordered. The Court likewise rejected the admission as plaintiffs of the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001. The convicted parties challenged the above ruling within the set deadline. On October 24, 2013, the Milan Court of Appeal essentially confirmed the first instance ruling, which it modified only partially in relation to a number of physical persons, against whom it dismissed the charges, ruling that they had expired under the statute of limitations. The accused parties have filed an appeal with the Court of Cassation. On November 10, 2015, Criminal Section VI of the Supreme Court, in its ruling on the appeals lodged by the parties against the ruling of the Milan Court of Appeal, set aside the challenged ruling regarding legal persons, and the civil law rulings regarding physical persons and deferred a new ruling to another section of the Milan Court of Appeal which set the court date for November 28, 2017.
At the hearing of November 28, 2017, the Court of Appeal, ruling at the time of postponement by the Court of Cassation, upheld the first instance judgement, partially modifying it, excluding the liability of two legal persons and declaring that it would not proceed against a defendant who had, the meantime, died, confirming the rest of the sentence by the Court of Appeal which was not subject to annulment by the Court of Cassation.
On July 17, 2018, the Court of Appeal of Milan file the second degree ruling essentially leaving the decision-making apparatus of the contested sentence unchanged, thus confirming the decisions of the Milan Court of Appeal of October 24, 2013, also in relation to the plaintiffs. The Court of Appeal of Milan has reversed the decision of the sentence under appeal limited to only two legal persons for whom liability has been excluded and to one natural person for whom the offence was extinguished.
Some parts of the trial were appealed to the Court of Cassation.
Saipem, as the plaintiff in previous judgements, is waiting to receive notification of the hearing date.

Fos Cavaou

With regard to the Fos Cavaou ('FOS') project for the construction of a regasification terminal, the client Société du Terminal Méthanier de Fos Cavaou ('STMFC', now Fosmax LNG) in January 2012 commenced arbitration proceedings before the International Chamber of Commerce in Paris ('Paris ICC') against the contractor STS [a French 'société en participation' made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)]. On July 11, 2011, the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, because Fosmax LNG refused to extend the deadline.
The brief filed by Fosmax LNG in support of its request for arbitration included a demand for payment of approximately €264 million for damages allegedly suffered, penalties for delays and costs for the completion of works ('mise en régie'). Of the total sum demanded, approximately €142 million was for loss of profit, an item excluded from the contract except for cases of wilful misconduct or gross negligence. STS filed its defence brief, including a counterclaim for compensation for damage due to excessive interference by Fosmax LNG in the execution of the works and for the payment of extra work not approved by the client (and reserving the right to quantify the amount as the arbitration proceeds). On October 19, 2012, Fosmax LNG lodged a 'Mémoire en demande'. Against this, STS lodged its own Statement of Defence on January 28, 2013, in which it filed a counterclaim for €338 million. The final hearing was held on April 1, 2014. On the basis of the award issued by the Arbitration Panel on February 13, 2015, Fosmax LNG paid STS the sum of €84,349,554.92, including interest on April 30, 2015. 50% of this amount is due to Saipem SA. On June 26, 2015, Fosmax LNG challenged the award before the French Conseil d'Etat, requesting its annulment on the alleged basis that the Arbitration Panel had erroneously applied private law to the matter instead of public law. On November 18, 2015 a hearing was held before the Conseil d'Etat. Subsequently to the submission of the Rapporteur Public, the judges concluded the discussion phase. The Rapporteur requested a referral to the Tribunal des Conflits. With its judgement of April 11, 2016, the Tribunal des Conflits held that the Conseil d'Etat had jurisdiction for deciding on the dispute regarding the appeal to overrule the arbitration award of February 12, 2015. On October 21, 2016, a hearing was held before the Conseil d'Etat and on November 9, the latter issued its own ruling, with which it partially nullified the award of February 13, 2015 for only the mise en régie costs (quantified by Fosmax in €36,359,758), stating that Fosmax should have relinquished such costs back to an arbitration tribunal, unless otherwise agreed by the parties.
Parallel with the aforementioned appeal before the Conseil d'Etat, on August 18, 2015, Fosmax LNG also filed an appeal with the Court of Appeal of Paris to obtain the annulment of the award and/or the declaration of nullity of the relevant exequatur, the enforceability of which had been recognised and of which Fosmax had been notified on July 24, 2015. On February 21, 2017, the Court of Appeal declared itself incompetent to decide on the annulment of the award and stated that it would postpone the subsequent decision on the alleged nullity of the exequatur. On July 4, 2017, the Court annulled the exequatur issued by the President of the Tribunal de grande instance and sentenced STS to pay the costs (€10,000) of the proceeding in favour of Fosmax.
On June 21, 2017, Fosmax notified Sofregaz, Tecnimont SpA and Saipem SA, of a request for arbitration, requesting that the aforementioned companies (as members of the société en partecipation STS) be jointly and severally condemned to pay the mise en régie costs as quantified above beyond delays and legal fees. The Arbitration Tribunal was officially constituted on January 19, 2018 when the Chairman was confirmed and, in accordance with the calendar agreed between the Parties, on April 13, 2018 Fosmax filed its Mémoire en demande in which it detailed its demands at €35,926,872 in addition to interest for late payments of approximately €4.2 million. STS filed its brief and response on July 13, 2018, with which it has made the counter-claim that Fosmax be ordered to pay €2,155,239 in addition to interest for loss of profit and €5,000,000 for non-material damage.
Hearings were held from February 25 to 27, 2019 and the award is expected by the end of 2019.

Court of Cassation - Consob Resolution No. 18949 of June 18, 2014 - Actions for damages

Preliminary hearings in Milan: with the measure adopted with Resolution No. 18949 of June 18, 2014, Consob decided to apply a monetary fine of €80,000 to Saipem SpA for an alleged delay in the issuing of the profit warning issued by the company on January 29, 2013 and, 'with a view to completing the preliminary investigation', to transmit a copy of the adopted disciplinary measure to the Public Prosecutor's office at the Court of Milan. On March 12, 2018, the Public Prosecutor's Office at the Court of Milan – at the end of its investigations – notified Saipem SpA of the 'Notice to the person under investigation of the conclusion of the preliminary investigations' with reference to the hypothesis of an administrative offence referred to in Articles 5, 6, 7, 8, 25-*ter*, lett. b) and 25-*sexies* of Legislative Decree No. 231/2001, allegedly committed until April 30, 2013 '*for not having prepared an organisational model suitable to prevent the completion*' of the following alleged offences:

(i) offence pursuant to Article 185 of Legislative Decree No. 58/1998 (in conjunction with Article 114 of Legislative Decree No. 58/1998 and Article 68, paragraph 2, of the Issuers Regulation), allegedly committed on October 24, 2012, with reference to the press release published for the approval of the quarterly report as at September 30, 2012 by Saipem SpA and the related conference call of October 24, 2012 with external analysts;

(ii) offence pursuant to Article 2622 of the civil code (continuing illegal offence with Article 2622, paragraphs 1, 3 and 4, old civil code formulation was in force at the time of the facts), allegedly committed on April 30, 2013, with reference to the 2012 consolidated and separate financial statements of Saipem SpA approved by the Board of Directors on March 13, 2013 and by the Shareholders' Meeting on April 30, 2014;

(iii) offence pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from March 13, 2013 to April 30, 2013, with reference to press releases issued to the public regarding the approval of the 2012 consolidated and separate financial statements of Saipem SpA.

In addition to the Company, the following physical persons were also investigated in relation to the same allegations as those above:

- for the alleged crime under (i): the two Chief Executive Officers and the Chief Operating Officer of the Engineering & Construction Business Unit of Saipem SpA in office at the date of the press release of October 24, 2012, as they '*through the press release dated October 24, 2012 issued on the occasion of the approval by the Board of Directors of the quarterly report as at September 30, 2012 and during the related conference call ..., they spread false news – which was incomplete and reticent – concerning the economic and financial situation of Saipem SpA, ..., capable of causing a significant alteration of the price of its ordinary shares*'; and
- for the alleged crimes under (ii) and (iii): the Chief Executive Officer and the Manager in charge of preparing the accounting and corporate documents who was in office at the date of approval of the 2012 consolidated and separate financial statements of Saipem SpA as they:

  in relation to the alleged offence (ii), they would have '*disclosed in the consolidated and separate financial statements of Saipem SpA, approved by the Board of Directors and by the Shareholders' Meeting on March 13, 2013 and April 30, 2013, material facts that do not correspond to the truth, although subject to evaluation, as well as the omission of information on the economic, asset and financial situation of Saipem SpA, the reporting of which is required by law, ..., and, in particular:*
  - *in contrast to the provisions of paragraphs 14, 16, 17, 21, 23, 25, 26 and 28 of IAS 11, no extra costs related to delays in the execution of activities and late penalties were recorded in the costs for the entire lifespan of the project, ... for a total of €245 million:*

  and the effect was:
  1) *they recorded higher revenue for €245 million in the income statement compared to the amount accrued, on the basis of a state of economic progress that did not consider the extra costs described above in the costs for the lifespan of the project, in contrast with paragraphs 25, 26 and 30 of the IAS 11;*
  2) *they omitted to record the expected loss of the same amount ... as the cost of the year, in contrast with paragraph 36 of IAS 11, thus recording an operating result higher than the pre-tax profit of €1,349 million in the income statement, in place of the actual operating result of €1,106 million, and a higher than realistic shareholders' equity of €17,195 million, instead of the actual shareholders' equity of €16,959 million...*'.

  In relation to the alleged offence (iii), '*with the aforementioned press releases, they spread the news of the approval of the 2012 consolidated and separate financial statements of Saipem SpA, in which material facts that did not correspond to the truth were disclosed, and more specifically revenue higher than actual revenue for €245 million and an EBIT higher than reality for the corresponding amount, ...*'.

On April 11, 2018, Saipem SpA received the notice of hearing set for October 16, 2018, together with the request for indictment against Saipem SpA formulated on April 6, 2018 by the Public Prosecutor.

On October 16, 2018, the trial began before the Judge for the Preliminary Hearing in Milan during which two natural persons were presented as plaintiffs.

At the hearing of January 8, 2019, the Judge for the Preliminary Hearing granted the establishment of a civil suit against the accused natural persons and rejected the second request for the constitution of a civil suit against all the defendants. No civil suit has been granted against Saipem SpA.

Following the discussions of the parties and the Public Prosecutor, the Judge for the Preliminary Hearing postponed the case to March 1, 2019.

At the hearing of March 1, 2019, the Judge for the Preliminary Hearing ordered the committal for trial of Saipem SpA with reference to the charge of an administrative offence pursuant to Articles 5, 6, 7, 8, 25-*ter*, letter b) and 25-*sexies* of Legislative Decree No. 231/2001, allegedly committed until April 30, 2013 *'for failing to provide a suitable organisational model to prevent criminal acts'* with regard to the following alleged crimes: (i) offence pursuant to Article 2622 of the Civil Code ('false accounting'), allegedly committed on April 30, 2013, with reference to the 2012 consolidated and individual financial statements of Saipem SpA; and (ii) offence pursuant to Article 185 of Legislative Decree No. 58/1998 ('manipulation of the market'), allegedly committed from March 13, 2013 to April 30, 2013, with reference to press releases issued to the public regarding the approval of the 2012 consolidated and individual financial statements of Saipem SpA.

The Judge for the Preliminary Hearing ruled in favour of Saipem SpA, because the statute of limitations had passed regarding the charge of an administrative offence pursuant to Articles 5, 6, 7, 8, 25-*ter*, letter b) and 25-*sexies* of Legislative Decree No. 231/2001, *'for failing to provide a suitable organisational model to prevent criminal acts'* with regard to the following alleged crime: (iii) offence pursuant to Article 185 of Legislative Decree No. 58/1998 ('manipulation of the market'), allegedly committed on October 24, 2012, with reference to the press release published for the approval of the quarterly report as at September 30, 2012 by Saipem SpA and the related conference call of October 24, 2012.
The Judge for the Preliminary Hearing ordered the committal for trial of the following individuals: (a) for the alleged crimes under (i) and (ii): the Chief Executive Officer and the Manager in charge of preparing the accounting and corporate documents who was in office at the date of approval of the 2012 consolidated and individual financial statements of Saipem SpA; (b) for the alleged crime under (iii): the Chief Executive Officer and the Chief Operating Officer of the Engineering & Construction Business Unit of Saipem SpA in office at the date of the press release of October 24, 2012.
All individuals committed for trial by the Judge of the Preliminary Hearing of Milan have long since left the Company.
On May 23, 2019, the first instance proceedings began before the Criminal Court of Milan. The hearing was postponed on June 4, 2019 as the first instance proceedings was assigned to a new section of the Criminal Court of Milan. On June 4, 2019, after the formalities of the first hearing including the filing of the requests for the admission as plaintiffs by some parties, the Court adjourned the proceedings to the September 26, 2019 hearing, in order to allow the parties to better understand the terms and the conditions of the requests for the admission as plaintiffs and the requests to summon Saipem SpA as the civilly liable party (responsabile civile). At the hearing scheduled on September 26, 2019, the Court will rule on the requests for the admission as plaintiffs and on the requests to summon Saipem SpA as the civilly liable party ('responsabile civile'). The requests for the admission as plaintiffs have been proposed by approximately 700 private investors. The overall amount referred to in the requests has not been determined.
On July 28, 2014, Saipem SpA lodged an appeal at the Court of Appeal of Milan against the above mentioned Consob Resolution No. 18949 dated June 18, 2014 to impose a monetary fine. By decree filed on December 11, 2014, the Court of Appeal of Milan rejected the opposition made by Saipem SpA which then appealed to the Court of Cassation against the Decree issued by the Court of Appeal of Milan. The appeal was discussed on November 7, 2017. On February 14, 2018, the Court of Cassation filed its decision rejecting Saipem's petition on the grounds of the '*absolute uniqueness of the situation... concerning the interpretation of the phrase 'without delay' in the text of the paragraph 1 of Article 114 TUF*' and condemning each party to bear its legal costs for the proceedings.
Current legal proceedings: on April 28, 2015, a number of foreign institutional investors initiated legal action against Saipem SpA before the Court of Milan, seeking judgement against the Company for the compensation of alleged loss and damage (quantified in about €174 million), in relation to investments in Saipem shares which the claimants alleged that they had effected on the secondary market. In particular, the claimants sought judgement against Saipem requiring the latter to pay compensation for alleged loss and damage which purportedly derived from the following: (i) with regard to the main claim, from the communication of information alleged to be 'imprecise' over the period from February 13, 2012 and June 14, 2013; or (ii) alternatively, from the allegedly 'delayed' notice, only made on January 29, 2013, with the first 'profit warning' (the so-called 'First Notice') of privileged information which would have been in the Company's possession from July 31, 2012 (or such other date to be established during the proceedings, identified by the claimants, as a further alternative, on October 24, 2012, December 5, 2012, December 19, 2012 or January 14, 2013), together with information which was allegedly 'incomplete and imprecise' disclosed to the public over the period from January 30, 2013 to June 14, 2013, the date of the second 'profit warning' (the so-called 'Second Notice'). Saipem SpA appeared in court, case number R.G. 28789/2015, fully disputing the adverse party's requests, challenging their admissibility and, in any case, their lack of grounds.
As per the order made by the Judge at the hearing of May 31, 2017, the parties proceeded to deposit the briefs referred to in Article 183, paragraph 6, c.p.c. (Civil Procedure Code). With the same order, the Court set a hearing for February 1, 2018 for the possible admission of the evidence.
With the same order of May 31, 2017, the Court ordered the separation of the judgement for five of the parties involved in the proceedings and this separate proceeding – number R.G. 28177/2017 – was discontinued pursuant to Article 181 of the Italian Civil Procedure Code on November 7, 2017.
At the hearing on February 1, 2018, the Judge, by order dated February 2, 2018, postponed the proceeding to the hearing of July 19, 2018. pursuant to Article 187, paragraph 2, c.p.c. During the hearing, after the parties clarified the conclusions, the judge assigned said parties the deadline for filing the final briefs and the replies.
On October 2, 2018, Saipem filed the final brief and on October 22, 2018 Saipem filed the reply.
On November 9, 2018, the Court filed the first instance ruling No. 11357, rejecting the merit of the request by the parties. The Court has indeed ruled that there is lack of evidence of ownership of Saipem shares by said actors in the period indicated above and has condemned them to pay €100,000 in favour of Saipem, by way of reimbursement of legal expenses.
On December 31, 2018, institutional investors challenged the aforementioned sentence before the Court of Appeal of Milan, requesting that Saipem be ordered to pay approximately €169 million. The first hearing before the Court of Appeal of Milan was held on May 22, 2019. The Appeal's Judge adjourned the hearing to June 10, 2020, when the parties will file their final conclusions.
With a writ of summons dated December 4, 2017, twentyseven corporate investors took legal action before the Court of Milan – section specialised in the field of corporate law, against Saipem SpA. and two former Chief Executive Officers of said company, requesting that they are jointly condemned to pay compensation (with respect to the two former members of the company, limited to their periods of stay in office) for compensation for damages, material and non-material, allegedly suffered due to an alleged manipulation of information returned to the market during the period between January 2007 and June 2013.
Saipem SpA's liability was calculated pursuant to Article 1218 of the Civil Code (contractual liability) or pursuant to Article 2043 of the Civil Code (non-contractual liability) or, pursuant to Article 2049 of the Civil Code (owner and client liability) for the illegal conduct committed by the two former company representatives.
Damages were not initially quantified by the investors, who reserved the right to quantify damages during the trial.
The Company appeared in court to contest the claims in full, pleading inadmissibility and in any case the groundlessness in fact and in law.

On June 5, 2018, the first hearing was held. In this hearing the judge assigned terms for evidence pleadings, reserving judgement until said pleadings could be examined.
The parties proceeded to deposit the pleadings referred to in Article 183, paragraph 6, c.p.c. In the evidence pleading pursuant to Article 183, paragraph 6, No. 1, c.p.c., the plaintiffs provided for the quantification of damages allegedly suffered in the amount of approximately €139 million. In its evidence pleading, Saipem and the other defendants remarked, in particular, on the lack of evidence regarding the acquisition of Saipem shares on the secondary markets by the plaintiffs. Therefore, due to this lack of evidence from the plaintiffs, all the defendants asked the Court to set a hearing to clarify the conclusions pursuant to Article 187 c.p.c.
On November 9, 2018, the Company filed sentence No. 11357 issued by the Court of Milan on November 9, 2018 at the outcome of case R.G. No. 28789/2015, as this provision decided the same preliminary issues of merit raised by Saipem and the other defendants in the case under consideration, in particular with reference to the failed proof of purchase of Saipem shares.
The Court has not yet issued a decision.
Demands for out-of-court settlement and mediation proceedings: with regard to the alleged delays in providing information to the markets, over 2015, 2016 and 2017, Saipem SpA received a number of out-of-court demands and mediation applications. As far as the out-of-court claims are concerned, the following have been made: (i) in April 2015 by 48 institutional investors acting on their own behalf and/or on behalf of the funds managed by them respectively amounting to about €291.9 million, without specifying the value of the claims made by each investor/fund (subsequently, 21 of these institutional investors, together with a further 8 presented applications for mediation for a total amount of about €159 million; 5 of these institutional investors together with another 5, presented applications for mediation in relation to the total amount of about €21.9 million); (ii) in September 2015 by 9 institutional investors acting on their own behalf and/or for the funds managed by them respectively for a total amount of about €21.5 million, without specifying the value of the claims for compensation made by each investor/fund (subsequently 5 of these institutional investors together with another 5, made an application for mediation for a total amount of about €21.9 million); (iii) over 2015 by two private investors amounting respectively to about €37,000 and €87,500; (iv) during the month of July 2017 from some institutional investors for approximately €30 million; (v) on December 4, 2017, from 141 institutional investors for an unspecified amount (136 of these investors on June 12, 2018 renewed their out-of-court request, again for an unspecified amount); (vi) on April 12, 2018 for about €150-200 thousand from a private investor; (vii) on July 3, 2018 from a private investor for about €330 thousand; (viii) on October 25, 2018 for about €8,800 from a private investor; (ix) on November 2 for about €48,000 from a private investor; (x) on May 22, 2019 for about €53,000 from a private investor; (xi) on June 3, 2019 for an unspecified amount from a private investor; (xii) on June 5, 2019, for an unspecified amount from two private investors. Those applications where mediation has been attempted, but with no positive outcome, involve five main demands: (a) in April 2015 by 7 institutional investors acting on their own behalf and/or for the funds managed by them, in relation to about €34 million; (b) in September 2015 by 29 institutional investors on their own behalf and/or for the funds managed by them respectively, for a total amount of about €159 million (21 of these investors, together with another 27, submitted out-of-court demands in April 2015, complaining that they had suffered loss and damage for a total amount of about €291 million without specifying the value of the claims for compensation for each investor/fund); (c) in December 2015 by a private investor in the amount of about €200,000; (d) in March 2016 by 10 institutional investors on their own behalf and/or for the funds managed by each respectively, for a total amount of about €21.9 million (5 of these investors together with another 4 had presented out-of-court applications in September 2015, complaining they had suffered loss and damage for a total amount of about €21.5 million without specifying the value of the compensation sought by each investor/fund. Another 5 of these investors, together with a further 43, had presented out-of-court applications in April 2015 alleging they had suffered loss and damage for an amount of about €159 million without specifying the value of the compensation sought by each investor/fund); (e) from a private investor in April 2017 for approximately €40,000; (f) in 2018-2019 by a private investor for approximately €48,000.
Saipem SpA verified the aforementioned requests for out-of-court claims and mediation and found them to be groundlessness and denying all liability. At the date of approval of the Interim Consolidated Report as of June 30, 2019 by the Board of Directors, the aforementioned demands for out-of-court settlements and/or mediation were not subject to legal action, except for the matters specified above in relation to the two cases pending before the Court of Milan and the Court of Appeal of Milan and another case with a value of €3 million in which Saipem was summoned in the course of 2018 by the defendant in court.

Dispute with Husky - Sunrise Energy Project in Canada

On November 15, 2010, Saipem Canada Inc ('Saipem') and Husky Oil Operations Ltd ('Husky') (the latter for account of the Sunrise Oil Sands Partnership formed by BP Canada Energy Group ULC and Husky Oil Sands Partnership, in turn formed by Husky Oil Operations Ltd and HOI Resources Ltd), signed an Engineering, Procurement and Construction contract No. SR-071 (the 'Contract'), prevalently on a reimbursable basis, relating to the project called Sunrise Energy (the 'Project').
During the execution of the works, the parties agreed several times to modify the contractual payment formula. Specifically: (i) in October 2012, the parties established that the works were to be paid for on a lump-sum basis, agreeing the amount of CAD 1,300,000,000 as contract price; (ii) subsequently, in early 2013, an incentive system was agreed that provided for Saipem's right to receive additional payments upon achieving certain objectives; (iii) starting from April 2014, the parties entered into numerous written agreements whereby Husky accepted to reimburse Saipem for the costs incurred in excess of the lump sum amount previously agreed, thus determining, according to Saipem, a contract change from lump sum to reimbursable. As the end of the works approached, however, Husky stopped paying what it owed as reimbursement and, in March 2015, finally terminated the Contract, claiming that Saipem had not complied with the contractual deadline for conclusion of the works.
In light of the above, on March 16, 2015 Saipem took legal action citing Husky, the aforesaid partnerships and the related members before the Court of Queen's Bench of Alberta, requesting, among other things, that the court declare the illegitimacy of the termination of the Contract by Husky and sentence it to the payment of: (i) more than CAD 800 million for damages that include the payments not made on a reimbursable basis, damages resulting from the termination of the contract, lost profits and the unjustified enrichment of Husky at the expense of Saipem; or, alternatively, (ii) the market value of the services, materials and financing rendered.

In September 2015, Husky notified Saipem of a Request for Arbitration (Alberta Arbitration Act), affirming that, as a result of the reduction of the scope of work requested by Husky, the contractual lump sum price agreed with Saipem should be reduced proportionally on the basis of a specific contractual provision in this sense. On the basis of this, Husky asked that Saipem be ordered to pay the related value, quantifying this claim as CAD 45,684,000.
On October 6, 2015, Husky sued Saipem in the Court of Queen's Bench of Alberta, claiming, among other things: (i) that the payments it had made to Saipem, which were in excess of the lump sum amount agreed between the parties, were justified by Saipem's alleged threats to abandon the works if such additional payments were not made (economic duress); and (ii) that even after the execution of such payments, the performances of Saipem did not improve, forcing Husky to terminate the contract and complete the works on its own. As a result, Husky asked the Canadian court to order Saipem to pay CAD 1.325 billion for alleged damages, an amount that includes, among other things: (i) payments in excess with respect to the agreed lump sum price; (ii) costs to complete the works following termination of the contract; (iii) damages for lost profits and the penalty for alleged delay in completion of the Project.
In the hearing of January 14, 2016, Saipem requested that the pending proceedings be heard jointly before the Queen's Bench Court of Alberta and that arbitration be suspended in order to include the relative claims in the proceedings to be heard jointly. On May 27, 2016 Saipem filed a short reply requesting that the Court declare invalid the arbitration proceedings commenced by Husky. At the hearing for the discussion of this petition, held on July 4, 2016, the judge rejected the request to declare the arbitration procedure invalid initiated by Husky which is ongoing.
In March 2018, the parties entered into an arbitration agreement by which they agreed to unite all the disputes pending between them, as described above, in a single 'ad hoc' arbitration proceeding based in Canada.
In the Statement of Claim filed by Saipem on April 30, 2018 in the new arbitration procedure, Saipem requested: (i) damages for over CAD 508 million; (ii) damages to be calculated by the court following adjustments to the contract price due to additional work resulting from the contractual breaches by Husky, or on a quantum meruit basis; (iii) punitive damages to be determined; (iv) interest in the amount of CAD 90 million (or to be calculated by the court); (v) legal expenses; (vi) any other damages awarded by the court.
In the Statement of Claim filed on April 30, 2018, Husky asked: (i) compensation for approximately CAD 1.37 billion as compensation for alleged damages (this amount includes, inter alia, payments allegedly in excess of the agreed lump-sum price; the costs for completing the work after the termination of the contract; the loss of profit and the liquidated damages for delay for the alleged delayed completion of the Project); (ii) interest to be calculated by the court; (iii) legal expenses; (iv) any other damages awarded by the court. On June 8, 2018, the parties filed their respective Statements of Defence. The parties are currently involved in the collection and exchange of the documentary evidences. The award is expected to be issued by 2020-2021.

Arbitration with GLNG - Gladstone Project (Australia)

On January 4, 2011, Saipem Australia Pty Ltd ('Saipem') entered into the Engineering, Procurement and Construction Contract (the 'Contract') relating to the Gladstone LNG project (the 'Project') with GLNG Operations Pty Ltd ('GLNG') in the capacity of agent of the joint venture between Santos GLNG Pty Ltd, PAPL (Downstream) Pty Ltd and Total E&P Australia.
During the execution of the Project, Saipem accrued and presented to GLNG contractual claims that were entirely rejected by GLNG. A phase of negotiations began between the parties but did not lead to any positive results.
Therefore, on October 9, 2015, Saipem submitted a request for arbitration against GLNG requesting:
- a quantum meruit claim based on the alleged invalidity of the Contract (a claim that was rejected during the arbitration procedure on the basis of a partial award);
- claims based on the contract.

On November 6, 2015, GLNG filed its counterclaim requesting the rejection of the claims made by Saipem and requesting in turn compensation for damages for alleged defective works with particular reference to the coating of the entire line and to the cathodic protection system.
At present, Saipem claims in the arbitration amount to approximately AUD 254 million, while the GLNG counterclaim amounts to approximately AUD 1.1 billion, corresponding to the GLNG assessment of the pipeline replacement costs; and AUD 24 million corresponding to the GLNG assessment of the costs for the adoption of temporary adjustment measures.
The last hearings were held in August 2018.
On June 27, 2019, the Arbitral Tribunal pronounced its decision on all controversial issues except for the costs (including legal and experts' costs) of the arbitration procedure, the applicable interest on the claims recognised to Saipem, a Saipem fiscal claim and other minor claims submitted by Saipem.
On June 27, 2019, the Arbitral Tribunal completely rejected the GLNG counterclaims: (i) for an amount of approximately AUD 1.1 billion, corresponding to the assessment made by GLNG of the pipeline replacement costs; and (ii) for an amount of approximately AUD 24 million, corresponding to the GLNG assessment of the costs for the adoption of temporary adjustment measures.
The Arbitral Tribunal therefore acknowledged claims: (a) submitted by Saipem for approximately AUD 102 million; and (b) submitted by GLNG for approximately AUD 1 million.
The Arbitratal Tribunal therefore set Saipem's credit at approximately AUD 101 million (net of interests) on the items covered by the decision of June 27, 2019.
The Arbitral Tribunal has given the parties a 35-day deadline from June 27, 2019 to discuss the items not covered by the Arbitral Tribunal on June 27, 2019 and to propose a way to settle them. In the absence of an agreement between the parties in this regard, the Arbitral Tribunal shall have to pronounce also on these items.

Dispute with South Stream Transport BV - South Stream Project

On November 10, 2015, Saipem SpA filed a request for arbitration against South Stream Transport BV ('SSTBV') with the International Chamber of Commerce (ICC) of Paris. Saipem's initial claim amounted to about €759.9 million by way of consideration due both for the suspension of work (requested by the client for the period from December 2014 to May 2015) and for the subsequent termination for convenience of the contract notified on July 8, 2015 by SSTBV. The request may be supplemented by Saipem by claims for costs incurred directly by the termination for convenience and relating to works that are still in progress or which have not yet been completely calculated. ICC notified SSTBV of Saipem's request for arbitration on December 15, 2015. SSTBV filed its reply on February 16, 2016. In its reply, SSTBV challenged all of Saipem's claims and reserved the right to make a counterclaim at a subsequent stage of the arbitration process.

On September 30, 2016, Saipem filed its own Memorial (Statement of Claim), in which, on the basis of the report drawn up by its own quantum expert, the amount of the claims against SSTBV has been reduced to approx. €678 million (with the right to integrate this in the course of arbitration).

On March 10, 2017, SSTBV deposited its Counter-Memorial, in which, in addition to rejecting Saipem's requests, compensation was claimed:

- mainly for damages of around €541.6 million for alleged misrepresentations that would have led the defendant to enter into a contract with Saipem;
- additionally or alternatively, for damages for: (i) approximately €75.9 million, for payments made by SSTBV to a significantly higher level than contractually due; and (ii) approximately €48.6 million, for liquidated damages motivated by alleged delays; and
- mainly and alternatively, damages for approximately €5.2 million for alleged damage to the pipes owned by the defendant.

On November 3, 2017, Saipem filed its Reply Memorial in which it clarified its claims for €644,588,545.

On December 21, 2018, SSTBV deposited its own Rejoinder. The discussion hearings before the arbitration panel had been set for June 2019.

At the end of February 2019, Saipem and South Stream Transport BV have expressed the common intention to negotiate – on a without prejudice basis – an amicable settlement of the arbitration in progress since November 2015. The 2018 result included the effect of the hypothetical settlement being negotiated at the time between the parties regarding the South Stream project.

On April 18, 2019, Saipem SpA issued the following press release:

'South Stream Transport BV and Saipem announce the amicable settlement of mutual differences.

San Donato Milanese - Amsterdam, April 18, 2019 - South Stream Transport BV and Saipem SpA have positively ended their negotiations signing an agreement to amicably settle the arbitration concerning the South Stream Offshore Pipeline Installation contract entered into on March 14, 2014'.

The above-described arbitration has therefore ended. The 2018 result had already included the economic effects of this settlement.

Arbitration with Kharafi National Closed Ksc ('Kharafi') - Jurassic Project

With reference to the Jurassic project and the relating EPC contract between Saipem SpA ('Saipem') and Kharafi, on July 1, 2016 Saipem filed a request for arbitration with the London Court of International Arbitration ('LCIA') with which it requested that Kharafi be sentenced:

(1) to return KWD 25,018,228, cashed by Kharafi through the enforcement of a performance bond following the termination of the contract with Saipem;
(2) to refund KWD 20,135,373 for costs deriving from the suspension of the procurement activities, particularly those connected with the purchase by Saipem of 4 turbines;
(3) to refund KWD 10,271,409 for engineering costs borne by Saipem prior to the termination of the contract by Kharafi;

for a total of KWD 55,425,010 (equal to approximately €153,065,479 on the basis of the exchange rate at December 31, 2017).

Kharafi responded to Saipem's request for arbitration rejecting the claims therein and demanding, by way of counterclaim, that Saipem be sentenced to pay an amount not yet quantified but including, among other things:

(1) the costs allegedly sustained by Kharafi due to Saipem's alleged non-fulfilment of the contract (more than KWD 32,824,842); and
(2) the damage allegedly suffered by Kharafi following the enforcement of a guarantee in a sum equivalent to KWD 25,136,973 issued by Kharafi to the final client of the Jurassic project.

On April 28, 2017, Saipem filed its Statement of Claim and on October 16, 2017 Kharafi filed its Statement of Defence and Counterclaim. The Kharafi counterclaim was set out in KWD 102,737,202 (approximately €283 million). Saipem filed its response on February 6, 2018 and Kharafi the related Reply and Defence to Counterclaim on April 6, 2018.

On November 14, 2018, the parties filed their expert reports. At that time, Kharafi produced a report prepared by an external consulting company in which, for the first time, he claims that the company would have suffered damages for equal to approximately €1.3 billion, allegedly attributable to Saipem related to the failure of the Jurassic and BS171 projects (in which Kharafi was a subcontractor of Saipem). Subsequently, Saipem filed an appeal with the Arbitral Tribunal requesting that the expert report in question, as well as the related request, be thrown out as late and without foundation.

On February 5, 2019, the Arbitral Tribunal pronounced that the report in question was inadmissible and, with it, the new claim for compensation brought by Kharafi for the equivalent of €1.3 billion.

With the last filing the parties specified their demands, based on the final quantifications performed by the experts, indicating as follows: (i) Saipem, KWD 46,069,056.89; and (ii) Kharafi, KWD 162,101,263.

Hearings were held in London from February 18 to March 1, 2019. The award is expected by the end of 2019. On March 1, 2019, Kharafi appealed against the decision of the Arbitral Tribunal which stated that the above mentioned report was inadmissible before the High Court of Justice in London. At the hearing on July 6, 2019 the High Court of Justice in London ruled in favor of Saipem, fully rejecting the request of Kharafi and ordering Kharafi to pay, within 14 days from the ruling, GBP 79,000 as legal expenses.

Arbitration with CPB Contractors Pty Ltd (formerly Leighton Contractors Pty Ltd) ('CPB') Gorgon LNG Jetty Project

In August 2017, CPB notified Saipem SA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda ('Saipem') of a request for arbitration.

The dispute stems from the construction of the dock of an LNG plant for the Gorgon LNG project in Western Australia. The main contract for engineering and construction of the pier ('Jetty Contract') was signed on November 10, 2009 by CPB, Saipem SA, Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda and Chevron Australia Pty Ltd ('Chevron').

CPB based on alleged contractual breaches by Saipem SA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda has requested that Saipem be ordered to pay approximately AUD 1.39 billion. Saipem believes that the CPB claims are totally unfounded and has filed its statement in which it has requested the rejection of all the claims made by CPB and filed a counterclaim for AUD 37,820,023 for payments related to the consortium agreement, extra costs related to non-compliance and delays by CPB in the execution of the works and backcharges. According to the arbitration calendar agreed between the parties, it is currently provided that the hearings will take place starting on February 25, 2020 and that the award will be issued by the end of the same year.
It is noted that, with reference to the same project, in 2016 Chevron initiated a separate arbitration proceeding against the consortium between CPB and Saipem, requesting payment of liquidated damages and back-charges for an amount currently equal to about AUD 54 million. In this arbitration, both CPB and Saipem filed separate counterclaims against Chevron, currently quantified, respectively, at AUD 1.9 billion (it is noted that the items of damages proposed by CPB against Chevron appear, in large part, superimposable to those proposed by CPB against Saipem in the arbitration between the latter two, referred to in the first part of this paragraph) and AUD 23 million.

Arbitration with National Company for Infrastructure Projects Development Construction and Services KSC (Closed), formerly Kharafi National KSC (Closed) - Booster Station 171 (Kuwait) Project ('BS171')
On March 18, 2019, the International Chamber of Commerce of Paris, at the request of the National Company for Infrastructure Projects Development Construction and Services KSC (Closed) (formerly Kharafi National KSC, for convenience, hereinafter 'Kharafi') notified Saipem SpA of a request for arbitration, in which Kharafi requested that Saipem be ordered to pay sums of at least KWD 38,470,431 as extra-costs deriving from alleged breaches of contract, in addition to KWD 8,400,000 by way of refund of the amount collected by Saipem in 2016 following the enforcement (illegitimate according to Kharafi) of the bond issued by Kharafi to guarantee project performance.
The dispute pertains to subcontract No. 526786 signed by Saipem and Kharafi on August 27, 2010, relating to the BS171 project (final client KOC) terminated by Saipem on July 30, 2016 for serious breaches and delays by Kharafi in the execution of the works, with consequent enforcement of the aforementioned performance guarantee.
Appearing in court, on May 17, 2019 Saipem filed its response to the request for arbitration, contesting the requests by Kharafi and making a counterclaim of KWD 32,872,329, which includes a delay penalty of KWD 8.4 million.
The calendar of the procedure has not yet been agreed.

Consob Resolution of March 2, 2018
With reference to Consob Resolution No. 20324 of March 2, 2018 ('the Resolution') the contents of which are described in paragraph 'Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018', the Board of Directors of Saipem resolved on March 5, 2018 to appeal the Resolution in the competent courts.
The appeal to the TAR - Lazio was filed on April 27, 2018. Following access to the administrative proceedings, on May 24, 2018 Saipem filed with the TAR - Lazio additional grounds for appeal against the aforementioned Resolution.

Consob Resolution of February 21, 2019
With reference to Consob Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 ('the Resolution') the contents of which are described in paragraph 'Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018', the Board of Directors of Saipem resolved on April 2, 2019 to appeal the Resolution No. 20828 before the Court of Appeals of Milan.
On April 12, 2019, Saipem SpA appealed, pursuant to Article 195 TUF, against the Resolution before the Milan Court of Appeal, requesting its cancellation. A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Manager responsible for Financial Reporting in office at the time of the events. The first hearing before the Milan Court of Appeal has been scheduled for November 13, 2019.

Ongoing investigations. Public Prosecutor's Office of Milan - 2015 and 2016 Financial Statements. Prospectus of the January 2016 capital increase
On January 22, 2019, the Public Prosecutor's Office of Milan notified Saipem SpA of a *'local search warrant and seize notice of investigation*', in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's Office of Milan notified the Chief Executive Officer of the Company, as well as, for various reasons, two of its managers (including the current Manager responsible for the preparation of financial reports appointed on June 7, 2016) and a former manager of an investigation concerning the following offences: (i) false accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the Prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.
Preliminary investigations are currently under way.

36 Revenue

The following is a summary of the main components of revenue. For more information about changes in operating expenses, see the 'Financial and economic results' section of the 'Interim Directors' Report'.

Net sales from operations

Net sales from operations were as follows:

	First half	
(€ million)	2018	2019
Revenue from sales and E&C services	3,331	3,990
Revenue from sales and Drilling services	467	529
Total	**3,798**	**4,519**

Net sales by geographical area were as follows:

	First half	
(€ million)	2018	2019
Italy	158	184
Rest of Europe	219	32
CIS	441	594
Middle East	1,270	1,577
Far East	158	338
North Africa	598	754
Sub-Saharan Africa	728	720
Americas	226	320
Total	**3,798**	**4,519**

As described in the paragraph 'Contract assets and contract liabilities', to which we refer, in consideration of the nature of the contracts and the type of works performed by Saipem, the individual obligations contractually identified are mainly satisfied over time. The revenue that measure the progress of the work are determined, in line with the provisions of IFRS 15, by using an input method based on the percentage of costs incurred with respect to the total contractually estimated costs ('cost-to-cost' method).
Contract revenue include the amount agreed in the initial contract, plus revenue from change orders and claims.
The variants (change orders) consist of additional fees deriving from changes to the contractually agreed works requested by the client; price revisions (claims) consist of requests for additional fees deriving from higher charges incurred for reasons attributable to the client. Change orders and claims are included in the amount of revenue when the change to the agreed works and/or price have been approved, even if their definition has still not been agreed on and in any case no greater than a total amount of €30 million.
The cumulative amount of additional payments for change orders and claims, including amounts pertaining to previous years, based on project progress at June 30, 2019, totalled €57 million, of which 65% are disputed. The evaluation of projects with additional fees in the presence of ongoing legal disputes are carried out up to the costs incurred, provided they are supported by the technical-legal opinions of external consultants.
The contractual obligations to be fulfilled by the Saipem Group (backlog of orders), which at June 30, 2019 amounted to €17,637 million, are expected to generate revenue of €3,574 million in 2019 while the remainder will be realised in subsequent years.
Management is evaluating the possible quantification of revenue for leasing in the item 'Net sales from operations'. From the outcome of this assessment, expected by the end of the year, no significant impacts are expected on the total amount of revenue from operations.
Revenue from related parties are shown in Note 44 'Transactions with related parties'.

Other income and revenue

Other income and revenue were as follows:

	First half	
(€ million)	2018	2019
Gains on disposal of assets	-	5
Indemnities	1	-
Other income	5	3
Total	**6**	**8**

37 Operating expenses

The following is a summary of the main components of operating expenses. The most significant variations are analysed in the 'Financial and economic results' section of the 'Interim Directors' Report'.

Purchases, services and other costs

Purchases, services and other costs included the following:

	First half	
(€ million)	2018	2019
Production costs - raw, ancillary and consumable materials and goods	672	883
Production costs - services	1,678	1,972
Operating leases and other	270	243
Net provisions for contingencies	(8)	(7)
Other expenses	39	9
less:		
- capitalised direct costs associated with self-constructed assets	(4)	(2)
- changes in inventories of raw, ancillary and consumable materials and goods	14	(1)
Total	**2,661**	**3,097**

During the first half of 2019 no brokerage fees were incurred.
'Operating leases and other' equal to €234 million refer to €234 million for leasing contracts, of which €219 million relates mainly to short-term leases with a duration of less than or equal to 12 months.
Net deductions/additions for the provisions for contingencies are detailed in Note 27 'Provisions for contingencies'.
Purchases, services and other costs to related parties are shown in Note 44 'Transactions with related parties'.

Net reversals (impairments) of trade and other receivables

Net reversals (impairments) of trade and other receivables also include the effects relative to IFRS 9 applied to contract assets and are broken down as follows:

(€ million)	June 30, 2018	June 30, 2019
Trade receivables	3	(18)
Other receivables	-	-
Contract assets	-	(4)
Total	**3**	**(22)**

Payroll and related costs

Payroll and related costs were as follows:

	First half	
(€ million)	2018	2019
Payroll costs	741	838
less:		
- capitalised direct costs associated with self-constructed assets	(3)	(3)
Total	**738**	**835**

Payroll costs include net deductions/additions for provisions for redundancy incentives which amounted to €4 million, as commented in Note 27 'Provisions for contingencies'.

Long-term stock-based incentive plans for Saipem Senior Managers

In order to create a system of incentives and loyalty among Group's Senior Managers, Saipem SpA, defined a long-term incentive plan starting from 2016, through the free allocation of Saipem SpA ordinary shares which was implemented in quarterly cycles.
The cost is determined with reference to the fair value of the option assigned to the senior manager, while the portion for the year is determined pro-rata temporis throughout the period to which the incentive refers (the vesting period and the co-investment period).
The relevant fair value, of all the completed transactions, was positive for approximately €1 million, due to the reversal of a portion of the charges related to allocation in 2016, due to the forfeiture of the rights inherent to the aforementioned plan.
The composition of the fair value at June 30, 2019 is represented as follows:

(€)	Fair value of payroll costs
Implementation for 2016	(7,384,336)
Implementation for 2017	2,849,108
Implementation for 2018	3,636,817
	(898,411)

On the assignment date, the classification and number of beneficiaries, the respective number of shares allocated and the subsequent fair value calculation, are analysed as follows:

Implementation for 2017

	No. of managers	No. of shares	Share portion (%)	Unit fair value TSR (weight 50%)	Unit fair value NFP (weight 50%)	Weighted average unit fair value	Total fair value	Fair value at June 30, 2018 (1)	Fair value at June 30, 2019 (1)
Strategic Senior Managers (vesting period)	100	3,926,500	75	1.91	3.42	2.665	13,163,589	1,747,376	1,640,551
Strategic Senior Managers (co-investment period)			25	3.99	6.84				
Non-Strategic Senior Managers	244	2,418,400	100	1.91	3.42	3.353	6,445,036	1,055,238	1,032.162
Chief Executive Officer-CEO	1	397,500	100	1.91	3.42	3.353	1,059,338	176,395	176,395
Total	**345**	**6,742,400**				**3.0653**	**20,667,963**	**2,979,009**	**2,849,108**

(1) The fair value for the period is shown net of the rights expired/allocated as of the observation date.

Implementation for 2018

	No. of managers	No. of shares	Share portion (%)	Unit fair value TSR (weight 50%)	Unit fair value NFP (weight 50%)	Weighted average unit fair value	Total fair value	Fair value at June 30, 2018 (1)	Fair value at June 30, 2019 (1)
Strategic Senior Managers (vesting period)	98	3,559,900	75	2.73	4.11	4.271	15,205,280	-	1,990,098
Strategic Senior Managers (co-investment period)			25	5.44	8.22				
Non-Strategic Senior Managers	263	2,357,000	100	2.73	4.11	3.419	8,057,871	-	1,319,751
Chief Executive Officer-CEO (March 2018)	1	205,820	100	2.06	3.28	2.670	549,590	-	91,515
Chief Executive Officer-CEO (July 2018)	1	413,610	100	2.73	4.11	3.419	1,414,009	-	235,453
Total	**363**	**6,536,330**				**3.859**	**25,226,750**	**-**	**3,636,817**

(1) The fair value for the period is shown net of the rights expired/allocated as of the observation date.

The evolution of the share plan is as follows:

	2018			2019		
(€ thousand)	Number of shares	Average strike price (a)	Market price (b)	Number of shares	Average strike price (a)	Market price (b)
Options outstanding at the beginning of the period	**12,637,514**	**-**	**48,149**	**18,097,117**	**-**	**59,087**
New options granted	6,536,330	-	26,864	-	-	-
(Options exercised during the period - consensual termination) (c)	(186,724)	-	(743)	-	-	-
(Options expiring during the period)	(890,003)	-	(3,859)	(5,600,987)	-	(26,405)
Options outstanding as of June 30	**18,097,117**	**-**	**59,087**	**12,496,130**	**-**	**54,733**
Of which:						
- exercisable at June 30, 2019	-	-	-	-	-	-
- exercisable at the end of the vesting period	15,636,645	-	-	10,787,430	-	-
- exercisable at the end of the co-investment period	2,460,472	-	-	1,708,700	-	-

(a) Since these are grants, the strike price is zero.
(b) The market price of shares underlying options granted, exercised or expiring during the year corresponds to the average market value. The market price of shares underlying the grants outstanding at the beginning and end of the period is the price recorded at January 1 and December 31 for 2018 and at January 1 and June 30 for 2019.
(c) The share plan envisages, inter alia, that in cases of consensual termination of the employment relationship, the beneficiary retains the right to the incentive to a reduced extent, in relation to the period elapsed between the allocation of shares and the occurrence of such event (Article 4.8 of the plan regulations).

The long-term incentive plans for Saipem SpA employees are shown in the item 'Payroll costs' and as a counter-item to 'Other reserves' of shareholders' equity.
The fair value of allocated options for employees of subsidiaries is shown at the date of option grant in the item 'Payroll costs' and as a counter-item to 'Other reserves' of shareholders' equity. In the same financial year the corresponding amount is charged to affiliated companies, as a counter-item to the item 'Payroll costs'.
In the presence of Saipem SpA personnel who provides service to other Group companies, the cost is charged pro-rata temporis to the company where the beneficiaries are in service.
On April 30, 2019, the Ordinary Shareholders' Meeting approved a 2019-2021 long-term incentive plan which provides for the free allocation of Saipem ordinary shares to the executives of Saipem SpA and its subsidiaries, holders of organisational positions with significant impact on the achievement of business results, also in relation to performance expressed and professional skills.

Average number of employees

The average number of employees, by category, for all consolidated companies was as follows:

	First half	
(number)	**2018**	**2019**
Senior managers	383	391
Junior managers	3,977	4,065
White collar	14,814	15,466
Blue collar	12,459	11,974
Seamen	268	263
Total	**31,901**	**32,159**

The average number of employees was calculated as the arithmetic mean of the number of employees at the beginning and end of the period. The average number of senior managers included managers employed and operating in foreign countries whose position was comparable to senior manager status.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

	First half	
(€ million)	**2018**	**2019**
Depreciation and amortisation:		
- tangible assets	224	225
- intangible assets	4	6
- Right-of-Use-assets	-	67
Total depreciation and amortisation	**228**	**298**
Impairment:		
- tangible assets	196	14
- intangible assets	60	-
Total special items	**256**	**14**
Total	**484**	**312**

Other operating income (expense)

The income statement effects of the change in fair value of derivatives that do not meet the formal requirements to qualify as hedging instruments under IFRS are recognised in 'Other operating income (expense)'. At June 30, 2019, these amounted to income of €1 million (income of €2 million in the first half of 2018).

38 Financial income (expense)

Financial income (expense) was as follows:

(€ million)	First half 2018	2019
Financial income (expense)		
Financial income	127	99
Financial expense	(152)	(154)
Total	**(25)**	**(55)**
Derivative financial instruments	(55)	(46)
Total	**(80)**	**(101)**

Net financial income and expense was as follows:

(€ million)	First half 2018	2019
Exchange gains (losses)	**20**	**9**
Exchange gains	123	96
Exchange losses	(103)	(87)
Financial income (expense) related to net financial debt	**(43)**	**(61)**
Interest from banks and other financial institutions	3	3
Interest and other expense due to banks and other financial institutions	(46)	(51)
Interest expense for leases	-	(13)
Other financial income (expense)	**(2)**	**(3)**
Other financial income from third parties	1	-
Other financial expense	(2)	(1)
Financial income (expense) on defined benefit plans	(1)	(2)
Total financial income (expense)	**(25)**	**(55)**

Gains (losses) on derivatives consisted of the following:

(€ million)	First half 2018	2019
Exchange rate derivatives	(55)	(46)
Interest rate derivatives	-	-
Total	**(55)**	**(46)**

Net expenses from derivatives of €46 million (expenses of €55 million in the first half of 2018) mainly related to the recognition in income of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.
Financial income (expense) with related parties are shown in Note 44 ‘Transactions with related parties’.

39 Income (expense) from investments

Effect of accounting using the equity method

The share of profit (loss) of investments accounted for using the equity method consisted of the following:

(€ million)	First half 2018	2019
Share of profit of investments accounted for using the equity method	8	4
Share of loss of investments accounted for using the equity method	(27)	(10)
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	(30)	(32)
Total	**(49)**	**(38)**

The share of profits (losses) of investments accounted for using the equity method is commented in Note 17 ‘Investments’.

Other income (expense) from investments

There was no other income (expense) from investments in the reporting period.

40 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2018	2019
Current taxes:		
- Italian subsidiaries	6	11
- foreign subsidiaries	85	74
Net deferred taxes:		
- Italian subsidiaries	19	(16)
- foreign subsidiaries	(15)	8
Total	**95**	**77**

(€ million)	First half 2018	2019
Income taxes recognised in consolidated income statement	95	77
Income tax related to items of other comprehensive income that may be reclassified to profit or loss	(13)	4
Income tax related to items of other comprehensive income that will not be reclassified to profit or loss	-	-
Tax on total comprehensive income	**82**	**81**

41 Non-controlling interests

The share of profits of non-controlling interests amounted to €32 million (€25 million in the first half of 2018).

42 Earnings (losses) per share

Basic earnings (losses) per ordinary share are calculated by dividing profit (loss) for the period attributable to Saipem's shareholders by the weighted average of ordinary shares outstanding during the period, excluding treasury shares.
Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		June 30, 2018	June 30, 2019
Weighted average number of shares used for the calculation of the basic earnings (losses) per share		**996,129,397**	**996,210,506**
Number of potential shares following long-term incentive plans		12,155,489	12,496,130
Number of savings shares convertible into ordinary shares		10,598	10,598
Weighted average number of outstanding shares for diluted earnings (losses) per share		**1,008,295,484**	**1,008,717,234**
Earnings (losses) attributable to Saipem	(€ million)	(323)	14
Basic earnings (losses) per share	(€ per share)	(0.3243)	0.0141
Diluted earnings (losses) per share	(€ per share)	(0.3203)	0.0139

43 Segment and geographical information

Segment information

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Floaters	Unallocated	Total
First half 2018							
Net sales from operations	2,356	1,377	389	292	446	-	4,860
less: intra-group sales	606	64	168	46	178	-	1,062
Net sales to clients	**1,750**	**1,313**	**221**	**246**	**268**	**-**	**3,798**
Operating result	153	(93)	(145)	7	4	-	(74)
Depreciation, amortisation and impairment	99	75	249	57	4	-	484
Net income (expense) from investments	(47)	(2)	-	-	-	-	(49)
Capital expenditure	262	8	25	18	-	-	313
Tangible and intangible assets	2,702	403	1,334	612	123	-	5,174
Right-of-use-assets	-	-	-	-	-	-	-
Investments [(a)]	114	(26)	-	3	-	-	91
Current assets	1,793	1,817	255	284	182	2,178	6,509
Current liabilities	1,614	1,789	83	119	431	436	4,472
Provisions for contingencies [(a)]	83	102	2	5	24	98	314
First half 2019							
Net sales from operations	2,596	1,755	437	321	527	-	5,636
less: intra-group sales	606	93	181	48	189	-	1,117
Net sales to clients	**1,990**	**1,662**	**256**	**273**	**338**	**-**	**4,519**
Operating result	174	(65)	24	2	127	-	262
Depreciation, amortisation and impairment	148	31	67	61	5	-	312
Net income (expense) from investments	(9)	(29)	-	-	-	-	(38)
Capital expenditure	78	6	18	33	-	-	135
Tangible and intangible assets	2,660	395	1,209	556	101	-	4,921
Right-of-use-assets	378	130	9	11	3	-	531
Investments [(a)]	104	(29)	-	2	-	-	77
Current assets	1,581	1,877	294	209	172	2,215	6,348
Current liabilities	1,585	2,094	113	136	127	649	4,704
Provisions for contingencies [(a)]	82	100	2	6	17	65	272

(a) See the section 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 67.

Geographical information

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single year, it is difficult to allocate assets to a specific geographic area. As a result, certain assets have been deemed not directly attributable.
The unallocated part of tangible and intangible assets and capital expenditure related to vessels and their related equipment and goodwill.
The unallocated part of current assets pertained to inventories related to vessels.
A breakdown of revenue by geographical area is provided in Note 36 'Revenue'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	Sub-Saharan Africa	Americas	Unallocated	Total
First half 2018									
Capital expenditure	10	2	6	12	-	-	3	280	313
Tangible and intangible assets	93	30	106	590	1	42	266	4,046	5,174
Identifiable assets (current)	1,183	320	394	1,934	642	762	556	718	6,509
First half 2019									
Capital expenditure	15	3	2	17	-	-	15	83	135
Tangible and intangible assets	107	36	65	548	1	40	257	3,867	4,921
Identifiable assets (current)	1,322	323	207	2,113	719	610	504	550	6,348

Current assets were allocated by geographical area using the following criteria: (i) cash and cash equivalents and financing receivables were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventory was allocated on the basis of the country in which onshore storage facilities were situated (i.e. excluding inventory in storage facilities situated on vessels); (iii) trade receivables and other assets were allocated to the geographical area to which the related project belonged.
Non-current assets were allocated on the basis of the country in which the asset operates, except for offshore drilling and construction vessels, which were included under 'Unallocated'.

44 Transactions with related parties

On January 22, 2016, following the entry into force of the transfer of 12.5% of Saipem SpA's share capital from Eni SpA to CDP Equity SpA (formerly Fondo Strategico Italiano SpA), Eni SpA no longer has sole control over Saipem SpA, which has been replaced by the joint control exercised by Eni SpA and CDP Equity SpA, on the basis of the shareholders' agreement indicated in the section 'Additional information - Eni-CDP Equity Shareholder's Agreement' of this Report, with a resulting variation in the perimeter of related parties. Transactions with related parties entered into by Saipem SpA and/or companies within the scope of consolidation concern mainly the supply of services, the exchange of goods with joint ventures, associates and unconsolidated subsidiaries, with subsidiaries, jointly-controlled entities and associates of Eni SpA, with several jointly-controlled entities and associates of CDP Equity SpA, and with entities owned controlled by the Italian State, in particular companies of the Snam Group. These transactions are an integral part of ordinary day-to-day business and are carried out under market conditions which would be applied between independent parties. All transactions were carried out for the mutual benefit of the Saipem SpA companies involved.
Saipem SpA is not under the management or coordination of any other company. Saipem SpA manages and coordinates its subsidiaries pursuant to Article 2497 of the Civil Code.
Within the framework of transactions with related parties and pursuant to disclosure requirements of Consob Regulation No. 17221 of March 12, 2010, during the first half of 2019 no transactions were carried out, which exceeded the relevance threshold in compliance with the aforementioned Regulation in the Saipem SpA, procedure 'Transactions involving interests held by board directors and statutory auditors and transactions with related parties' Management System Guideline for Transactions of Greater Importance.
The tables below show the value of transactions of a trade, financial or other nature entered into with related parties. The analysis by company is based on the principle of relevance in relation to the total amount of transactions. Transactions not itemised because they are immaterial are aggregated under the following captions:
- unconsolidated subsidiaries;
- joint ventures and associates;
- companies controlled by Eni and CDP Equity SpA;
- Eni and CDP Equity SpA associated and jointly-controlled companies;
- companies controlled by the State and other related parties.

Trade and other transactions

Trade and other transactions consisted of the following:

(€ million)

	Dec. 31, 2018			First half 2018			
				Expenses		Revenue	
Name	Trade and other receivables	Trade and other payables and contract liabilities	Guarantees	Goods	Services [1]	Goods and Services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	-	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total unconsolidated subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Joint ventures and associates							
ASG Scarl	1	(3)	-	-	-	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	46	165	261	-	9	35	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	(1)	5	119	-	-	-	-
Gruppo Rosetti Marino SpA	-	-	-	-	-	-	-
KWANDA Suporte Logistico Lda	26	7	-	-	-	3	-
Petromar Lda	19	2	-	-	1	4	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	12	9	-	-	-	-	-
Southern Gas Constructors Ltd	-	-	-	-	-	-	-
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	1	-	-	-	-	-	-
TSGI Mühendislik İnşaat Ltd Şirketi	13	-	-	-	-	6	-
Xodus Subsea Ltd	3	2	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	1	-	-
Total joint ventures and associates	**120**	**187**	**380**	**-**	**11**	**48**	**-**
Companies controlled by Eni and CDP Equity SpA							
Eni SpA	8	3	133	-	-	3	-
Eni SpA Divisione Exploration & Production	6	-	-	-	1	32	-
Eni SpA Divisione Gas & Power	2	1	-	-	-	-	-
Eni SpA Divisione Refining & Marketing	4	-	11	-	-	3	-
Eni Angola SpA	5	-	35	-	-	85	-
Eni Congo SA	16	1	3	-	-	24	-
Eni Corportate University SpA	-	1	-	-	-	-	-
Eni Cyprus Ltd	-	-	-	-	-	12	-
Eni East Sepinggan Ltd	10	2	7	-	-	-	-
Eni Ghana E&P	36	-	5	-	-	24	-
Eni Iraq BV	-	-	2	-	-	-	-
Eni Maroc BV	-	-	-	-	-	13	-
Eni Muara Bakau BV	-	3	18	-	-	4	-
Eni North Africa BV	6	-	-	-	-	-	-
Eni Pakistan Ltd	7	-	-	-	-	-	-
Eni Vietnam BV	-	-	-	-	-	6	-
EniProgetti SpA	3	-	-	-	-	-	-
EniServizi SpA	-	7	-	-	15	-	-
Floaters SpA	2	-	-	-	-	-	-
Ieoc Exploration BV	-	-	1	-	-	-	-
Ieoc Production BV	47	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	80	59		-	4	2	-
Nigerian Agip Exploration Ltd	7	1	-	-	-	-	-
Serfactoring SpA	-	1	-	-	-	-	-
Tecnomare SpA	-	-	-	-	-	2	-
Versalis SpA	5	-	26	-	-	7	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	1	-
Total companies controlled by Eni and CDP Equity SpA	**245**	**79**	**241**	**-**	**20**	**218**	**-**

Trade and other transactions:

(€ million)

	Dec. 31, 2018			First half 2018			
				Expenses		Revenue	
Name	Trade and other receivables	Trade and other payables and contract liabilities	Guarantees	Goods	Services (1)	Goods and Services	Other
Total companies controlled by Eni and CDP Equity SpA	**245**	**79**	**241**	**-**	**20**	**218**	**-**
Eni and CDP Equity SpA associated and jointly-controlled companies							
Greenstream BV	1	-	-	-	-	1	-
Mellitah Oil&Gas BV	-	-	30	-	-	-	-
Mozambique Rovuma Venture SpA (ex Eni East Africa SpA)	1	-	-	-	-	-	-
Petrobel Belayim Petroleum Co	346	42	178	-	-	736	-
PetroJunìn SA	-	-	2	-	-	-	-
Pharaonic Petroleum Co	-	-	2	-	-	-	-
Raffineria di Milazzo	7	5	-	-	-	1	-
Others (for transactions not exceeding €500 thousand)	-	1	-	-	-	1	-
Total Eni and CDP Equity SpA associated and jointly-controlled companies	**355**	**48**	**212**	**-**	**-**	**739**	**-**
Total Eni and CDP Equity SpA companies	**600**	**127**	**453**	**-**	**20**	**957**	**-**
Companies controlled or owned by the State	**36**	**27**	**67**	**-**	**-**	**13**	**-**
Total transactions with related parties	**756**	**341**	**900**	**-**	**31**	**1,018**	**-**
Overall total	**2,610**	**3,879**	**5,461**	**672**	**1,987**	**3,798**	**6**
Incidence (%)	**28.97**	**8.79**	**16.48**	**-**	**1.56**	**26.80**	**-**

(1) The item 'Services' includes costs for services, costs for the use of third party assets and other charges and the write-backs (net write-downs) of trade receivables and other receivables.

Trade and other transactions as at June 30, 2019 consisted of the following:

(€ million)

	June 30, 2019			First half 2019			
				Expenses		Revenue	
Name	Trade and other receivables	Trade and other payables and contract liabilities	Guarantees	Goods	Services (1)	Goods and Services	Other
Unconsolidated subsidiaries							
Smacemex Scarl	5	4	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total unconsolidated subsidiaries	**5**	**4**	**-**	**-**	**-**	**-**	**-**
Joint ventures and associates							
ASG Scarl	1	(3)	-	-	-	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	35	151	261	-	8	19	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	(1)	5	95	-	-	-	-
Gruppo Rosetti Marino SpA	-	1	-	-	-	-	-
KWANDA Suporte Logistico Lda	14	3	-	-	-	3	-
Petromar Lda	13	1	-	-	-	4	-
PSS Netherlands BV	29	4	-	-	-	25	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	14	9	-	-	7	1	-
Saren BV	19	2	-	-	-	-	-
Société pour la Réalisation du Port de Tanger Méditerranée	-	-	-	-	-	18	-
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	-	-	-	-	-	-	-
TSGI Mühendislik İnşaat Ltd Şirketi	14	-	-	-	-	-	-
Xodus Subsea Ltd	-	-	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	1	-	-
Total joint ventures and associates	**139**	**173**	**356**	**-**	**16**	**70**	**-**

Trade and other transactions:

(€ million)

	June 30, 2019			First half 2019			
				Expenses		Revenue	
Name	Trade and other receivables	Trade and other payables and contract liabilities	Guarantees	Goods	Services [1]	Goods and Services	Other
Total joint ventures and associates	**139**	**173**	**356**	**-**	**16**	**70**	**-**
Companies controlled by Eni and CDP Equity SpA							
Eni SpA	5	-	12	-	-	6	-
Eni SpA Divisione Exploration & Production	2	-	-	-	1	8	-
Eni SpA Divisione Gas & Power	1	-	-	-	(1)	-	-
Eni SpA Divisione Refining & Marketing	1	-	11	-	-	1	-
Eni Angola SpA	19	1	36	-	-	137	-
Eni Congo SA	27	(2)	3	-	1	24	
Eni Cyprus Ltd	-	-	-	-	-	-	-
Eni East Sepinggan Ltd	3	5	12	-	-	6	-
Eni Ghana E&P	9	-	5	(28)	-	16	
Eni Insurance Ltd	-	-	-	-	-	-	-
Eni Iraq BV	-	-	2	-	-	-	-
Eni Maroc BV	-	-	-	-	-	-	-
Eni México, S. de R.L. de Cv	8	1	1	-	-	14	-
Eni Muara Bakau BV	18	2	18	-	-	28	-
Eni North Africa BV	3	-	-	-	-	6	-
Eni Pakistan Ltd	24	-	-	-	-	31	-
Eni Vietnam BV	-	-	-	-	-	-	-
EniProgetti SpA	3	-	-	-	-	3	-
EniServizi SpA	-	6	-	-	14	-	-
Floaters SpA	4	-	-	-	-	5	-
Ieoc Exploration BV	-	-	2	-	-	-	-
Ieoc Production BV	53	-	-	-	-	44	-
Naoc - Nigerian Agip Oil Co Ltd	168	40	-	-	-	88	-
Nigerian Agip Exploration Ltd	5	-	-	-	-	6	-
Serfactoring SpA	-	1	-	-	-	-	-
Tecnomare SpA	-	-	-	-	-	-	-
Versalis France SAS	2	-	-	-	-	2	-
Versalis SpA	-	-	21	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	1	-	-	1	1	-
Total companies controlled by Eni and CDP Equity SpA	**355**	**55**	**123**	**(28)**	**16**	**426**	**-**
Eni and CDP Equity SpA associated and jointly-controlled companies							
Mozambique Rovuma Venture SpA (ex Eni East Africa SpA)	-	-	-	-	-	-	-
Greenstream BV	1	-	-	-	-	1	-
Mellitah Oil&Gas BV	7	3	32	-	-	8	-
Petrobel Belayim Petroleum Co	451	86	389	-	-	555	-
PetroJunìn SA	-	-	2	-	-	-	-
Raffineria di Milazzo	1	4	-	-	-	(4)	-
Others (for transactions not exceeding €500 thousand)	-	-	1	-	-	-	-
Total Eni and CDP Equity SpA associated and jointly-controlled companies	**460**	**93**	**424**	**-**	**-**	**560**	**-**
Total Eni and CDP Equity SpA companies	**815**	**148**	**547**	**(28)**	**16**	**986**	
Companies controlled or owned by the State	**31**	**19**	**64**	**-**	**-**	**(9)**	**-**
Total transactions with related parties	**990**	**344**	**967**	**(28)**	**32**	**1,047**	**-**
Overall total	**2,475**	**3,965**	**5,694**	**883**	**2,224**	**4,519**	**8**
Incidence (%)	**40.00**	**8.68**	**16.98**	**(3.17)**	**1.44**	**23.17**	**-**

(1) The item 'Services' includes costs for services, costs for the use of third party assets and other charges and the write-backs (net write-downs) of trade receivables and other receivables.

The figures shown in the tables refer to Note 9 'Trade and other receivables', Note 21 'Trade and other payables and contract liabilities', Note 35 'Guarantees, commitments and risks', Note 36 'Revenue (net sales from operations)', and Note 37 'Operating expenses (purchases, services and other costs)'.
The Saipem Group provides services to Eni Group companies in all sectors in which it operates, both in Italy and abroad.
Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group.
Other transactions consisted of the following:

	Dec. 31, 2018		June 30, 2019	
(€ million)	Other assets	Other liabilities	Other assets	Other liabilities
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	1	-	1	
Eni SpA	-	-	-	
Total transactions with related parties	**1**	**-**	**1**	
Overall total	**167**	**101**	**171**	**93**
Incidence (%)	**0.60**	**-**	**0.58**	

Financial transactions

Financial transactions were as follows:

(€ million)

	Dec. 31, 2018				First half 2018		
Name	Cash and cash equivalents	Receivables (1)	Payables	Commitments	Expenses	Income	Derivative financial instruments
Serfactoring SpA	-	2	-	-	-	-	-
Total transactions with related parties	**-**	**2**	**-**	**-**	**-**	**-**	**-**

(1) Shown on the balance sheet under 'Other current financial assets' (€2 million).

Financial transactions, excluding net lease liabilities, as at June 30, 2019 consisted of the following:

(€ million)

	June 30, 2019				First half 2019		
Name	Cash and cash equivalents	Receivables (1)	Payables	Commitments	Expenses	Income	Derivative financial instruments
Serfactoring SpA	-	2	-		-	-	-
Total transactions with related parties	**-**	**2**	**-**		**-**	**-**	**-**

(1) Shown on the balance sheet under 'Other current financial assets'.

The incidence of financial transactions and positions with related parties was as follows:

	Dec. 31, 2018			June 30, 2019		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Short-term debt	80	-	-	109	-	-
Long-term debt (including current portion)	2,871	-	-	2,849	-	-
Total	**2,951**	**-**	**-**	**2,958**	**-**	**-**

	First half 2018			First half 2019		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Financial income	127	-	-	99	-	-
Financial expense	(152)	-	-	(154)	-	-
Derivative financial instruments	(55)	-	-	(46)	-	-
Other operating income (expense)	2	-	-	1	-	-
Total	**(78)**	**-**	**-**	**(100)**	**-**	**-**

Financial lease transactions

Financial lease transactions at June 30, 2019 consisted of the following:

(€ million)

	June 30, 2019			First half 2019		
Name	Cash and cash equivalents	Receivables	Payables	Commitments	Expenses	Income
Eni SpA	-	-	1	-	-	-
Consorzio FSB	-	-	2	-	-	-
Total transactions with related parties	**-**	**-**	**3**	**-**	**-**	**-**

The incidence of transactions or positions with related parties relating to financial lease transactions is as follows:

	June 30, 2019		
(€ million)	Total	Related parties	Incidence %
Long-term leases (including portion of short-term leases)	548	3	0.55
Total	**548**	**3**	

The main cash flows with related parties were as follows:

(€ million)	June 30, 2018	June 30, 2019
Revenue and other income	1,018	1,047
Costs and other expenses	(31)	(4)
Financial income (expenses) and derivatives	-	-
Change in trade receivables and payables	(454)	(231)
Net cash provided by operating activities	**533**	**812**
Change in financial receivables	-	-
Net cash flow from investments	**-**	**-**
Change in financial payables	-	-
Net cash from financing activities	**-**	**-**
Total cash flows with related parties	**533**	**812**

The incidence of cash flows with related parties was as follows:

	June 30, 2018			June 30, 2019		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Cash provided by operating activities	288	533	185.07	419	812	193,80
Cash used in investing activities	(313)	-	-	(151)	-	-
Cash flow from financing activities (*)	(71)	-	-	(59)	-	-

(*) Net cash flow from (used in) financing activities does not include dividends distributed, net purchase of treasury shares or capital contributions by non-controlling interests.

Information on jointly controlled entities

The table below contains information regarding jointly controlled entities classified as joint operations as at June 30, 2019:

(€ million)	June 30, 2018	June 30, 2019
Net capital employed	(55)	(55)
Total assets	57	57
Total current assets	57	57
Total non-current assets	-	-
Total liabilities	57	57
Total current liabilities	57	57
Total non-current liabilities	-	-
Total revenue	-	-
Total operating expenses	-	-
Operating profit	-	-
Profit (loss) for the period	-	-

45 Significant non-recurring events and operations

No significant non-recurring events or operations took place in the first half of 2019 or in the first half of 2018.

46 Transactions deriving from atypical or unusual transactions

No significant atypical or unusual transactions were performed in the first half of 2018 and in the first half of 2019.

47 Events subsequent to period-end

Information on subsequent events is provided in the section 'Events subsequent to period-end' of the 'Interim Directors' Report'.

48 Additional information: Consob Resolutions No. 20324 and No. 20828

On March 5, 2018, the Company released the following press release with which it acknowledged Resolution No. 20324 taken by the Consob Commission on March 2, 2018.
With reference to said resolution and at the beginning of the processes aimed at adopting the measure pursuant to Article 154-*ter*, paragraph 7 of Legislative Decree No. 58/1998 please refer to the specific section, specifying that on March 12, 2019 Saipem issued a press release whereby it informed about the Consob Resolution No. 20828 of February 21, 2019.

INFORMATION REGARDING CENSURE BY CONSOB PURSUANT TO ARTICLE 154-*TER*, SUBSECTION 7, OF LEGISLATIVE DECREE NO. 58/1998 AND THE NOTICE FROM THE CONSOB OFFICES DATED APRIL 6, 2018

On January 30, 2018, Consob, having concluded its inspection commenced on November 7, 2016 (which ended on October 23, 2017) and of which Saipem gave information in the Annual Report 2016, has informed Saipem that it has detected non compliances in 'the Annual Report 2016, as well as in the Interim Consolidated Report as of June, 30 2017' with the applicable international accounting principles (IAS 1 'Presentation of Financial Statements'; IAS 34 'Interim Financial Reporting'; IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', par. 5, 41 and 42; IAS 36 'Impairment of Assets', par. 31, 55-57) and, consequently, has informed Saipem about the commencement 'of proceedings for the adoption of measures pursuant to Article154-*ter*, subsection 7, of Legislative Decree No. 58/1998'.
With notes of February 13 and 15, 2018, the Company transmitted to Consob its own considerations in relation to the remarks formulated by the offices of Consob, highlighting the reasons for which it does not share such remarks.
On March 2, 2018, the Commission of Consob, partially accepting the remarks of the offices of Consob, informed Saipem of its own Resolution No. 20324 (the 'Resolution'), with which it ascertained the 'non conformity of the Saipem's Annual Report 2016 with the regulations governing their predisposition', without censuring the correctness of the Interim Consolidated Report as of June 30, 2017.
According to the Resolution, the non-conformity of the Saipem's Annual Report 2016 with the regulations which govern its predisposition, concerns in particular: (i) the incorrect application of the accounting principle of the accrual basis of accounting affirmed by the accounting principles IAS 1; (ii) the failed application of the accounting principle IAS 8 in relation to the correction of errors with reference to the financial statements of 2015; and (iii) the estimation process of the discount rate pursuant to the accounting principles IAS 36.
Consob has therefore asked the Company, pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58 of 1998, to disclose the following elements of information to the markets:
(A) the shortcomings and criticalities revealed by Consob in relation to the accounting correctness of the financial statements mentioned above;
(B) the applicable international accounting standards and the violations detected in relation thereto;
(C) the illustration, in an appropriate pro forma consolidated income statements and balance sheet – with comparative data – of the effects that accounting in compliance with the regulations would have produced on 2016 balance sheet, income statement and shareholders' equity, for which incorrect information was supplied.

A. Shortcomings and criticalities revealed by Consob regarding the correctedness of accounting in the consolidated and statutory financial statements of 2016.
The shortcomings and criticalities encountered by Consob with regard to the 2016 consolidated and statutory financial statements can be substantially attributed to the following two items:
(a) non-compliance of the '2016 consolidated and statutory Saipem SpA financial statements with reference to the comparative data for the financial year 2015';
(b) non-compliance of the process of estimation of the discount rate underpinning the 2016 impairment test with accounting principle IAS 36 which requires that the Company must 'apply the appropriate discount rate to [...] future cash flows'.
With regard to point (a), the contestation concerns the non-compliance of the 2016 consolidated and statutory financial statements with:
(i) IAS 1, par. 27, according to which 'an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting' and par. 28, according to which 'when the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework'; and
(ii) IAS 8, par. 41, according to which '[...], material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period' and par. 42 according to which 'the entity must correct the material errors for the previous financial years retroactively in the first financial statements authorised for publication after their discovery as follows: (a) by newly determining the comparative figures for the financial year/years prior to the one in which the error was committed [...]'.
In substance, in Consob's opinion, the circumstances at the basis of some of the write-downs recognised in the 2016 financial statements already existed, wholly or in part, when preparing 2015 financial statements. Indeed, Consob alleges that the Company approved 2016 consolidated and statutory financial statements without having corrected the 'material errors' contained in the consolidated and statutory financial statements of the previous administrative period, in relation to the following items:
- 'property, plant and equipment';
- 'inventories';
- 'tax assets'.
With regard to point sub (b), Consob alleges that the Company, for the purposes of the impairment test: (i) used a sole rate to actualise business unit cash flows, characterised by a different risk profile; (ii) did not consider the country risk in relation to some assets operating in specific geographical areas over a long period of time; (iii) did not take into account the significant changes in Company risk profile subsequent to the transaction that determined the deconsolidation of Saipem from the Eni Group.
B. The applicable accounting standards and the violations encountered in relation thereto.
Consob holds that the 2016 consolidated and statutory financial statements of Saipem at December 31, 2016, were not compliant with the following accounting principles: IAS 1, IAS 8 and IAS 36.

Specifically, Consob has observed that the Company approved 2016 consolidated and statutory financial statements of 2016 without having corrected the 'material errors' contained in the consolidated and statutory financial statements of the previous period, in relation to the following items:

- 'property, plant and equipment';
- 'inventories';
- 'tax assets'.

With reference to the item 'property, plant and equipment' for 2015, Consob alleges the incorrect application of IAS 16 Accounting Principle 'property, plant and equipment' and of IAS 36.
Specifically, Consob alleges that some write offs carried out by the Company on 'property, plant and equipment' in the 2016 consolidated financial statements 2016 should have been accounted for, at least in part, in the previous financial year.
In particular Consob alleges:

(i) the non-correct application of IAS 36 with reference to the impairment test relating to the evaluation of some assets registered as 'property, plant and equipment' of the Offshore Drilling business unit and with respect to the assets registered in the Offshore and Onshore Engineering & Construction business units. Consob's remarks refers to the methods of cash flow estimation expected from the use of said assets for the purposes of the application of the impairment test with respect to the financial year 2015 and specifically to the incorrect application of IAS 36: (a) par. 33, lett. a), according to which 'in measuring value in use an entity shall: a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence'; (b) par. 34 in the part that requires that management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past cash flow projections and actual cash flows. Management shall ensure that the assumptions on which its current cash flow projections are based are consistent with past actual outcomes, provided the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated make this appropriate; (c) par. 35 in the part that refers to the approach to be followed when use is made of cash flow projections for a period of over five years, highlighting that said approach is allowed 'if [the entity] is confident that these projections are reliable and it can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period';
(ii) the non correct application of IAS 16, paragraphs 51, 56 and 57 with reference to useful residual life of some assets registered as 'property, plant and equipment' of the Onshore Drilling business unit, of the Offshore Engineering & Construction business unit and of the Onshore Engineering & Construction business unit. Consob's remarks concern the circumstances that the review of the estimation of the useful residual life of assets cited (reported in the 2016 financial statements) should have already been done in the financial year 2015. Specifically, Consob alleges that IAS 16: (a) par. 51 was not correctly applied in the part that requests that 'the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; (b) par. 56 in the part that requires that 'the future economic benefits embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits that might have been obtained from the asset' [...]; par. 57 in the part that requires that 'the useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of the entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets'.

As a consequence of the above mentioned remarks, Consob likewise does not share the economic competence of the write off included in the 2016 consolidated and statutory financial statements with reference to some inventories and to a positive deferred tax asset related to the items criticised by Consob for which the economic competence of the write off according to Consob should have been accounted for in the 2015 financial year.
Consob notes in this regard:

(i) IAS 2, par. 9, that 'inventories shall be measured at the lower of cost and net realisable value' and at par. 30 that 'estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise';
(ii) IAS 12 in the part that requires at par. 34 that 'a deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised' and that 'to the extent that it is not probable that taxable profit will be available against which unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised'.

Furthermore, Consob criticises the process of estimating the discount rate at the base of the impairment test for the financial year 2016 in so far as it is characterised by an approach that is not compliant with accounting principle, IAS 36 which requires that the Company 'must apply the discount rate appropriate to the future financial cash flows' More precisely, with respect to the financial year 2016 Consob does not share the fact that the Company, with reference to the execution of the impairment test: (i) has used a single rate to discount cash flows of different business units which are characterised by different risk profiles; (ii) has not considered the country risk in relation to some assets operating in specific geographical areas over a long period of time.

In relation to the above, Consob also alleges the violation of the principle of correct representation of the company's situation which would not guarantee the observance of fundamental assumptions and qualitative characteristics of information.
Consob believes, in fact, that the importance of the errors and the significance of the shortcomings can likewise determine the non-compliance of the aforementioned financial statements with the requirements of reliability, prudence and completeness, pursuant to principle IAS 1.

C. Illustration, in an appropriate pro-forma consolidated assets and financial situation – supported by comparative data – of the effects of accounting in compliance with the regulations would have produced on the company's financial condition, on the income statement and on the net equity of the financial year 2016, for which incorrect information was supplied.
While not sharing the judgement of non-compliance of the 2016 consolidated and statutory financial statements put forward by Consob in its Resolution, Saipem points out that the 2016 consolidated and statutory financial statements of the Company were approved by the Board of Directors on March 16, 2017 and by the Shareholders' Meeting on April 28, 2017 and were subject to audit pursuant to Legislative Decree No. 39 of January 27, 2010 and the report was issued on April 3, 2017.
In addition, with the press release of March 6, 2018, Saipem reported that 'the Board of Directors of Saipem, in disagreement with the Resolution of Consob, resolved on March 5, 2018 to appeal the Resolution in the competent courts'.
In the press release dated March 21, 2018 Saipem reported that for the purposes of ensuring a correct interpretation, and in order to implement the findings of the Resolution, today the Company has filed a petition with Consob in order to obtain interpretative clarifications suitable for overcoming the technical and evaluation complexities related to the findings of the Authority and to be able, in this way, to inform the market correctly, reaffirming that it does not share – and has no intention of accepting – the judgement of non-compliance of the consolidated and statutory financial statements as at December 31, 2016.

On April 27, 2018, Saipem lodged an appeal at the regional Administrative Court of Lazio requesting the annulment of the Resolution and of any other presumed or related act and/or provision.
On May 24, 2018, Saipem filed with the TAR-Lazio additional grounds for appeal against the aforementioned Resolution.
The proceeding is pending.
On April 16, 2018, Saipem issued a press release regarding the pro forma consolidated income statements and balance sheet as at December 31, 2016 for the sole purpose of complying with the Resolution.

On April 6, 2018, after the closure of the market, the Offices of the Italian securities market regulator Consob (Divisione Informazione Emittenti - Issuer Information Division) announced with their communication No. 0100385/18 (the 'Communication'), that they started an administrative sanctioning procedure, claiming some violations pursuant to Articles 191 and 195 of Italian Legislative Decree No. 58/1998 (the 'Financial Law'), relating to the offer documentation (Informative Prospectus and Supplement to the Informative Prospectus) made available to the public by Saipem on the occasion of its capital increase operation, which took place in January and February 2016. The alleged violations were exclusively addressed to the members of the Board of Directors and the Chief Financial Officer/Officer Responsible for Financial Reporting in office at that time.
The Offices of Consob, in communicating their allegations to the interested parties also pointed out that, if the alleged violations were ascertained by the Commission of Consob at the outcome of the procedure, said violations *'would be punishable by an administrative fine between €5,000 and €500,000'*.
Saipem received notice of the communication solely as guarantor ex lege for the payment *'of any economic fines that may eventually be charged to the company executives at the outcome of the administrative procedure'*.
The allegations follow Consob Resolution No. 20324 of March 2, 2018 (the 'Resolution'), the content of which was communicated to the market by the Company with its press release of March 5, 2018. The Resolution – with which, as also communicated to the market, the Company disagreed and that it will appeal before the Regional Administrative Tribunal (TAR) of Lazio – alleged, among other things, *'the incoherence of the assumptions and elements underlying the Strategic Plan for 2016-2019 with respect to the evidence at the disposal of the administrative bodies'*, as the indicators of possible impairment of value of the assets, later written down by Saipem in its nine-month interim report as of September 30, 2016 would already have existed, in the opinion of Consob, at the time of approval of the consolidated financial statements of 2015.
With its Communication, the Offices of Consob have charged the company executives who, at the time of the capital increase, performed management functions, with the violations that are the subject of the Resolution and have already been communicated to the market, as stated above. The Offices of Consob further claim certain *'elements relative to the inexact drafting of the declaration on the net working capital'* required by the standards in force on the subject of the framing of the informative prospectus.
The foregoing would imply, according to the Offices of Consob, *'the inability of the offer documentation to ensure that the investors would be able to formulate a well-grounded opinion about the equity and financial situation of the issuer, its economic results and prospects, pursuant to Article 94, sections 2 and 7, of the Financial Law, with regard to the information concerning: a) estimates of the Group's results for the fiscal year 2015 (Guidance 2015 and underlying assumptions)'; 'b) Group results forecast drawn from the Strategic Plan for 2016-2019 and underlying assumptions'; 'c) the declaration on the Net Working Capital'*.
Also according to the Offices of Consob, Saipem would have additionally omitted, in violation of Article 97, section 1 and Article 115, section 1, letter a), of the Financial Law, to report to Consob *'information pertaining to: (i) the assumptions underlying the declaration on its Net Working Capital; (ii) regarding the availability of an updated 'Eni Scenario' on the price of oil; and (iii) the existence of significant amendments to the assumptions underlying the Strategic Plan for 2016-2019'*. On July 4, 2018 Saipem, as guarantor ex lege for the payment '*of any economic fines that may eventually be charged to the company executives at the outcome of the administrative procedure*', submitted its defence to Consob.
Saipem and all the company executives who have received the Communication have proceeded to file their defences with the Consob Offices.

Consob, with its Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 and adopted at the outcome of the procedure for application of a monetary fine initiated on April 6, 2018, applied the following monetary fines: a) €200,000 on the company CEO; b) €150,000 on the manager charged with preparing the Company's financial reports in office at the time of the capital increase in 2016.
Consob also sentenced Saipem SpA to a payment of €350,000, as the party jointly liable for payment of the aforementioned administrative fines with the two persons fined pursuant to Article 195, section 9, of the Finance Law (in force at the time of the alleged violations), with obligation to recourse against the authors of the alleged breaches.
Consob ordered the filing of the procedure launched on April 6, 2018, against the non-executive Directors in office at the time of the facts alleged.
The Board of Directors of Saipem resolved on April 2, 2019 to appeal the Resolution No. 20828 before the Court of Appeal.
A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Manager responsible for Financial Reporting in office at the time of the events. The first hearing before the Milan Court of Appeal has been scheduled for November 13, 2019.

Ongoing investigations. Public Prosecutor's Office of Milan - 2015 and 2016 Financial Statements. Prospectus of the January 2016 capital increase

On January 22, 2019, the Public Prosecutor's Office of Milan notified Saipem SpA of a 'local search warrant and seize notice of investigation', in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's Office of Milan notified the Chief Executive Officer of the Company, as well as, for various reasons, two of its managers (including the current Manager responsible for the preparation of financial reports appointed on June 7, 2016) and a former manager of an investigation concerning the following offences: (i) accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the Prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.
Preliminary investigations are currently still under way.

CERTIFICATION PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/1998 (CONSOLIDATED TAX LAW)

1. The undersigned Stefano Cao and Stefano Cavacini in their capacity as CEO and Manager responsible for the preparation of financial reports of Saipem SpA, respectively, pursuant to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998, certify that the internal controls over financial reporting in place for the preparation of the condensed interim consolidated financial statements as of June 30, 2019 and during the period covered by the report, were:
- adequate to the company structure, and
- effectively applied during the administrative and accounting preparation of the condensed half-yearly report at June 30, 2019 and during the first half of 2019.

2. Internal controls over financial reporting in place for the preparation of the condensed interim consolidated financial statements as of June 30, 2019 have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Saipem in accordance with the Internal Control - Integrated Framework Model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:

3.1 the condensed interim consolidated financial statements at June 30, 2019:

a) were prepared in accordance with the evaluation and measurement criteria issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002;

b) correspond to the company's evidence and accounting books and entries;

c) fairly represent the financial, results of operations and cash flows of the Parent Company and the Group consolidated companies as of and for the period presented in this report;

3.2 the Interim Directors' Report provides information regarding material events occurred during the first half of the year and their impact on condensed interim consolidated financial statements, together with a description of the main risks and uncertainties for the remaining half of the year. It also contains a reliable analysis of significant transactions carried out with related parties.

July 24, 2019

/signed/Stefano Cao
Stefano Cao
CEO

/signed/Stefano Cavacini
Stefano Cavacini
Manager responsible for the preparation of financial reports of Saipem SpA

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Saipem S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Saipem Group, comprising the statement of financial position as at 30 June 2019, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Saipem Group as at and for the six months ended 30 June 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Other matters

The 2018 annual and condensed interim consolidated financial statements were respectively audited and reviewed by other auditors, who expressed an unmodified opinion and an unmodified conclusion thereon on 3 April 2019 and 31 July 2018, respectively.

Milan, 5 August 2019

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit

Headquarters: San Donato Milanese (Milan) - Italy
Via Martiri di Cefalonia, 67

Società per Azioni
Share Capital €2,191,384,693 fully paid up
Tax identification number and Milan, Monza-Brianza, Lodi
Companies' Register No. 00825790157

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Publications
Relazione finanziaria annuale (in Italian)
Annual Report (in English)

Interim Consolidated Report as of June 30
(in Italian and English)

Sustainable Saipem (in English)

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