saipem

Interim Consolidated Report as of June 30, 2013

Mission

Pursuing satisfaction of our clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions. We entrust our competent and multi-local teams to provide sustainable development for our Company and for the communities where we operate.

Our core values

Commitment to Health & Safety, Openness, Flexibility, Integration, Innovation, Quality, Competitiveness, Teamwork, Humility, Internationalisation, Responsibility, Integrity.

Countries in which Saipem operates

EUROPE
Austria, Belgium, Croatia, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Turkey, United Kingdom

AMERICAS
Bolivia, Brazil, Canada, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Peru, Suriname, Trinidad and Tobago, United States, Venezuela

CIS
Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

AFRICA
Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Ghana, Guinea, Libya, Mauritania, Morocco, Mozambique, Nigeria, South Africa, Togo, Tunisia

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

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

Board of Directors and auditors of Saipem SpA

BOARD OF DIRECTORS

Chairman
Alberto Meomartini

Chief Executive Officer (CEO)
Umberto Vergine

Managing Director for Business Support and Transversal Activities (Deputy CEO)
Hugh James O'Donnell

Directors
Fabrizio Barbieri[1], Gabriele Galateri di Genola, Nicola Greco, Maurizio Montagnese, Mauro Sacchetto, Michele Volpi

BOARD OF STATUTORY AUDITORS

Chairman
Mario Busso

Statutory Auditors
Anna Gervasoni
Adriano Propersi

Alternate Statutory Auditors
Giulio Gamba
Paolo Sfameni

(1) Appointed on April 30, 2013 by the Shareholders' Meeting called to approve the 2012 Annual Report.

Independent Auditors

Reconta Ernst & Young SpA

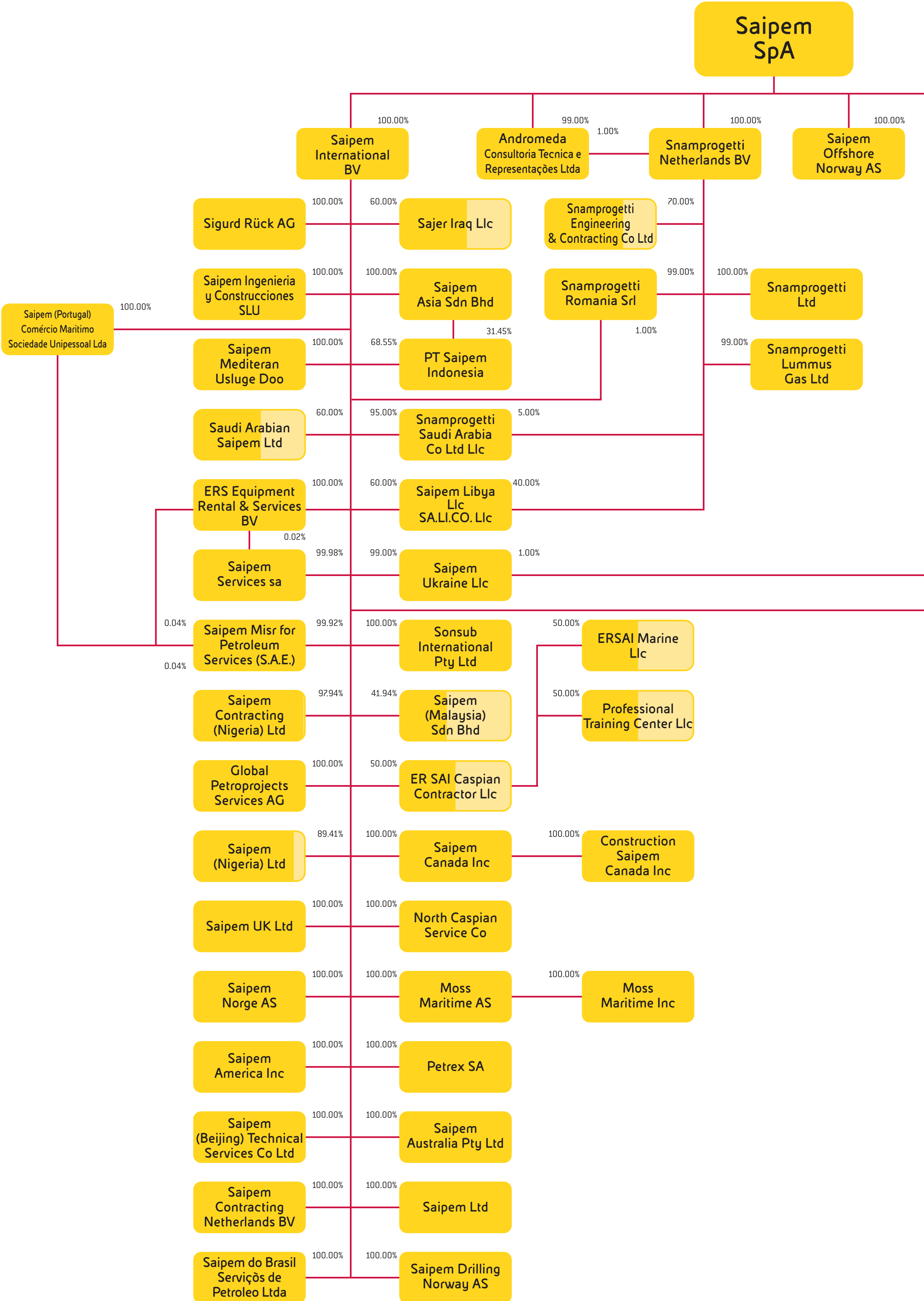
Saipem is a subsidiary of Eni SpA

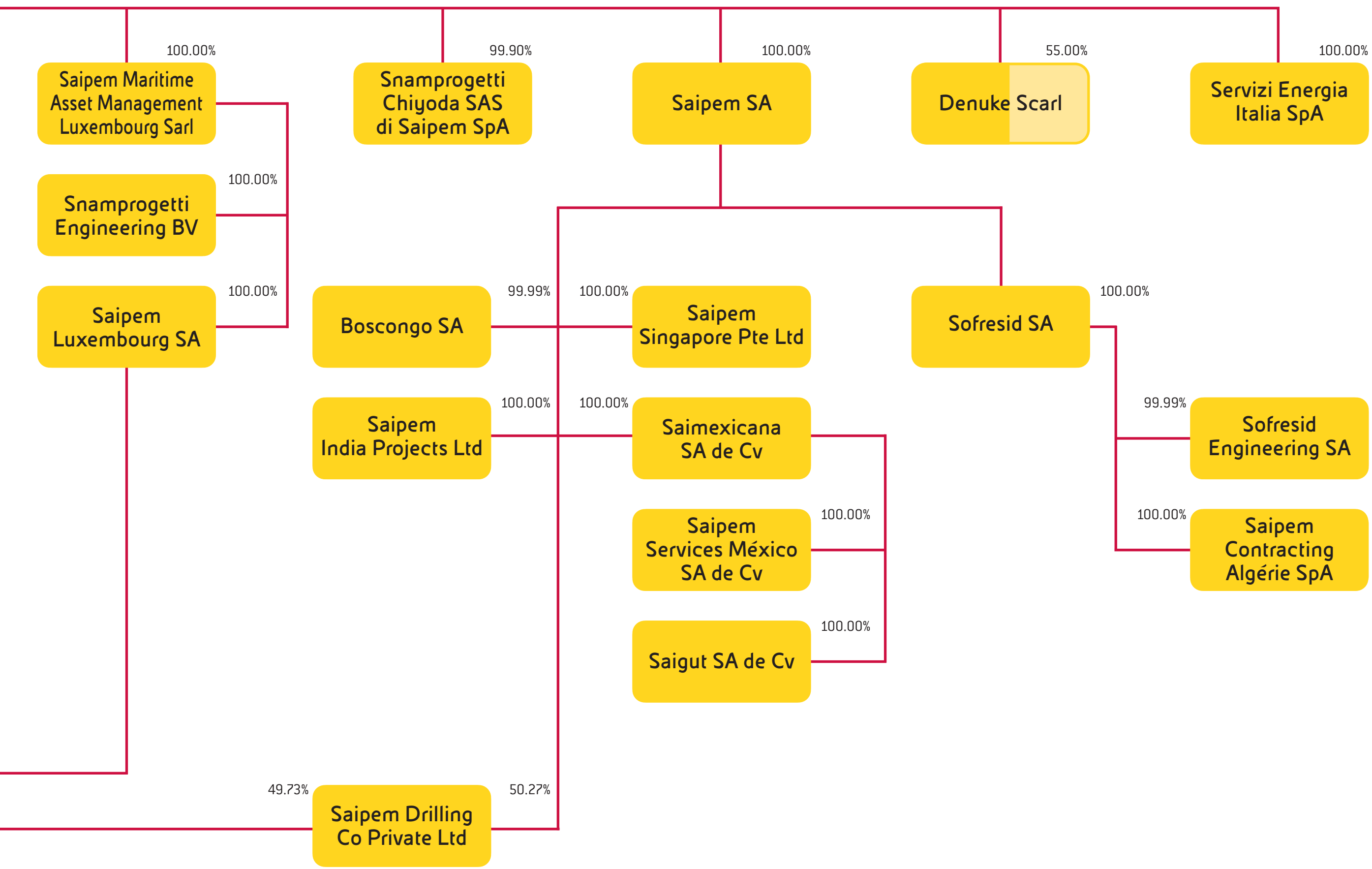
Approved by the Board of Directors on July 30, 2013

Interim results

Revenues for the period amounted to € 5,186 million (€ 6,397 million in the same period of 2012).
The operating result totalled -€ 468 million (€ 766 million in the same period of 2012).
The net result was -€ 575 million (€ 474 million in the same period of 2012).
Cash flow (net result plus depreciation and amortisation) amounted to -€ 216 million (€ 819 million in the same period of 2012).
The Offshore Engineering & Construction sector accounted for 43% of revenues, the Onshore Engineering & Construction sector 38%, the Offshore Drilling sector 12% and the Onshore Drilling sector 7%.
Net borrowings at June 30, 2013 amounted to € 4,570 million, an increase of € 292 million versus December 31, 2012. The increase was due to capital expenditure and the distribution of dividends, which were to a large degree offset by an improvement in working capital related in particular to advances received on new contracts and to the financial settlement of negotiations with clients that have either been concluded or are in the process of being concluded. Working capital was however adversely affected by full scale operations on a number of projects suffering from unfavourable financial conditions and by the investigations underway in Algeria, which are causing delays in the approval of progress reports, invoices and their payment.
Capital expenditure in the first half of 2013 amounted to € 492 million (€ 548 million in the first half of 2012).
The Group was awarded new contracts worth € 7,151 million during the first six months of the year, while the order backlog at June 30, 2013 amounted to € 21,704 million.

Saipem Group structure
(subsidiaries)


Saipem SpA
100.00% Saipem International BV
99.00% Andromeda Consultoria Tecnica e Representações Ltda
1.00%
100.00% Snamprogetti Netherlands BV
100.00% Saipem Offshore Norway AS
100.00% Sigurd Rück AG
60.00% Sajer Iraq Llc
Snamprogetti Engineering & Contracting Co Ltd 70.00%
100.00% Saipem Ingenieria y Construcciones SLU
100.00% Saipem Asia Sdn Bhd
Snamprogetti Romania Srl 99.00%
100.00% Snamprogetti Ltd
Saipem (Portugal) Comércio Maritimo Sociedade Unipessoal Lda 100.00%
100.00% Saipem Mediteran Usluge Doo
68.55% PT Saipem Indonesia 31.45%
1.00%
99.00% Snamprogetti Lummus Gas Ltd
60.00% Saudi Arabian Saipem Ltd
95.00% Snamprogetti Saudi Arabia Co Ltd Llc 5.00%
100.00% ERS Equipment Rental & Services BV
60.00% Saipem Libya Llc SA.LI.CO. Llc 40.00%
0.02%
99.98% Saipem Services sa
99.00% Saipem Ukraine Llc 1.00%
0.04%
99.92% Saipem Misr for Petroleum Services (S.A.E.)
0.04%
100.00% Sonsub International Pty Ltd
50.00% ERSAI Marine Llc
97.94% Saipem Contracting (Nigeria) Ltd
41.94% Saipem (Malaysia) Sdn Bhd
50.00% Professional Training Center Llc
100.00% Global Petroprojects Services AG
50.00% ER SAI Caspian Contractor Llc
89.41% Saipem (Nigeria) Ltd
100.00% Saipem Canada Inc
100.00% Construction Saipem Canada Inc
100.00% Saipem UK Ltd
100.00% North Caspian Service Co
100.00% Saipem Norge AS
100.00% Moss Maritime AS
100.00% Moss Maritime Inc
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% Saipem Contracting Netherlands BV
100.00% Saipem Ltd
100.00% Saipem do Brasil Serviçõs de Petroleo Ltda
100.00% Saipem Drilling Norway AS



The chart only shows Saipem subsidiaries

Operating and Financial Review

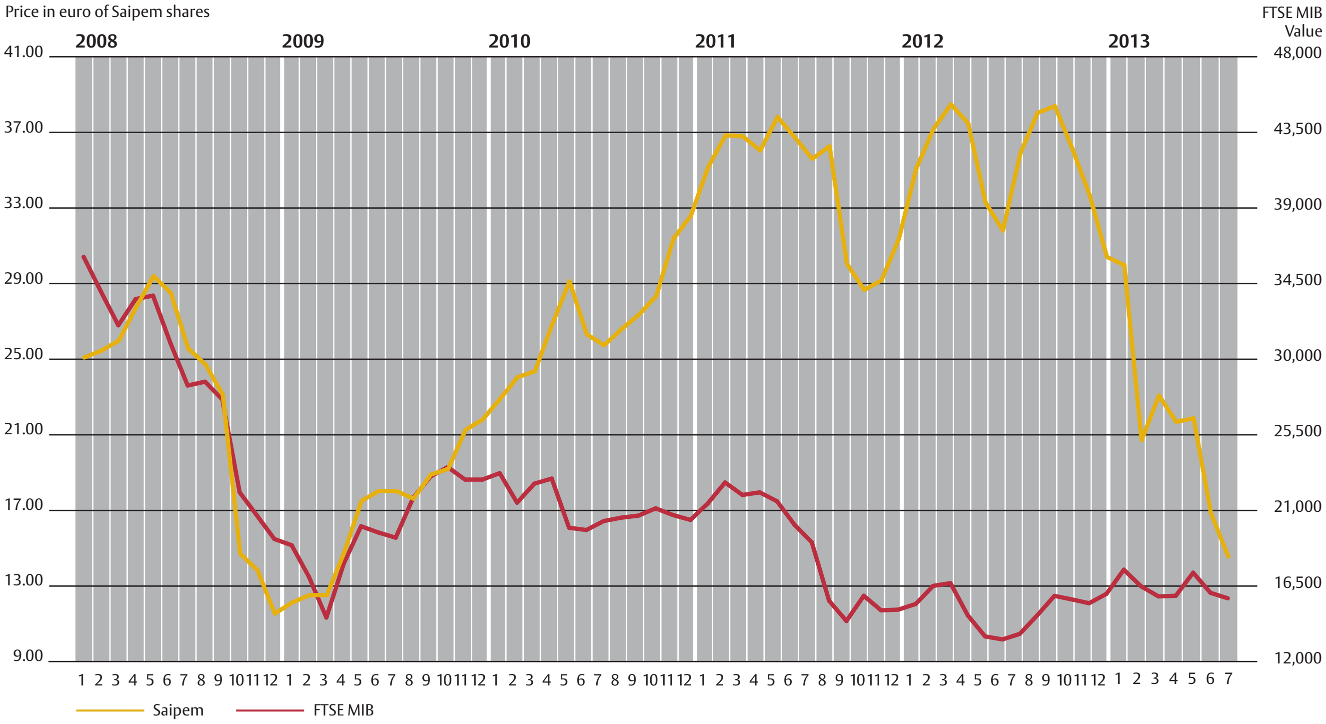
saipem

Saipem SpA share performance

During the first half of 2013, the value of Saipem ordinary shares on the Milan Stock Exchange registered a drop of 57%, closing the period on June 30, 2013 at a price of €12.60, compared with €29.40 at year end 2012. During the same period, the FTSE MIB index, which records the performance of the 40 most liquid and capitalised Italian stocks, reported a loss of 6.4%.
On May 23, 2013, a dividend of €0.68 per ordinary share was distributed to shareholders, representing a slight decrease compared with the dividend paid out in the previous year (€0.70 per share).
On January 31, 2013, following an announcement made to the markets on January 29, 2013, which revised 2012 profits slightly downward and forecast results for 2013 that were significantly below the financial community's expectations, the Saipem share price fell sharply to €19.86 from €30.50 on the previous day. There was no significant movement from this figure during February. However, in March, there was a gradual recovery following the award of a number of major contracts in the E&C Offshore sector which renewed investors' confidence in Saipem's ability to attract new business and took the Company's stock above the €24 mark towards the end of the first quarter of the year. The share's performance at the start of the second quarter however was less positive, in part due to an unfavourable oil price environment, and the share price closed April at a little over the €20 mark. The Company's stock was buoyed by the presentation to the financial community of the Company's operational review in London at the end of April, but on June 14, the announcement that Saipem was revising its guidance for the year downward in the light of commercial problems in Algeria and technical/operational issues in the North America region in particular caused a second sharp drop in the share price in the two weeks that followed. On June 28, the Saipem share hit its lowest price of the half year period at €12.60 per share, after which, starting from the beginning of July, it began a gradual recovery. This was helped by a strong oil price environment which saw the share price climb back up to €16 in the second half of July.
The Company's market capitalisation at the end of the period was approximately €5.6 billion.
In terms of share liquidity, shares traded in the first half of the year totalled approximately 511 million, versus the 219 million registered in the first half of 2012. The average number of shares traded daily for the period totalled 4 million (1.7 million in the first half of 2012), while the value of shares traded amounted to €10.6 billion, compared with €7.7 billion in the first half of 2012.
The price of savings shares, which are convertible at par with ordinary shares, and are of limited number (113,285 at June 30, 2013), decreased by 23% during the period, closing at June 30, 2013 at €27.00. The dividend distributed on savings shares was €0.71 per share, down 2.7% on the previous year.

Share prices on the Milan Stock Exchange	(€)	**2009**	**2010**	**2011**	**2012**	**First half 2013**
Ordinary shares:						
- maximum		24.23	37.27	38.60	39.78	32.18
- minimum		10.78	23.08	23.77	29.07	12.60
- average		17.51	28.16	33.89	35.52	22.51
- period-end		24.02	36.90	32.73	29.41	12.60
Savings shares:						
- maximum		24.02	37.00	39.25	39.40	35.00
- minimum		14.85	23.00	30.00	30.00	25.00
- average		18.54	29.80	34.89	34.72	27.58
- period-end		24.02	36.50	30.00	35.00	27.00

Saipem and FTSE MIB - Average monthly prices January 2008-July 2013



Glossary

Financial terms

- **Adjusted net result** net result adjusted to exclude special items.
- **EBIT** Earnings Before Interest and Tax.
- **EBITDA** Earnings Before Interest, Taxes, Depreciation and Amortisation.
- **IFRS** International Financial Reporting Standards. Accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Commission, comprising 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 IASB. The name International Financial Reporting Standards (IFRS) has been adopted by IASB for standards issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.
- **Leverage** a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity including minority interest.
- **OECD** Organisation for Economic Cooperation and Development.
- **ROACE** Return On Average Capital Employed, calculated as the ratio between adjusted net profit before minority interest, plus net finance charges on net borrowings less the related tax effect and net average capital employed.

Operational terms

- **Buckle detection** system that utilises electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.
- **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.
- **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.
- **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. Decommissioning may occur at the end of the life of the plant, following an accident, for technical or financial reasons, and/or on environmental or safety grounds.
- **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, current, etc.
- **EPC** Engineering, Procurement, Construction. A type of contract typical of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' is used to indicate that the system is delivered to the client ready for operations, i.e. already commissioned.
- **EPIC** (Engineering, Procurement, Installation, Construction) type of contract typical of the Offshore construction sector, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities 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.
- **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 this has been completed, the vessel backs off and the module is 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.
- **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.
- **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.
- **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 configuration is suited to deep water pipe laying.
- **Leased FPSO** FPSO vessel for which a lease contract is in place between a client/lessee (i.e. an oil company) and a contractor/lessor, whereby the lessee 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 equates 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.
- **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** companies that provide services to the oil exploration and production sector but which are not directly engaged themselves in oil production.
- **P&ID** Piping and Instrumentation Diagram showing all plant equipment, piping and instrumentation with associated shutdown and safety valves.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy backed pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long, 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 and gas). The inner pipe transports the fluid, whereas the outer pipe carries the insulating material necessary to reduce heat loss to the sea. The outer pipe also protects the pipeline from water pressure.
- **Pipe-in-pipe forged end** forged end of 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 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.

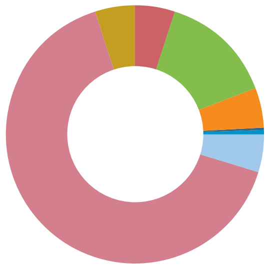
- **Pre-commissioning** comprises pipeline cleaning out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** a geological formation present on the continental shelves offshore Brazil and Africa.
- **PSVM** area consisting of the Pluto, Saturn, Venus and Mars fields.
- **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.
- **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 afforded by 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.
- **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.
- **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 bitumen in tar sands is composed principally of high molecular weight hydrocarbons and can be converted into a variety of oil products.
- **Template** rigid modular subsea structure where the oilfield well-heads are located.
- **Tendon** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **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.
- **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.

Operating review

New contracts and backlog

New contracts awarded to the Saipem Group during the first half of 2013 amounted to €7,151 million (€6,303 million in the first half of 2012).
58% of all contracts awarded were in the Offshore Engineering & Construction sector, 27% in the Onshore Engineering & Construction sector, 13% in the Offshore Drilling sector and 2% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 95% and contracts awarded by Eni Group companies 16% of the overall figure. Orders awarded to the Parent Company Saipem SpA amounted to 21% of the overall total.

New contracts by geographical area
(€7,151 million)

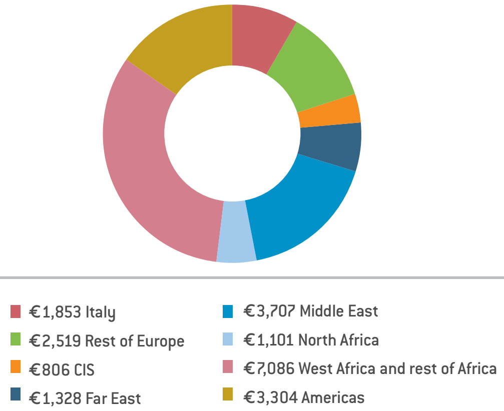


Saipem Group - New contracts awarded during the first half of 2013

Year 2012		(€ million)	First half 2012		First half 2013	
Amount	%		Amount	%	Amount	%
2,454	18	Saipem SpA	1,192	19	1,510	21
10,937	82	Group companies	5,111	81	5,641	79
13,391	**100**	**Total**	**6,303**	**100**	**7,151**	**100**
7,477	56	Offshore Engineering & Construction	4,229	67	4,155	58
3,972	30	Onshore Engineering & Construction	1,416	23	1,956	27
1,025	7	Offshore Drilling	405	6	913	13
917	7	Onshore Drilling	253	4	127	2
13,391	**100**	**Total**	**6,303**	**100**	**7,151**	**100**
485	4	Italy	352	6	364	5
12,906	96	Outside Italy	5,951	94	6,787	95
13,391	**100**	**Total**	**6,303**	**100**	**7,151**	**100**
631	5	Eni Group	427	7	1,134	16
12,760	95	Third parties	5,876	93	6,017	84
13,391	**100**	**Total**	**6,303**	**100**	**7,151**	**100**

The backlog of the Saipem Group as at June 30, 2013 stood at €21,704 million.
The breakdown of the backlog by sector is as follows: 49% in the Offshore Engineering & Construction sector, 31% in the Onshore Engineering & Construction sector, 16% in Offshore Drilling and 4% in Onshore Drilling.
91% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 15% of the overall backlog.
The Parent Company Saipem SpA accounted for 38% of the total order backlog.

Backlog
by geographical area
(€21,704 million)



Saipem Group - Backlog as at June 30, 2013

December 31, 2012		(€ million)	June 30, 2012		June 30, 2013	
Amount	**%**		**Amount**	**%**	**Amount**	**%**
8,549	43	Saipem SpA	10,656	52	8,204	38
11,190	57	Group companies	9,667	48	13,500	62
19,739	**100**	**Total**	**20,323**	**100**	**21,704**	**100**
8,721	44	Offshore Engineering & Construction	8,311	41	10,666	49
6,701	34	Onshore Engineering & Construction	8,005	39	6,656	31
3,238	16	Offshore Drilling	3,197	16	3,543	16
1,079	6	Onshore Drilling	810	4	839	4
19,739	**100**	**Total**	**20,323**	**100**	**21,704**	**100**
1,719	9	Italy	1,890	9	1,852	9
18,020	91	Outside Italy	18,433	91	19,852	91
19,739	**100**	**Total**	**20,323**	**100**	**21,704**	**100**
2,526	13	Eni Group	2,758	14	3,213	15
17,213	87	Third parties	17,565	86	18,491	85
19,739	**100**	**Total**	**20,323**	**100**	**21,704**	**100**

Capital expenditure

Capital expenditure in the first half of 2013 amounted to €492 million (€548 million in the first half of 2012) and mainly related to:
- €213 million in the Offshore Engineering & Construction sector relating to the completion of a new pipelayer, the continuation of development of a new fabrication yard in Brazil and the maintenance and upgrading of the existing asset base;
- €89 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and facilities for the yard in Canada, in addition to the maintenance of existing assets;
- €64 million in the Offshore Drilling sector, relating to the completion of class reinstatement works on the jack-up Perro Negro 3 and the semi-submersible rig Scarabeo 5, in addition to the maintenance and upgrading of the existing asset base;
- €126 million in the Onshore Drilling sector, relating to completion works on five new rigs.

The following table provides a breakdown of capital expenditure in the first half of 2013:

Capital expenditure

Year 2012	(€ million)	First half 2012	First half 2013
89	Saipem SpA	45	49
926	Group companies	503	443
1,015	**Total**	**548**	**492**
525	Offshore Engineering & Construction	265	213
84	Onshore Engineering & Construction	19	89
284	Offshore Drilling	200	64
122	Onshore Drilling	64	126
1,015	**Total**	**548**	**492**

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

Offshore Engineering & Construction

General overview

The Saipem Group possesses a strong, technologically advanced and highly versatile fleet as well as world class engineering and project management expertise. These unique capabilities and competences, together with a long-standing presence in strategic frontier markets, represent an industrial model that is particularly well suited to EPIC projects.

In the last few days of the first half of 2013, the new pipelay vessel Castorone – a 330 metre long, 39 metre wide mono-hull vessel equipped with a class 3 dynamic positioning (DP) system, an S-lay system and features allowing for the future installation of a J-lay tower – began operations. After the vessel had successfully completed initial shallow water tests however, technical issues required deep water testing to be extended. As mentioned in the profit warning issued on June 14, 2013, additional maintenance work was also required to replace defective parts that were compromising the vessel's productivity. The income statement and balance sheet effects of the above are reflected in this half year report.
The Castorone has been designed for challenging large-diameter, deep water pipelay projects, but it also possesses the flexibility and productivity necessary for effective deployment on 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 48" in diameter (60" including coating) with a tensioning capacity of up to 750 tonnes (up to 1,500 tonnes in conditions of pipe flooding using a special patented clamp), a highly automated firing line made up of 7 workstations (3 welding and 4 completion/control), an articulated stinger for pipelaying in shallow and deep water with an advanced control system, and the capacity to operate in extreme environments (Ice Class A0).

Meanwhile the current trend for deep water field developments continues to drive the success of the FDS 2, which has been operational since the first half of 2011.
The FDS 2 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 latter featuring a heave compensation system), the FDS 2 is perfect for carrying out even the most challenging of deep water projects.

Saipem's fleet of technologically advanced 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. The Saipem 7000 can handle a suspended load of up to 1,450 tonnes during pipelay operations. The fleet further comprises the Castoro Sei, a semi-submersible pipelay vessel capable of laying large diameter subsea pipelines, the Field Development Ship (FDS), which is a special purpose vessel used in the development of deep water fields, equipped with a dynamic positioning system, a 600-tonne lifting capacity crane and a vertical pipelaying system capable of operating in water depths of over 2,000 metres and the Saipem 3000, which is capable of laying flexible pipelines and installing umbilicals and mooring systems in deep waters and installing subsea structures of up to 2,200 tonnes.

Saipem is involved on an ongoing basis in the management and development of its fleet, carrying out constant maintenance and continuous upgrading and improvement of its assets in line with technological developments and client requirements, with the aim of maintaining its operating capabilities and high safety standards in a continuously evolving market.

In the first half of 2013, work continued in Brazil for the development of a fabrication yard for subsea and floating facilities, as well as a logistics base on a 35 hectare area purchased in October 2011 and located in the district of Guarujá.
The area is situated strategically at about 350 km from the Santos Basin, the offshore Brazilian region where Pre-Salt fields have been discovered in ultra-deep water, and at 650 km from the Campos Basin, the most important offshore basin in Brazil.
Saipem's work in the new yard will complement the services offered by the highly specialised ultra-deep water fleet that the Company has developed over the last few years and will also enable Saipem to satisfy the particularly stringent local content requirements imposed in Brazil in the highly technological sector of subsea developments in ultra-deep waters.

During the period, the Karimun fabrication yard in Indonesia continued construction work on various Group projects.
Saipem also enjoys a strong position in the subsea market, thanks to its use of highly sophisticated technologies, such as subsea ROVs and specially equipped robots capable of carrying out complex deep water pipeline operations.
Finally, Saipem is also active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitoria, the Gimboa, and the FPSO Firenze.

Market conditions

2013 is witnessing a shift from a two-speed to a three-speed global economy, with emerging countries experiencing significant economic growth, Europe going through a mild recession and the

United States, in the middle, registering slight growth in its GDP. Overall, the global growth rate for 2013 is expected to be around 3%, while growth in oil demand is expected to stay below pre-crisis levels.
However, thanks to a Brent crude price that for some time now has been above US $100/barrel, spending by oil companies for the development of offshore fields is continuing to increase, with estimates for 2013 at around US $120 billion. The situation in Brazil and Australia in terms of investments merits specific comment, with the former continuing to grow at a steady rate (although the issue of limited local capacity is yet to be resolved), and the latter expected to register levels similar to those seen in 2012.

Globally, the subsea developments segment continued to experience long-term growth. The number of subsea facilities starting production during 2013 was much higher than for the same period of the previous year. The increase was distributed fairly evenly across the globe, with the exception of West Africa and the Gulf of Mexico. In the North Sea/North Atlantic area, the number of facilities starting production was double the level registered in 2012. Two major projects currently in the production start-up phase are Deep Panuke (EnCana - Canada) and Skarv (Bp - Norway). Meanwhile in Brazil, the Sapinhoà, Roncador, Lula Northeast and Baleia Azul projects – all of which are Petrobras projects – are in the start-up phase, or almost.
Also noteworthy is the start-up of production on fields tied to the FPSO unit PSVM (BP) in Angola which, taken together, represent one of the biggest developments in the world.
If we consider the subsea development segment by water depth, we can observe a significant increase in both relative and absolute terms in shallow waters at the expense of deep waters, attributable to the North Sea/North Atlantic area.

The small diameter pipeline segment is currently registering an increase in terms of kilometres installed. Asia-Pacific is at present the most active area in both absolute and relative terms, accounting for approximately one third of the kilometres installed and with a growth rate in excess of 2012 figures. Another very active area, albeit experiencing a slight fall-off in activity, is the North Sea/North Atlantic area, which this year, like the Asia-Pacific area, saw a concentration of rigid pipeline installations in shallow waters. Latin America on the other hand (first and foremost Brazil), although accounting for little more than a tenth of all installed pipelines, continues to record around half of the flexible pipelines installed globally. If we look at quantities installed by water depth, we can observe an increase in ultra-deep water installations.
The large diameter pipeline sector saw good levels of activity in almost all areas. The most active area continued to be Asia-Pacific, where in 2012 pipelines were installed for major projects such as Gorgon Jansz and Liwan. Projects scheduled for the current year include Ichtys (Inpex - Australia) and Wheatstone (Chevron - Australia). Another very active area is the Middle East/Caspian area, which saw the installation of pipelines for South Pars (Iran) and Barzan (Qatar).
In the North Sea/North Atlantic and the Mediterranean areas, which in 2012 saw the installations of the Frigg and Laggan (Total - North Sea) and Tamar (Noble Energy - Mediterranean) pipelines, a number of major projects are at present slated for imminent implementation.

Forecasts for 2013 with regard to fixed platform installations are for good levels of activity following the slight slowdown registered in the previous year. Almost all of the scheduled installations are concentrated in the Asia-Pacific and Middle East/Caspian areas, with the remainder being accounted for by the Gulf of Mexico and, to a lesser extent, West Africa. Around a fifth of the installations will be in the heavy and ultra-heavy lifting sector.

The FPSO market is currently experiencing a positive trend and, while units installed in 2012 registered a slight fall compared with the previous year, business at present is very active and the number of FPSOs ordered is growing: 2013 could potentially see orders for around 15 new units, principally in Brazil, Asia-Pacific and West Africa. Brazil (Petrobras and OGX) continues to be the main market for FPSO units.
The FLNG market is currently undergoing a boom. 4 units are currently in construction, while a large number of studies are being conducted into the possibility of further installations. Although the leading area is Asia-Pacific, plans are underway for installations in the Gulf of Mexico, the Mediterranean and – potentially – East Africa. On the other hand, in Latin America, and offshore Brazil in particular, Petrobras has been postponing a number of investment decisions due to factors such as the fall in US gas prices and the growth in domestic gas demand. Another two significant potential developments are located offshore Australia, where Woodside is exploring the possibility of developing the Browse field with a floating unit and Exxon is expected to green light the Scarborough project by 2014.

New contracts

The most significant contracts awarded to the Group during the period were:
- for Total Upstream Nigeria Ltd, an EPIC contract for the subsea development of the Egina field in Nigeria. The scope of work includes engineering, procurement, fabrication, installation and pre-commissioning of oil production and water injection flow lines, flexible jumpers, gas export pipelines, umbilicals, and the mooring and offloading systems;
- for the Burullus Gas Co in Egypt, a contract encompassing the engineering, procurement, installation, pre-commissioning and commissioning support of subsea facilities in the West Delta Deep Marine Concession;
- for ExxonMobil in Angola, the EPIC contract Kizomba Satellite Phase 2 for subsea facilities, with fabrication to be carried out at the yards in Soyo and Ambriz. The scope of work includes engineering, procurement, fabrication and installation of production and water injection pipelines and flowlines, rigid jumpers and other related subsea structures;
- for Cardon IV (a joint venture between Eni and Repsol), a contract encompassing the transportation and installation of a hub platform and two satellite platforms, an offshore export

pipeline and two infield flowlines, along with the related tie-in operations;
- for Petrobras in Brazil, an EPIC contract for the Sapinhoà Norte and Iracema Sul project to be developed in the Santos Basin Pre-Salt Region. The scope of work includes engineering, procurement, fabrication and installation of two offshore pipelines, with related terminations (PLETs);
- for GDF Suez in the UK, phase 2 of the Cygnus project, encompassing the installation of an infield flowline, an export pipeline and umbilicals in the Southern Gas Basin;
- for Eni Congo, in Congo, a contract encompassing the engineering, procurement, fabrication and transportation of the Litchendjili jacket, piles and related appurtenances;
- for Nord Stream AG in the UK, the Main Repair contract for Nord Stream, which encompasses activities and services related to the maintenance of two gas export pipelines.

Capital expenditure

Investments in the Offshore Engineering & Construction sector during the period related principally to the completion of a new pipelayer, the continuation of development of a new fabrication yard in Brazil and the maintenance and upgrading of the existing asset base.

Work performed

The biggest and most important projects underway or completed during the first half of 2013 were as follows.

In Saudi Arabia, for Saudi Aramco:
- installation work is underway as part of the **Al Wasit Gas Program**, for the development of the Arabiyah and Hasbah offshore fields. The contract encompasses the engineering, procurement, construction and installation of 15 fixed platforms, an export pipeline, offshore lines, and subsea and control cables. Operations have begun under the same contract supplementing the scope of work with the engineering, procurement, transport, installation and commissioning of 2 trunklines in the Arabiyah and Hasbah fields;
- under the **Long Term Agreement** for the engineering, procurement, construction, transport and installation of structures, platforms and pipelines, work is currently being carried out on two separate projects involving the installation of five pipelines, and the construction and installation of two jackets and three decks.

In Iraq, work is underway for South Oil Co on the project **Iraq Crude Oil Export Expansion - Phase 2**, within the framework of the expansion of the Basra Oil Terminal. The contract encompasses the engineering, procurement, construction and installation of a Central Metering and Manifold Platform (CMMP), along with associated facilities.

In the Far East:
- work is underway for Husky Oil China Ltd in China on the **Liwan 3-1** project encompassing the engineering, procurement and installation of two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform;
- work is underway for Bien Dong Petroleum Operating Co in Vietnam on the **Bien Dong** project encompassing the engineering, transportation and installation of pipelines and subsea cables as well as of two platforms and interconnecting bridges;
- engineering, transportation and installation work on two wellhead platforms and a pipeline is underway in Vietnam for Petrovietnam Technical Services Co on the **Hai Su Trang Development** project;
- transportation and installation of a Central Processing and Living Quarters Platform is underway for PTT Exploration and Production Public Co Ltd in Myanmar as part of the **Zawtika** project;
- the transport and installation of two platforms is underway for Pearl Oil Ltd, in Indonesia on the **Ruby Field** project.

Engineering and logistical preparation work is underway in Australia for INPEX on the **Ichthys LNG** project, which consists of the engineering, procurement, construction and installation of a subsea pipeline connecting the offshore central processing facility to the onshore processing facility in Darwin.

In West Africa:
- work was completed for Total E&P Congo on the **N'Kossa** contract in Congo, encompassing the removal of a flexible jumper, the installation of two new flexible jumpers, procurement and pre-commissioning;
- work was completed during the period for Mobil Producing Nigeria Unlimited on the **Asasa Pressure Maintenance, Usari FA-FR Risers and Edop Pipeline Extension** contract, encompassing the fabrication and installation of pipelines, risers and subsea spools at a maximum water depth of fifty metres;
- work was completed on the **Usan** project for Elf Petroleum Nigeria (Total), relating to the subsea development of the Usan deep-water field, located approximately 160 km south of Port Harcourt in Nigeria. The contract comprised the engineering, procurement, construction, installation and assistance for the commissioning and start-up of subsea umbilicals, flowlines and risers connecting subsea wells to the FPSO system, as well as the construction of the oil loading terminal, consisting of an offloading buoy and 2 offloading lines, and part of the FPSO anchoring system;
- engineering and procurement activities were completed offshore Nigeria on the **Bonga North West** contract for Shell Nigeria Exploration and Production Co Ltd (SNEPCo). The contract encompasses the engineering, procurement, construction, installation and pre-commissioning services for pipe-in-pipe production flowlines, flowlines for injecting water into fields as well as related subsea production facilities;

- engineering and procurement activities were completed, while other contract activities continued for Total E&P Nigeria Ltd on the **OFON2 - D030** project in Nigeria for new offshore facilities in the Ofon field. The contract involves the engineering, procurement, construction and installation of the OFP2 jacket, as well as the transportation and installation of the new OFQ platform complete with living quarters;
- work is underway for CABGOC (Cabinda Gulf Oil Co Ltd) in Angola on the **Mafumeira 2** project comprising engineering, procurement, fabrication, installation and pre-commissioning of URF (umbilical, riser and flowline) facilities and export pipelines;
- work is underway for CABGOC in Angola on the **EPIC 3** contract encompassing engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-ins on the existing Mafumeira Norte platform and the future Mafumeira Sul production platforms;
- for CABGOC, installation work is underway on the **Congo River Crossing Pipeline** project in Angola, which comprises engineering, procurement, fabrication and the installation of three subsea pipelines and subsea spools, as well as trenching and crossing works. The project is to be developed off the coasts of Angola and the Democratic Republic of the Congo;
- work commenced for ExxonMobil, in Angola, on the **Kizomba Satellite Phase 2** at the Soyo and Ambriz yards. The scope of work includes engineering, procurement, fabrication and installation of production and water injection pipelines and flowlines, rigid jumpers and other related subsea structures.

In the North Sea:
- installation of an umbilical has just been completed for Total in the Dutch sector of the North Sea as part of the **K4-Z** project. The contract encompasses the engineering, procurement, fabrication, installation and pre-commissioning of a gas pipeline and a piggy back line. The project also includes pipeline trenching, burial and shore approach works;
- work is underway for Dong E&P in the Danish sector of the North Sea on the **Hejre** project, which encompasses engineering, procurement, construction and installation of two pipelines that will connect the Hejre field to the Hejre platform;
- various structures were installed using the Saipem 7000 for ConocoPhillips (**Jasmin**, **Eldfisk**) and Nexen (**Golden Eagle**).

In Russia:
- work is underway for Lukoil-Nizhnevolzhskneft in Russia on the **Filanovsky** contract for the engineering, procurement, fabrication and installation of an oil pipeline and a gas pipeline in a maximum water depth of 6 metres, along with related onshore pipelines connecting the riser block in the offshore field to the onshore shut-off valves. Work also commenced on the additional scope of work comprising the transport and installation of four platforms.

In the framework of the **Under Water Operation** project in Azerbaijan, subsea inspection, maintenance and repair works continued for BP Exploration (Caspian Sea) Ltd on BP offshore infrastructures in the Azeri offshore, including platforms installed by BP in previous years. On the **Chirag Oil Project** for AIOC, work is underway on the transportation and installation of a jacket (construction of which was completed in the first few months of 2013) and topside.

In Kazakhstan:
- for Agip KCO, as part of the programme for the development of the Kashagan field:
  - logistical support work is underway on the **Hook-Up and Commissioning** project, encompassing the hook-up and commissioning of offshore facilities and pre-fabrication and completion of modules at the Kuryk Yard;
  - work was completed on the **New Hook-Up, Pre-commissioning and Commissioning Assistance** project, which principally involved the completion of the interconnecting components between modules on islands A and D;
- work commenced for Teniz Burgylau Llp, a consortium with **Keppel Kazakhstan Llp**, on the fabrication, outfitting and commissioning of a jack-up rig.

Work is underway in the Gulf of Mexico for Chevron on the **Jack Saint Malo** project, which encompasses the transport and installation of an export pipeline connecting the floating platform Jack Saint Malo.

In Brazil, for Petrobras:
- work was completed on the **P55-SCR** contract, encompassing the engineering, procurement, transportation and offshore installation of flowlines and risers serving the semi-submersible platform P-55 to be installed in the Roncador field, in the Campos Basin, off the coast of the Rio de Janeiro state in Brazil;
- work continued on the **Guara & Lula-Nordest** gas export pipeline project encompassing the transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment;
- work continued on the contract for the construction of the **Rota Cabiúnas** gas export trunkline, situated in the Santos Basin Pre-Salt Region. The development comprises the engineering and procurement of subsea equipment and the installation of a gas pipeline in a maximum water depth of 2,200 metres. The pipeline will connect the Central Gathering Manifold in the Lula field, in the Santos Basin, to the onshore Processing Plant of Cabiúnas, located in the Macaé district, in the State of Rio de Janeiro;
- work commenced on the **Sapinhoà Norte and Cernambi Sul** project, encompassing the engineering, procurement, fabrication, installation and pre-commissioning of the SLWR (Steel Lazy Wave Riser) for the collection system at the Sapinhoà Norte field, and of the FSHR (Free Standing Hybrid Risers) for the gas export systems at the Sapinhoà Norte and Cernambi Sul fields. Work was also started on the **Sapinhoà Norte and Iracema Sul** project.

In Venezuela:
- work continued for PDVSA on the **Dragon - CIGMA** project involving the transportation and installation of the gas pipeline which will connect the Dragon gas platform to the CIGMA complex;
- work began for Cardon IV on the **Perla EP** project encompassing the transport and installation of three platforms and three pipelines.

In Italy, work for **OLT Offshore LNG Toscana** to convert the gas carrier ship, Golar Frost, has almost been completed. The contract encompasses the conversion of the ship, provided by the client, into a floating, storage and regasification unit, plus offshore installation and commissioning activities.
The income statement for the first half of 2013 reflects the additional costs expected to complete the project, which were announced in the profit warning issued on June 14, 2013.

In the Leased FPSO segment, the following vessels carried out operations during the period:
- the **FPSO Cidade de Vitoria**, as part of an eleven-year contract with Petrobras 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 **Firenze FPSO** unit, on the Eni E&P contract for the supply and operation of an FPSO for a period of 20 years, the first 8 of which involve exploitation of the Aquila well in the Adriatic at a depth of 815 metres;
- the **FPSO Gimboa** carried out operations on behalf of Sonangol P&P, under a six-year contract for the provision and operation of an FPSO unit for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.

Offshore fleet at June 30, 2013

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 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 550 tonnes (upgrade to 750 tonnes currently underway) 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. 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.
Castoro Sette	Semi-submersible lay barge 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 ramp composed of 3 articulated and adjustable stinger sections for shallow and deep water operation, holding capacity of up to 750 tonnes (expandable to 1,000 tonnes), pipes size up to 60 inches, triple and double joints onboard pre-fabrication facilities and large pipe storage capacity in cargo holds.
Castoro Otto	Derrick pipelay ship capable of laying pipes of up to 60" diameter and of lifting structures weighing up to 2,200 tonnes.
Saipem 3000	Mono-hull, self-propelled dynamically positioned derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and lifting structures of up to 2,200 tonnes.
Bar Protector	Dynamically positioned, multi-purpose support vessel used for deep water diving operations and offshore works.
Semac 1	Semi-submersible pipelay barge capable of laying large diameter pipe in deep waters.
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.
S355	Derrick lay barge capable of laying pipe up to 42" diameter and lifting structures of up to 600 tonnes.
Crawler	Derrick lay barge capable of laying pipe up to 60" diameter and lifting structures of up to 540 tonnes.
Castoro 16	Post-trenching and back-filling barge for pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Saibos 230	Derrick pipelay barge capable of laying pipe up to 30" diameter, equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1	Heavy lifting barge equipped with 2 crawler cranes, capable of carrying out installations whilst grounded on the seabed. 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.
Ersai 400	Accommodation barge for up to 400 people, equipped with antigas shelter for H_2S leaks.
Castoro 9	Cargo barge.
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.
FPSO - Cidade de Vitoria	FPSO unit with a production capacity of 100,000 barrels a day.
FPSO - Gimboa	FPSO unit with a production capacity of 60,000 barrels a day.
Firenze FPSO	FPSO unit with a production capacity of 12,000 barrels a day.

Onshore Engineering & Construction

General overview

The Saipem Group's Onshore Engineering & Construction expertise is focused on the execution of large 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 and Gas, complex civil and marine infrastructure and environmental markets. 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

Although international economic conditions continued to show signs of weakness, with world GDP growth forecast to fall, the first few months of the 2013 Onshore segment registered good levels of project awards above those seen in the same period of 2012. Investment levels were sustained by a series of major awards in the Asia-Pacific area (pipelines, refining and LNG segments), but also in areas such as Russia (LNG and refining) which in the previous two years had been showing marked signs of a slowdown. Spending also remained sustained in the Middle East (upstream, pipelines and refining segments) and North America (pipelines, petrochemicals, refining and fertiliser segments). Other areas where major awards were made in the first few months of the year included Europe, where there was the award of a major refinery project in Turkey and West Africa, where a new fertiliser facility project was awarded.
Globally, future investments in the upstream, midstream and downstream segments are expected to be increasingly driven by the abundance of gas (and, to a lesser extent, of oil) from non-conventional fields. The recovery in investments seen in North America in the downstream segment (pipelines, petrochemicals, refining and fertiliser) is an example of this trend.
In certain geographical areas, various factors of conflict are causing a climate of uncertainty with respect to future investments. These include the situation of political unrest in a number of countries in the Middle East and North Africa, nuclear friendly energy policies being pursued by Iran and North Korea in defiance of international directives, as well as unresolved territorial disputes between China and Japan.
During the opening months of the year, the **pipelines** segment saw the award in China of phase 2 of the third 'West-East China' gas pipeline. This is a project of significant dimensions which, taken together with the contracts for 3 large pipelines awarded in Canada, Iran and Mexico, would appear to confirm a growth in spending in the segment after the fall in new contract awards registered in recent years.
In terms of awards, gas pipelines continued to have the upper hand over oil pipelines due to the abundance of available gas, which in the short to medium term is expected to have an influence on awards for new gas pipeline installations and expansion projects for existing networks. Generally speaking, new investments are expected in all areas where non-conventional oil and gas fields continue to be developed (such as in North America), or which are implementing short-term development programmes and therefore need to expand their distribution system (such as China).
At present, the main geographical areas with projects planned in the short-medium term are North America, CIS/Caspian Sea, Europe and the Middle East. Interesting projects are also planned in a number of other geographical areas (Africa, Asia-Pacific and Latin America).
The **LNG** segment is also experiencing a positive investment trend. The opening months of 2013 in fact brought the award of 2 important projects: in Russia for the construction of the first LNG facility in the Yamal peninsula (a Gazprom project) and in Malaysia for the construction of LNG train No. 9 at Bintulu (a Petronas project).
Forecasts for investments in the short-medium term, which are sustained by the constant global growth in demand for liquefied natural gas, remain excellent. The net growth in demand actually encompasses on the one hand a reduction in consumption in Europe and on the other a constant increase in the Asia-Pacific region generated by the major importing countries such as Japan, South Korea, China, India and Taiwan. A degree of uncertainty remains with regard to the levels of future LNG consumption in Japan (the world's biggest importer) due to the fact that the country's energy policy has not yet been clearly defined. As things stand, however, new, more stringent safety regulations for nuclear energy production are set to cause delays in restarting those plants capable of achieving compliance and lead to the definitive closure of all others. Demand in Japan for liquefied natural gas is expected to remain at current levels for some length of time and is in any case unlikely to fall back to the lower levels registered pre-tsunami.
Areas of major interest with new LNG projects planned are Asia-Pacific (mainly Australia, Papua New Guinea and Indonesia) and North America (United States and Canada), which is to say areas that are rich in natural gas, especially those with large numbers of non-conventional gas fields (Coal Bed Methane and Shale Gas) yet to be developed. Australia continues to offer the best prospects with regard to new plant awards although some projects may be subject to delays due to a gradual rise in construction costs.

The positive trend registered in the previous year in the **refining** segment continued in the first half of 2013 with the award of contracts for a number of important facilities. These included Nghi Son in Vietnam (a Petrovietnam project), Izmir in Turkey (a Socar project), Volgograd in Russia (a Lukoil project) and Ras Laffan in Qatar (a Laffan Refinery project).
The demand for oil products continues to grow and this is driving investments in future projects. Increasingly stringent environmental regulations are causing the refining segment to constantly modernise, with existing refineries obliged to constantly bring on board processes efficiency improvements, in a trend which is favouring medium-small investments.
Forecasts for future projects in the short-medium term are good in relation to all of the geographical areas being monitored. The largest planned investments are located in Asia-Pacific, the Middle East, Latin America and North America. Interesting investments are also planned in the CIS, Africa and Europe.
In the **petrochemical** segment, following the flurry of contract awards in 2012, which saw investments in the segment return to pre-crisis levels, the first few months of 2013 brought the award of an ethylene facility at Freeport in Texas (Dow Chemical project), signalling a steady, gradual recovery in downstream investments in the USA, and a second award for a butanol plant in Saudi Arabia's Jubail complex (a Sadara project).
Demand for petrochemical products and in particular for ethylene and propylene is experiencing growth and in the short-medium term will be met by investments in new plant constructions and an increase in utilisation rates of existing plants.
The biggest levels of future investments are expected in Asia-Pacific and the Middle East. Good prospects are also forecast in Latin America, North America and CIS.
The opening months of 2013 in the **fertiliser** segment saw the award of a fertiliser facility in Nigeria (a Dangote project) and the construction of an ammonia plant in Waggaman, Louisiana, United States (an Incitec project).
Growth in demand for fertiliser products in the short-medium term is expected to drive construction of new plants, with projects planned in various geographical areas. The largest investments are expected in Latin America and Asia-Pacific, but there are good prospects in the Middle East and West Africa, while investments are also expected in the other geographical areas. The fertiliser segment is also characterised by medium-small investments in plant expansions and/or modernisations of existing facilities.

The first few months of 2013 brought a recovery in investments in the **upstream** segment, after the marked downturn registered in 2012. The majority of contracts were awarded in the Middle East (United Arab Emirates and Iraq). Of particular note are two major projects awarded in the United Arab Emirates for the development of the Sarb (an Adma-Opco project) and Upper Zakum (a Zadco project) fields. Iraq continued to experience the positive trend that began in the previous year. Following many years of uncertainty caused by the political situation, the period saw the award of another package of work relating to the development of the Badra field (a Gazprom project).
Forecasts for short-medium term investments in conventional and non-conventional oil and gas fields are registering growth, driven by oil prices that are sufficiently high to guarantee an adequate return and by rising plant utilisation rates in 2012 which are reducing future supply flexibility. Long-term investment forecasts also remain good, due to the inherent structural characteristics of the upstream segment – i.e. in order to obtain the same capacity of oil or gas and address the gradual decline of fields currently in production, it is necessary to maintain and/or continue to develop new wells.
The most interesting geographical areas in terms of the development of new fields and new project awards remain the Middle East and North America, although interesting projects are also planned in a number of other geographical areas (Asia-Pacific, Africa, Latin America and CIS).

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.

New contracts

The most significant contracts awarded to the Group during the period were:
- the Socar Refinery project for Star Refinery AS in Turkey encompassing the engineering, procurement and construction of a refinery and three crude refinery jetties to be built in the area adjacent to the Petkim Petrochemical facility;
- in Nigeria, an EPC contract with Dangote Fertiliser Ltd for a new ammonia and urea production complex to be realised in Edo State, Nigeria. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities and off-site facilities;
- the EPC contract Tempa Rossa for Eni in Italy, encompassing improvements to the storage infrastructure for crude oil;
- the EPC contract Cemex Plant Saluggia for Sogin in Italy, encompassing the engineering procurement and construction of a temporary storage facility for radioactive liquid waste;
- the Zubair Gathering System project for Morning Star for General Services Llc and ExxonMobil Iraq Ltd, in Iraq, which encompasses the construction of a gathering system, flowlines and interconnecting facilities, as well as the distribution node;
- the Rotondella contract for Sogin, in Italy, encompassing the construction of a plant for the concrete encasement of radioactive waste, the building which will house the plant and a building for the storage of cement products.

Capital expenditure

Capital expenditure in the Onshore Engineering & Construction sector focused mainly on the acquisition of equipment and facilities for the base in Canada, as well as the maintenance of the existing asset base.

Work performed

The biggest and most important projects underway or completed during the first half of 2013 were.

In Saudi Arabia:
- for Saudi Aramco, construction work was completed on the **Manifa Field** contract for the construction of the gas/oil separation trains at the Manifa Field. The project encompasses the engineering, procurement and construction of three gas/oil separation trains, gas dehydration, crude inlet manifolds and the flare gas system;
- for the Emirate of Makkah Province, procurement and construction work continued on the **Stormwater Drainage Program - Package 8** project, encompassing the procurement, installation, construction and assistance during the commissioning of a new rainwater drainage system, serving the northern side of the City of Jeddah;
- for Safco, work continued on the **Safco V** contract, which encompasses the engineering, procurement and construction of an urea production plant, together with associated utilities and off-site systems and interconnecting structures to existing plants;
- for Saudi Aramco and Sumitomo Chemical, work continued on the contract for the Naphtha and Aromatics Package of the **Rabigh II** project. The scope of work includes the engineering, procurement and construction of two processing units: a Naptha Reformer Unit and an Aromatics Complex.

In Qatar, work on the EPC **Qafco 5 - Qafco 6** project for Qatar Fertiliser Co SAQ in the industrial area of Qafco in the city of Mesaieed was completed. The project comprised engineering, procurement, construction and commissioning of 4 new ammonia and urea production plants and associated service infrastructures. The plants will go on to form the world's largest ammonia and urea production site.

In the United Arab Emirates:
- activities continued on a contract for Abu Dhabi Gas Development Co Ltd forming part of the development of the high sulphur content **Shah** sourgas field, encompassing the treatment of 1 billion cubic feet a day of sourgas from the Shah field, the separation of the sulphur from the natural gas and the transportation of both to treatment facilities near Habshan and Ruwais in the northern part of the Emirate;
- for the Etihad Rail Co in Abu Dhabi, work continued on a project encompassing the engineering and construction of a **railway line** linking the natural gas production fields of Shah and Habshan (located inland) to the Port of Ruwais.

In Kuwait:
- construction work was completed for Kuwait Oil Co (KOC) on the **BS 160** contract, which encompasses the engineering, procurement, construction and commissioning of a new gas booster station consisting of two trains for gas compression and dehydration. The gas will be subsequently conveyed to the Mina Al Ahmadi refinery;
- work continued on the **BS 171** contract for Kuwait Oil Co (KOC), which encompasses the engineering, procurement and construction of a new booster station comprising three high and low-pressure gas trains for the production of dry gas and condensate.

Work is underway in Iraq for Fluor Transworld Services Inc and Morning Star for General Services Llc on the **West Qurna** project. The contract comprises engineering, procurement, construction, pre-commissioning and commissioning of water treatment and conveyance infrastructure, a pipeline and a water injection system.

In Morocco, for Tangier Mediterranean Special Agency, in a joint venture with Bouygues Travaux Publics and Bouygues Maroc, work continued on a contract for the expansion of the **Port of Tangiers**.

In Algeria, for Sonatrach, in the context of a deterioration in relations that has led to a decline in the financial and economic conditions on projects currently underway, as announced in the profit warning issued on June 14, 2013:
- construction activities were completed on the contract for gas pipeline **GK3 - lot 3**, encompassing the engineering, procurement and construction of a gas transportation system. Lot 3 comprises a gas pipeline system from Mechtatine to Tamlouka in the northeast of Algeria, which then connects the latter to Skikda and El-Kala, located on the northeast coast of the country;
- construction work continued on the **LNG GL3Z Arzew** contract, which comprises engineering, procurement and construction of a liquefaction plant and the construction of utilities, a generator set and jetty;
- construction work was completed and commissioning started on the contract in Algeria for the construction of infrastructure of an LPG treatment plant in the **Hassi Messaoud** oil complex. The contract comprises the engineering, procurement and construction of 3 LPG trains;
- construction work has almost been completed on the project for Sonatrach and First Calgary Petroleum for the construction of facilities for the treatment of natural gas extracted from the **Menzel Ledjmet East** field and from the future developments of the Central Area Field Complex. The contract encompasses the engineering, procurement and construction of the natural gas gathering and treatment plant and related export pipelines.

In Nigeria:
- work for ChevronTexaco on the EPC-type **Escravos GTL** project has almost been completed. The plant will comprise 2 parallel trains;
- work is underway in Nigeria on the SSAGS (Southern Swamp Associated Gas Solution) contract for **Southern Swamp**, comprising 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;

- work is underway for Exploration and Production Nigeria Ltd (TEPNG) on the **Northern Option Pipeline** project, comprising engineering, procurement, construction and commissioning of a pipeline that will connect Rumuji to Imo River;
- work continued for the government of Rivers State on the contract for the engineering, procurement and construction of the first and second train of the **Independent Power Plant at Afam**;
- work has just commenced for **Dangote Fertiliser Ltd** on a new ammonia and urea production complex to be realised in Edo State, Nigeria. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities and off-site facilities.

In Italy:
- construction activities are being completed for the Eni Refining & Marketing Division in connection with the first industrial scale application of **EST Technology** (Eni Slurry Technology), as part of the project for the construction of a refinery at Sannazzaro. EST – to whose development Saipem made a significant contribution – has the capacity to convert almost completely heavy oil residues into lighter products;
- for Rete Ferroviaria Italiana SpA (FS Group) in Italy, work is underway on the contract for the detailed engineering, project management and construction of a 39 km section of **high-speed railway** line and an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section which crosses the provinces of Milan, Bergamo and Brescia, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation.

In Poland, engineering work continued for Polskie LNG on the **Polskie** contract for the construction of a re-gasification terminal. The contract encompasses the engineering, procurement and construction of the regasification facilities, including 2 liquid gas storage tanks.

In Canada:
- work continued on the **Sunrise** contract for Husky Oil, which encompasses the engineering, procurement and construction of the Central Processing Facilities, comprising 2 plants. The increase in expected costs for the execution of this project, which was announced in the profit warning of June 14, 2013, are reflected in the income statement for the first half of 2013;
- works are underway for Canadian Natural Resources Ltd in the Athabasca region, in Alberta, on the engineering, procurement and construction of a Secondary Upgrader plant, under a contract included in the **Horizon Oil Sands - Hydrotreater Phase 2** project.

In Mexico:
- work continued for PEMEX on the **Tula and Salamanca** contract for the construction of two desulphurisation units and two amine regeneration units to be built at two of the client's refineries. The facilities will be built at the Miguel Hidalgo refinery, located 2,000 metres above sea level near the town of Tula and at the Antonio M. Amor refinery, located 1,700 metres above sea level near the town of Salamancai. The increase in expected costs for the execution of this project, which was announced in the profit warning of June 14, 2013, are reflected in the income statement for the first half of 2013;
- engineering, procurement and construction work is underway for Transportadora de Gas Natural Norte-Noroeste (Transcanada) on the **El Encino** project in relation to a pipeline that will connect El Encino (Chihuahua State) to Topolobampo (Sinaloa State).

In Suriname, for Staatsolie, work is underway on the contract encompassing engineering, procurement, fabrication and construction for the expansion of the **Tout Lui Faut** refinery, located south of the capital Paramaribo.

In Australia:
- work is in progress for Gladstone LNG Operations Pty Ltd on the contract for **Gladstone LNG** involving the engineering, procurement and construction of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Development Area (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built;
- construction activities are underway for Chevron on the **Gorgon LNG** jetty and marine structures project. The scope of work consists of the engineering, procurement, fabrication, construction and commissioning of the LNG jetty and related marine structures for the new Chevron Gorgon LNG plant on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia.

Offshore Drilling

General overview

At June 30, 2013, the Saipem offshore drilling fleet consisted of eighteen vessels: seven 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 6, Scarabeo 7, Scarabeo 8 and Scarabeo 9), two for mid water operations at depths of up to 1,000 metres (the semi-submersible drilling rigs Scarabeo 3 and Scarabeo 4), three high specification jack-ups for operations at depths from 300 to 375 feet (Perro Negro 6, Perro Negro 7 and Perro Negro 8), five standard jack-ups for activities at depths up to 300 feet (Perro Negro 2, Perro Negro 3, Perro Negro 4, Perro Negro 5 and Ocean Spur) and one barge tender rig (TAD). All units are the property of Saipem, with the exception of the jack-up Ocean Spur, which is on lease from third parties. The fleet also includes other minor units operating mainly offshore Peru and Libya. During the first half of 2013, Saipem's offshore drilling fleet operated in the Norwegian sectors of the North Sea and the Barents Sea, in the Mediterranean Sea, the Red Sea, the Persian Gulf, offshore Mozambique, in West Africa, and offshore Ecuador and Peru.

Market conditions

In spite of the instability of the global economy, the offshore drilling sector is continuing to experience the upward trend already seen in the previous year. The sustained demand seen in the deep-water segment was driven in particular by an increased interest on the part of operators in the field development phase. Globally, in the shallow water segment, the levels of activity registered for jack-ups hit a record high, with good growth recorded in demand. Day rates were also significantly up compared with only two years before. Activities in the waters of the Gulf of Mexico exceeded pre-Macondo levels in spite of the more stringent regulations now in place, heralding a new phase of recovery.
The overall number of jack-ups under contract registered an increase during the period compared with both the first and second halves of 2012, in particular in the Middle East. In the floaters segment, globally, the number of drillships remained essentially unchanged with the exception of the Gulf of Mexico area, where there are clear signs of a recovery underway. The semi-submersibles segment meanwhile registered an increase in active units worldwide.
With an increase in demand and a supply that was essentially unchanged, global utilisation rates for the first half of 2013 remained very high. A figure in excess of 90% was registered for both jack-ups (standard and high specification) and floaters. In particular, drillships operating in the Gulf of Mexico and Latin America registered a 100% utilisation rate during the period. A comparison between the first half of 2013 and the same period of 2012 reveals a positive general trend in day rates for both jack-ups (especially in West Africa and the Gulf of Mexico, followed by North Europe and Asia-Pacific) and floaters (in the Gulf of Mexico and West Africa, in particular). The increase in day rates registered in the first half of 2013 would seem, however, less significant in percentage terms than the increase seen in the second half of 2012.
There continues to be a very significant amount of activity relating to the construction of new drilling rigs. The next four years will in fact see the construction of 48 new floaters (37 drillships and 11 semi-submersibles), of which more than half are already under contract and 75 jack-ups, of which more than 70% are high specification.

New contracts

The most significant contracts awarded to the Group during the period were:
- a five year extension of the charter by Eni of the drillship Saipem 10000 starting from the third quarter of 2014 for drilling activities operations worldwide;
- a one year extension of the charter by IEOC of the semi-submersible Scarabeo 4 for operations in Egypt.

Capital expenditure

In the Offshore Drilling sector, capital expenditure related to the completion of class reinstatement works on the jack-up Perro Negro 3 and the semi-submersible rig Scarabeo 5, in addition to the maintenance and upgrading of the existing asset base.

Work performed

During the first half of 2013, Saipem's offshore units drilled 75 wells for a total depth of 101,248 metres.

The fleet was deployed as follows:
- deep-water units: the drillships **Saipem 12000** and **Saipem 10000** continued to operate in Angola and Mozambique on long-term charters with Total and Eni, respectively. The semi-submersible **Scarabeo 9** operated in Togo and Ghana for Eni on a long-term charter and at the end of the period began mobilisation to Angola. The semi-submersible rig **Scarabeo 8** continued to operate in the Norwegian sector of the Barents Sea for Eni Norge; the semi-submersible rig **Scarabeo 7** continued operations offshore Angola for Eni Angola; the semi-submersible rig **Scarabeo 6** operated in Egypt for Burullus; the semi-submersible rig **Scarabeo 5** continued operations in the

Norwegian sector of the North Sea for Statoil until approximately mid-June and then began to transit towards the Netherlands for maintenance and class reinstatement work due to be carried out in the second half of 2013;
- mid water units: the semi-submersible **Scarabeo 4** continued operations in Egypt on a contract for International Egyptian Oil Co (IEOC); the semi-submersible **Scarabeo 3** completed work in Gabon for Harvest and in March transited to Nigeria to recommence work for Addax;
- high specification jack-ups: the **Perro Negro 8** continued to work in Italy for Eni's Exploration & Production Division; the **Perro Negro 7** continued operations for Saudi Aramco in the Persian Gulf, while the **Perro Negro 6** continued operations on a long-term contract in Angola for Chevron. As described in the section 'Events subsequent to period end', the Perro Negro 6 sank near the mouth of the Congo river on July 1, 2013;
- standard jack-ups: the **Perro Negro 5** and the **Perro Negro 2** continued operations in the Persian Gulf for Saudi Aramco and National Drilling Co (NDC), respectively; the **Perro Negro 4** continued to operate in the Red Sea for Petrobel; the **Perro Negro 3** underwent maintenance and class reinstatement works during the first three months of the year and then began operations in the United Arab Emirates on a long-term contract for National Drilling Co (NDC); the **Ocean Spur**, which is operated by Saipem and owned by third parties, continued operations in Ecuador for Petroecuador;
- other activities: in the Congo, the tender assisted drilling unit **TAD** continued work for Eni Congo SA while management of the Loango-Zatchi platforms proceeded; offshore Peru, activities continued for BPZ Energy and for Savia, in this latter case using vessels owned by the client and operated by Saipem; offshore Libya, operations for Mabruk Oil Operations with the **5820 packaged installation** were completed.

Utilisation of vessels

Vessel utilisation in the first half of 2013 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	174
Semi-submersible platform Scarabeo 4	148
Semi-submersible platform Scarabeo 5	155
Semi-submersible platform Scarabeo 6	122
Semi-submersible platform Scarabeo 7	181
Semi-submersible platform Scarabeo 8	179
Semi-submersible platform Scarabeo 9	168
Drillship Saipem 10000	172
Drillship Saipem 12000	181
Jack-up Perro Negro 2	171
Jack-up Perro Negro 3	110
Jack-up Perro Negro 4	181
Jack-up Perro Negro 5	181
Jack-up Perro Negro 6	181
Jack-up Perro Negro 7	181
Jack-up Perro Negro 8	181
Tender Assisted Drilling Unit	173
Ocean Spur	181

Onshore Drilling

General overview

In the first half of 2013, the number of onshore drilling rigs increased to 107, of which 97 are owned by Saipem (including 4 under construction) and 10 by third parties (but operated by Saipem). The areas of operations were South America (Peru, Bolivia, Brazil, Colombia, Ecuador, Chile and Venezuela), Saudi Arabia, the Caspian Sea area (Kazakhstan), Africa (Algeria, Mauritania and Congo) and Europe (Italy and Ukraine).

Market conditions

Global levels of activity in the onshore drilling sector during the first half of 2013 provided confirmation of the levels registered at year-end 2012 thanks in particular to an increase in exploratory projects and in spite of a slight slowdown in North America.
In the United States, there has been a constant, steady increase in investments since 2011, connected in particular with tight oil and shale gas production, but in the second half of 2012, a decline in demand for rigs caused by a drop in oil prices saw a fall in the numbers of active rigs that was also registered in the first half of 2013. Having hit record levels in the last part of 2012, day rates also experienced a slight fall at the beginning of 2013.
Canada registered a downturn in activities due to an extended spring, weak demand and a lack of qualified personnel which led to some rigs (especially less modern rigs) not being used.
Internationally, levels of activity in the onshore drilling segment continued to be positive. The areas registering the biggest percentage increases compared with 2012 (in terms of investments and number of rigs operating) were Asia-Pacific (especially Australia), Latin America (Argentina and Venezuela above all) and Saudi Arabia. Day rates recorded globally during the first few months of 2013 were unchanged compared with year-end 2012 but were higher than those seen in the first half of 2012.

New contracts

The most significant contracts awarded to the Group during the first half of 2013 were:

- a three year extension of a contract with Eni Congo for the operation of a rig owned by the client;
- extensions of contracts of varying durations with various clients for drilling operations in South America.

Capital expenditure

In the Onshore Drilling sector, capital expenditure during the period mainly related to completion works on five new rigs due to operate in Saudi Arabia, in addition to the upgrading of the existing asset base.

Work performed

192 wells were drilled during the period, totalling approximately 418,178 metres drilled.

In South America, Saipem operated in a number of countries: in **Peru**, work was carried out for various clients (including Repsol, Petrobras, Pluspetrol, Gran Tierra, Perenco, Savia and Interoil) deploying eighteen company-owned rigs and operating six rigs owned by the client or by third parties; in **Bolivia**, four rigs were deployed for YPFB Andina, Pluspetrol and Repsol; in **Brazil**, work was completed for Petrobras and mobilisation commenced to new areas of operations in South America and the Middle East for work on new contracts; in **Colombia**, work continued for various clients, including Ecopetrol, Equion, Canacol, Schlumberger Surenco and Parex Resources, involving the deployment of seven rigs; in **Chile**, work was commenced for ENAP deploying one rig which will be joined by a second rig during the second half of 2013; in **Ecuador**, three rigs operated for various clients, including Repsol, Tecpetrol and Petroamazonas; finally, in **Venezuela**, work continued for PDVSA involving the deployment of twenty eight rigs.
In **Saudi Arabia**, where Saipem has fifteen rigs, the Company continued operations for Saudi Aramco and completed work for South Rub Al-Khali Co (SRAK).
In the Caspian region, Saipem operated in **Kazakhstan** for various clients, such as KPO, Agip KCO, Zhaikmunai and UOG, using 5 of its own rigs and 3 supplied by a partner.
In North Africa, Saipem deployed five rigs on operations in **Algeria** for various clients, including Groupement Sonatrach Agip, Gazprom, PTTEP and Repsol, and also deployed one rig in **Mauritania** for Total. In West Africa, Saipem continued operations in the **Congo** on behalf of Eni Congo SA using 2 of its own rigs and operating 1 rig owned by the client. Following the completion of its contractual obligations, one of the two company-owned rigs began to transit to Saudi Arabia for the start of operations for Saudi Aramco on a long-term contract.
Operations in **Italy** saw the deployment of one rig which performed work for Eni in Trecate in the Novara area.
In **Ukraine**, Saipem deployed one rig on operations for Shell.
In **Turkey**, Saipem began mobilisation of a company-owned rig for use on drilling operations for Star Refinery AS.

Utilisation of rigs

Average utilisation of rigs was 93.2% (96% in 2012). At June 30, 2013, company-owned rigs amounted to 93 (plus 4 under completion), located as follows: 28 in Venezuela, 19 in Peru, 15 in Saudi Arabia, 7 in Colombia, 5 in Algeria, 5 in Kazakhstan, 4 in Bolivia, 3 in Ecuador, 2 in Chile, 1 in Congo, 1 in Italy, 1 in Mauritania, 1 in Turkey and 1 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, 1 in Congo and 3 by the joint venture company SaiPar in Kazakhstan.

Financial and economic results

As previously stated, revenues and associated profit levels, particularly in the Engineering & Construction sectors, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

Results of operations

Saipem Group - Income statement

Year		First half		
2012	(€ million)	2012	2013	% Ch.
13,369	**Net sales from operations**	**6,397**	**5,186**	**(18.9)**
10	Other revenues and income	4	3	
(9,131)	Purchases, services and other costs	(4,352)	(4,175)	
(2,032)	Payroll and related costs	(938)	(1,123)	
2,216	**EBITDA**	**1,111**	**(109)**	..
(726)	Depreciation and amortisation	(345)	(359)	
1,490	**Operating result (EBIT)**	**766**	**(468)**	..
(155)	Net finance expense	(83)	(92)	
16	Net income from investments	5	8	
1,351	**Adjusted result before income taxes**	**688**	**(552)**	..
(393)	Income taxes	(199)	(15)	
958	**Adjusted result before minority interest**	**489**	**(567)**	..
(54)	Net result attributable to minority interest	(15)	(8)	
904	**Adjusted net result**	**474**	**(575)**	..

Net sales from operations for the first half of 2013 amounted to €5,186 million, representing a decrease of 18.9% compared to the same period of 2012, due to lower volumes and the effect of the revised project estimates announced in the profit warnings issued on January 29, 2013 and June 14, 2013 in both the Offshore and Onshore E&C sectors.

EBITDA amounted to -€109 million. Depreciation and amortisation of tangible and intangible assets amounted to €359 million, representing an increase compared with the first half of the previous year, mainly due to the Offshore E&C and Onshore Drilling sectors, as described in the following pages.

The **operating result (EBIT)** for the first half of 2013 totalled -€468 million. The decrease compared with the same period of 2012 is related to the lower margin forecasts announced in the statement to the markets on January 29, 2013 and the revised guidance concerning projects currently underway issued on June 14, 2013. The most significant variations are detailed in the breakdown by business sector.

Net finance expense increased by €9 million compared with the first half of 2012, mainly due to the increase in average net borrowings.

Net income from investments amounted to €8 million, representing an increase compared with the same period of 2012.

The **adjusted net result before income taxes** amounted to -€552 million. Income taxes amounted to €15 million, a decrease compared to the first half of 2012, due principally due to the decrease in taxable income.

The **adjusted net result** for the period totalled -€575 million.

Operating result and costs by function

Year 2012	(€ million)	First half 2012	First half 2013	% Ch.
13,369	**Net sales from operations**	**6,397**	**5,186**	**(18.9)**
(11,351)	Production costs	(5,393)	(5,400)	
(154)	Idle costs	(60)	(81)	
(160)	Selling expenses	(72)	(68)	
(15)	Research and development costs	(6)	(7)	
(11)	Other operating income (expenses)	(6)	(8)	
(188)	General and administrative expenses	(94)	(90)	
1,490	**Operating result (EBIT)**	**766**	**(468)**	..

In the first half of 2013, the Saipem Group achieved **net sales from operations** of €5,186 million, representing a decrease of €1,211 million compared to the same period of the previous year.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €5,400 million, which was in line with the same period of 2012.
Idle costs increased by €21 million, mainly due to lower utilisation of vessels on projects.
Selling expenses of €68 million registered a decrease of €4 million compared to the same period of 2012, as a consequence of a greater degree of selectivity and focus in terms of project proposals made.
Research and development costs expensed as incurred as operating expenses increased by €1 million.
General and administrative expenses amounted to €90 million, representing a decrease of €4 million.

The breakdown by business sector is as follows:

Offshore Engineering & Construction

Year 2012	(€ million)	First half 2012	First half 2013
5,356	Net sales from operations	2,518	2,210
(4,388)	Cost of sales	(2,057)	(2,177)
968	EBITDA	461	33
(273)	Depreciation and amortisation	(131)	(140)
695	Operating result (EBIT)	330	(107)

Revenues for the first half of 2013 amounted to €2,210 million, representing a 12.2% decrease compared to the same period of 2012, due mainly to smaller volumes recorded in the North Sea and Europe.
The increase in the cost of sales, which amounted to €120 million, compared with the first half of 2012, was mainly due to increased costs for the construction of a new vessel for a client and to technical issues connected with the new pipelayer Castorone, as announced in the revised guidance issued on June 14, 2013.
Depreciation and amortisation rose by €9 million compared with the same period of 2012 mainly due to the start of operations at the Karimun Yard in Indonesia and full scale operation of the Saipem 3000.
The operating result for the first half of 2013 amounted to -€107 million, equal to -4.8% of revenues, versus €330 million, equal to 13% of revenues, in the first half of 2012. The EBITDA margin stood at 1.5%. The negative operating result is due in particular to the low productivity of the Castorone on projects in the Gulf of Mexico, additional costs incurred on the OLT Livorno project and delays to the start of works on newly acquired projects.

Onshore Engineering & Construction

Year 2012	(€ million)	First half 2012	First half 2013
6,175	Net sales from operations	3,015	2,001
(5,744)	Cost of sales	(2,752)	(2,579)
431	EBITDA	263	(578)
(33)	Depreciation and amortisation	(16)	(17)
398	Operating result (EBIT)	247	(595)

Revenues for the first half of 2013 amounted to €2,001 million, representing a 33.6% decrease compared to the same period of 2012, due mainly to smaller volumes recorded in North and West Africa.
The cost of sales, which amounted to €2,597 million, also decreased compared with the first half of 2012.
Depreciation and amortisation of €17 million were in line with the same period of 2012.

The operating result for the first half of 2013 amounted to -€595 million, versus €247 million in the first half of 2012, with a margin on revenues dropping from 8.2% to -29.7%. Meanwhile, the EBITDA margin stood at -28.9%, compared with 8.7% in 2012. The negative operating result is essentially due to difficulties encountered and resulting increased costs on projects being undertaken in Algeria (GK3, MLE, Arzew), Canada (Sunrise) and Mexico (Gasolina), as announced in the revised guidance issued on June 14, 2013.

Offshore Drilling

Year 2012	(€ million)	First half 2012	First half 2013
1,088	Net sales from operations	509	608
(509)	Cost of sales	(236)	(285)
579	EBITDA	273	323
(285)	Depreciation and amortisation	(133)	(131)
294	Operating result (EBIT)	140	192

Revenues for the first half of 2013 amounted to €608 million, representing a 19.4% increase on the first half of 2012. This was mainly due to the full utilisation of the semi-submersible rigs Scarabeo 8 (under construction during early 2012) and Scarabeo 5 (undergoing upgrading works in the second quarter of 2012), and the entering into service of the Ocean Spur, which was leased from third parties.
The cost of sales increased by 20.8% compared to the first half of 2012. This increase reflected the increase in volumes for the period.

Depreciation and amortisation dropped by €2 million compared with the same period of 2012.
The operating result (EBIT) for the first half of 2013 amounted to €192 million, compared to €140 million in the first half of 2012, while the margin on revenues increased from 27.5% to 31.6%.
The EBITDA margin stood at 53.1%, representing a slight decrease on the figure of 53.6% registered in the same period of the previous year.

Onshore Drilling

Year 2012	(€ million)	First half 2012	First half 2013
750	Net sales from operations	355	367
(512)	Cost of sales	(241)	(254)
238	EBITDA	114	113
(135)	Depreciation and amortisation	(65)	(71)
103	Operating result (EBIT)	49	42

Revenues for the first half of 2013 amounted to €367 million, representing a 3.4% increase compared to the same period of 2012, due mainly to increased utilisation of the rigs in Saudi Arabia and Kazakhstan.
The cost of sales registered an increase of 5.4% compared with the first half of 2012, in line with the rise in revenues.
The increase in depreciation and amortisation was due to new rigs entering into service.

Operating result (EBIT) for the first half of 2013 amounted to €42 million, compared to €49 million in the first half of 2012, while the margin on revenues dropped from 13.8% to 11.4%.
Meanwhile, the EBITDA margin stood at 30.8%, compared with 32.1% for the same period of 2012. This fall in profitability is mainly due to increased costs accrued for the demobilisation of personnel and operating vessels.

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, 2012 [2]		(€ million)	December 31, 2012 [2]		June 30, 2013	
	8,289	Net tangible assets		8,254		8,389
	753	Net intangible assets		756		756
	9,042			**9,010**		**9,145**
3,993		*- Offshore Engineering & Construction*	*4,064*		*4,126*	
471		*- Onshore Engineering & Construction*	*513*		*579*	
3,655		*- Offshore Drilling*	*3,535*		*3,482*	
923		*- Onshore Drilling*	*898*		*958*	
	107	Investments		116		123
	9,149	**Non-current assets**		**9,126**		**9,268**
	(47)	**Net current assets**		**932**		**103**
	(229)	Employee termination indemnities		(255)		(263)
	8,873	**Capital employed, net**		**9,803**		**9,108**
	4,804	Shareholders' equity		5,377		4,418
	134	Minority interest		148		120
	3,935	Net debt		4,278		4,570
	8,873	**Funding**		**9,803**		**9,108**
	0.80	**Leverage (net borrowings/shareholders' equity including minority interest)**		**0.77**		**1.01**
	441,410,900	No. shares issued and outstanding		441,410,900		441,410,900

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 57.
(2) For the effects of the application of IAS 19 see the 'Basis of presentation' section on page 66.

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 a company's capital structure).

Non-current assets at June 30, 2013 stood at €9,268 million, an increase of €142 million compared to December 31, 2012. This increase was due to capital expenditure of €492 million and the positive effect deriving mainly from the translation of financial statements in foreign currencies of €9 million, which was only partially offset by depreciation and amortisation of €359 million.

Net current assets decreased by €829 million, dropping from €932 million at December 31, 2012 to €103 million at June 30, 2013, due to an improvement in working capital mainly related to advances received on new contracts, the financial settlement of negotiations with clients that have either been concluded or are in the process of being concluded and to the reduction in contract work in progress relating mainly to the revised guidance concerning projects issued on June 14, 2013.

The **provision for employee benefits** amounted to €263 million, an increase of €8 million compared with December 31, 2012.
As a result of the above, **net capital employed** decreased by €695 million, reaching €9,108 million at June 30, 2013, compared with €9,803 million at December 31, 2012.

Shareholders' equity, including minority interest, decreased by €987 million to €4,538 million at June 30, 2013, compared with €5,525 million at December 31, 2012. This decrease reflected the negative effect of the net result for the period of €567 million, dividend distribution of €337 million, changes in the fair value of exchange rate and commodity hedging instruments of €96 million and the translation into euro of financial statements expressed in foreign currencies and other variations amounting to €20 million, partially offset by the transfer of a business division (€33 million).

The decrease in net capital employed, which was smaller than the decrease in shareholders' equity, led to an increase of €292 million in net borrowings, from €4,278 million at December 31, 2012 to €4,570 million at June 30, 2013.

Analysis of net borrowings

June 30, 2012	(€ million)	December 31, 2012	June 30, 2013
(1)	Financing receivables due after one year	(1)	(1)
200	Payables to banks due after one year	200	241
2,807	Payables to other financial institutions due after one year	3,343	3,971
3,006	**Net medium/long-term debt**	**3,542**	**4,211**
(1,230)	Accounts c/o bank, post and Group finance companies	(1,320)	(1,527)
(6)	Cash and cash on hand	(5)	(6)
(74)	Financing receivables due within one year	(79)	(75)
143	Payables to banks due within one year	211	179
2,096	Payables to other financial institutions due within one year	1,929	1,788
929	**Net short-term debt**	**736**	**359**
3,935	**Net debt**	**4,278**	**4,570**

The fair value of derivative assets (liabilities) is detailed in Note 6 'Other current assets', Note 17 'Other current liabilities' and Note 22 'Other non-current liabilities' of the 'Notes to the condensed consolidated interim financial statements'.

A breakdown by currency of gross debt, amounting to €6,179 million, is provided in Note 13 'Short-term debt' and Note 18 'Long-term debt and current portion of long-term debt'.

Statement of comprehensive income

	First half	
(€ million)	2012	2013
Net profit (loss) for the period	**489**	**(567)**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges (*)	(129)	(112)
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	35	(21)
- share of other comprehensive income of investments accounted for using the equity method	2	-
- income tax relating to other items of comprehensive income	19	16
Other items of comprehensive income	**(73)**	**(117)**
Total comprehensive income for the period	**415**	**(684)**
Attributable to:		
- Saipem Group	397	(693)
- minority interest	19	9

(*) The change in the fair value of cash flow hedges relates almost exclusively to transactions with the Parent Company Eni.

Shareholders' equity including minority interest

(€ million)	
Shareholders' equity including minority interest at December 31, 2012	**5,525**
Total comprehensive income (loss) for the period	(684)
Dividend distribution	(337)
Sale of treasury shares	-
Other changes	34
Total changes	**(987)**
Shareholders' equity including minority interest at June 30, 2013	**4,538**
Attributable to:	
- Saipem Group	4,418
- minority interest	120

Reclassified cash flow statement [1]

Saipem's reclassified cash flow 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 borrowings (deriving from the reclassified cash flow 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 period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), 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 borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Year		First half	
2012	(€ million)	**2012**	**2013**
904	Net result	474	(575)
54	Minority interest	15	8
	Adjustments to reconcile cash flow from operations before changes in working capital:		
740	Depreciation, amortisation and other non-monetary items	342	351
4	Net (gains) losses on disposal and write-off of assets	-	1
507	Dividends, interests and income taxes	249	92
2,209	**Cash flow from operations before changes in working capital**	**1,080**	**(123)**
(1,434)	Changes in working capital related to operations	(777)	865
(551)	Dividends received, income taxes paid, interest paid and received	(160)	(243)
224	**Net cash flow from operations**	**143**	**499**
(1,015)	Capital expenditure	(548)	(492)
(1)	Investments and purchase of consolidated subsidiaries and businesses	-	-
8	Disposals	(6)	42
-	Other cash flow related to capital expenditures, investments and disposals	-	-
(784)	**Free cash flow**	**(411)**	**49**
(4)	Borrowings (repayment) of debt related to financing activities	5	5
1,419	Changes in short and long-term financial debt	906	502
29	Sale of treasury shares	22	-
(352)	Cash flow from capital and reserves	(329)	(337)
(12)	Effect of changes in consolidation and exchange differences	14	(11)
296	**NET CASH FLOW FOR THE PERIOD**	**207**	**208**
(784)	**Free cash flow**	**(411)**	**49**
29	Sale of treasury shares	22	-
(352)	Cash flow from capital and reserves	(329)	(337)
21	Exchange differences on net borrowings and other changes	(25)	(4)
(1,086)	**CHANGE IN NET BORROWINGS**	**(743)**	**(292)**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 57.

Net cash flow from operations (€499 million) fully funded capital expenditures, generating a positive free cash flow of €49 million.
Cash flow from capital and reserves, which amounted to a negative €337 million, were due to the payment of dividends. The sale of treasury shares for incentive schemes for managers generated a negative cash flow of €4 million.
Net borrowings therefore increased by €292 million.

In particular
Cash flow from operations before changes in working capital of €123 million related to:
- the net result for the period of -€567 million, including minority interest of €8 million;
- depreciation, amortisation and impairment of tangible and intangible assets of €359 million, the change in the provision

for employee benefits (€9 million) less other changes of €16 million;
- net finance expense of €77 million and income taxes of €15 million.

The positive change in working capital related to operations of €865 million was due to financial flows of projects underway.

Dividends received, income taxes paid, interest paid and received during the first half of 2013 of €243 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.

Capital expenditure in the period amounted to €492 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€213 million), Onshore Drilling (€126 million), Onshore Engineering & Construction (€89 million) and Offshore Drilling (€64 million). Additional information concerning capital expenditure during the first half of 2013 can be found in the 'Operating Review' section.

Cash flow generated by disposals amounted to €42 million.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted net result before minority interest, plus net finance charges on net borrowings less the related tax effect and net average capital employed. The tax rate applied on finance charges is 27.5%, as per the applicable tax legislation.

Return On Average Operating Capital

To calculate the Return On Average Operating Capital, the average capital employed is netted of investments in progress that did not contribute to the net result for the period, which amounted to €920 million at December 31, 2012, €779 million for the twelve-month period ended June 30, 2012 and €238 million for the twelve-month period ended June 30, 2013.

		December 31, 2012	June 30, 2012	June 30, 2013
Adjusted net result	(€ million)	958	1,007	(98)
Exclusion of net finance expense (net of tax effect)	(€ million)	112	108	119
Unlevered adjusted net result	(€ million)	1,070	1,115	21
Capital employed, net:	(€ million)			
- at the beginning of the period		8,015	7,836	8,855
- at the end of the period		9,803	8,873	9,108
Average capital employed, net	(€ million)	8,909	8,355	8,982
Adjusted ROACE	(%)	**12.0**	**13.3**	**0.2**
Return On Average Operating Capital	(%)	**13.2**	**16.9**	**0.3**

Net borrowings 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 borrowings 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 borrowings and shareholders' equity, including minority interest.

	June 30, 2012	June 30, 2013
Leverage	0.79	1.01

Sustainability

Saipem operates a complex network of activities, each of which is expected to contribute to ensuring balanced and sustainable development in the communities and geographical areas in which the Company operates in order to improve competitiveness and help maintain a long-term license to operate. For this reason, it is of primary importance for Saipem to be able to build and maintain strong relations with all of its stakeholders, engaging and involving them and endeavouring to fully understand their needs and their expectations.

The Sustainability Committee, which exercises a sustainability strategy setting role and is chaired by the CEO, Umberto Vergine, met in June to discuss the results of the 2012 Sustainability Report, developments in the Company's communications strategy and sustainability initiatives currently underway.

Measuring value creation in local communities

Increasing the level of local content is one of the key elements of Saipem's sustainability strategy. The Company actively pursues the objective of promoting sustainable development and creating wealth and well-being by maximising the number of local employees and suppliers and by contributing to developing their capabilities and know-how. From 2009 onwards, Saipem has used a model developed in-house known as SELCE (Saipem Externalities Local Content Evaluation) which is designed to help it measure the principal impacts of its operations on local economies and communities. SELCE can be used to analyse and estimate the value (i.e. its direct, indirect and induced effects in terms of economic growth, employment and development of human capital) created by Saipem's local content strategy. The model has been used in Kazakhstan, Angola, Peru, Algeria, Nigeria, Indonesia and France and has also been made available to clients on several projects. During the second half of 2013, the results of the model's application in Australia on the GLNG project will become available, while updates will also be issued for Indonesia and Nigeria.

Sustainability reporting

For the second year running, in accordance with Global Reporting Initiative guidelines (the most advanced international sustainability reporting framework), Saipem has published two documents: 'Sustainability Performance 2012', published as an addendum to the 2012 Annual Report, and 'Saipem Sustainability 2012'.

'Sustainability Performance 2012' contains a brief summary of Company operations but its focus are the key performance indicators relating to Saipem's main sustainability issues of health, safety, the environment, people, suppliers and local communities. The information presented in the report thus complements the financial and operating data contained in the annual report proper with the aim of providing a broad and comprehensive overview of the Company. The second document, 'Saipem Sustainability 2012', deals in a more detailed and in-depth manner with those issues considered to be of greatest significance for Saipem's business and for the Company's principal stakeholders. Both documents have been audited by Reconta Ernst & Young, and are available as interactive documents on the Company website.

For the third year running, Ersai Llc has prepared a Sustainability Report detailing its sustainability performance in 2012. Once approved, the document will be made available on the sustainability section of the Saipem website at www.saipem.com/sustainability.

The period also saw Saipem publish the Puerto Nuevo (Colombia) Project Report, while during the second half of the year, the Angola and Nigeria Country Reports are due to be finalised. These project and country-specific documents, which describe initiatives underway, best practices adopted and results achieved in terms of sustainability are aimed in particular at local stakeholders.

Local community initiatives

Local community sustainability initiatives during the first half of 2013 continued in the areas in which Saipem operates in accordance with the 2013 plan. Details of the most representative activities undertaken are provided below.

In Kazakhstan, Ersai Llc is at present in the process of implementing its annual sustainability plan, which is focused specifically on the village of Kuryk, on the coast of the Caspian Sea. The company is carrying out two projects in the village in collaboration with the Eurasia Foundation of Central Asia. The first aims to stimulate entrepreneurial and business activity, while the objective of the second is to improve the local education system.

In Indonesia, Saipem is proceeding apace with a programme designed to improve the quality of local schools infrastructures on the island of Karimun, where the new fabrication yard is located. The Company also completed an initiative during the period designed to raise environmental awareness and to encourage waste recycling. Boscongo, the Saipem operating company in Congo is moving ahead with its programme to build a waste disposal and recycling centre for local villages. At present, all of the necessary permits have been obtained and the design work completed. Construction work on the centre is due to begin in the second half of the year. Saipem Contracting Nigeria Ltd is making progress with the implementation of its malaria prevention programme, which aims to contribute to improving the health of the local population and local employees. The company is also involved in developing an initiative designed to increase the earning capacity of local women by providing professional training courses. With availability of specialised personnel representing a crucial element in ensuring the success of a local content development policy, Petromar in Angola is currently working to both improve and increase the course options on offer at the training centre in Luanda. Also moving in the same direction is Brazil-based operating company Saipem do Brasil who, in partnership with SENAI, the National Service for Industrial Training, is currently developing an apprenticeship scheme which aims to provide students with technical training through a combination of practical experience and class-room based lessons. Finally in Peru, Venezuela and Colombia, local company Petrex has been particularly active in developing initiatives such as workshops and campaigns designed to promote a culture of safety among employees and their families.

Research and development

At the end of the first half of 2013, the Company carried out a restructuring of its research and development activities. The rationale behind the restructuring is the belief that the capability to offer advanced technological solutions represents a crucial factor for sustaining and enhancing the Company's competitive advantage in both the medium and long term.

As part of the change, a new corporate research and development department has been set up with the goal of maximising and fully leveraging Saipem's research and development efforts through careful management. The department has been assigned coordinating, planning and supervising functions for all research and development initiatives undertaken and is able to call on upon personnel possessing the necessary level of technical expertise to fulfil such duties. The research and development departments of the Business Units will remain focused on defining specific development proposals and managing projects and initiatives.

The restructuring initiative is expected to bear fruit in the near future. In the meantime, however, the first half of 2013 saw Saipem press on with its research and development programme, working on distinctive solutions in technologically-advanced sectors, such as the deep and ultra-deep waters and floating platform sectors and the development of new procedures and equipment for subsea excavation and pipelaying under extreme conditions. The period also saw the improvement of proprietary process technologies, the expansion of the Company's portfolio of environmental services, the development of the onshore and offshore renewable energy sector and high-level technological collaborations with research centres and other industry players.

In the deep-water segment, further progress was made during the period on the development of a series of innovative subsea processing systems in partnership with a number of leading oil companies.

The Joint Industry Project (JIP), which is based on the patented 'Multipipe gas/liquid gravity separation system', can count on the financial support of three oil majors. The project encompasses the definition of an entire subsea station for two cases of application as well as the evaluation of the design maturity of all of the station's individual components, particularly from the point of view of construction. The JIP will shortly be completed following the performance of a series of full scale mechanical tests on the components of the separation system.

In April of this year, 3-phase hydraulic testing began using a reduced scale model on the 'Spoolsep' liquid/liquid gravity separation system. The initial results of the test phase, which is due to last 5 months, are encouraging. The aim is to involve oil companies in the next phase, of system qualification.

Presentation of the system to a number of companies has already taken place, while others are scheduled for the near future.

In addition, a number of further studies also financed by oil companies have been conducted with the aim of evaluating Saipem's subsea separation systems for various specific applications.

Work also continued during the period together with an industrial partner on the design of subsea produced water treatment solutions. SPRINGS™, the result of the joint efforts of Total, Saipem and Veolia is designed for the subsea removal of sulphates present in seawater. A small pilot unit has been built for a campaign of offshore tests due to take place during the second half of 2014.

Technology development activities in the floating production facilities segment remained focused on the creation of innovative solutions for floating liquefaction facilities (FLNG) with the objective of achieving more efficient and safer gas production under what are increasingly challenging conditions. Work was also carried out with the aim of providing direct support to FLNG projects currently being undertaken by Saipem. This included the qualification of a tandem LNG offloading system using floating flexible hoses in collaboration with an industrial partner, a classification society and one of the leading operators in the Oil & Gas sector.

Significant results were also achieved during the period in the SURF (Subsea, Umbilicals, Risers and Flowlines) segment, where a number of innovative solutions developed over recent years began to come to fruition, bringing with them the prospect of new opportunities to be exploited on the subsea field development market. In addition, studies were also launched with regard to subsea flowline heating solutions.

In terms of deep and ultra-deep water applications, further analyses conducted on a number of riser concepts confirmed their feasibility and relevance. Studies were also begun during the period on intervention downlines. The aim of these developments is to define new solutions for deployment in the commissioning and intervention phase of deep-water projects, with the aim of ensuring mechanical integrity and safer operability.

Studies also commenced during the period for a J-lay installation method adapted to plastic lined pipe. Tests currently underway together with an industrial partner are producing promising results. The next phase of development is due to begin during the second half of this year.
Following the completion in 2012 of a technical assessment with regard to the active heating of flowlines using traced heating technologies, a number of solutions are currently being looked at.

Meanwhile work is also underway on adapting the technology to J-lay installation.

In the sealine trenching area, the experiments at sea of techniques for the transplantation of the aquatic plant Posidonia continued, confirming the positive results obtained previously. Studies on a new subsea pipeline trenching and installation method with a very low environmental impact were also concluded during the period. The focus of the work has now shifted to developing the method and equipment for actual application. Other studies conducted in parallel focused on developing optimal trench excavation techniques for use with hard soils. A feasibility study was completed on a new system for measuring the burial depth of pipelines after they have been laid in trenches.

Newly designed components providing high pulling capacity were installed during the period on a clamp on board a pipelay vessel for use on deep-water projects. Meanwhile cyclic load and limit load testing was carried out in parallel on both new and used components.
Studies aimed at obtaining improvements in the reel lay process and equipment were completed during the period. A new solution was evaluated from both a technical and economic point of view with positive results.

New welding equipment which provides improved quality welds on coated carbon steel sealines made a significant contribution to an offshore construction project.
Following the excellent results obtained during numeric simulations for a new highly productive offshore pipeline welding process, an experimental validation campaign was planned.

Meanwhile, in the light of the positive results achieved in tests on key components, the new welded joint coating system for subsea pipeline construction operations became the subject of a full-scale project whose objective is to extend the method to J-lay, S-lay and fabrication operations. Qualification testing attended by a third party was commenced while the production process for the system equipment also began.

Development work on offshore pipe recognition using RFID technology for use during pipelay operations was completed. The system is currently being used on-board the pipelay vessel Castorone on a project situated in the Gulf of Mexico. Meanwhile promising results emerged from feasibility studies of alternative techniques for the automatic recognition of pipeline ID tags and geometric characteristics whose aim is to further facilitate pre-production and pipelay work.
A new system which allows the rapid release of critical equipment in the event of uncontrolled pipeline movement and thus reduces risks during S-lay operations has been designed and is now undergoing testing.
Testing was carried out successfully on a new instrument for the remote measurement of pipeline internal ovalisation during laying operations. The production process is now underway.

Development work and testing was also stepped up with a view to application on a real project of a system designed to prevent pipeline flooding during continuous laying operations. Engineering, prototype construction and testing of the critical components of the system continued to take place during the period, as did an important review of the entire system.

With regard to subsea operations, developments of the pipe repair system continued with the aim of extending its applicability to hydrosulfuric acid-rich environments as well as to acid environments in general. An innovative method for sealine repair (that is also suitable also for construction operations) that does not involve a traditional telescopic joint is ready for the testing phase. At the same time, numerical simulations were completed on a study whose aim is to reduce hydroacoustic impact during subsea pile driving operations.

A significant effort went into the development of a safe solution allowing the replacement of steel cables used in deep-water lifting operations and pipeline shore approaches with rope made from synthetic fibres.
Development work continued on tools designed to simulate and guide offshore construction operations.

Process development activities during the period focused on the achievement of continuous improvements in the environmental compatibility of proprietary fertiliser production technology 'Snamprogetti™ Urea', licensed to 127 units world-wide.
Much effort was put into minimising the environmental impact of Urea plants (Urea Zero Emission) through the implementation of innovative technologies currently under development. A collaboration was launched with the Fraunhofer Institut involving the development and supply of technological components that will be validated in a special facility at the University of Bologna and then included in 'Urea Zero Emission' process flows.

Following the technology screening phase conducted during 2012, the first half of the year saw the launch of a new innovation project whose aim is to achieve increased energy efficiencies in process facilities. Work on the project was commenced on four different areas. The first results are expected by the end of 2013.

Among the research and development activities with an environmental theme conducted during the first six months of 2013 there was the positive conclusion of a project concerning the re-injection of geothermal waste waters as a means of reactivating geothermal fields. The experimental procedure developed on the project makes it possible to determine what potential negative effects, such as corrosion, may result from re-injection.
Re-injection represents an interesting and environmentally sustainable option for reusing potential pollutants.

Finally, Saipem's continued to provide technical support to the main players in the energy industry in relation to commercial offshore wind power initiatives.

Quality, Health, Safety and Environment

Quality

During the first half of 2013, Saipem top management decided to emphasise and reinforce the Company's commitment to delivering products and services that meet the highest standards of quality, which it has identified as the key to maintaining and sustaining long-term competitive advantages.
Specifically, the six-month period saw the continuation of many initiatives worked on during 2012:

Systems Quality:
- publication and dissemination of a set of Corporate Standards governing Group Quality Assurance and Quality Control activities;
- definition of a certification model for the new Corporate Governance Model by a third party body;
- diffusion of the Lessons Learned methodology;
- development of a new Corporate Standard for Document System Structure and Management (DSSM) also applicable to the Document Management Systems of the Saipem fleet;
- implementation of a new reporting system on the Quality Management Systems (QMS) implemented at Group Operating Companies.

Project Quality Management:
- integration of the Project Quality Management methodologies for Onshore and Offshore projects;
- updating of the Document Systems used on vessels in line with the new Corporate DSSM (in the process of being issued);
- application on projects of a new system of reporting for Project Quality Management.

Quality Control:
- implementation of standardised Quality Control Plans for Onshore and Offshore E&C projects;
- completion of qualification of NDT Phased Array methodologies at the Petromar and Star fabrication yards;
- issue of criteria for the maintenance and testing of BOP systems used on drilling projects;
- dissemination at all yards of uniform Quality Control requirements based on past experience acquired and reorganisation of Quality Control teams;
- implementation of new reporting system on the Quality Control Management Systems implemented on Onshore and Offshore projects.

Safety

The Total Recordable Incident Frequency Rate for the first quarter of 2013 was 1.08, which was in line with the target set for 2013 of 1.06. Although the number of Lost Time Incidents fell significantly compared with the first half of 2012, the period unfortunately saw two fatal accidents, one of which led to the death of two contractors, who were killed when the walls of a trench collapsed on them. In the other accident, a Saipem employee was crushed by a pipe during lifting and moving operations taking place on a barge.

Activities and initiatives carried out during the first half of 2013 with the aim of maintaining high workplace health and safety standards included:
- extension of ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) certifications issued by Det Norske Veritas (DNV) to all of Saipem SpA. At the beginning of 2013, the Drilling Business Unit received certification, thus joining the Engineering & Construction Business Unit and Corporate processes, which previously achieved certification;
- HSE training continued in accordance with a plan that encompasses both the recent State-Regions Agreement and the Saipem HSE training protocol. In addition, further developments were made on the new 'Delphi' training portal, whose principal aims are to standardise and share teaching materials and to become a reference point for HSE trainers and all types of training initiative;
- the development of software applications designed to improve HSE business and management processes. The period saw the launch of the software application 'Corinth' which is used to manage the HSE audit process at Saipem SpA. Previously, year end 2012 saw the launch of the 'Nike' application, which is designed to ensure the standardisation of Personal Protective Equipment. The dissemination, training and support phase continues for both applications;
- ongoing dissemination of the 'Leadership in Health and Safety' programme and continuous updating and development. The roll-out of the programme has encompassed all levels of the Company, with Managers and supervisors attending the workshops. Work continued apace on the diffusion of the Company safety culture with forums organised in Congo and Peru. Meanwhile the first few months of the year saw the completion of preparations for the new phase of LiHS, which focuses on health. The new initiative, called 'Choose Life', has already been presented to Company management and the first workshops have been held. The initiative is designed to raise awareness of health risks. Finally, 2013 once again saw Saipem promote and lend its support to the 'World Day for Safety & Health at Work' for which it organised a special competition.

Environment

Numerous activities and environmental initiatives were pursued during the first half of the year, including:

- the organisation of initiatives connected with World Environment Day centred around the theme 'Reduce your foodprint';
- the completion of monitoring activities and gap analyses in collaboration with the Legal Affairs and Internal Audit departments aimed at evaluating critical areas in terms of compliance with the new requirements introduced into Legislative Decree No. 231/2001 by Legislative Decree No. 121 of July 7, 2011. Work is now continuing with the implementation of management and organisational measures designed to reduce and eliminate any critical areas identified;
- the launch – following careful planning – of a series of office Energy Analysis activities in accordance with ISO 50001:2001 'Energy Management Systems';
- consolidation of the Company's environmental communication tools, which include the magazine 'eNews', which illustrates the principal environmental initiatives occurring within Saipem.

Health

With regard to health-related issues, the period saw Saipem continue with its normal activities and also promote a series of new initiatives:

- more than 2,400 preventive medical check-ups were carried out for Italian and international personnel; 300 people required further examination and 11 were alcohol and drug tested;
- the diffusion of the 'Pre-Travel Counselling' programme for all personnel due to work abroad continued, including updates based on international health alerts. May saw the inauguration of the pre-travel information point at the Arbatax site;
- the drive to raise vaccine awareness, in particular in relation to mandatory and strongly recommended vaccines, proceeded for Italian and foreign destinations;
- the 'Sì Viaggiare' international travellers' handbook application developed for the Apple platform is currently in the start-up phase. The application is available in two versions: an Enterprise version for Saipem employees and a Customer version for general use by all international travellers;
- agreements and collaborations with a large number of medical facilities and hospitals continued during the period in relation to a wide range of issues, including with Rome's Università La Sapienza for carrying out epidemiological studies, with the IRCCS Policlinico di San Donato Milanese for health promotion initiatives and with the CIRM (Centro Internazionale Radio Medico) for the provision of radio medical advice to employees working onboard Saipem's offshore fleet;
- an Occupational Health team was set up in Chennai, India, with the aim of recording medical data for international employees on the GIPSI database;
- implementation of the healthy diet initiative 'H-factor' continued at additional sites;
- Saipem organised events to coincide with a number of international awareness days celebrated by the World Health Organisation, namely World Tuberculosis Day, World Health Day, World Malaria Day, World No Tobacco Day and World Blood Donor Day. A number of important initiatives were carried out with the aim of encouraging employees to monitor their blood pressure. Presentations, posters and leaflets were produced to publicise all of the above events and initiatives.

Human resources

Workforce

The period saw a steady growth in the Saipem workforce in line with project requirements.
Recruitment is still ongoing to meet staffing requirements for projects in the construction phase (Canada, Mexico and Australia), fabrication centres (Brazil, Indonesia and Angola) as well as new onshore rigs (the Arabian Peninsula). The expected freeing up of human resources on projects due to close (Algeria, the Arabian Peninsula and Kazakhstan), which would have offset this increase, was postponed until the second half of the year.

Industrial Relations

The global nature of the environment in which Saipem operates, which is characterised by situations of great diversity in socio-economic, political, industrial and regulatory terms, requires the Company to pay great care and attention together to its management of industrial relations.
Saipem has a well-established model of industrial relations which focuses on ensuring the harmonisation and optimal management, in accordance with company policies, of relations with trade unions and employers' associations, as well as with political institutions and public bodies.
As was expected, the first half of the year brought with it a number of significant events in terms of industrial relations. These included the meeting in March at which the company's new top management team illustrated the organisational restructuring plans and changes to governance policies it had pressed strongly for to the General and National Secretaries of the Energy and Oil sector trade unions.
The period also saw the renewal of the national collective labour agreement for the Energy and Oil sector, which is the contract under which 70% of the Company's Italian resources are employed. The maritime trade unions requested the beginning of discussions with regard to the renewal of company-specific supplementary agreements.
In June, an agreement was signed with local representatives of the metalworkers trade unions in relation to workers at the Arbatax Yard. The agreement will allow a reduction in the interruptions between fixed-term contracts and also create a degree of flexibility that will both facilitate resource management and have a beneficial effect in terms of employment opportunities.
As in the previous year, the first half of 2013 again saw the signing of an agreement with the various Italian workers' unions, setting down rules and responsibilities for the planning of holidays, with a view to achieving greater efficiency and alignment of management processes.
In terms of international industrial relations, important collective labour agreements were signed in Angola and in the drilling sector in Nigeria.
In accordance with company policies, which supports the rights of employees to freedom of association, Saipem is involved in the creation and negotiation of a collective labour agreement for employees at its Chinese branch.
An important agreement made necessary by changes in local legislation was signed in Algeria.
Saipem representatives will once again attend the annual Eni European Works Council meeting which will be held in Bruges in July.

Human resources management

In accordance with its guidance, coordination and control remit in relation to secondary Human Resources offices, the HR Management department pressed on during the first half of the year with the definition and implementation of measures designed to address critical human resources phenomena such as holiday, overtime, working hours and absenteeism, with the aim of pursuing a broad range of Company objectives in terms of improved operational efficiency and efficacy.
In line with these aims, the additional enhancements made to the functionalities of the principal analysis and reporting systems used by the Human Resources department have increased the effectiveness and efficiency of the management actions and measures implemented and also produced improvements in terms of better coordination and integration between the various department structures.
Following the introduction towards the end of the previous year of the HR Management Portal – a web-based tool capable of integrating data from the Company's information systems and performing analyses and overviews to provide business intelligence in relation to key human resources phenomena – the development and improvement initiatives continued, with the period seeing an extension of the portal's scope of application to encompass the analysis and monitoring of the key regulatory and administrative aspects of assignments/secondments and international mobility, as well as the parameters employed to calculate overseas salary packages.
In addition, tests were recently commenced involving the collection and analysis of data from a number of overseas Saipem companies characterised by relatively complex operational and organisational set ups. The medium-term goal is to provide coverage through the HR Portal for the main Saipem overseas operating companies with a view to achieving improved integration, sharing and leveraging of know-how, experience and work tools within the HR professional family.
With regard to international mobility, which represents a critical

success factor of great strategic importance for the business, the work started in 2012 to develop information systems designed to enable the analysis and redefinition of expatriation methodologies and policies continued during the first half of 2013. A significant effort was also devoted to communication, information and training for secondary Human Resources offices (at Business Unit and geographical level in Italy and abroad) with the aim of ensuring their knowledge of international assignment processes.
Meanwhile an initiative has been launched aimed at redefining expatriation policies. The aim is to ensure a more effective work-life balance among employees and provide a more effective response to worker needs pertaining to specific operating situations by introducing elements of flexibility while maintaining compliance with general rules and regulations and overall consistency. The initiative is applying benchmarking against market best practices and international assignment models and practices in use at major companies comparable with Saipem in terms of size and geographical location.
Training of HR department staff with regard to the principal aspects of labour, contract, tax, social security and immigration law continued during the period with the aim of ensuring the consolidation and development of specialist skills and know-how related to personnel management and administration.

Development, Organisation, Communication and Compensation

A revision of the Saipem governance model was undertaken during the first half of the year to consolidate the alignment of the E&C Business Unit's operating and organisational model with the needs of the business and the Company's strategic drivers. The analysis led in March to the creation of a new Business Unit structure designed to ensure the Company can take full advantage of the opportunities offered by the market and achieve improved performance and profitability.
The defining characteristics of the new organisational structure of the Business Unit are as follows:

- 3 Business Lines – Onshore, Offshore and Floaters – responsible for the global definition and implementation of their respective strategies and business plans as well as the attainment of commercial and execution objectives;
- 8 Regional Managers, who represent the Engineering & Construction Business Unit in the geographical area assigned, and are responsible for the development and integrated promotion of the E&C Business and for optimising and consolidating the operating companies and the resources present locally;
- Central functions – 'Commercial', 'Tendering' and 'Engineering, Technologies and Commissioning' – with a guidance, coordination and control remit for local companies and a development role at worldwide level.

A wide range of organisational measures were also taken to support Top Management with its guidance, coordination and control functions in terms of governance, business and compliance. An Executive Committee has been created which will advise the CEO on key business decisions for the Company.
Additional initiatives were implemented to improve the Saipem system of governance and compliance through:

- the analysis and definition of improvement actions with regard to the definition, checking and approval of company standards and regulations, the system governing delegations and signing authority and the functionalities of information systems used to monitor the procurement of goods and services;
- the redefinition of sensitive work processes.

Furthermore, the following organisational changes were made:

- a Business and Technology Development department was set up reporting directly to the CEO with the aim of ensuring coordinated, integrated management of opportunities for business and technology development and maintaining the Company's corporate image and identity;

Year 2012	(units)	Average workforce 2012	First half Average workforce 2013
13,973	Offshore Engineering & Construction	13,632	15,712
16,817	Onshore Engineering & Construction	16,280	18,344
2,368	Offshore Drilling	2,213	2,743
7,162	Onshore Drilling	6,679	7,641
2,234	Staff positions	2,611	2,016
42,554	**Total**	**41,415**	**46,456**
7,379	Italian personnel	7,365	7,448
35,175	Other nationalities	34,050	39,008
42,554	**Total**	**41,415**	**46,456**
6,405	Italian personnel under open-ended contract	6,350	6,557
974	Italian personnel under fixed-term contract	1,015	891
7,379	**Total**	**7,365**	**7,448**

Dec. 31, 2012	(units)	June 30, 2012	June 30, 2013
7,699	Number of engineers	7,362	7,663
44,980	Number of employees	41,785	47,927

- Quality Assurance and Quality Control moved directly under the CEO to emphasise and reinforce the Company's commitment to delivering products and services that meet the highest standards of quality;
- Contract Management moved from Legal Affairs directly under the CEO with the aim of ensuring an increased focus on business-related activities.

Meanwhile, on the overseas organisational front, analysis, design and development activities were started on an initiative aimed at establishing an operating model for the regional areas under the E&C Business Unit. There has also been a systematic redesign of the relevant corporate organisational structures to align them with business needs.
Saipem continues to place great emphasis on human resources development as a fundamental element for ensuring an effective definition of its workforce in qualitative terms. The development of internal resources is carried out through processes that are closely linked to the Company's business needs. As part of this approach, work continued during the first half of 2013 to consolidate the People Strategy and the Employee Value Proposition. In particular, the period saw the redesign of the Performance Management model, which constitutes a unique, integrated, transparent tool for providing Company employees at all hierarchical levels with orientation and guidance from both a professional point of view as well as in terms of expected conduct.
The employee engagement analysis commenced in November 2012 in Italy and the United Kingdom with the aim of monitoring personnel motivation levels and obtaining data on areas of strength and critical issues was concluded during the period. Where improvement measures are required, these will be implemented during the second half of 2013.
The '2013 Remuneration Report' was published in compliance with legal obligations pursuant to Article 123-*ter* of Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation. This document was approved by Saipem's Board of Directors on March 13, 2013 and published on the Company's website.
Individual annual monetary incentives, which were based on actual 2012 management performance, were paid out in March to 133 Italian senior managers, representing 43.8% of the total, with a total cost outlay of €3,637,500 (11.24% of total compensation at January 1, 2013).
Saipem's selection activities target personnel offering extensive and relevant professional experience and capabilities in order to ensure the Company is able to respond to the demands of a market which requires Saipem to maintain constant levels of excellence. With a view to developing and fostering such capabilities, which it can often be difficult to source on the labour market, Saipem continues to invest in employer branding schemes and initiatives aimed at Italian universities and the country's top secondary level technical schools.
May 2013 saw the opening of the selection procedure for the 12 places available on the postgraduate master's program in 'Safety and Environmental Management in the Oil&Gas Industry', which is organised in collaboration with the University of Bologna and Eni Corporate University. A distinctive feature of the new edition of the program is the admission of European and non-European students in addition to Italian students.
Taking its cue from developments in the market, Saipem is seeking to build lasting relations with Italy's technical institutes with a view to strengthening its corporate image, cultivating an awareness of its business activities and enhancing its ability to attract young school leavers by influencing their training paths. An example of this strategy is the 'Sinergia' project, on which work was continued during the period.
Meanwhile an intensive technical-professional training programme aimed at young school leavers, designed to develop and consolidate the capabilities required to cover a series of roles that are critical to Saipem's business, was held once again during the period.
A new learning management software application called 'Peoplearning' is currently under development. The application will provide a system for skills management that will facilitate the achievement of excellence and enable critical health, safety and environmental skills training and certification to be monitored.
Pursuant to relevant Legal Compliance requirements, the Company continued during the period with its drive to ensure the dissemination of the Internal Control Model at all hierarchical levels both in Italy and abroad, with e-learning courses being organised in connection with Legislative Decree No. 231/2001 and Security issues. Training initiatives for the members of the Compliance Committee of subsidiaries also continued during the period, as did those required by Legislative Decree No. 81/2008 for Employers, Safety Managers, Safety Supervisors and Safety Officers.
The period also saw the launch of training for Managing Directors of major overseas companies. The modular training course, which has been designed in collaboration with Eni Corporate University, is specifically focused on the following areas:

- Corporate Governance and Compliance;
- Business Context (focusing on communication);
- Corporate Finance and Financial Statements;
- Stakeholder Management;
- Contract Management;
- Integration between internal functions.

The internationally oriented programme on Business Leadership aimed at a number of critical roles, such as Project Director and Area Manager, was once again held in conjunction with Eni Corporate University and Eni.
In order to respond to the need for innovation and cost control during the design phase, a dedicated workshop for engineers was organised.
In line with the key elements of the Employee Value Proposition, which places a high value on training and emphasises the development of professional areas characterised by high levels of skill and specialisation, training projects were geared towards consolidating and leveraging technical roles. To this end, an interdepartmental project called 'Training matrix' was carried out to map and define training and professional certification programs for critical staff and line functions at Saipem.
The aim of the project is to ensure both continued professional excellence and the upkeep of the high standards demanded by clients through the monitoring of technical and professional know-how and HSE training.

The first half of 2013 saw work continue on the project to upgrade the Saipem Training Centres, which are global hubs whose mission is to ensure supervision and monitoring of Saipem knowledge and the promotion of training courses structured according to the needs of each role.
With regard to overseas employees, Local Content initiatives are continuing in Kazakhstan and Saudi Arabia with the aim of increasing the use of local resources in technical roles in the offshore and drilling sectors.
Saipem also confirmed its strong interest in countries such as Brazil and Canada, where business development activities were flanked by an intensification of employer branding and resource attraction, retention and engagement initiatives. In the Guarujá Yard in Brazil, comprehensive modular training programs combining theory and practice were commenced for pre-fabrication and fabrication technical staff.
Internal communications activities carried out during the period were devoted in particular to cascading down information regarding the new organisational structure and to issues related to change management.
The corporate intranet site saw the launch of new interactive video platform SaiTube, which allows employees to upload and share work-related videos and photos. The application also allows site users to publish comments and rate uploads, making SaiTube a first step in the direction of full-scale social media.

Information technology

Information, Communication, Technologies

The first half of 2013 saw further consolidation of the change initiatives implemented on the Company's information management systems in recent years, as well as the development of a number of new business-related initiatives which will have a significant role to play in the future in relation to the Company's digitisation strategy.
With regard to SAP R/3 6.0, the inventory management functionalities offered by Material Ledger are currently being rolled out in Group companies. The roll out of Material Ledger also impacts upon Spectec's AMOS asset maintenance management system.
In addition, the roll out of SAP is underway at Saipem do Brasil in response to the growing importance of the company's initiatives in Brazil. The roll out is now expected to be completed during the first quarter of 2014.
In the HR area, the OSA (One Step Ahead) project being developed in partnership with Oracle Corp relating to the Peoplesoft HCM (GHRS) application continued to produce positive results during the period. The new releases completed during the period related to the Talent Management and Recruitment modules.
Meanwhile the roll out of the Saipem-developed international payroll solution continued apace. The period saw the completion of a total of 16 Saipem Group company payrolls, with a completion rate of 30,000 individual payrolls per month expected to be achieved by the end of the year. Development and maintenance of the software and HR management activities have been offshored to Saipem India Projects Ltd in Chennai. In parallel with the payroll roll out, ICT is also aiming to introduce the new Falcon suite of applications within Group companies. The suite will provide a standard solution for international HR management satisfying all local requirements plus all related authorisation workflows, and will also enable uniform, centralised management of personal and contract data that in the long term it will be possible to use as a basis for producing comprehensive operational and analytical reporting.
The improvement in the quality of HR data available in GHRS has facilitated the roll out of the workload management system. The initiative currently provides coverage of all operating areas in terms of business demand and HR capacity, corresponding to a total of over 30,000 resources managed. The period also saw the completion and release of a data warehouse dashboard for top management which is accessible through the web and on tablet devices.

ICT business support activities during the period focused on the adoption of innovative tools targeted at increasing the efficiency and quality of engineering design and construction. Through partnerships with major suppliers of software solutions, such as Aveva, Bentley, and Intergraph, Saipem is continuing with its strategy of reducing customisations in favour of the adoption, where possible, of standard platforms enhanced on the basis of a continuous dialogue between the suppliers' development centres and Saipem experts. The adoption of new modelling tool Intergraph SmartPlant 3D and the development of new processes for automated drawing generation and for checking engineering data quality and consistency were successfully completed during the period. The lessons learned from the experience have been leveraged to obtain a competitive edge on new contracts requiring the use of the same product. Other business support initiatives carried out during the first half of the year were connected with the new site management models, which are using a new system for the management of piping spools and related technical documentation. The system has recently been ported for use on 'rugged' tablet devices designed for on-site use.
The period also saw the deployment of a new construction management suite called Cosmo, which features site activity planning integrated with Oracle Primavera, functionalities for job accounting and the development of pre-commissioning and commissioning plans, plus a new quality system.
With regard to IT infrastructure, the roll out of the WIE (Windows Infrastructure Evolution) project – which will allow Saipem to take advantage of the benefits deriving from the functionalities of the new Microsoft products – is nearing completion. The change programme was implemented using the latest project control techniques in order to minimise risk and identify any potential critical issues and interdependencies between individual activities. In addition to the project activities outlined above, the ICT area also established a presence in Chennai, India, where a number of infrastructure activities have been offshored, thus laying the foundations for a future internationalisation of the company's infrastructure management services.
Finally, governance, compliance and security processes were carried out according to schedule, while the findings of the analysis of company data and the risks associated with their processing is currently being disseminated. These activities are combined with the use of cutting-edge IT security technologies to mitigate the security risks associated with data processing by the company information systems.

Risk management

Saipem implements and maintains an adequate system of internal controls and risk management, composed of instruments, organisational structures and company regulations designed to safeguard company assets and to ensure the effectiveness and efficiency of company processes, reliable financial reporting, and compliance with all laws and regulations, the Articles of Association and company procedures. The structure of the internal control system of Saipem, which constitutes an integral part of the Organizational and Management Model of the company, which assigns specific roles to the company's management bodies, compliance committees, control bodies, company management and all personnel, is based on the principles contained in the Code of Ethics and the Corporate Governance Code, taking into account the applicable legislation, the CoSO report[1] 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 main industrial risks that Saipem faces and is actively monitoring and managing are the following:

(i) the market risk deriving from exposure to fluctuations in interest rates and exchange rates between the euro and the other currencies used by the company and the risk deriving 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 risk that the sources of funding required to meet the Group's short-term financial obligations may not be available;

(iv) the HSE risk associated with the potential occurrence of accidents, malfunctions, or failures with injury to persons and damage to the environment and impacts on operating and financial results;

(v) the country risk;

(vi) the project risk associated with the execution phase of engineering and construction contracts undertaken by the Onshore E&C and Offshore E&C Business Units.

Financial risks are managed in accordance with guidelines defined by the Parent Company, with the objective of aligning and coordinating Group companies' policies on financial risks.

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 a set of policies and guidelines that provide a centralised model of conducting finance, treasury and risk management operations based on the Group Treasury Structures.

Exchange rate risk

Exchange rate risk derives from the fact that Saipem's operations are conducted in currencies other than the euro and that revenues and costs from a significant portion of projects implemented are denominated and settled in non-euro currencies. This impacts on:

- individual profits, which may be significantly affected by exchange rate fluctuations on specific transactions arising from the time lag existing between the execution of a given transaction and the definition of the relevant contractual terms (economic risk) and by the conversion of foreign currency-denominated trade and financial payables and receivables (transaction risk);
- the Group's reported results and shareholders' equity, as financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro.

Saipem's foreign exchange risk management policy is to minimise economic and transactional exposures arising from foreign currency movements. 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 uses a number of different types of derivative contract to reduce economic and transaction exposure, such as currency swaps, forwards and options. In compliance with International Financial Reporting Standards (IFRS), Saipem hedges net exposure to economic and transactional risk through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated by the Corporate Finance Unit of Eni SpA 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 Treasury 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 for which exchange risk exposure in the first half of 2013 was highest in order to calculate the effect

(1) The Committee of Sponsoring Organizations of the Treadway Commission (1992), Internal Control - Integrated Framework.

on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in the exchange rates.
The analysis was performed for all relevant financial assets and liabilities denominated in the currencies considered and regarded in particular the following items:
- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short and long-term financial liabilities.

For exchange rate derivatives, the sensitivity analysis on fair value was conducted by comparing the conditions underlying the forward price fixed in the contract (i.e. spot exchange rate and interest rate) with spot rates and interest rate curves corresponding to the relevant contractual maturity dates, on the basis of period-end exchange rates subjected to hypothetical positive and negative changes of 10%, with the resulting effects weighted on the basis of the notional amounts.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of work in progress because work in progress does not constitute a financial asset under IAS 32. Moreover, the analysis regards exposure to exchange rate risk in accordance with IFRS 7 and therefore does not consider the effects of the conversion of financial statements of consolidated companies with functional currencies other than the euro.
A positive variation in exchange rates between the foreign currencies examined and the euro (i.e. depreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of -€61 million (-€49 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects, of -€487 million (-€393 million at December 31, 2012).
Meanwhile, a negative variation in exchange rates between the foreign currencies examined and the euro (i.e. appreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of €54 million (€48 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects, of €345 million (€389 million at December 31, 2012).
The increases/decreases with respect to the previous year are essentially due to the currency exchange rates on the two reference dates and to variations in the assets and liabilities exposed to exchange rate fluctuations.

Interest rate risk

The risk exposure arising from interest rate fluctuations within the Saipem Group is associated mainly with long-term financing with variable rates. To reduce this risk, Interest Rate Swaps (IRS) are entered into.

Interest Rate Swaps are evaluated at fair value by the Treasury Department of Eni SpA 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 Treasury Department. Such derivatives are evaluated by the Corporate Finance Unit of Eni SpA at fair value on the basis of market standard evaluation and market prices provided by specialised sources. The analysis calculated the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in interest rates.
The analysis was performed for all relevant financial assets and liabilities exposed to interest rate fluctuations and regarded in particular the following items:
- cash and cash equivalents;
- short and long-term financial liabilities.

For interest rate derivatives, the sensitivity analysis on fair value was conducted by comparing the interest rate conditions (fixed and variable rate) underlying the contract and used to calculate future interest rate differentials with discount curves for variable interest rates on the basis of period end interest rates subjected to hypothetical positive and negative changes of 10%, with the resulting changes weighted on the basis of the notional amounts.
For cash and cash equivalents, the analysis used the average balance for the year and the average rate of return for the year, while for short and long-term financial liabilities, the average exposure for the year and average interest rate for the year were considered.
A positive variation in interest rates would have produced an overall effect on pre-tax profit of -€5 million (-€6 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects of -€5 million (-€6 million at December 31, 2012). A negative variation in interest rates would have produced an overall effect on pre-tax profit of €5 million (€6 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects of €5 million (€6 million at December 31, 2012).
The increases/decreases with respect to the previous year are essentially due to the interest rates on the two reference dates and to variations in the assets and liabilities exposed to interest rate fluctuations.

Commodity price risk

Saipem's results are affected by changes in the prices of oil products (fuel oil, lubricants, bunker oil, etc.) and raw materials, 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 over the counter derivatives (swap and bullet swaps in particular) whose underlying commodities are oil products (mainly gasoil and naphtha) through Eni Trading & Shipping (ETS) on the organised markets of ICE and NYMEX where the relevant physical commodity market is well correlated to the financial market and is price efficient.
As regards commodity price risk management, derivative instruments on commodities are entered into 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.

Such derivatives are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market standard evaluation models 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 significant effect on pre-tax profit and an overall effect on shareholders' equity, before related tax effects, of €2 million (€1 million at December 31, 2012). A 10% negative variation in the underlying rates would have produced no significant effect on net profit and an overall effect on shareholders' equity, before related tax effects, of -€2 million (-€1 million at December 31, 2012). The increase (decrease) with respect to the previous year is essentially due to the differences between the prices used in calculating the fair value of the instrument at the two reference dates.

Credit risk

Credit risk represents Saipem's exposure to potential losses deriving from the non-performance of counterparties. As regards counterparty risk in commercial contracts, credit management is the responsibility of the business units and of specific corporate finance and administration functions 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 Treasury Department of Saipem in compliance with the centralised treasury model of Eni.
The critical situation that has developed on the financial markets has led to additional preventative measures being adopted to avoid the concentration of risk and assets. This situation has also required the setting of limits and conditions for operations involving derivative instruments.
The company did not have any significant cases of non-performance by counterparties.
As at June 30, 2013, Saipem had no significant concentrations of credit risk.

Liquidity risk

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. As part of its financial planning process, Saipem manages liquidity risk by targeting a capital structure that guarantees a level of liquidity adequate for the Groups' needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an optimal profile in terms of maturity and composition of debt in accordance with business objectives and prescribed limits.
At present, in spite of the current market conditions, Saipem believes it has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, thanks to a use of credit lines that is both flexible and targeted to meet business needs.
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.
As of June 30, 2013, Saipem maintained unused borrowing facilities of €1,657 million. In addition, Eni SpA provides lines of credit to Saipem SpA under Eni Group centralised treasury arrangements. These facilities were under interest rates that reflected market conditions. Fees charged for unused facilities were not significant.
The following tables show total contractual payments (including interest payments) and maturities on financial debt and payments and due dates for trade and other payables.

Finance debt

	Maturity					
(€ million)	**2014 (*)**	**2015**	**2016**	**2017**	**After**	**Total**
Long-term debt	1,597	702	638	488	1,143	4,568
Short-term debt	1,611	-	-	-	-	1,611
Derivative liabilities	152	-	-	-	-	152
	3,360	**702**	**638**	**488**	**1,143**	**6,331**
Interest on debt	139	63	51	37	27	317

(*) Includes the second half of 2013.

Trade and other payables

	Maturity			
(€ million)	2014 (*)	2015-2017	After	Total
Trade payables	2,681	-	-	2,681
Other payables and advances	2,771	4	-	2,775

(*) Includes the second half of 2013.

Outstanding contractual obligations

In addition to the financial and trade debt recorded in the balance sheet, the Saipem Group has contractual obligations relating to non-cancellable operating leases whose performance will entail payments being made in future years. The following table shows undiscounted payments due in future years in relation to outstanding contractual obligations.

	Maturity					
(€ million)	2014 (*)	2015	2016	2017	After	Total
Non-cancellable operating leases	129	52	48	45	57	331

(*) Includes the second half of 2013.

The operating leases mainly relate to office buildings, long-term time charters and land.

The table below summarises Saipem's capital expenditure commitments for property, plant and equipment and capital projects for which procurement contracts will normally have been entered into.

	Maturity	
(€ million)	2013	2014
Committed on major projects	116	39
Committed on other investments	111	18
	227	**57**

HSE (Health, Safety & Environment) risk

Saipem's business activities conducted both in and outside Italy are subject to a broad range of national legislation and regulations, including laws implementing international protocols and conventions relating to specific sectors of activity.
These laws and regulations require prior authorisation and/or the acquisition of a license before operations may commence and the compliance with health, safety and environmental protection regulations.
Environmental regulations impose restrictions on the types, quantities and concentration of pollutants that can be released into the air, water and soil and require companies to adopt correct waste management practices. In particular, strict operating practices and standards to protect biodiversity must be adopted when exploring for, drilling and producing Oil&Gas in certain ecologically sensitive locations. Failure to comply with environmental, health and safety laws is punishable by criminal and civil sanctions against the individuals responsible and – in certain cases of violations of safety laws – against companies, in accordance with an European model of direct corporate liability implemented in Italy through Legislative Decree No. 231/2001.
Environmental, health and safety laws and regulations have a substantial impact on Saipem's operations and expenses and liabilities that Saipem may incur in relation to compliance with environmental, health and safety laws and regulations are expected to remain material to the Group's results of operations and financial position in future years. Recently enacted legislation regarding health and safety in the workplace in Italy introduced new requirements which will have an impact on operations at Eni sites and in particular on relationships with contractors as well as significant repercussions on the models used for attributing liability in the event of violations of health and safety legislation.
The new legislation emphasised the importance of adopting certified organisational and management models, by establishing it as a condition for exemption from administrative liability in the event of violations of legislation regarding health and safety in the workplace. For this purpose, Saipem has adopted HSE guidelines to ensure the health and safety of employees, local communities, contractors and clients and the safeguarding of the environment, in compliance with local and international rules and regulations and in line with international best practices and standards.
An ongoing process of risk identification, evaluation and mitigation is at the heart of HSE management operations in all phases of activity and for all business units. This process is implemented through the adoption of effective management procedures and systems designed to suit the specific characteristics of each activity and the sites in which they take

place and with a view to achieving the continuous improvement of plant and processes. Additionally, the codification and proceduralisation of operating phases has led to a reduction of the human component in plant risk management. Operating emergencies that may have an adverse impact on assets, people and the environment are managed by the business units at site level through dedicated HSE structures equipped with emergency response plans indicating the corrective actions to be taken to minimise damage in the event of an incident and responsibilities for ensuring they are taken.
Saipem's integrated approach to managing health, safety and environmental issues is supported by the adoption in all Group companies of an HSE management system based on the Saipem/Eni Management System Model. The system, which is based on an annual cycle of planning, implementation, control, review of results and definition of new objectives, is designed to achieve risk prevention and the systematic monitoring and control of HSE performance, in a cycle of continuous improvement, and is subject to audits by internal and independent experts. Saipem's facilities are certified to international standards such as ISO 14001, OHSAS 18001 and even EMAS. The Group also provides an advanced programme of training and development for HSE staff with the aim of:
- promoting conduct consistent with the applicable guidelines;
- guiding HSE-related cultural, professional and managerial growth of all personnel;
- supporting knowledge management and HSE risk control.

Country risk

Substantial portions of Saipem's operations are performed in countries outside the EU and North America, certain of which may be politically or economically less stable. Developments in the political framework, economic crisis, internal social unrest and conflicts with other countries can compromise temporarily or permanently Saipem's ability to operate cost efficiently in such countries and 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 underway in conditions that differ from those originally anticipated. If Saipem's ability to operate is temporarily compromised, demobilisation is planned according to criteria designed to guarantee the protection of company assets that remain on-site and to minimise the business interruption by employing solutions that accelerate and reduce the cost of business recovery once favourable conditions have returned. The measures outlined above may be costly and have an impact on expected results. Further risks associated with activities in such countries are: (i) lack of well-established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavourable developments in laws and regulations and unilateral contract changes, leading to reductions in the value of Saipem's assets, forced sales and expropriations; (iii) restrictions on construction, drilling, imports and exports; (iv) tax increases; (v) civil and social unrest leading to sabotage, attacks, violence and similar incidents. Such events are predictable only to a very limited extent and may occur and develop at any time, causing a materially adverse impact on Saipem's financial position and results.
Saipem employs a continuous and holistic approach to monitoring political, social and economic risk in countries in which it operates or intends to invest, drawing on reports on principal project risks and related trends prepared in accordance with Corporate Risk Management Policy and Risk Management procedures and Standards and Security reports prepared in accordance with the Corporate Security Policy and Guidelines on Security Activities.
To manage the specific security risks to which it is exposed in the countries where it operates, Saipem has adopted a security model known as SECUR, based on the criteria of prevention, precaution, protection, information, promotion and participation, with the aim of protecting the safety of employees, contractors and the public, as well as the integrity of assets and brand reputation. As part of its adoption of the SECUR model, Saipem has implemented a comprehensive security management system, which constitutes an organisational, legal and procedural tool for preventing and managing the consequences of security related events. The system is designed for the management of risks deriving from unlawful acts committed by physical or juridical persons which may expose the company and its assets, people and image to potential damage.

Project risk

The main objectives of the Risk and Opportunity and Knowledge Management department are to:
- promote the use of the Risk Management methodology for tenders and in the execution phase of projects managed by Business Units as well as on the Company's principal investment projects;
- assure periodic reporting to management on principal project risks and on trends observed, aggregated by Business Unit and at global level and implement project portfolio analyses in order to support management decisions and provide an understanding of the external macro risk factors on projects that may impact on company results so that Management can intervene by deploying the appropriate risk management tools of avoidance, mitigation, transfer and acceptance;
- assure the spread of a risk management culture within Saipem with a view to achieving structured management of risk and opportunity during business activities and contribute to improved management of contingencies;
- provide advice, support and guidelines to the Business Units and projects in identifying and evaluating risks and opportunities and in all activities related to the implementation of mitigation and improvement measures for risk management and the optimisation of opportunities, respectively;
- define, develop and update tools and methods for collecting and organising lessons learned and making them available to projects;
- ensure adequate training and the necessary support to commercial and project management teams;

- ensure the protection of Saipem's intellectual property rights by monitoring the processes connected with the creation and filing of patents and the identification of distinct know-how that is to be protected, and by promoting the sharing and centralised collection of a corpus of Saipem's intellectual property rights;
- ensure that Corporate Guidelines, Procedures and Standards are constantly updated in accordance with international Standards and Codes of Practice, promoting full compliance and correct application within Saipem and its subsidiaries;
- contribute to promoting the observance of the Golden Rules and Silver Guidelines, the tool for regulating risk assumption through which Saipem assigns management the responsibility for the decision to assume significant risks.

The Standards and Procedures in force at Saipem are in line with the principal international risk management standards.

Insurance

The Corporate Insurance function, in close cooperation with top management, defines annual Saipem Group guidelines for insurance coverage against the risk of damage to property, third party liability, as well as risks related to the performance of contracts.
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 statistics 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 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:

Damage to property

- '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 Remote Operating Vehicles (ROV), 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.
- 'Other minor risks' policy: covers minor risks such as theft and employee dishonesty.

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, up to a limit of US $5.6 billion (with a sublimit for pollution of US $1 billion) for events occurring during transit, up to US $300 million for events occurring during offshore drilling operations and up to US $500 million for events occurring during offshore 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 the specific P&I coverage up to a limit of €400 million per event.
- '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.

A key tool in the management of Saipem's insurable risks is the captive reinsurance company Sigurd Rück AG, set up and operational since 2008, which covers the initial part of risk, corresponding to €10 million per event for third party liability and €15 million per event for all other classes of risk.
Sigurd Rück AG in turn carries out risk mitigation by re-insuring its portfolio on primary securities markets.

Project execution insurance policies

For all contracts awarded, specific project insurance coverage must be taken out. Generally, the contractual responsibility for such insurance lies with the client.

Where the responsibility lies with the contractor, Saipem takes out insurance that will cover all risks connected with the project for its entire duration.

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 insurance premiums and excesses on such policies are an incentive to Saipem in its efforts to achieve the continuous improvement of its prevention and protection processes in terms of quality, health, safety and environmental impact.

Additional information

Purchase of treasury shares

At June 30, 2013, the share capital amounted to €441,410,900. On the same day, the number of shares in circulation was 439,434,568. No treasury shares were purchased on the market during the period.

Consob Regulation on Markets

Article 36 of Consob Regulation on Markets: 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 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 that are deemed to be of material significance in relation to the consolidated financial statements, the Company discloses that at June 30, 2013, the following fifteen Saipem subsidiaries fell within the scope of application of the regulation in question:

- Petrex SA;
- Snamprogetti Saudi Arabia Co Ltd Llc;
- Saipem Contracting (Nigeria) Ltd;
- PT Saipem Indonesia;
- ER SAI Caspian Contractor Llc;
- Saipem Misr for Petroleum Services (S.A.E.);
- Saipem (Nigeria) Ltd;
- Saudi Arabian Saipem Ltd;
- Global Petroprojects Services AG;
- Saipem America Inc;
- Saipem Asia Sdn Bhd;
- Saipem Contracting Algérie SpA;
- Saipem Canada Inc;
- Saipem Offshore Norway AS;
- Saipem Drilling Norway AS.

Procedures designed to ensure full compliance with Article 36 have already been adopted for the above companies.
The regulatory compliance plan for 2013 will include the implementation of a system of internal controls pursuant to Article 36 at the following company:

- Saipem do Brasil Serviçõs de Petroleo Ltda.

Article 37 of Consob Regulation on Markets: conditions preventing the admission to trading on an Italian regulated market of the shares of subsidiaries subject to management and coordination by another company

Pursuant to the requirements set out in paragraph 11 of Article 2.6.2. of the Rules of the Markets organised and managed by Borsa Italiana SpA, the Board of Directors in its meeting of March 13, 2013, ascertained that the Company satisfies the conditions set out in paragraph 1, Article 37 of Consob Regulation on Markets for the admission to trading on an Italian regulated market of the shares of subsidiaries subject to management and coordination by another company.
The Board of Directors Meeting on March 13, 2013 also verified that the composition of the Board itself, as appointed by the Shareholders' Meeting of May 4, 2011, and of its internal Committees, was in accordance with letter d), paragraph 1 of Article 37. The Board is in fact made up of a majority of independent directors and the Committees (the Compensation and Nomination Committee and the Audit and Risk Committee) are composed exclusively of independent directors.

Disclosure of transactions with related parties

Transactions with related parties entered into by Saipem and identified by IAS 24 concern mainly the exchange of goods, the supply of services, and the provision and utilisation of financial resources, including entering into derivative contracts. All such transactions are an integral part of ordinary day-to-day business and are carried out on an arm's length basis (i.e. at conditions which would be applied between independent parties) and in the interest of Group companies.
Directors, 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, in accordance with the provisions of IAS 24.
The amounts of trade, financial or other operations with related parties are provided in Note 43 to the condensed consolidated interim financial statements.

Transactions with the Parent Company and companies subject to Saipem's direction and coordination

Saipem is subject to the direction and coordination of Eni SpA. Transactions with Eni SpA and with entities subject to its direction and coordination constitute transactions with related parties and are commented on in Note 43 'Transactions with related parties' in the notes to the condensed consolidated interim financial statements.

Events subsequent to period end

New contracts

In July 2013, Saipem was awarded new drilling contracts with a total value of approximately US $550 million.

In the onshore drilling segment, the Company won contracts with various clients for the use of 17 rigs for varying lengths of time ranging from 6 months to 5 years in the Middle East, Caspian Sea region, South America, West Africa, Turkey and Ukraine. Two of these rigs will operate for Shell on a worldwide long-term contract under which Saipem will provide on-call services designed to facilitate the oil company's entry into new countries and carry out worldwide onshore exploratory drilling operations under certain predefined conditions.
In the offshore drilling segment, Saipem signed a two-year extension to the charter of the Saipem TAD for drilling operations offshore Congo and a one-year extension of the charter of the Perro Negro 5 which is currently operating in Saudi Arabia.

Perro Negro 6 incident

On July 1, 2013, the jack-up drilling rig Perro Negro 6 was being positioned for drilling operations near the mouth of the Congo river in approximately 40 metres of water when it tilted due to the collapse of the seabed under one of its three legs. The rig began to take on water and subsequently capsized and sank. Emergency procedures were promptly implemented to ensure the rapid evacuation of the personnel on board. Following the sudden tilting, one of the rig's crew of 103 was reported missing, while six others sustained minor injuries. The rig has been declared a total loss. Saipem is covered by insurance for the loss of the rig, wreckage removal, as well as for any possible environmental damage.

Outlook

As anticipated in the press release published on June 14, 2013, our half year results as at June 30, 2013 confirmed the negative forecasts for 2013.
However – the uncertainty with regard to the timing of contract awards by the Oil Companies notwithstanding – the good progress being made on new contracts acquired, employing a greater degree of selectivity, during the first half of the year, coupled with good performances from the Drilling Business Unit underpin management expectations for a significant improvement in results in the second half of 2013.
Net borrowings at year end are expected to amount to approximately €5 billion, although negotiations currently underway with clients, full-scale operations on a number of projects suffering from unfavourable financial conditions and the impact of the investigations in Algeria mean that it is difficult to make accurate working capital forecasts.
Overall, Saipem expects to achieve revenues amounting to approximately €13 billion, to reach EBIT break-even and to record a net loss of approximately €300-350 million, with investments amounting to approximately €1 billion.

Non-GAAP measures

Some of the performance indicators used in the 'Operating and Financial Review' are not included in the IFRS (i.e. they are non-GAAP measures).
They 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 'Operating and Financial Review' are as follows:
- cash flow: the sum of net result plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- EBITDA: an useful measure for evaluating the operating performance of the Group as a whole and of the individual sectors of activity, in addition to operating result. 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;
- total liabilities and shareholders' equity: the sum of shareholders' equity, minority interest and net borrowings.

Secondary offices

Pursuant to Article 2428 of the Italian Civil Code, the Company declares that it has a secondary office in Cortemaggiore (PC), Via Enrico Mattei, 20.

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

Reclassified balance sheet

(€ million)	Dec. 31, 2012		June 30, 2013	
Reclassified balance sheet items (where not stated otherwise, items comply with statutory scheme)	Partial amounts from statutory scheme	Amounts from reclassified scheme	Partial amounts from statutory scheme	Amounts from reclassified scheme
A) Net tangible assets		8,254		8,389
Note 7 - Property, plant and equipment	*8,254*		*8,389*	
B) Net intangible assets		756		756
Note 8 - Intangible assets	*756*		*756*	
C) Investments		116		123
Note 9 - Investments accounted for with the equity method	*116*		*123*	
Reclassified from E) - provisions for losses related to investments	-			
D) Working capital		1,095		344
Note 2 - Trade and other receivables	*3,252*		*3,158*	
Reclassified to I) - financing receivables not related to operations	*(79)*		*(75)*	
Note 3 - Inventories	*2,332*		*2,233*	
Note 4 - Current tax assets	*238*		*231*	
Note 5 - Other current tax assets	*271*		*311*	
Note 6 - Other current assets	*388*		*234*	
Note 10 - Other financial assets	*1*		*1*	
Reclassified to I) - financing receivables not related to operations	*(1)*		*(1)*	
Note 11 - Deferred tax assets	*97*		*112*	
Note 12 - Other non-current assets	*174*		*162*	
Note 14 - Trade and other payables	*(4,982)*		*(5,452)*	
Note 15 - Income tax payables	*(250)*		*(195)*	
Note 16 - Other tax payables	*(129)*		*(135)*	
Note 17 - Other current liabilities	*(93)*		*(216)*	
Note 21 - Deferred tax liabilities	*(121)*		*(19)*	
Note 22 - Other non-current liabilities	*(3)*		*(5)*	
E) Provisions for contingencies		(163)		(241)
Note 19 - Provisions for contingencies	*(163)*		*(241)*	
Reclassified to C) - provisions for losses related to investments	-		-	
F) Employee termination indemnities		(255)		(263)
Note 20 - Provisions for employee benefits	*(255)*		*(263)*	
CAPITAL EMPLOYED, NET		**9,803**		**9,108**
G) Shareholders' equity		5,377		4,418
Note 24 - Saipem shareholders' equity	*5,377*		*4,418*	
H) Minority interest		148		120
Note 23 - Minority interest	*148*		*120*	
I) Net debt		4,278		4,570
Note 1 - Cash and cash equivalents	*(1,325)*		*(1,533)*	
Note 13 - Short-term debt	*1,740*		*1,611*	
Note 18 - Long-term debt	*3,543*		*4,212*	
Note 18 - Current portion of long-term debt	*400*		*356*	
Reclassified from D) - financing receivables not related to operations (Note 2)	*(79)*		*(75)*	
Reclassified from D) - financing receivables not related to operations (Note 10)	*(1)*		*(1)*	
FUNDING		**9,803**		**9,108**

Reclassified income statement

The only items of the reclassified income statement which differ from the statutory scheme are those stated hereafter:

- the items 'financial income' (€234 million), 'financial expenses' (-€246 million) and 'derivatives' (-€80 million), which are indicated separately under the statutory scheme, are stated under the item 'net finance expense' (-€92 million) in the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

The only items of the reclassified cash flow statement which differ from the statutory scheme are those stated hereafter:

- the items 'depreciation and amortisation' (€359 million), 'change in the provision for employee benefits' (€9 million), 'other changes' (-€9 million) and 'effect of accounting using the equity method' (-€8 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' (€351 million);
- the items 'income taxes' (€15 million), 'interest expense' (€79 million) and 'interest income' (-€2 million), and, indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and income taxes' (€92 million);
- the items regarding 'other assets and liabilities' (€908 million), changes in 'inventories' (€143 million), 'provisions for contingencies' (€69 million), 'trade receivables' (€21 million) and 'trade payables' (-€276 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' (€865 million);
- the items 'dividends received' (€3 million), 'interest received' (€1 million), 'income taxes paid net of refunds of tax credits' (-€171 million) and 'interest paid' (-€76 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, interest paid and received' (-€243 million);
- the items relating to investments in 'intangible assets' (-€486 million) and 'tangible assets' (-€6 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€492 million);
- the items 'financing receivables' (-€5 million) and disposals of 'financing receivables' (€10 million), indicated separately and included in cash flow used in investing activities in the statutory scheme, are shown under the item 'borrowings (repayment) of debt related to financing activities' (€5 million);
- the items 'proceeds from long-term debt' (€1,115 million), 'repayments of long-term debt' (-€495 million) and 'increase (decrease) in short-term debt' (-€118 million), indicated separately and included in net cash used in financing activities in the statutory scheme, are shown net under the item 'changes in short and long-term financial debt' (€502 million).

All other items are unchanged.

Condensed consolidated interim financial statements

Financial statements

Balance sheet

(€ million)	Note	Dec. 31, 2012 Total	Dec. 31, 2012 of which with related parties	June 30, 2013 Total	June 30, 2013 of which with related parties
ASSETS					
Current assets					
Cash and cash equivalents	(No. 1)	1,325	642	1,533	807
Trade and other receivables	(No. 2)	3,252	948	3,158	767
Inventories	(No. 3)	2,332		2,233	
Current tax assets	(No. 4)	238		231	
Other current tax assets	(No. 5)	271		311	
Other current assets	(No. 6)	388	203	234	88
Total current assets		**7,806**		**7,700**	
Non-current assets					
Property, plant and equipment	(No. 7)	8,254		8,389	
Intangible assets	(No. 8)	756		756	
Investments accounted for using the equity method	(No. 9)	116		123	
Other financial assets	(No. 10)	1		1	
Deferred tax assets	(No. 11)	97		112	
Other non-current assets	(No. 12)	174	4	162	-
Total non-current assets		**9,398**		**9,543**	
TOTAL ASSETS		**17,204**		**17,243**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(No. 13)	1,740	1,523	1,611	1,426
Current portion of long-term debt	(No. 18)	400	399	356	353
Trade and other payables	(No. 14)	4,982	177	5,452	260
Income tax payables	(No. 15)	250		195	
Other current tax liabilities	(No. 16)	129		135	
Other current liabilities	(No. 17)	93	88	216	157
Total current liabilities		**7,594**		**7,965**	
Non-current liabilities					
Long-term debt	(No. 18)	3,543	3,343	4,212	3,971
Provisions for contingencies	(No. 19)	163		241	
Provisions for employee benefits	(No. 20)	255		263	
Deferred tax liabilities	(No. 21)	121		19	
Other non-current liabilities	(No. 22)	3	1	5	1
Total non-current liabilities		**4,085**		**4,740**	
TOTAL LIABILITIES		**11,679**		**12,705**	
SHAREHOLDERS' EQUITY					
Minority interest	(No. 23)	148		120	
Saipem's shareholders' equity:	(No. 24)	5,377		4,418	
- share capital	(No. 25)	441		441	
- share premium reserve	(No. 26)	55		55	
- other reserves	(No. 27)	86		(31)	
- retained earnings		3,934		4,571	
- net profit (loss) for the period		904		(575)	
- treasury shares	(No. 28)	(43)		(43)	
Total shareholders' equity		**5,525**		**4,538**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,204**		**17,243**	

Income statement

(€ million)		First half 2012		First half 2013	
	Note	Total	*of which with related parties*	Total	*of which with related parties*
REVENUES					
Net sales from operations	(No. 31)	6,397	939	5,186	983
Other income and revenues	(No. 32)	6	-	3	-
Total revenues		**6,403**		**5,189**	
Operating expenses					
Purchases, services and other costs	(No. 33)	(4,354)	(76)	(4,174)	(118)
Payroll and related costs	(No. 34)	(938)		(1,123)	
Depreciation, amortisation and impairment	(No. 35)	(345)		(359)	
Other operating income (expense)	(No. 36)	-	-	(1)	(1)
OPERATING RESULT		**766**		**(468)**	
Finance income (expense)					
Finance income		155	1	234	9
Finance expense		(221)	(49)	(246)	(61)
Derivative financial instruments		(17)	(16)	(80)	(80)
Total finance income (expense)	(No. 37)	**(83)**		**(92)**	
Income (expense) from investments					
Share of profit of equity-accounted investments		4		8	
Other gains (loss) from investments		1		-	
Total income (expense) from investments	(No. 38)	**5**		**8**	
RESULT BEFORE INCOME TAXES		**688**		**(552)**	
Income taxes	(No. 39)	(199)		(15)	
NET RESULT		**489**		**(567)**	
Attributable to:					
- Saipem		474		(575)	
- minority interest	(No. 40)	15		8	
Earnings (loss) per share attributable to Saipem (€ per share)					
Basic	(No. 41)	1.08		(1.31)	
Diluted	(No. 41)	1.08		(1.31)	

Statement of comprehensive income

(€ million)	First half 2012	First half 2013
Net profit (loss) for the period	**489**	**(567)**
Other items of comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange rate differences arising from the translation into euro of financial statements currencies other than euro	35	(21)
Change in the fair value of cash flow hedges (1)	(129)	(112)
Share of other comprehensive income of investments accounted for using the equity method	2	-
Income tax on items that may be reclassified subsequently to profit or loss	19	16
Other items of comprehensive income net of taxation	**(73)**	**(117)**
Total comprehensive income for the period	**416**	**(684)**
Attributable to:		
- Saipem Group	397	(693)
- minority interest	19	9

(1) The change in the fair value of cash flow hedges relates almost exclusively to transactions with the parent company Eni.

Statement of changes in shareholders' equity

(€ million)	Saipem shareholders' equity													
	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve	Cumulative currency translation differences	Employee defined benefits reserve	Retained earnings	Net profit (loss) for the period	Treasury shares	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2011	**441**	**55**	**7**	**88**	**-**	**(60)**	**(12)**	**-**	**3,342**	**921**	**(73)**	**4,709**	**114**	**4,823**
Changes to accounting principles (IAS 19)	-	-	-	-	-	-	-	-	(16)	-	-	(16)	-	(16)
Adjusted balance at January 1, 2012	**441**	**55**	**7**	**88**	**-**	**(60)**	**(12)**	**-**	**3,326**	**921**	**(73)**	**4,693**	**114**	**4,807**
Net profit for the first half of 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**474**	**-**	**474**	**15**	**489**
Other comprehensive income														
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	-	-	-	-	-	(110)	-	-	-	-	-	(110)	-	(110)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	31	-	-	-	-	31	4	35
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	2	-	-	2	-	2
Total comprehensive income (loss) for the first half of 2012	**-**	**-**	**-**	**-**	**-**	**(110)**	**31**	**-**	**2**	**474**	**-**	**397**	**19**	**416**
Transactions with shareholders														
Dividend distribution in the first half of 2012	-	-	-	-	-	-	-	-	-	(307)	-	(307)	-	(307)
Retained earnings	-	-	-	-	-	-	-	-	614	(614)	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	22	22	-	22
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	-	-	-	(2)	-	1	(1)	1	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**612**	**(921)**	**23**	**(286)**	**1**	**(285)**
Balance at June 30, 2012	**441**	**55**	**7**	**88**	**-**	**(170)**	**19**	**-**	**3,940**	**474**	**(50)**	**4,804**	**134**	**4,938**
Net profit for the second half of 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**430**	**-**	**430**	**39**	**469**
Other comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of taxation	-	-	-	-	-	-	-	(13)	-	-	-	(13)	-	(13)
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	-	-	-	-	-	217	-	-	-	-	-	217	-	217
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(61)	-	-	-	-	(61)	(7)	(68)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income (loss) for the second half of 2012	**-**	**-**	**-**	**-**	**-**	**217**	**(61)**	**(13)**	**(2)**	**430**	**-**	**571**	**32**	**603**
Transactions with shareholders														
Dividend distribution in the second half of 2012	-	-	-	-	-	-	-	-	-	-	-	-	(23)	(23)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	7	7	-	7
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	-	(1)	-	(4)	-	-	(5)	5	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(4)**	**-**	**7**	**2**	**(18)**	**(16)**
Balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**(13)**	**3,934**	**904**	**(43)**	**5,377**	**148**	**5,525**

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	Cash flow hedge reserve	Cumulative currency translation differences	Employee defined benefits reserve	Retained earnings	Net profit (loss) for the period	Treasury shares	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**(13)**	**3,934**	**904**	**(43)**	**5,377**	**148**	**5,525**
Net profit (loss) for the first half of 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(575)**	**-**	**(575)**	**8**	**(567)**
Other comprehensive income														
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	-	-	-	-	-	(96)	-	-	-	-	-	(96)	-	(96)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(22)	-	-	-	-	(22)	1	(21)
Total comprehensive income (loss) for the first half of 2013	**-**	**-**	**-**	**-**	**-**	**(96)**	**(22)**	**-**	**-**	**(575)**	**-**	**(693)**	**9**	**(684)**
Transactions with shareholders														
Dividend distribution in the first half of 2013	-	-	-	-	-	-	-	-	-	(299)	-	(299)	(38)	(337)
Retained earnings	-	-	-	-	-	-	-	-	605	(605)	-	-	-	-
Contribution from minority interest Snamprogetti Engineering & Contracting Co Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	1	-	-	(1)	-	-	-	-	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	33	-	-	33	-	33
Total	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**637**	**(904)**	**-**	**(266)**	**(37)**	**(303)**
Balance at June 30, 2013	**441**	**55**	**7**	**88**	**-**	**(48)**	**(65)**	**(13)**	**4,571**	**(575)**	**(43)**	**4,418**	**120**	**4,538**

Cash flow statement

(€ million)	Note	First half 2012	First half 2013
Net profit (loss) for the period		474	(575)
Minority interest		15	8
Adjustments to reconcile net result to cash flow from operations:			
- depreciation and amortisation	(No. 35)	324	359
- net impairment of tangible and intangible assets	(No. 35)	21	-
- share of profit (loss) of equity-accounted investments	(No. 38)	(4)	(8)
- net (gains) losses on disposal of assets		-	1
- interest income		(5)	(2)
- interest expense		55	79
- income taxes	(No. 39)	199	15
- other changes		(8)	(9)
Changes in working capital:			
- inventories		(850)	143
- trade receivables		301	21
- trade payables		44	(276)
- provisions for contingencies		(17)	69
- other assets and liabilities		(255)	908
Cash flow from working capital		*294*	*733*
Change in the provision for employee benefits		9	9
Dividends received		1	1
Interest received		3	3
Interest paid		(55)	(76)
Income taxes paid net of refunds of tax credits		(109)	(171)
Net cash provided by operating activities		**143**	**499**
of which with related parties	(No. 43)	*818*	*996*
Investing activities:			
- tangible assets	(No. 7)	(543)	(486)
- intangible assets	(No. 8)	(5)	(6)
- investments	(No. 9)	-	-
- consolidated subsidiaries and businesses		-	-
- financing receivables		(2)	(6)
Cash flow from investing activities		*(550)*	*(498)*
Disposals:			
- tangible assets		2	-
- consolidated subsidiaries and businesses		(8)	42
- investments		-	-
- financing receivables		7	11
Cash flow from disposals		*1*	*53*
Net cash used in investing activities [1]		**(549)**	**(445)**
of which with related parties	(No. 43)	-	-

cont'd Cash flows statement

(€ million)	Note	First half 2012		First half 2013	
Proceeds from long-term debt		478		1,115	
Repayments of long-term debt		(53)		(495)	
Increase (decrease) in short-term debt		481		(118)	
		906		**502**	
Dividend distribution		(329)		(337)	
Sale of treasury shares		22		-	
Net cash from financing activities		**599**		**165**	
of which with related parties	(No. 43)		*922*		*485*
Effect of changes in consolidation		-		-	
Effect of exchange rate changes and other changes on cash and cash equivalents		14		(11)	
Net cash flow for the period		**207**		**208**	
Cash and cash equivalents - beginning of period	(No. 1)	**1,029**		**1,325**	
Cash and cash equivalents - end of period	(No. 1)	**1,236**		**1,533**	

(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 borrowings. For the definition of net borrowings, see the 'Financial and economic results' section of this 'Interim Consolidated Report'.
Cash flows of such investments were as follows:

(€ million)	First half 2012	First half 2013
Financing investments:		
- financing receivables	(1)	(5)
	(1)	**(5)**
Disposal of financing investments:		
- financing receivables	6	10
	6	**10**
Net cash flows from financing activities	**5**	**5**

Notes to the condensed consolidated interim financial statements

Basis of presentation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The structure of the financial statements is the same as that used in the annual report with the exception of the statement of comprehensive income in which, pursuant to the new provisions of IAS 1 'Presentation of Financial Statements', items presented in other comprehensive income are grouped based on whether they are potentially reclassifiable to profit or loss subsequently in accordance with the relevant IFRS (reclassification adjustments).
The condensed consolidated interim financial statements have been prepared in accordance with the same principles of consolidation and evaluation criteria described in the annual report, with the exception of the International Accounting Standards that came into effect as of January 1, 2013, as illustrated in the 'Recent accounting principles' section of the 2012 Annual Report. In particular, European Commission Regulation No. 475/2012 dated June 5, 2012 approved the new version of IAS 19 'Employee benefits' which, amongst other things, introduces: (i) the requirement to recognise immediately all actuarial gains and losses through other comprehensive income, thereby eliminating the option to apply the corridor method. The actuarial gains and losses recognised in the statement of comprehensive income are not subsequently taken to the income statement; (ii) replacement of the expected return on plan assets and the interest cost by a single 'net interest' component recognised in profit or loss. 'Net interest' is determined by applying the discount rate for liabilities to liabilities net of plan assets. The net interest on the net defined benefit liability (asset) is recognised as 'Finance income (expense)'. The new provisions of IAS 19 are applied retrospectively, adjusting the opening values of the balance sheet at January 1, 2012 and the income statement for 2012 accordingly. The application of the new provisions of IAS 19 to these condensed consolidated interim financial statements produced the following effects, net of taxation: (i) a reduction of shareholders' equity at January 1, 2012 of € 20 million and € 16 million; (ii) a reduction of shareholders' equity at December 31, 2012 of € 38 million and € 28 million, of which € 19 million and € 13 million, respectively for actuarial gains and losses in 2012 recognised in other items of comprehensive income. The effect on the income statement for the first six months of 2012 is not significant. As a result of the above, in addition to the recognition of the net interest on the net defined benefit liability (asset) as 'finance income (expense)' instead of as a component of payroll and related costs as was previously the case, there was also a positive change in operating profit for the first half of 2012 of € 4 million.
IFRS 13 'Fair Value Measurement' (adopted by the European Commission with Regulation No. 1255/2012 dated December 11, 2012) came into effect as of January 1, 2013. The standard provides a single IFRS framework for fair value measurements required or permitted by other IFRSs and also requires disclosures about fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The application of the provisions of IFRS 13 did not produce any significant effects. This report includes selected explanatory notes.
Current income taxes are determined on the basis of estimated taxable income. Current income tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
Consolidated companies, non-consolidated subsidiaries, associates and relevant shareholdings as set forth in Article 126 of Consob Resolution 11971 of May 14, 1999 and subsequent addenda, 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 consolidated interim financial statements as of June 30, 2013, approved by Saipem's Board of Directors on July 30, 2013, were subjected to a limited review by the independent auditor Reconta Ernst & Young 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 (€ million).

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: Bank of Italy).
Cumulative exchange rate differences resulting from this translation are recognised in shareholders' equity under the item 'Cumulative currency translation differences' (included in 'Other reserves') for the portion relating to the Group's interest and under 'Minority interest' for the portion related to minority shareholders. 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 minority interest in equity.
The financial statements used for the purpose of translation 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 rate at Dec. 31, 2012	Exchange rate at June 30, 2013	2013 average exchange rate
US Dollar	1.3194	1.308	1.31337
British Pound Sterling	0.8161	0.8572	0.850831
Algerian Dinar	103.384	103.829	103.225
Angolan Kwanza	126.425	125.974	126.14
Argentine Peso	6.48641	7.04029	6.73098
Australian Dollar	1.2712	1.4171	1.29605
Azerbaijan Manat	1.03507	1.02554	1.03011
Brazilian Real	2.7036	2.8899	2.66834
Canadian Dollar	1.3137	1.3714	1.33409
Croatian Kuna	7.5575	7.4495	7.57009
Dominican Peso	53.1206	54.5354	53.8115
Egyptian Pound	8.37831	9.18203	8.95582
Indian Rupee	72.56	77.721	72.2776
Indonesian Rupee	12,714	12,980.4	12,786.8
Malaysian Ringgit	4.0347	4.134	4.0391
Nigerian Naira	206.104	212.227	207.726
Norwegian Kroner	7.3483	7.8845	7.5209
Peruvian New Sol	3.36777	3.63782	3.43889
Qatari Riyal	4.80394	4.76232	4.78171
Romanian New Leu	4.4445	4.4603	4.39117
Russian Rouble	40.3295	42.845	40.7539
Saudi Arabian Riyal	4.94838	4.90526	4.92547
Singapore Dollar	1.6111	1.6545	1.6328
Swiss Franc	1.2072	1.2338	1.22995
UAE Dirham	4.84617	4.8042	4.8240

Use of accounting estimates

For a description of the accounting estimates used see the annual report.

Recent accounting principles

With regard to recent accounting principles, in addition to the information provided in the annual report, during the first half of 2013 the IASB issued the following accounting standards, which have not yet been endorsed by the European Union.

On May 20, 2013, the IFRIC issued interpretation IFRIC 21 'Levies' (hereafter IFRIC 21), which defines the accounting treatment to be applied for levies charged by public authorities (e.g. contributions to be paid for participation in a specific market) other than taxes, fines and penalties. IFRIC 21 sets out recognition criteria for this type of liability, identifying the obligating event for their recognition as the activity that triggers the payment of the levy in accordance with the relevant legislation. IFRS 21 provisions shall be applied for annual periods beginning on or after January 1, 2014.

On May 29, 2013, IASB issued the amendment to IAS 36 'Recoverable amount disclosures for non-financial assets', which establishes additional disclosure requirements, namely: (i) disclosure of the recoverable amount of individual assets or cash-generating units for which an entity has recognised or reversed an impairment loss during the reporting period; (ii) additional disclosures required in cases where the recoverable amount is based on fair value less costs of disposal. The provisions contained in the amendment to IFRS 36 shall be applied for annual periods beginning on or after January 1, 2014.

On June 27, 2013, IASB issued the amendment to IAS 39 'Novation of derivatives and continuation of hedge accounting'. The amendment establishes that it is not necessary to discontinue hedge accounting as the result of the novation of a hedging derivative which sees the original counterparty replaced by a central counterparty, provided that this occurs as a consequence of laws or regulations or the introduction of laws or regulations. The provisions contained in the amendment to IFRS 39 shall be applied for annual periods beginning on or after January 1, 2014.

Saipem is currently reviewing these new IFRS and interpretations to determine the likely impact on the Group's results.

Scope of consolidation at June 30, 2013

Parent company

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saipem SpA	San Donato Milanese	EUR	441,410,900	Eni SpA Saipem SpA Third parties	42.91 0.45 56.64		

Subsidiaries

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Denuke Scarl	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	55.00 45.00	55.00	F.C.
Servizi Energia Italia SpA	San Donato Milanese	EUR	291,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Chiyoda 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	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	5,494,210	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 Third parties	99.99 0.01	100.00	F.C.
BOS Investment Ltd (**) (***)	New Malden - Surrey (United Kingdom)	GBP	20,000	Saipem SA	100.00	100.00	Co.
BOS-UIE Ltd (**) (***)	New Malden - Surrey (United Kingdom)	GBP	19,998	BOS Investment Ltd	100.00	100.00	Co.
Construction Saipem Canada Inc	Montreal - Quebec (Canada)	CAD	1,000	Saipem Canada Inc	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.
ERSAI Marine Llc	Almaty (Kazakhstan)	KZT	1,000,000	ER SAI Caspian Contractor Llc	100.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherland)	EUR	90,760	Saipem International BV	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.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime Inc	Houston (USA)	USD	145,000	Moss Maritime AS	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	Iquitos (Peru)	PEN	679,719,045	Saipem International BV	100.00	100.00	F.C.
Professional Training Center Llc	Karakiyan District, Mangistau Oblast (Kazakhstan)	KZT	1,000,000	ER SAI Caspian Contractor Llc	100.00	50.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	141,815,000	Saipem International BV Saipem Asia Sdn Bhd	68.55 31.45	100.00	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.
Saigut SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	90,050,000	Saimexicana SA de Cv	100.00	100.00	F.C.
SAIMEP Lda (***)	Maputo (Mozambique)	MZN	10,000,000	Saipem SA Saipem International BV	99.98 0.02	100.00	E.M.
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	232,438,000	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	1,033,500	Saipem International BV Third parties	41.94 58.06	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	50,000,000	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	10,661,000	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 (Nigeria) Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem Contracting Algérie SpA	Hassi Messaoud (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherland)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem do Brasil Serviçōs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	345,081,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Co Private Ltd	Mumbai (India)	INR	50,273,400	Saipem International BV Saipem SA	49.73 50.27	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	50,000,000	Saipem International BV Third parties	51.00 49.00	51.00	E.M.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saipem India Projects Ltd	Chennai (India)	INR	407,000,000	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 (Netherland)	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	F.C.
Saipem Ltd	Kingston upon Thames Surrey (United Kingdom)	EUR	7,500,000	Saipem International BV	100.00	100.00	F.C.
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sarl Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sarl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.
Saipem Mediteran Usluge Doo (**)	Rijeka (Croatia)	HRK	1,500,000	Saipem International BV	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 SA	Montigny le Bretonneux (France)	EUR	26,488,695	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 Services SA	Brussels (Belgium)	EUR	61,500	Saipem International BV ERS - Equipment Rental & Services BV	99.98 0.02	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	28,890,000	Saipem SA	100.00	100.00	F.C.
Saipem UK Ltd (**)	London (United Kingdom)	GBP	9,705	Saipem International BV	100.00	100.00	F.C.
Saipem Ukraine Llc	Kiev (Ukraine)	EUR	106,061	Saipem International BV Saipem Luxembourg SA	99.00 1.00	100.00	F.C.
Sajer Iraq 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 Third parties	60.00 40.00	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	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Snamprogetti Netherlands BV Third parties	70.00 30.00	70.00	F.C.
Snamprogetti Engineering BV	Amsterdam (Netherland)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sarl	100.00	100.00	F.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Snamprogetti Ltd (**)	London (United Kingdom)	GBP	9,900	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV	99.00	99.00	F.C.
				Third parties	1.00		
Snamprogetti Netherlands BV	Amsterdam (Netherland)	EUR	92,117,340	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Romania Srl	Bucharest (Romania)	RON	5,034,100	Snamprogetti Netherlands BV	99.00	100.00	F.C.
				Saipem International BV	1.00		
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV	95.00	100.00	F.C.
				Snamprogetti Netherlands BV	5.00		
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid SA	99.99	100.00	F.C.
				Third parties	0.01		
Sofresid SA	Montigny le Bretonneux (France)	EUR	8,253,840	Saipem SA	100.00	100.00	F.C.
Sonsub International Pty Ltd	Sydney (Australia)	AUD	13,157,570	Saipem International BV	100.00	100.00	F.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.

Associated and jointly controlled companies

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
ASG Scarl	San Donato Milanese	EUR	50,864	Saipem SpA Third parties	55.41 44.59	55.41	P.C.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	P.C.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	52.00 48.00	52.00	E.M.
Consorzio F.S.B.	Venezia - Marghera	EUR	15,000	Saipem SpA Third parties	28.00 72.00	28.00	Co.
Consorzio Libya Green Way (***)	San Donato Milanese	EUR	100,000	Saipem SpA Third parties	26.50 73.50	26.50	E.M.
Milano-Brescia-Verona Scarl (**)	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	52.00 48.00	52.00	E.M.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	P.C.
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	San Donato Milanese	EUR	1,000	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	E.M.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	P.C.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
02 PEARL Snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem SA Third parties	50.00 50.00	50.00	P.C.
Barber Moss Ship Management AS	Lysaker (Norway)	NOK	1,000,000	Moss Maritime AS Third parties	50.00 50.00	50.00	E.M.
Charville - Consultores e Serviços, Lda	Funchal (Portugal)	EUR	5,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
CMS&A WII	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	P.C.
CSC Japan Godo Kaisha (***)	Yokohama (Japan)	JPY	3,000,000	CSC Netherlands BV	100.00	33.33	E.M.
CSC Netherlands BV (***)	Amsterdam (Netherland)	EUR	300,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
CSC Western Australia Pty Ltd (***)	Perth (Australia)	AUD	30,000	CSC Netherlands BV	100.00	33.33	E.M.
Dalia Floater Angola Snc (**)	Paris la Défense (France)	EUR	0	Saipem SA Third parties	27.50 72.50	27.50	P.C.
Fertilizantes Nitrogenados de Oriente CEC	Caracas (Venezuela)	VEB	9,667,827,216	Snamprogetti Netherlands BV Third parties	20.00 80.00	20.00	E.M.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Fertilizantes Nitrogenados de Oriente SA	Caracas (Venezuela)	VEB	286,549	Snamprogetti Netherlands BV Third parties	20.00 80.00	20.00	E.M.
FPSO Mystras (Nigeria) Ltd (***)	Victoria Island - Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras - Produção de Petròleo Lda	100.00	50.00	E.M.
FPSO Mystras - Produção de Petròleo Lda	Funchal (Portugal)	EUR	50,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
KWANDA Suporte Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem SA Third parties	40.00 60.00	40.00	E.M.
LNG - Serviços e Gestao de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherland)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
ODE North Africa Llc	Maadi - Cairo (Egypt)	EGP	100,000	Offshore Design Engineering Ltd	100.00	50.00	E.M.
Offshore Design Engineering Ltd	Kingston - upon Thames (United Kingdom)	GBP	100,000	Saipem SA Third parties	50.00 50.00	50.00	P.C.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	P.C.
RPCO Enterprises Ltd (**)	Nicosia (Cyprus)	EUR	17,100	Snamprogetti Netherlands BV Third parties	50.00 50.00	50.00	P.C.
Sabella SAS	Quimper (France)	EUR	37,000	Sofresid Engineering SA Third parties	32.50 67.50	32.50	E.M.
Saibos Akogep Snc	Montigny le Bretonneux (France)	EUR	39,000	Saipem SA Third parties	70.00 30.00	70.00	P.C.
Saidel Ltd	Victoria Island - Lagos (Nigeria)	NGN	236,650,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipar Drilling Co BV	Amsterdam (Netherland)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
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	Montigny le Bretonneux (France)	EUR	20,000	Saipem SA Third parties	60.00 40.00	60.00	P.C.
Sairus Llc	Krasnodar (Russian Federation)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Servicios de Construcciones Caucedo SA (**)	Santo Domingo (Dominican Republic)	DOP	100,000	Saipem SA Third parties	49.70 50.30	49.70	E.M.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Saipem SA Third parties	33.33 66.67	33.33	P.C.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Saipem SA Third parties	50.00 50.00	50.00	P.C.
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.
Tchad Cameroon Maintenance BV	Rotterdam (Netherland)	EUR	18,000	Saipem SA Third parties	40.00 60.00	40.00	E.M.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem SA Third parties	42.50 57.50	42.50	E.M.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
TMBYS SAS	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	P.C.
TSGI Mühendislik İnşaat Ltd Şirket	Istanbul (Turkey)	TRY	600,000	Saipem Ingenieria y Construcciones SLU Third parties	30.00 70.00	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.

The Saipem Group comprises 119 companies: 62 are consolidated using the full consolidation method, 21 using the proportionate consolidation method, 32 using the equity method and 4 using the cost method.
At June 30, 2013, the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and joint ventures		
	Italy	**Outside Italy**	**Total**	**Italy**	**Outside Italy**	**Total**
Subsidiaries and their participating interests	**3**	**59**	**62**	**4**	**17**	**21**
Companies consolidated using the full consolidation method	3	59	62	-	-	-
Companies consolidated using the proportional method	-	-	-	4	17	21
Participating interests held by consolidated companies (1)	**1**	**7**	**8**	**6**	**22**	**28**
Accounted for using the equity method	-	5	5	5	22	27
Accounted for using the cost method	1	2	3	1	-	1
Total companies	**4**	**66**	**70**	**10**	**39**	**49**

(1) The participating interests held by controlled companies accounted for using the equity method and the cost method concern insignificant subsidiaries and subsidiaries whose consolidation does not produce significant effects.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

Changes in the scope of consolidation

There were no significant changes in the scope of consolidation during the first six months of 2013 with respect to the consolidated financial statements at December 31, 2012. The changes that occurred are detailed below in date order.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Saipem Qatar Llc**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Snamprogetti Engineering & Contracting Co Ltd**, with registered offices in Saudi Arabia, was incorporated and is accounted for using the full consolidation method;
- **SAIMEP Lda**, with registered offices in Mozambique, was incorporated and is accounted for using the equity method;
- **CSC Western Australia Pty Ltd**, with registered offices in Australia, was incorporated and is accounted for using the equity method;
- **CSC Japan Godo Kaisha**, with registered offices in Japan, was incorporated and is accounted for using the equity method;
- **Dalia Floater Angola Snc**, consolidated using the proportionate method, was placed into liquidation;
- **Bonny Project Management Co Ltd**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Ingenieria y Construcciones SLU**, previously consolidated using the equity method, was consolidated using the full consolidation method;
- **TSGI Mühendislik İnşaat Ltd Şirket**, with registered offices in Turkey, was incorporated and is accounted for using the equity method;
- **Varisal - Serviços de Consultadoria e Marketing, Unipessoal Lda**, previously consolidated using the full consolidation method, was removed from the Register of Companies.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:
- Snamprogetti Canada Inc, consolidated using the full consolidation method, changed its name to **Saipem Canada Inc**.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to € 1,533 million, an increase of € 208 million compared with December 31, 2012 (€ 1,325 million).
Cash and equivalents at period-end, 31% of which are denominated in euro, 52% in US dollars and 17% in other currencies, received an average interest rate of 0.227%. € 807 million thereof (€ 642 million at December 31, 2012) is on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of € 6 million (€ 5 million at December 31, 2012).
Funds in two current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to € 83 million at June 30, 2013) have been temporarily frozen since February 2010 in connection with an investigation being conducted into third parties. The increase, amounting to the equivalent of € 9 million compared with the situation at December 31, 2012 (equivalent of € 74 million), was due to payments received for works milestones reached and accepted by the client.
In June 2012, the subsidiary Saipem SA deposited the equivalent of € 10 million in an escrow account pending the resolution of a dispute with a client.
The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2013 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Italy	64	106
Rest of Europe	827	1,043
CIS	156	104
Middle East	41	72
Far East	26	15
North Africa	92	97
West Africa and rest of Africa	59	64
Americas	60	32
Total	**1,325**	**1,533**

2 Trade and other receivables

Trade and other receivables of € 3,158 million (€ 3,252 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Trade receivables	2,582	2,555
Financing receivables for operating purposes	3	2
Financing receivables for non-operating purposes	79	75
Prepayments for services	384	373
Other receivables	204	153
Total	**3,252**	**3,158**

Receivables are stated net of the provision for impairment losses of € 117 million.

(€ million)	Dec. 31, 2012	Additions	Deductions	Currency translation differences	Other changes	June 30, 2013
Trade receivables	89	8	(1)	-	(2)	94
Other receivables	23	-	-	-	-	23
Total	**112**	**8**	**(1)**	**-**	**(2)**	**117**

Trade receivables amounted to € 2,555 million, a decrease of € 27 million compared to December 31, 2012.
At June 30, 2013, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to € 184 million. Saipem is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factor.
Trade receivables included retention amounts guaranteeing contract work in progress of € 190 million (€ 183 million at December 31, 2012), of which € 82 million was due within one year and € 108 million due after one year.

Financing receivables for operating purposes of € 2 million (€ 3 million at December 31, 2012) are mainly related to the receivable held by Saipem SpA from Serfactoring SpA.
Financing receivables for non-operating purposes of € 75 million (€ 79 million at December 31, 2012) are mainly related to the receivable of € 45 million held by Saipem America Inc from Eni Finance USA Inc for a financial loan and the deposit of € 25 million paid by Snamprogetti Netherlands BV in relation to the TSKJ matter (see the 'Legal proceedings' section for full details).
Receivables due from jointly controlled companies, with regard to the non-consolidated portion, amounted to € 63 million (€ 105 million at December 31, 2012) and mainly related to CEPAV (Consorzio Eni per l'Alta Velocità) Uno and Petromar Lda.
Other receivables of € 153 million consisted of the following:

(€ million)	Dec. 31, 2012	June 30, 2013
Receivables from:		
- insurance companies	53	10
- employees	30	47
Guarantee deposits	11	12
Other	110	84
Total	**204**	**153**

Trade receivables and other receivables from related parties amounted to € 767 million (€ 948 million at December 31, 2012) and are detailed in Note 43 '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.

3 Inventories

Inventories of € 2,233 million (€ 2,332 million December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Raw and auxiliary materials and consumables	477	516
Contract work in progress	1,855	1,717
Total	**2,332**	**2,233**

Inventories are stated net of the valuation allowance of € 5 million.

(€ million)	Dec. 31, 2012	Additions	Deductions	Other changes	June 30, 2013
Inventories valuation allowance	10	2	(7)	-	5
	10	**2**	**(7)**	**-**	**5**

Contract 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 revenues deemed probable and reasonably estimated.
The change in contract work in progress is mainly due to revised results on projects that are currently underway.
Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 42 'Segment information, geographical information and construction contracts'.

4 Current tax assets

Current tax assets of € 231 million (€ 238 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Italian tax authorities	75	97
Foreign tax authorities	163	134
Total	**238**	**231**

5 Other current tax assets

Other current tax assets of € 311 million (€ 271 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Italian tax authorities	85	110
Foreign tax authorities	186	201
Total	**271**	**311**

6 Other current assets

Other current assets of € 234 million (€ 388 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Fair value of hedging derivatives	150	40
Fair value of non-hedging derivatives	39	31
Other assets	199	163
Total	**388**	**234**

At June 30, 2013, derivative instruments had a positive fair value of € 71 million (€ 189 million at December 31, 2012).
The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on period-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, 2013, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the period-end exchange rate and the respective forward interest rate curves.

The assets considered in the calculation of the fair value of derivative contracts, broken down by type, are as follows:

	Assets Dec. 31, 2012			Assets June 30, 2013		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	-			9		
. sale	162			46		
Total	162			55		
- forward currency contracts (Forward component)						
. purchase	3			(1)		
. sale	(11)			(14)		
Total	(8)	347	6,277	(15)	443	2,880
- forward commodity contracts (Forward component)						
. purchase	-	-		-	-	
Total	-	-	-	-	-	-
Total derivative contracts qualified for hedge accounting	**154**	**347**	**6,277**	**40**	**443**	**2,880**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	5			17		
. sale	36			20		
Total	41			37		
- forward currency contracts (Forward component)						
. purchase	(1)			(2)		
. sale	(1)			(4)		
Total	(2)	737	1,777	(6)	450	941
- forward commodity contracts (Forward component)						
. sale	-		-	-		-
Total	-	-	-	-	-	-
Total derivative contracts not qualified for hedge accounting	**39**	**737**	**1,777**	**31**	**450**	**941**
Total	**193**	**1,084**	**8,054**	**71**	**893**	**3,821**

Derivatives designated as cash flow hedges 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, 2013 are expected to occur up until 2014.
During the first half of 2013, 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, 2013 was €40 million (€154 million at December 31, 2012). The spot component of these derivatives of €55 million (€162 million at December 31, 2012) was deferred in a hedging reserve in equity (€52 million; €150 million at December 31, 2012) and recorded as finance income and expense (€3 million; €12 million at December 31, 2012), while the forward component, which does not qualify as a hedging instrument, was recognised as finance income and expense (€15 million; €8 million at December 31, 2012).
The negative fair value of derivatives qualified for hedge accounting at June 30, 2013, analysed in Note 17 'Other current liabilities' and Note 22 'Other non-current liabilities', was €127 million (€61 million at December 31, 2012). The spot component of these derivatives of €103 million was deferred in a hedging reserve in equity (€97 million; €60 million at December 31, 2012) and recorded as finance income and expense (€6 million; €8 million at December 31, 2012), while the forward component was also recognised as finance income and expense (€24 million; €7 million at December 31, 2012).
During the first half of 2013, operating revenues and expenses were adjusted by a net positive amount of €14 million to reflect the effects of hedging.
In addition, €1 million was recorded as a decrease in the cost of construction of tangible assets.
Other assets at June 30, 2013 amounted to €163 million, a decrease of €36 million compared with December 31, 2012, and consisted mainly of prepayments.
Receivables from related parties are shown in Note 43 'Transactions with related parties'.

Non-current assets

7 Property, plant and equipment

Property, plant and equipment amounting to € 8,389 million (€ 8,254 million at December 31, 2012) consisted of the following:

(€ million)	Gross value at Dec. 31, 2012	Accumulated depreciation and impairment at Dec. 31, 2012	Net value at Dec. 31, 2012	Capital expenditure	Depreciation	Impairment	Transfer of a business branch	Disposals	Currency translation differences	Other changes	Final net value at June 30, 2013	Final gross value at June 30, 2013	Accumulated depreciation and impairment at June 30, 2013
Property, plant and equipment	12,729	4,475	8,254	486	(354)	-	(2)	(1)	6	-	8,389	13,189	4,800
Total	**12,729**	**4,475**	**8,254**	**486**	**(354)**	**-**	**(2)**	**(1)**	**6**	**-**	**8,389**	**13,189**	**4,800**

Capital expenditure during the first half of 2013 amounted to € 486 million (€ 543 million in the first half of 2012) and related to the following sectors: Offshore E&C (€ 210 million), Onshore Drilling (€ 126 million), Onshore E&C (€ 87 million) and Offshore Drilling (€ 63 million).
The main items of capital expenditure during the period included:
- in the Offshore Engineering & Construction sector, the completion of a new pipelayer, the continuation of development of a new fabrication yard in Brazil and the maintenance and upgrading of the existing asset base;
- in the Onshore E&C sector, the purchase of equipment and facilities for a base in Canada and the maintenance of the existing asset base;
- in the Offshore Drilling sector, class reinstatement works on the semi-submersible platform Scarabeo 5 and maintenance and upgrading of existing vessels;
- in the Onshore Drilling sector, preparation works on five new rigs due to operate in Saudi Arabia, in addition to the upgrading of the existing asset base.

No finance expenses were capitalised during the period.
Exchange rate differences due to the translation of financial statements prepared in currencies other than the euro, amounting to a net gain of € 6 million, mainly related to companies whose functional currency is the US dollar.
Fully depreciated property, plant and equipment that is still in use mainly consisted of project-specific equipment which has been fully depreciated over the life of the project.
During the first half of 2013, no government grants were recorded as a decrease of the carrying value of property, plant and equipment.
At June 30, 2013, 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, 2013 amounted to € 284 million (€ 347 million at December 31, 2012), as indicated in the 'Risk management' section of the 'Operating and Financial Review'.
The net carrying amount at June 30, 2013 of the jack-up rig Perro Negro 6, which sank on July 1, 2013, near the mouth of the Congo river, was € 111 million.

Finance leases

Saipem currently has no finance leases.

8 Intangible assets

Intangible assets of € 756 million (€ 756 million at December 31, 2012) were as follows:

(€ million)	Gross value at Dec. 31, 2012	Accumulated amortisation and impairment at Dec. 31, 2012	Net value at Dec. 31, 2012	Capital expenditure	Amortisation	Impairment	Reversals of writedowns	Disposals	Currency translation differences	Other changes	Final net value at June 30, 2013	Final gross value at June 30, 2013	Accumulated amortisation and impairment at June 30, 2013
Intangible assets with finite useful lives	162	137	25	6	(5)	-	-	-	-	-	26	168	142
Other intangible assets with indefinite useful lives	731	-	731	-	-	-	-	-	(1)	-	730	730	-
Total	**893**	**137**	**756**	**6**	**(5)**	**-**	**-**	**-**	**(1)**	**-**	**756**	**898**	**142**

Goodwill of € 730 million related to the difference between the purchase price, inclusive of related costs, and the shareholders' equity of Saipem SA (€ 689 million), Sofresid SA (€ 21 million) and the Moss Maritime Group (€ 15 million) on the date that control was acquired.

For impairment purposes, goodwill has been allocated to the following cash-generating units:

(€ million)	June 30, 2013
Offshore E&C	415
Onshore E&C	315
Total	**730**

The deterioration in operating perfomance coupled with trends on the market for construction services, which together led to a downward revision of forecast margins on a number of important contracts, causing management in turn to revise its profit forecasts for 2013, may constitute an impairment indicator.
The recoverable amounts of the two cash generating units including allocated goodwill were therefore tested.
The recoverable amount was determined based on value in use, calculated by discounting the future cash flows expected to result from the use of each CGU.
The basis for the projected cash flows is the 2013-2016 Strategic Plan approved by management in January 2013 as updated to reflect the impact of a deterioration in the performance of a number of major projects underway during the plan period and taking into account the revision of results expected for the second half of 2013.
Value in use was calculated by discounting expected future post tax cash flows at a rate of 7.8% (unchanged from 2012).
The terminal value (i.e. for subsequent years beyond the explicit forecast period) was estimated using a perpetuity growth rate of 2% applied to the normalised free cash flow of the final projection year to taken into account the cyclical nature of the business.
Post-tax cash flows and discounting rates are used as they result in values similar to those resulting from a pre-tax valuation.
The table below shows the amounts by which the recoverable amounts of the Offshore E&C and Onshore E&C cash generating units exceed their carrying amounts, including allocated goodwill.

(€ million)	Offshore E&C	Onshore E&C	Total
Goodwill	415	315	730
Amount by which recoverable amount exceeds carrying amount	3,584	3,882	7,466

The key assumptions adopted for assessing the recoverable amount of the cash generating units exceeding their carrying amount were the operating result, the discount rate and the growth rate adopted to determine the terminal value.
The excess of the recoverable amount of the Offshore E&C cash generating unit over its carrying amount, including the allocated portion of goodwill, would be reduced to zero under the following circumstances:
- a decrease of 47% in the operating result;
- use of a discount rate of 12.8%;
- negative real growth rate.

The changes in each of the assumptions that would cause the excess of the recoverable amount of the Offshore cash generating unit over its carrying amount, including the allocated portion of goodwill, to be reduced to zero are greater than those of the Offshore E&C CGU described above.

9 Investments accounted for using the equity method

Investments accounted for using the equity method of € 123 million (€ 116 million at December 31, 2012) consisted of the following:

(€ million)	Opening net value	Acquisitions and subscriptions	Sales and redemption	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	Other changes	Closing net value	Provision for impairment
December 31, 2012											
Investments in associates	109	1	(1)	9	-	(2)	-	-	-	116	-
Total	**109**	**1**	**(1)**	**9**	**-**	**(2)**	**-**	**-**	**-**	**116**	**-**
June 30, 2013											
Investments in associates	116	-	-	8	-	(1)	-	-	-	123	-
Total	**116**	**-**	**-**	**8**	**-**	**(1)**	**-**	**-**	**-**	**123**	**-**

Investments in subsidiaries and associates are analysed in the section 'Scope of consolidation at June 30, 2013'.
The share of profits of investments accounted for using the equity method of € 8 million related mainly to profits recorded by KWANDA Suporte Logistico Lda (€ 4 million), Rosetti Marino SpA (€ 2 million), and other companies (€ 2 million).
Deductions following the distribution of dividends of € 1 million mainly related to Rosetti Marino SpA.
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, 2012	Net value at June 30, 2013
Fertilizantes Nitrogenados de Oriente CEC	20.00	68	68
Rosetti Marino SpA	20.00	29	31
Other		19	24
Total associates		**116**	**123**

In October 2010, the Venezuelan company, Fertilizantes Nitrogenados de Oriente CEC, was the subject of an expropriation order. Venezuelan law provides for a procedure for the definition of fair compensation through negotiation. In recent months, Snamprogetti Netherlands BV has been negotiating an indemnity agreement for its investment in Fertinitro and is now close to reaching a final agreement which will provide for the payment of compensation within three months of signing. At the present moment in time, there is no reason for us to doubt that the indemnity agreement will reach a satisfactory conclusion and we therefore believe that it is correct to maintain the investment at its current carrying amount.

10 Other financial assets

At June 30, 2013, other long-term financial assets amounted to € 1 million (€ 1 million at December 31, 2012) and related to financing receivables held for non-operating purposes by Sofresid SA.

11 Deferred tax assets

Deferred tax assets of € 112 million (€ 97 million at December 31, 2012) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2012	Additions (Deductions)	Currency translation differences and other changes	June 30, 2013
Deferred tax assets	97	112	(97)	112
Total	**97**	**112**	**(97)**	**112**

'Currency translation differences and other changes', which amounted to negative € 97 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative € 104 million); (ii) exchange rate differences (negative € 2 million); (iii) the tax effects (positive € 6 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iv) other changes (positive € 3 million).

12 Other non-current assets

Other non-current assets of € 162 million (€ 174 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Fair value of hedging derivatives	4	-
Other receivables	10	15
Other non-current assets	160	147
Total	**174**	**162**

The fair value of hedging derivatives related to foreign exchange risk hedges. Other non-current assets mainly related to prepayments.

Current liabilities

13 Short-term debt

Short-term debt of € 1,611 million (€ 1,740 million at December 31, 2012) consisted of the following:

(€ million)	Dec. 31, 2012	June 30, 2013
Banks	210	176
Other financial institutions	1,530	1,435
Total	**1,740**	**1,611**

Short-term debt decreased by € 129 million.

The current portion of long-term debt, amounting to € 356 million (€ 400 million at December 31, 2012), is detailed in Note 18 'Long-term debt and current portion of long-term debt'.

The breakdown of short-term debt by issuing institution, currency and average interest rate was as follows:

(€ million)

		Dec. 31, 2012			June 30, 2013		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
Eni SpA	Euro	1,340	3.315	3.315	1,057	3.315	3.315
Serfactoring SpA	Euro	10	-	-	-	-	-
Eni Finance International SA	Euro	12	0.352	2.102	27	0.720	2.220
Eni Finance International SA	US Dollar	161	0.859	2.259	313	0.845	2.345
Eni Finance International SA	Australian Dollar	-	-	-	29	3.400	3.400
Third parties	US Dollar	7	0.859	1.608	9	0.845	1.595
Third parties	Other	210	variable		176	variable	
Total		**1,740**			**1,611**		

At June 30, 2013, Saipem had unused lines of credit amounting to € 1,657 million (€ 1,704 million at December 31, 2012). Commission fees on unused lines of credit were not significant.

At June 30, 2013, there was no unfulfillment of terms and conditions or violation of agreements in relation to financing contracts.

Short-term debt to related parties is shown in Note 43 'Transactions with related parties'.

14 Trade and other payables

Trade and other payables of € 5,452 million (€ 4,982 million at December 31, 2012) consisted of the following:

(€ million)	Dec. 31, 2012	June 30, 2013
Trade payables	2,962	2,681
Advances	1,700	2,365
Other payables	320	406
Total	**4,982**	**5,452**

Trade and other payables of € 2,681 million decreased by € 281 million compared with December 31, 2012.

Advances of € 2,365 million (€ 1,700 million at December 31, 2012), consisted mainly of adjustments to revenues from long-term contracts of € 1,106 million (€ 809 million at December 31, 2012) made on the basis of amounts contractually earned in accordance with the accruals concept and advances on contract work in progress received by Saipem SpA and a number of foreign subsidiaries of € 1,259 million (€ 891 million at December 31, 2012).

Trade payables to related parties amounted to € 260 million (€ 177 million at December 31, 2012) and are shown in Note 43 'Transactions with related parties'.

Payables to jointly controlled companies, with regard to the non-consolidated portion, amounted to € 14 million (€ 11 million at December 31, 2012) and related mainly to CEPAV (Consorzio Eni per l'Alta Velocità) Uno.

Other payables of € 406 million were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Payables to:		
- employees	153	218
- national insurance/social security contributions	65	49
- insurance companies	7	11
- creditors relating to advances	34	20
- consultants and professionals	3	2
- Board Directors and Statutory Auditors	1	-
Other payables	57	106
Total	**320**	**406**

Other payables to related parties are shown in Note 43 'Transactions with related parties'.
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.

15 Income tax payables

Income tax payables of € 195 million (€ 250 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Italian tax authorities	1	7
Foreign tax authorities	249	188
Total	**250**	**195**

16 Other current tax liabilities

Other current tax liabilities of € 135 million (€ 129 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Italian tax authorities	15	7
Foreign tax authorities	114	128
Total	**129**	**135**

17 Other current liabilities

Other current liabilities of € 216 million (€ 93 million at December 31, 2012) consisted of the following:

(€ million)	Dec. 31, 2012	June 30, 2013
Fair value of hedging derivatives	60	126
Fair value of non-hedging derivatives	29	25
Other liabilities	4	65
Total	**93**	**216**

At June 30, 2013, derivative instruments had a negative fair value of € 151 million (€ 89 million at December 31, 2012).

The following table shows the positive and negative fair values of derivative contracts at June 30, 2013.

(€ million)	Dec. 31, 2012	June 30, 2013
Positive fair value of derivative contracts	193	71
Negative fair value of derivative contracts	(90)	(152)
Total	**103**	**(81)**

The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on period-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, 2013, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the period end exchange rate and the respective forward interest rate curves.
The liabilities considered in the calculation of the fair value of derivative contracts, inclusive of the long-term portion analysed in Note 22 'Other non-current liabilities', and broken down by type, are as follows:

	Liabilities Dec. 31, 2012			Liabilities June 30, 2013		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	65			96		
. sale	3			7		
Total	68	-	-	103	-	-
- forward currency contracts (Forward component)						
. purchase	(7)			(7)		
. sale	-			30		
Total	(7)	2,519	276	23	2,280	3,597
- forward commodity contracts (Forward component)						
. purchase	-	-		1	-	
Total	-	10	-	1	13	-
Total derivative contracts qualified for hedge accounting	**61**	**2,529**	**276**	**127**	**2,293**	**3,597**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	28			17		
. sale	1			3		
Total	29	-	-	20	-	-
- forward currency contracts (Forward component)						
. purchase	(1)			1		
. sale	1			4		
Total	-	1,422	258	5	1,215	920
- forward commodity contracts (Forward component)						
. purchase	-			-		
. sale	-			-		
Total	-	-	-	-	-	-
Total derivative contracts not qualified for hedge accounting	**29**	**1,422**	**258**	**25**	**1,215**	**920**
Total	**90**	**3,951**	**534**	**152**	**3,508**	**4,517**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 6 'Other current assets' and Note 22 'Other non-current liabilities'.
Other liabilities amounted to €65 million (€4 million at December 31, 2012).
Other payables to related parties are shown in Note 43 'Transactions with related parties'.

Non-current liabilities

18 Long-term debt and current portion of long-term debt

Long-term debt, including the current portion of long-term debt, amounted to €4,568 million (€3,943 million at December 31, 2012) and was as follows:

	Dec. 31, 2012			June 30, 2013		
(€ million)	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks	1	200	201	3	241	244
Other financial institutions	399	3,343	3,742	353	3,971	4,324
Total	**400**	**3,543**	**3,943**	**356**	**4,212**	**4,568**

The long-term portion of long-term debt is shown below by year of maturity:

(€ million)

Type	Maturity range	2014	2015	2016	2017	After	Total
Banks	2015-2016	-	200	41	-	-	241
Other financial institutions	2014-2024	1,241	502	597	488	1,143	3,971
Total		**1,241**	**702**	**638**	**488**	**1,143**	**4,212**

The long-term portion of long-term debt amounted to €4,212 million, up €669 million versus December 31, 2012 (€3,543 million).
The following table breaks down long-term debt, inclusive of the current portion, by issuing entity and currency and also shows maturities and average interest rates:

(€ million)

			Dec. 31, 2012			June 30, 2013		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2013-2018	843	1.109	4.950	1,038	1.123	4.950
Eni Finance International SA	Euro	2013-2024	1,766	0.562	5.970	2,513	0.580	5.970
Eni Finance International SA	US Dollar	2013-2016	1,133	0.759	5.100	773	0.745	5.100
Third parties	Euro	2013-2016	201	3.315	3.315	244	3.315	3.315
Total			**3,943**			**4,568**		

There was no debt secured by mortgages or liens on fixed assets of consolidated companies or by pledges on securities.
The fair value of long-term debt, including the current portion of long-term debt, amounted to €4,417 million (€3,862 million at December 31, 2012) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2012	2013
Euro	0.19-1.76	0.35-2.13
US Dollar	0.21-0.54	0.29-0.62

The difference between the fair value of long-term debt and its nominal value was mainly due to the debt of €675 million expiring in 2018.
Long-term debt to related parties are shown in Note 43 ‘Transactions with related parties’.

The following table shows the net borrowings indicated in the 'Financial and economic results' section of the 'Operating and Financial Review':

	Dec. 31, 2012			June 30, 2013		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,325	-	1,325	1,533	-	1,533
B. Available-for-sale and held-to-maturity securities	-	-	-	-	-	-
C. Liquidity (A+B)	**1,325**	**-**	**1,325**	**1,533**	**-**	**1,533**
D. Financing receivables	**79**	**-**	**79**	**75**	**-**	**75**
E. Short-term bank debt	210	-	210	176	-	176
F. Long-term bank debt	1	200	201	3	241	244
G. Short-term related party debt	1,523	-	1,523	1,426	-	1,426
H. Long-term related party debt	399	3,343	3,742	353	3,971	4,324
I. Other short-term debt	7	-	7	9	-	9
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**2,140**	**3,543**	**5,683**	**1,967**	**4,212**	**6,179**
N. Net financial position pursuant to Consob communication No. DEM/6064293/2006 (M-C-D)	**736**	**3,543**	**4,279**	**359**	**4,212**	**4,571**
O. Non-current financing receivables	**-**	**1**	**1**	**-**	**1**	**1**
P. Net borrowings (N-O)	**736**	**3,542**	**4,278**	**359**	**4,211**	**4,570**

Net borrowings do not include the fair value of derivative contracts indicated in Note 6 'Other current assets', Note 17 'Other current liabilities' and Note 22 'Other non-current liabilities'.

Cash and cash equivalents included the equivalent of € 83 million deposited in accounts that are temporarily frozen and the equivalent of € 10 million in an escrow account as indicated in Note 1 'Cash and cash equivalents'.

19 Provisions for contingencies

Provisions for contingencies of € 241 million (€ 163 million at December 31, 2012) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
December 31, 2012					
Provisions for taxes	64	4	(13)	(11)	44
Provisions for contractual penalties and disputes	29	5	(9)	3	28
Provisions for losses of investments	8	-	(8)	-	-
Other provisions	108	35	(51)	(1)	91
Total	**209**	**44**	**(81)**	**(9)**	**163**
June 30, 2013					
Provisions for taxes	44	3	-	-	47
Provisions for contractual penalties and disputes	28	1	(9)	-	20
Other provisions	91	92	(15)	6	174
Total	**163**	**96**	**(24)**	**6**	**241**

The **provisions for taxes** amounted to € 47 million related principally to disputes with foreign tax authorities that are either ongoing or potential, taking into account the results of recent assessments.

The **provisions for contractual penalties and disputes** amounted to € 20 million and consisted of accruals made by Saipem SpA and a number of foreign subsidiaries. This represents the best estimate of the amount that may be required to settle current disputes.

Other provisions amounted to € 174 million and principally consisted of an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sector, as described in the 'Operating and Financial Review'.

With respect to the foregoing liabilities, Saipem does not reasonably expect any material additional losses beyond those amounts accrued above.

20 Provisions for employee benefits

Provisions for employee benefits at June 30, 2013 amounted to € 263 million (€ 255 million at December 31, 2012). The provision has been adjusted in accordance with the revised version of IAS 19, which among other things eliminated the option to apply the corridor method.

21 Deferred tax liabilities

Deferred tax liabilities of € 19 million (€ 121 million at December 31, 2012) are shown net of offsettable deferred tax assets of € 253 million.

(€ million)	Dec. 31, 2012	Additions (Deductions)	Currency translation differences and other changes	June 30, 2013
Deferred tax liabilities	121	9	(111)	19
Total	**121**	**9**	**(111)**	**19**

'Currency translation differences and other changes', which amounted to negative € 111 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative € 104 million); (ii) exchange rate differences (negative € 1 million); (iii) the negative tax effects (€ 10 million) of fair value changes of derivatives designated as cash flow hedges; (iv) other changes (positive € 4 million).
Net deferred tax assets were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Deferred tax liabilities	(275)	(272)
Deferred tax assets available for offset	154	253
	(121)	**(19)**
Deferred tax assets not available for offset	97	112
Net deferred tax assets (liabilities)	**(24)**	**93**

Tax losses

Tax losses amounted to € 1,008 million of which a considerable part can be carried forward without limit. The tax rate applied to determine the portion of carried-forward tax losses to be utilised averaged out at 27.4%. Tax losses related mainly to foreign companies and can be used in the following periods:

(€ million)	Italian subsidiaries	Foreign subsidiaries
2013	-	6
2014	-	14
2015	-	22
2016	-	28
2017	-	8
After 2017	-	271
Without limit	325	334
Total	**325**	**683**

22 Other non-current liabilities

Other non-current liabilities of € 5 million (€ 3 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Fair value of hedging derivatives	1	1
Trade and other payables	2	4
Total	**3**	**5**

The fair value of hedging derivatives related to commodity risk hedges entered into by Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda and Saipem Ltd with the Eni Group, which mature in 2014.

Shareholders' equity

23 Minority interest

Minority interest at June 30, 2013 amounted to € 120 million (€ 148 million at December 31, 2012) and mainly related to ER SAI Caspian Contractor Llc (€ 110 million).

24 Saipem's shareholders' equity

Saipem's shareholders' equity at June 30, 2013, amounting to € 4,418 million, was as follows:

(€ million)	Dec. 31, 2012	June 30, 2013
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	47	(48)
Cumulative currency translation differences	(43)	(65)
Employee defined benefits reserve	(13)	(13)
Other	7	7
Retained earnings	3,934	4,571
Net profit (loss) for the year/period	904	(575)
Treasury shares	(43)	(43)
Total	**5,377**	**4,418**

Saipem's shareholders' equity at June 30, 2013 included distributable reserves of € 4,262 million (€ 4,618 million at December 31, 2012), 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 (€ 6 million).

25 Share capital

At June 30, 2013, the share capital of Saipem SpA, fully paid-up, amounted to € 441 million, corresponding to 441,410,900 shares with a nominal value of € 1 each, of which 441,297,615 are ordinary shares and 113,285 savings shares.
On April 30, 2013, Saipem's Shareholders' Meeting approved a dividend distribution of € 0.68 per ordinary share and € 0.71 per savings share, with the exclusion of treasury shares.

26 Share premium reserve

The share premium reserve amounted to € 55 million at June 30, 2013 and was unchanged from December 31, 2012.

27 Other reserves

At June 30, 2013, 'Other reserves' amounted to negative €31 million (€86 million at December 31, 2012) and consisted of the following items.

Legal reserve

At June 30, 2013, the legal reserve stood at €88 million. This represents the portion of profits, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends. The reserve remained unchanged, having reached a fifth of share capital.

Cash flow hedge reserve

This reserve showed a negative balance at period end of €48 million (positive €47 million at December 31, 2012) which related to the fair value of the spot component of foreign exchange and commodity risk hedges at June 30, 2013.
The cash flow hedge reserve is shown net of insignificant tax effects (€17 million at December 31, 2012).

Cumulative currency translation differences

This reserve amounted to negative €65 million (negative €43 million at December 31, 2012) 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).

Employee defined benefits reserve

At June 30, 2013, this reserve, which is used to recognise remeasurements of employee defined benefit plans, had a negative balance of €13 million (unchanged compared with December 31, 2012).
The reserve is stated net of tax of €6 million.

Other

These items amounted to €7 million (€7 million at December 31, 2012). They related to the allocation of part of 2009 net profit, pursuant to Article 2426, 8-*bis* of the Italian Civil Code. This item also comprises the revaluation reserve set up by Saipem SpA in previous years, amounting to €2 million.

28 Treasury shares

Saipem SpA holds 1,976,332 treasury shares (1,996,482 at December 31, 2012) amounting to €43 million (€43 million at December 31, 2012). These are ordinary shares of Saipem SpA with a nominal value of €1 each.
Treasury shares are allocated under the 2002-2008 stock option schemes. Operations involving treasury shares during the year were as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares repurchased				
2003 (from May 2)	2,125,000	6.058	13	0.48
2004	1,395,000	7.044	10	0.32
2005	3,284,589	10.700	35	0.74
2006	1,919,355	18.950	36	0.43
2007	848,700	25.950	22	0.19
2008	2,245,300	25.836	58	0.51
Total	**11,817,944**	**14.745**	**174**	**2.67**
Less treasury shares allocated:				
- without consideration, as stock grants	1,616,400			
- against payment, as stock options	8,225,212			
Treasury shares held at June 30, 2013	**1,976,332**	**21.846**	**43**	**0.48**

At June 30, 2013 outstanding stock options amounted to 377,335.
Further information on stock option schemes is provided in Note 34 'Payroll and related costs'.

29 Additional information

Supplement to cash flow statement

(€ million)	First half 2012	First half 2013
Analysis of disposals of consolidated subsidiaries and businesses		
Current assets	7	-
Non-current assets	-	2
Net liquidity (net borrowings)	8	-
Current and non-current liabilities	(16)	-
Net effect of disposals	**(1)**	**2**
Fair value of interest after control has ceased	-	-
Gain on disposals	1	40
Minority interest	-	-
Total sale price	**-**	**42**
less:		
Cash and cash equivalents	*(8)*	-
Cash flow from disposals	**(8)**	**42**

Disposals in the first half of 2012 related to the sale to third parties of 100% of Star Gulf Free Zone Co, which also resulted in the disposal of Star Gulf Free Zone Co's subsidiary BOS Shelf Ltd, and the sale of 50% of Sairus Llc. Disposals in the first half of 2013 related to the transfer of a business division of Saipem Ltd to Eni Engineering E&P Ltd.

30 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €8,326 million (€7,326 million at December 31, 2012).

	Dec. 31, 2012			June 30, 2013		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associates	84	-	84	158	-	158
Consolidated companies	476	3,314	3,790	597	3,998	4,595
Own	21	3,431	3,452	140	3,433	3,573
Total	**581**	**6,745**	**7,326**	**895**	**7,431**	**8,326**

Other guarantees issued for associated and consolidated companies of €3,998 million (€3,314 million at December 31, 2012) related to independent guarantees given to third parties relating to bid bonds and performance bonds.
Guarantees issued to/through related parties amounted to €6,393 million (€5,798 million at December 31, 2012) and are detailed in Note 43 'Transactions with related parties'.

Commitments

Saipem SpA has provided commitments towards customers 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 €33,183 million (€30,747 million at December 31, 2012), including work already performed and the backlog of orders at June 30, 2013.

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 'Operating and Financial Review'.

MARKET VALUE OF FINANCIAL INSTRUMENTS

Below, financial assets and liabilities measured at fair value in the balance sheet are classified using the 'fair value hierarchy' based on the significance of the inputs used in the measurement process. The fair value hierarchy consists of the following three levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
c) Level 3: inputs for assets or liabilities that are not based on observable market data.

Financial instruments measured at fair value at June 30, 2013 are classified as follows:

	June 30, 2013			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	6	-	6
Net hedging derivative assets (liabilities)	-	(87)	-	(87)
Total	**-**	**(81)**	**-**	**(81)**

There was no movement between Levels 1 and 2 during the period ended June 30, 2013.

Legal proceedings

Saipem is involved in civil and administrative proceedings and legal actions connected with the ordinary course of its business. 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 ongoing proceedings is provided below.

CEPAV (Consorzio Eni per l'Alta Velocità) Uno

Saipem has a 50.36% interest in the CEPAV Uno Consortium ('the Consortium'), which in 1991 entered into an agreement with TAV SpA (**TAV**, now Rete Ferroviaria Italiana SpA - **RFI**) for the construction of the Milan-Bologna high-velocity/high-capacity railway line.
In connection with this project, on June 27, 2003, an addendum was made to the contract between the Consortium and the client RFI, which redefined several contract terms and conditions. Subsequently, the Consortium asked the client for an extension to the works completion schedule and a supplementary payment of approximately €800 million, later revised to €1,770 million. The Consortium and RFI sought to reach an amicable settlement, but negotiations were called off on March 14, 2006, when the proposals put forward by RFI were deemed unsatisfactory by the Consortium. On April 27, 2006, the Consortium sent a Notice of Arbitration to RFI, as provided for under the contract terms and conditions. Following the filing of the findings of the court-appointed expert on July 30, 2010, which were partially favourable for the Consortium, briefs and responses were filed with regard to the preliminary questions. At the hearing of May 20, 2011, the court-appointed expert filed clarifications in response to the comments made on the findings. The deadline for the Arbitration Panel to issue the arbitration award was originally set for December 27, 2011 and was subsequently extended to December 31, 2013. On March 23, 2009, the Arbitration Panel, replying to a specific question submitted to it by the parties, issued an interim award which in substance allowed RFI to carry out checks on accounting records including records related to subcontracts awarded by the Consortium and by contractors. Assuming that this interim award was vitiated, on April 8, 2010, the Consortium challenged it before the Rome Court of Appeal in order to have it annulled. At the hearing held on September 22, 2010, the proceedings were postponed to October 9, 2013, when the specification of the final conclusions will take place.
Meanwhile, on August 7, 2012, the Arbitration Panel issued a partial decision deposited at the Arbitration Chamber for public contracts, awarding the sum of €54,253,000 (€40,136,000 for reserves and €14,117,000 for simple interest at July 31, 2012), as well as the right to a monetary adjustment, quantification of which was postponed until the final award, which should be issued at the end of December 2013, plus interest (simple and compound) from August 2, 2012 until complete fulfilment of obligations. On December 11, 2012, the President of the Court of Rome declared the partial award of August 7, 2012 to be enforceable. The Consortium thus issued RFI with an order for the payment of €54,254,012.17, which was duly paid by RFI to the Consortium on February 7, 2013.

On November 27, 2012, the Consortium sent three further Notices of Arbitration against RFI, respectively: (i) for € 1,813,250,392.18 plus interest and inflation adjustments for damages arising from delays and the loss of the early completion premium and reserves, with Giuseppe Giuffrè appointed arbitrator; (ii) for € 254,342,862.53, plus interest and inflation adjustments, for reserves related to variations to the scope of work, with Gianluca Brancadoro appointed arbitrator; and (iii) for € 40,730,012, plus interest and inflation adjustments, for reserves related to non-payment for partial inspections and pre-service testing, with Enrico Castellani appointed arbitrator. RFI did not appoint an arbitrator and on December 18, 2012, lodged an appeal pursuant to Article 700 of the code of civil procedure before the Court of Rome, which fixed the hearing for January 14, 2013. In its appeal, RFI requested that the Court prohibit the Consortium from asking the President of the Council of State to nominate RFI's arbitrator (as required under the contract signed between the parties). RFI stated that the Notices of Arbitration had been sent on November 29, 2012, hence after the entering into force of Law No. 190/2012 on November 28, 2012, which stipulates that arbitration proceedings brought against public companies are null and void if prior authorisation has not been issued by the governing body of the public company.
With a memorandum of appearance dated January 14, 2013, the Consortium appeared before the Court of Rome, pleading that proceedings had commenced before the aforementioned law had entered into force. It thus requested that RFI's appeal be declared inadmissible and that it also be rejected on the grounds that it was unfounded both de facto and de jure and devoid of any presumption of irreparable harm. On February 20, the Court of Rome rejected the appeal of RFI and ordered it to pay the legal costs of the Consortium. An appeal filed by RFI pursuant to Article 669-*terdecies* of the code of civil procedure against the order of February 20, 2013 was also rejected by the Court of Rome in a ruling dated June 11, 2013. RFI was also ordered to pay the Consortium's legal fees.
Furthermore, on December 10, 2012, RFI filed an objection to the Court of Rome regarding an arbitrator appointed by the Consortium, Giuseppe Giuffrè, claiming that there were serious grounds for doubting his ability to remain impartial. On February 12, 2013, the President of the Court of Rome rejected RFI's appeal and ordered the parties to share the legal costs.

TSKJ Consortium - Investigations by the U.S., Italian and other overseas Authorities

Snamprogetti Netherlands BV has a 25% holding in the TSKJ Consortium of companies. The remaining interests are held in equal shares of 25% by KBR, Technip and JGC. Beginning in 1994, the TSKJ Consortium was involved in the construction of natural gas liquefaction facilities at Bonny Island, Nigeria. Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, was a direct subsidiary of Eni SpA until February 2006, when an agreement was signed for the sale of Snamprogetti SpA to Saipem SpA. Snamprogetti SpA was merged into Saipem SpA as of October 1, 2008. As part of the sale of Snamprogetti SpA to Saipem SpA, Eni agreed to indemnify Saipem SpA for potential losses resulting from the investigations into the TSKJ matter, including in connection with its subsidiaries.
The U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DoJ) and other Authorities, including the Public Prosecutor's office of Milan, carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials.
The proceedings in the U.S.: following the settlements agreed in 2010 with the U.S. Securities and Exchange Commission and the U.S. Department of Justice, the proceedings were closed definitively on September 17, 2012 with the decision of the United States District Court to grant a motion of the DoJ to dismiss the criminal proceedings against Snamprogetti Netherlands BV. Unlike the other members of the TSKJ Consortium who reached a resolution with the DoJ, Snamprogetti Netherlands BV had not been required to retain an independent compliance monitor.
The proceedings in Italy: the TSKJ matter has seen investigations by the Milan Public Prosecutor's office against unknown persons since 2004. Since March 10, 2009, the Company has received requests to produce documents from the Milan Public Prosecutor's office. The investigation regards events dating back to 1994 and also concerns the period subsequent to the introduction of Legislative Decree No. 231 of June 8, 2001 regarding the administrative responsibility of companies. On July 31, 2009, a decree issued by the Judge for Preliminary Investigation at the Court of Milan was served on Saipem SpA (as the legal entity incorporating Snamprogetti SpA). The decree set for September 22, 2009 a hearing in camera in relation to proceedings pursuant to Legislative Decree No. 231 of June 8, 2001, under which the Milan Public Prosecutor was investigating Saipem SpA and Eni SpA for liability of legal entities arising from offences involving international corruption alleged against two former managers of Snamprogetti SpA.
The Milan Public Prosecutor requested that Saipem SpA and Eni SpA be debarred from activities involving – directly or indirectly – any agreement with the Nigerian National Petroleum Corp and its subsidiaries.
The Milan Public Prosecutor's request for precautionary measures related to TSKJ Consortium practices between 1995 and 2004. On November 17, 2009, the Judge for the Preliminary Investigation rejected the request for precautionary measures of disqualification filed by the Milan Public Prosecutor against Saipem and Eni. The Milan Public Prosecutor appealed against the decision of the Judge for Preliminary Investigation. On February 9, 2010, the Court of Appeal, exercising the function of judicial review court, handed down its ruling, which dismissed as unfounded the appeal of the Public Prosecutor and upheld the decision of the Judge for the Preliminary Investigation. On September 30, 2010, the appeal of the Milan Public Prosecutor before the Court of Cassation was upheld. The Court ruled that the request for precautionary measures was also admissible pursuant to Law No. 231/2001 in cases of alleged international corruption. The decision relating to the Milan Public Prosecutor's request for precautionary measures returned to the judicial review court, which scheduled a hearing for February 22, 2011. On February 18, 2011, following payment by Snamprogetti Netherlands BV of a deposit of € 24,530,580, which was also on behalf of Saipem SpA, the Milan Public Prosecutor's office withdrew its appeal against the decision with which the Judge for the Preliminary Investigation had rejected the request for precautionary measures of disqualification, with regard to both Eni SpA and Saipem SpA. At the hearing of February 22, 2011, the judicial review court acknowledged the withdrawal and declared the Milan Public Prosecutor's office appeal inadmissible. The proceeding connected with the request for precautionary measures of disqualification for Saipem SpA and Eni SpA therefore concluded.
Following the receipt on November 3, 2010 of the notice of conclusion of investigations, on December 3, 2010, Saipem's defence counsel received notice of the scheduling of a preliminary hearing, accompanied by a request for committal to trial. The document contains accusations against five former

Snamprogetti SpA employees (now Saipem SpA) and against Saipem SpA as the legal entity incorporating Snamprogetti. The accusations regard alleged acts of corruption in Nigeria committed up to and after July 31, 2004, with the aggravating circumstance of Snamprogetti SpA's having allegedly obtained significant financial gain (indicated as being not less than US $65 million).
On January 26, 2011, at the conclusion of the hearings, the Judge for the Preliminary Hearing ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) and the five former Snamprogetti SpA employees to stand trial at a hearing scheduled for April 5, 2011. The first trial hearing was held on May 10, 2011.
During the hearing of February 2, 2012, the Public Prosecutor, while recognising that the statute of limitations had already expired as regards the physical persons under investigation, raised an objection regarding the unconstitutional nature of Italian law in relation to the statute of limitations, arguing that it contrasted with international law, in particular the OECD convention on international bribery and corruption. At the following hearing held on March 8, 2012, the defendants replied to the objection raised by the Public Prosecutor regarding the unconstitutionality of the 'short statute of limitations' for crimes of international corruption. At the hearing to decide on the admissibility of the objection, which was adjourned to April 5, 2012, the Court declared the objection of unconstitutionality raised by the Public Prosecutor during the hearing of February 2, 2012 as unfounded, insofar as it was not pertinent to the proceedings in course.
In view of the Court's decision, the defence asked for the statute of limitations to be applied in relation to the positions of the physical persons under investigation. The Public Prosecutor did not object to this request and the Court dismissed the charges against them, ruling that they had expired under the statute of limitations.
The Court scheduled further hearings for the continuation of proceedings against the legal person of Saipem SpA only, during which the technical experts called by the defence were examined and cross-examined and filed their reports. The pre-trial and the trial hearings were then declared closed and the Court adjourned proceedings to February 5, 2013 for the hearing of the closing arguments, during which Saipem SpA's counsel raised a number of objections regarding the unconstitutional nature of applying Legislative Decree No. 231/2001 to the specific case under examination. At the hearing of March 26, 2013, the Court ruled that the question of unconstitutionality raised was manifestly unfounded. In his round-up, the Public Prosecutor demanded that Saipem pay a penalty of € 900,000 and that the sum of € 24,530,580 deposited by Snamprogetti Netherlands BV in February 2011, be confiscated. At the hearing of May 21, 2013, Saipem SpA's defence counsels delivered their conclusions, calling on the Court to give a preliminary ruling dismissing the charges for a number of reasons, including the lack of jurisdiction and the principle of 'ne bis in idem', i.e. that no one should be prosecuted or tried twice for the same acts. It also asked the court, primarily, to acquit Saipem SpA on the grounds that there was no case to answer with regard to the alleged unlawful administrative acts and, additionally, that there was no case to answer with regard to the predicate offence or that at the time of the facts in question, the predicate offence did not constitute an offence by law. Finally, in the alternative, the defence asked the Court to rule that the charges related to the unlawful administrative act had expired under the statute of limitations and to order that the sum of € 24,530,580 posted with the Judicial Authorities pursuant to Articles 17 and 19 of Legislative Decree No. 231/2001 be returned.
On July 11, 2013, the Court of Milan ruled that Saipem SpA had committed the unlawful administrative act, but accepted the existence of the attenuating circumstances provided for by Article 12, No. 2, letter a) of Legislative Decree No. 231/2001. The Court sentenced the Company to pay a fine of € 600,000 and also ordered it to pay court costs. Finally, the Court ordered the confiscation of the deposit of € 24,530,580 posted by Snamprogetti Netherlands BV with the Judicial Authorities pursuant to Article 17, paragraph 1, letter c) of Legislative Decree No. 231/2001. Saipem's involvement in the investigation into the activity of the TSKJ Consortium in Nigeria during the period 1994-2004 is due solely to the fact that in 2006 Saipem SpA acquired Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, which holds a 25% stake of the TSKJ Consortium.
The decision taken by the Court has no financial impact on Saipem since Eni, at the time of the sale of Snamprogetti SpA to Saipem, undertook to indemnify Saipem for losses sustained in connection with the TSKJ matter.
The judge has 90 days to make the reasons for the verdict known (meaning the deadline is October 9, 2013), while the Company intends to lodge an appeal against the verdict. The appeal must be lodged within 45 days of the 90 day deadline set by the Court or, if the deadline is not observed, within 45 days of the date on which notification of the publication of the reasons for the verdict is given.

Algeria

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 relating to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of 'international corruption' mentioned in the request is sanctioned by Legislative Decree No. 231 of June 8, 2001.
On November 22, 2012, Saipem SpA received a notification of inquiry from the Public Prosecutor of the Court of Milan related to 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 forward documentation pursuant to Article 248 of the Code of Criminal Procedure.
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 issuing of two search warrants on January 16 and February 7, 2013. Specifically, the Prosecutor's Office is investigating alleged corruption which, it claims, took place up to March 2010 in relation to several contracts that the Company was awarded in Algeria. Persons subject to investigation include a current employee and several former employees of the Company, in particular the former Deputy Chairman and CEO and the former Chief Operating Officer of the Engineering & Construction Business Unit. The Company collaborated fully with the Prosecutor's Office on every occasion and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that might result from the investigations.
In agreement with the Internal Control Bodies and the Compliance Committee, and having duly informed the Prosecutor's Office, Saipem began checks on the contracts that 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, were directly involved in the criminal investigation so as not to interfere in the investigative activities of the Public Prosecutor. The Board, confirming its full cooperation with the investigative authorities, decided to convey the findings of the external consultants to the Public Prosecutor of Milan for assessment and appropriate action within 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 to a number of activities in Algeria.
The Board decided to initiate legal action to protect the interests of the Company against certain former employees and suppliers, reserving any further action if additional elements were to emerge. Furthermore, at the request of the U.S. Department of Justice, Saipem SpA entered into a 'tolling agreement', which extends 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 connected subsidiaries. The tolling agreement 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 intends to offer its complete cooperation including in relation to investigations by the U.S. Authorities.
We also note that investigations begun in 2010 into the activities of third parties are still underway in Algeria in relation to which a number of Saipem Contracting Algérie SpA's bank accounts in local currency were frozen. Some of these bank accounts were subsequently unfrozen, though two in Algerian Dinar, containing in total the equivalent of € 83,055,605 (calculated at the exchange rate prevailing on June 30, 2013) remain frozen.
The bank accounts in question relate to the MLE and GK3 projects. The frozen MLE bank account is no longer used for MLE project payments. The GK3 bank account meanwhile is still being used to receive contractual payments in Algerian dinars due in relation to the project. The outstanding payments amount to an approximate euro equivalent of € 14,368,449 (calculated at the exchange rate prevailing on June 30, 2013).
In August 2012, upon the matter's referral to the Chambre d'accusation at the Court of Algiers, Saipem Contracting Algérie SpA received formal notice that an investigation was underway into the company. Saipem Contracting Algérie SpA is alleged to have taken 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.
On January 30, 2013, the 'Chambre d'accusation' ordered Saipem Contracting Algérie SpA to stand trial and further ordered that the aforementioned bank accounts remain frozen. Saipem Contracting Algérie SpA has lodged an appeal before the Supreme Court. Finally, we note that on March 24, 2013, a search was carried out on the premises of Saipem Contracting Algérie SpA.
Subsequently, on March 28, 2013, the then legal representative of Saipem Contracting Algérie SpA was summoned to appear at the Court of Algiers, where he received verbal notification from the investigating Judge of an investigation underway 'into Saipem for charges pursuant to Article 25 a, 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 SpA, Saipem SpA and Saipem SA.
On April 18, 2013, a hearing was held before the Algerian Supreme Court which rejected a request to unfreeze the above-mentioned bank accounts that had been made by Saipem Contracting Algérie SpA in 2010.
Subsequently, on May 18, 19 and 20, 2013, additional searches were carried out at two Algerian offices belonging to Saipem Contracting Algérie SpA, during which documentation relating to Saipem subcontractors was requested.
On June 14, 2013 the Saipem SpA legal counsel, Angelo Giarda, received notification of a Request submitted to the Judge for the Preliminary Investigation for an extension to the Preliminary Investigations of at least six months in relation to 'criminal proceedings No. 25303/2010 - Algeria affair' as filed on May 20, 2013 by the Milan Public Prosecutor's office, together with a copy of the request itself.

Kuwait

On June 21, 2011, a warrant requested by the Milan Public Prosecutor was served on Saipem SpA for the search of the office of a Saipem employee. The warrant was issued in connection with alleged crimes committed by said employee together with third parties related to the award of tenders by Saipem SpA to third companies for a project in Kuwait.
In connection with the same matter, the Public Prosecutor also served a notice of indictment upon Saipem SpA pursuant to Italian Legislative Decree No. 231/2001. In this regard, the Company believes that its position will be successfully cleared, since it is the injured party in respect of the illicit conduct under investigation.
Having consulted its lawyers, and in agreement with the Compliance Committee and the Internal Control Bodies, Saipem, through its Internal Audit function, and also using an external consulting company, promptly undertook an internal audit of the project under investigation.
As a precautionary measure, and in compliance with the contract in force, Saipem suspended the employee under investigation while awaiting further developments.
The audit showed that the Saipem SpA employee in question was not involved in anything worthy of note. The suspension was therefore lifted and the employee assigned to other duties.
The Public Prosecutor has ordered the release of the documents seized from the employee in relation to the matter.
On March 2, 2012, Saipem SpA was served a request to extend the preliminary investigations filed by the Public Prosecutor.
As of such date, the Company has received no further notifications, nor has there been any further news or evidence of any developments in the investigations.

EniPower - Enquiries by the Judiciary

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. The preliminary hearing related to the main proceeding concluded on 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. The examination of the witnesses was completed and the parties presented their conclusions. 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 being ordered. The Court also rejected the admission as plaintiffs against the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001.
On December 19, 2011 the grounds for the ruling were filed with the office of the clerk of the court.
The convicted parties promptly filed an appeal against the above sentence.

Fos Cavaou

With reference to the Fos Cavaou ('FOS') project for the construction of the regasification terminal, arbitration proceedings are pending before the International Chamber of Commerce in Paris between the client Société du Terminal Méthanier de Fos Cavaou ('STMFC', now Fosmax LNG) and 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, as Fosmax LNG refused to extend the deadline.
On January 24, 2012, the secretariat of the International Arbitration Court of the ICC notified STS of the commencement of arbitration proceedings as requested by Fosmax LNG. 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 is for loss of profit, an item excluded from the contract except for cases of wilful misconduct or gross negligence. STS is of the opinion that no acts of gross negligence or wilful misconduct capable of rendering the contractual limitation of liability inapplicable, as Fosmax LNG maintains, have been committed.
STS has filed its defence brief, including a counter claim for damages due to the excessive interference of Fosmax LNG in works execution and as payment for extra works not recognised by the client (reserving the right to quantify their amount at a later stage in proceedings). The Arbitration Panel has sent the parties the Terms of Reference for the arbitration, setting a deadline of June 29, 2012 for comments. On October 19, 2012, Fosmax LNG lodged a 'Mémoire en demande'. Against this, STS lodged its own 'Mémoire en défense' on January 28, 2013, in which it a filed a counterclaim for € 338 million. According to the Arbitration Panel's schedule, which is subject to change, arbitration proceedings should be completed towards the end of 2013 and the arbitration award should be issued during 2014.

Relations with Consob

Following the issue by Saipem SpA of its press release of January 29, 2013, in which it revised its 2012 earnings guidance and its outlook for 2013, Saipem received a communication from Consob dated January 31, 2013 asking it to reconstruct the process of evaluation and the considerations that led to the decision to issue the press release in question, to describe the information used to arrive at the revision of its guidance for 2012 and 2013 profit and its outlook for 2014, and to provide a list of persons included in the register maintained pursuant to Article 115-*bis* of the Consolidated Finance Act who had access to the information referred to in the press release.
Subsequently, in a letter dated February 1, 2013, Consob announced the commencement of an inspection of Saipem pursuant to Article 187-*octies*, paragraph 3 of Legislative Decree No. 58 of February 24, 1998 with the purpose of gathering documents and information regarding the preparation of the press release, the handling of privileged information, and compliance with legislation concerning transactions by relevant parties.
Subsequently, Consob requested additional information from Saipem in communications of February 8 and 25, 2013, including information concerning the variations between the last business plan approved prior to January 29, 2013 and the new 2013-2016 business plan.
On May 2, 2013, Consob, also sent the Company a request pursuant to Article 115 of Legislative Decree No. 58/1998 in which for the first time it specifically asked for additional information to enable it to assess compliance of the financial statements at December 31, 2012 with applicable international accounting standards.
Saipem promptly responded to the above communications supplying the documentation and information requested.

Consob's inspection of Saipem offices (which commenced on February 4, 2013 following a letter of assignment dated February 1, 2013) was concluded on June 7, 2013 with the issue of a record of documents seized.
Following the inspection, on June 19, 2013 Consob sent Saipem SpA notification of charges concerning a number of violations of Article 115-*bis* of Legislative Decree No. 58/1998 which the regulator said it had found evidence of.
According to Consob, the violations regard:
(i) procedures for the maintenance of the register;
(ii) the Company's failure to make certain entries or tardiness in making such entries or the incompleteness of such entries.
The charges notified regard violations punishable by administrative sanctions. Consob will issue a decision after examining Saipem's arguments within a maximum of 360 days starting from June 19, 2013.
Following the press release issued by Saipem SpA on June 14, 2013 in which the Company reviewed its guidance for 2013, Consob, on June 19, 2013 sent a new request for information pursuant to Article 115, paragraph 1 of Legislative Decree No. 58/1998. The request concerned information regarding: (i) negotiations with Sonatrach from January 2013; (ii) the contracts in Algeria (Arzew, MLE and GK3); (iii) the contracts in Canada and Mexico; (iv) the vessel Castorone and a new vessel currently undergoing completion in connection in particular with the unforeseeable nature of the additional costs and the causes thereof. Consob also requested information regarding two projects in Kuwait and one in the United Arab Emirates. Saipem SpA complied with this request on July 1, 2013.
On June 20, 2013, Consob sent the Saipem SpA Board of Statutory Auditors and Saipem SpA, as joint obligor, notification of charges regarding alleged violations of Article 149, paragraph 3 of Legislative Decree No. 58/1998 committed by the Board. Article 149 requires the Board of Statutory Auditors to report to Consob without delay any irregularities it encounters during its supervisory duties and to transmit all relevant minutes of meetings and inspections conducted as well as any other relevant documentation.
Consob believes that, during the period June 2011-September 2012, the Board of Statutory Auditors should have reported to Consob on irregularities it detected in relation to a number of situations that had led to requests for inspections by the Company's Internal Audit function and external consultants and in relation to which the Board requested in 2011 corrective and improvement actions to the Company's system of internal controls.
The situations cited by Consob related to:
1) exceptions made to procedures in connection with contractual relations with a supplier on the Kuwait project;
2) irregularities concerning a number of contracts awarded to Saipem in Iraq consisting of a failure to comply with company procedures;
3) fraud committed until 2011 by a former employee of Saipem's Indian branch.
In a reply sent to Consob in February 2013, the Board of Statutory Auditors stated that it had not considered the critical issues and irregularities detected as requiring reporting to Consob pursuant to Article 149, paragraph 3, of the Consolidated Finance Act. Consob however sent its notification of charges based on the assumption that the Board of Statutory Auditors is 'required to report any irregularity whatsoever encountered during its supervision of the correctness of operations and the adequacy of the system of internal controls'.
On July 23, 2013, the Board of Statutory Auditors submitted a comprehensive brief containing its own arguments in response to the communication received from Consob, in which it asserted that that there were no grounds for considering the questions as 'irregularities' having relevance pursuant to Article 149, paragraph 3 of the Consolidated Finance Act, considering the characteristics and significance of the facts in relation to the dimensions, structures and organisational complexity of the Saipem Group.
The Board of Statutory Auditors also noted in its brief the diligence and rapidity of its own actions which saw the launch of an audit with assistance from external consultants, the issue of recommendations for possible corrective actions and continual monitoring of their implementation by the Company. The Board of Statutory Auditors is therefore confident that, in the light of the clarifications provided, Consob will agree that no violation of Article 149, paragraph 3, of the Consolidated Finance Act has been committed.
The charges notified regard alleged violations punishable by administrative sanction.
Consob will issue a decision after examining the Board of Statutory Auditors' arguments within a maximum of 360 days starting from June 20, 2013.
Saipem also received the notification since, under the law, in the event of the application of administrative sanction, the Company is also held jointly responsible.
On July 24, 2013, Consob sent Saipem SpA notification of charges pursuant to Articles 193 and 195 of Legislative Decree No. 58/1998 concerning an alleged violation of Article 114, paragraph 1 of Legislative Decree No. 58/1998 and related implementing provisions.
According to Consob, the violation regards a delay in announcing the profit warning of January 29, 2013 to the market. The charges notified regard a violation punishable by administrative sanction. Consob will issue a decision after examining Saipem's arguments within a maximum of 360 days starting from July 24, 2013.

Revenues

The following is a summary of the main components of revenues. The most significant changes in revenues are analysed in the 'Financial and economic results' section of the 'Operating and Financial Review'.

31 Net sales from operations

Net sales from operations were as follows:

(€ million)	First half 2012	First half 2013
Net sales from operations	5,593	5,367
Change in contract work in progress	804	(181)
Total	**6,397**	**5,186**

Net sales by geographical area were as follows:

(€ million)	First half 2012	First half 2013
Italy	269	227
Rest of Europe	643	427
CIS	549	666
Middle East	1,569	1,269
Far East	578	576
North Africa	834	67
West Africa and rest of Africa	1,188	1,056
Americas	767	898
Total	**6,397**	**5,186**

The change in contract work in progress was mainly due to the revised results on projects currently underway.
Information required by IAS 11 is provided by business sector in Note 42 'Segment information, geographical information and construction contracts'.
Revenues from related parties amounted to €983 million (€939 million in the first half of 2012) and are shown in Note 43 'Transactions with related parties'.

32 Other income and revenues

Other income and revenues were as follows:

(€ million)	First half 2012	First half 2013
Gains on disposal of assets	1	-
Indemnities	1	-
Other	4	3
Total	**6**	**3**

Operating expenses

The following is a summary of the main components of operating expenses. The most significant changes in operating expenses are analysed in the 'Financial and economic results' section of the 'Operating and Financial Review'.

33 Purchases, services and other costs

Purchases, services and other costs included the following:

(€ million)	First half 2012	First half 2013
Production costs - raw, ancillary and consumable materials and goods	1,391	1,093
Production costs - services	2,589	2,587
Operating leases and other	410	426
Net provisions for contingencies	(17)	69
Other expenses	26	35
less:		
- capitalised direct costs associated with internally-generated assets	(1)	(3)
- changes in inventories of raw, ancillary and consumable materials and goods	(44)	(33)
Total	**4,354**	**4,174**

The change in the item 'Production costs - raw, ancillary and consumable materials and goods' was due to the operating situation on projects underway during the period.
Costs of services included agency fees of €2 million (€3 million in the first half of 2012).
Net provisions for contingencies are detailed in Note 19 'Provisions for contingencies'.
Purchases, services and other costs to related parties amounted to €118 million (€76 million in the first half of 2012) and are shown in Note 43 'Transactions with related parties'.

34 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	First half 2012	First half 2013
Wages and salaries	944	1,133
less:		
- capitalised direct costs associated with internally-generated assets	(6)	(10)
Total	**938**	**1,123**

The increase in wages and salaries is due to the increase in the average workforce for the period as indicated on page 44 of the 'Operating and Financial Review'.

Stock-based compensation

Saipem discontinued its managerial incentive program involving the assignment of stock option grants to senior managers of Saipem SpA and its subsidiaries in 2009. Neither the general plan conditions nor the other information provided in the consolidated financial statements at December 31, 2012 underwent any significant changes during the period.

STOCK OPTIONS

The following table shows changes in the stock option plans:

	2012			2013		
(€ thousand)	Number of shares	Average strike price	Market price [a]	Number of shares	Average strike price	Market price [a]
Options as of January 1	**1,637,750**	**24.885**	**53,800**	**397,485**	**23.980**	**11,646**
New options granted	-	-	-	-	-	-
(Options exercised during the period)	(1,146,990)	25.109	40,086	(20,150)	17.239	416
(Options expiring during the period)	(93,275)	-	3,260	-	-	-
Options outstanding at June 30	**397,485**	**23.980**	**11,646**	**377,335**	**24.340**	**4,713**
Of which: exercisable at June 30	**397,485**	**23.980**	**11,646**	**377,335**	**24.340**	**4,713**

(a) The market price relating to new options granted, options exercised during the period and options expiring during the period corresponds to the average market value. The market price of shares underlying options outstanding at the beginning and end of the period is the price recorded at January 1 and June 30.

At June 30, 2013, No. 377,335 options had been assigned for the purchase of the same amount of ordinary shares of Saipem SpA with a nominal value of €1 each. The options related to the following plans:

	Number of shares	Strike price (€)	Average remaining life (months)	Fair value (€) for assignees resident in Italy	Fair value (€) for assignees resident in France
2005 plan	36,500	11.881	1	3.1029	2.9795
2006 plan	14,560	17.519	1	5.7208	6.1427
2007 plan	83,300	26.521	7	8.8966	9.5320
2008 plan	242,975	25.872	18	8.2186	8.7734
Total	**377,335**				

Average number of employees

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

(number)	First half 2012	First half 2013
Senior managers	428	425
Junior managers	4,576	4,733
White collars	19,674	21,391
Blue collars	16,422	19,573
Seamen	315	334
Total	**41,415**	**46,456**

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.

35 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	First half 2012	First half 2013
Depreciation and amortisation:		
- tangible assets	319	354
- intangible assets	5	5
	324	**359**
Impairment:		
- tangible assets	21	-
- intangible assets	-	-
Total	**345**	**359**

36 Other operating income and 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 and expense'.
At June 30, 2013 these amounted to amounted to €1 million.

37 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	First half 2012	First half 2013
Finance income (expense)		
Finance income	155	234
Finance expense	(221)	(246)
	(66)	**(12)**
Derivatives	(17)	(80)
Total	**(83)**	**(92)**

Net finance income and expense was as follows:

(€ million)	First half 2012	First half 2013
Exchange gains (losses)	**(6)**	**59**
Exchange gains	149	217
Exchange losses	(155)	(158)
Finance income (expense) related to net borrowings	**(57)**	**(68)**
Interest and other income from Group financial companies	1	-
Interest from banks and other financial institutions	5	17
Interest and other expense due to Group financial companies	(49)	(61)
Interest and other expense due to banks and other financial institutions	(14)	(24)
Other finance income (expense)	**(3)**	**(3)**
Other finance income from third parties	-	-
Finance income (expense) on defined benefit plans - new IAS 19	(3)	(3)
Total finance income (expense)	**(66)**	**(12)**

Gains (losses) on derivatives consisted of the following:

(€ million)	First half 2012	First half 2013
Exchange rate derivatives	(17)	(80)
Total	**(17)**	**(80)**

The net loss on derivatives of €80 million (loss of €17 million in the first half of 2012) mainly related to the recognition in income of changes in the fair value of derivatives that did not qualify for hedge accounting under the IFRS and changes in the value of the forward component of derivatives that qualified for hedge accounting.
Finance income (expense) with related parties are shown in Note 43 'Transactions with related parties'.

38 Income (expense) from investments

Effect of accounting using the equity method

The share of profit (loss) of investments accounted for using the equity method and other gains (losses) from investments consisted of the following:

(€ million)	First half 2012	First half 2013
Share of profit of investments accounted for using the equity method	4	8
Share of loss of investments accounted for using the equity method	-	-
Net additions to (deductions from) the provisions for losses for investments using the equity method	-	-
Total	**4**	**8**

The share of profit (losses) of investments accounted for using the equity method is commented on in Note 9 'Investments accounted for using the equity method'.

Other income (expense) from investments

(€ million)	First half 2012	First half 2013
Net gains from sales	1	-

39 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2012	First half 2013
Current taxes:		
- Italian subsidiaries	37	36
- foreign subsidiaries	148	81
Net deferred taxes:		
- Italian subsidiaries	5	(76)
- foreign subsidiaries	9	(26)
Total	**199**	**15**

(€ million)	First half 2012	First half 2013
Income taxes recognised in consolidated income statement	199	15
Income taxes recognised in statement of comprehensive income	(19)	(16)
Tax on total comprehensive result for the period	**180**	**(1)**

40 Minority interest

The share of the net result attributable to minority interests amounted to €8 million (€15 million in the first half of 2012).

41 Earnings (loss) per share

Basic earnings (loss) per ordinary share are calculated by dividing net profit (loss) for the period attributable to Saipem's shareholders by the weighted average of ordinary shares outstanding during the period, excluding treasury shares.

The average number of ordinary shares outstanding used for the calculation of the basic earnings per share outstanding for 2013 and 2012 was 439,315,903 and 439,163,146, respectively.

Diluted earnings (loss) per share are calculated by dividing net profit (loss) for the period attributable to Saipem's shareholders by the weighted average of fully-diluted shares issued and outstanding during the period with the exception of treasury shares and including the number of shares that could potentially be issued. At June 30, 2013, shares that could potentially be issued only regarded shares granted under stock option plans. The average number of shares outstanding used for the calculation of diluted earnings for 2013 and 2012 was 439,806,523 and 440,033,170, respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		June 30, 2012	June 30, 2013
Average number of shares used for the calculation of the basic earnings (loss) per share		**439,163,146**	**439,315,903**
Number of potential shares following stock option plans		753,225	377,335
Number of savings shares convertible into ordinary shares		116,799	113,285
Average number of shares used for the calculation of the diluted earnings (loss) per share		**440,033,170**	**439,806,523**
Saipem's net profit (loss)	(€ million)	473	(575)
Basic earnings (loss) per share	(€ per share)	1.08	(1.31)
Diluted earnings (loss) per share	(€ per share)	1.08	(1.31)

42 Segment information, geographical information and construction contracts

Segment information

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Unallocated	Total
First half 2012						
Net sales from operations	3,513	3,348	648	417	-	7,926
less: intra-group sales	995	333	139	62	-	1,529
Net sales to customers	**2,518**	**3,015**	**509**	**355**	**-**	**6,397**
Operating profit	330	247	140	49	-	766
Depreciation and amortisation	131	16	133	65	-	345
Net income from investments	4	1	-	-	-	5
Capital expenditure	265	19	200	64	-	548
Property, plant and equipment	3,993	471	3,655	923	-	9,042
Equity investments	40	75	-	-	-	115
Current assets	2,157	2,793	454	383	1,608	7,395
Current liabilities	2,074	2,795	451	365	2,640	8,325
Provisions for contingencies	59	64	2	1	66	192
First half 2013						
Net sales from operations	2,839	2,217	779	429	-	6,264
less: intra-group sales	629	216	171	62	-	1,078
Net sales to customers	**2,210**	**2,001**	**608**	**367**	**-**	**5,186**
Operating result	(107)	(595)	192	42	-	(468)
Depreciation and amortisation	140	17	131	71	-	359
Net income from investments	8	-	-	-	-	8
Capital expenditure	213	89	64	126	-	492
Property, plant and equipment	4,126	579	3,482	958	-	9,145
Equity investments	49	74	-	-	-	123
Current assets	2,321	2,156	584	490	2,149	7,700
Current liabilities	2,881	2,333	283	171	2,297	7,965
Provisions for contingencies	73	109	1	8	50	241

Geographical information

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single period, 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 revenues by geographical area is provided in Note 31 'Net sales from operations'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
First half 2012									
Capital expenditure	10	2	5	60	2	4	26	439	548
Tangible and intangible assets	373	21	406	567	46	423	799	6,407	9,042
Identifiable assets (current)	393	1,128	359	2,079	941	996	842	660	7,395
First half 2013									
Capital expenditure	9	8	5	118	1	9	141	201	492
Tangible and intangible assets	356	28	358	702	37	387	881	6,396	9,145
Identifiable assets (current)	301	1,378	678	1,954	545	976	1,007	861	7,700

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'.

Construction contracts

Construction contracts were accounted for in accordance with IAS 11.

(€ million)	First half 2012	First half 2013
Construction contracts - assets	1,695	1,717
Construction contracts - liabilities	(955)	(1,239)
Construction contracts - net	**740**	**478**
Costs and margins (completion percentage)	6,096	6,150
Progress billings	(5,365)	(5,591)
Change in provision for future losses	9	(81)
Construction contracts - net	**740**	**478**

43 Transactions with related parties

Saipem SpA is a subsidiary of Eni SpA. 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, the provision and utilisation of financial resources, including entering into derivative contracts with other Eni SpA subsidiaries or associated companies and with a number of entities owned or controlled by the Italian State. These transactions are an integral part of the ordinary course of its business and are carried out on an arm's length basis, i.e. at conditions which would be applied between willing and independent parties. All transactions were carried out for the mutual benefit of the Saipem companies involved. Pursuant to disclosure requirements covered under Consob Regulation No. 17221 of March 12, 2010, the following transactions with related parties were carried out in the first half of 2013:

- on April 26, 2013, Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda, an indirect subsidiary of Saipem SpA, signed an agreement increasing and extending an existing €300 million medium to long-term revolving line of credit with Eni Finance International SA, a subsidiary of Eni SpA. The agreement, which increases the credit limit to €800 million and extends the maturity date by 5 years, carries an interest rate of 115 basis points over Euro Libor at the date of drawdown and will fund the operations of the Portuguese subsidiary.

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:

- Eni subsidiaries;
- Eni associates;
- other related parties.

Trade and other transactions

Trade and other transactions as of December 31, 2012 and for the six-month period ended June 30, 2012 consisted of the following:

(€ million)

	Dec. 31, 2012			First half 2012			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Ltda	-	1	-	-	1	-	-
Total unconsolidated subsidiaries	**-**	**1**	**-**	**-**	**1**	**-**	**-**
Associates and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta velocità) Due	51	51	84	-	2	7	-
KWANDA Suporte Logistico Lda	54	1	-	-	-	5	-
Rosetti Marino Group SpA	-	1	-	-	-	-	-
Milano-Brescia-Verona Scarl	-	-	-	-	2	-	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	5	-	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	9	7	-	-	8	-	-
Total associates and jointly controlled companies	**119**	**60**	**84**	**-**	**12**	**12**	**-**
Eni consolidated subsidiaries							
Eni SpA	2	11	5,714	1	9	-	-
Eni SpA Exploration & Production Division	129	2	-	-	2	30	-
Eni SpA Gas & Power Division	1	-	-	-	1	-	-
Eni SpA Refining & Marketing Division	48	-	-	4	1	16	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	1	-
Burren Energy Services Ltd	3	-	-	-	-	4	-
Eni Adfin SpA	-	-	-	-	2	-	-
Eni Algeria Production BV	1	-	-	-	-	1	-
Eni Angola SpA	38	-	-	-	-	62	-
Eni Canada Holding Ltd	70	7	-	-	-	51	-
Eni Congo SA	35	-	-	-	-	44	-
Eni Corporate University SpA	1	4	-	-	2	-	-
Eni East Africa SpA	36	-	-	-	-	62	-
Eni Finance USA Inc	54	-	-	-	-	-	-
Eni Ghana Exploration & Production Ltd	2	-	-	-	-	-	-
Eni Insurance Ltd	8	11	-	-	15	6	-
Eni Iraq BV	2	-	-	-	-	7	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	-	-
Eni Norge AS	54	-	-	-	-	60	-
EniPower SpA	3	-	-	-	-	1	-
EniServizi SpA	1	18	-	-	22	-	-
Eni Togo BV	6	-	-	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	2	-	-	-
Eni Venezuela BV	-	-	-	-	-	1	-
Hindustan Oil Exploration Co Ltd	3	-	-	-	-	6	-
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	1	-
Polimeri Europa France SAS	1	-	-	-	-	-	-
Raffineria di Gela SpA	3	-	-	-	-	1	-
Serfactoring SpA	3	44	-	-	1	-	-
Snam Rete Gas SpA	-	-	-	-	-	31	-
Stoccaggi Gas Italia SpA	-	-	-	-	-	8	-
Syndial SpA	16	-	-	-	-	9	-
Tecnomare SpA	-	-	-	-	-	3	-
Versalis SpA (ex Polimeri Europa SpA)	12	-	-	-	-	-	-
Other (for transactions not exceeding €500 thousand)	3	2	-	-	-	-	-
Total Eni consolidated subsidiaries	**542**	**99**	**5,714**	**7**	**55**	**405**	**-**

(€ million)

Name	Dec. 31, 2012 Receivables	Dec. 31, 2012 Payables	Dec. 31, 2012 Guarantees	First half 2012 Costs Goods	First half 2012 Costs Services	First half 2012 Revenues Goods and services	First half 2012 Revenues Other
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	199	16	-	-	-	471	-
Total Eni subsidiaries	**741**	**115**	**5,714**	**7**	**55**	**876**	**-**
Eni associates and jointly controlled companies	25	-	-	-	-	51	-
Total Eni companies	**766**	**115**	**5,714**	**7**	**55**	**927**	**-**
Entities controlled or owned by the Italian State	**63**	**1**	**-**	**-**	**1**	**-**	**-**
Total transactions with related parties	**948**	**177**	**5,798**	**7**	**69**	**939**	**-**
Overall total	**3,252**	**4,982**	**7,326**	**1,391**	**2,999**	**6,397**	**6**
Incidence (%)	**29.15**	**3.55**	**79.14**	**0.50**	**2.30**	**14.68**	**-**

Trade and other transactions as of and for the six-month period ended June 30, 2013 consisted of the following:

(€ million)

Name	June 30, 2013 Receivables	June 30, 2013 Payables	June 30, 2013 Guarantees	First half 2013 Costs Goods	First half 2013 Costs Services	First half 2013 Revenues Goods and services	First half 2013 Revenues Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão Instalaçao Offshore Ltda	1	1	-	-	1	-	-
Total unconsolidated subsidiaries	**1**	**1**	**-**	**-**	**1**	**-**	**-**
Associates and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta velocità) Due	48	81	158	-	29	71	-
KWANDA Suporte Logistico Lda	53	8	-	-	5	4	-
Rosetti Marino Group SpA	-	-	-	-	-	-	-
Milano-Brescia-Verona Scarl	-	-	-	-	-	-	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	2	-	-	-	-	3	-
Sabella SAS	1	-	-	-	-	-	-
Saidel Ltd	4	7	-	-	7	4	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	7	17	-	-	23	-	-
Total associates and jointly controlled companies	**115**	**113**	**158**	**-**	**64**	**82**	**-**
Eni consolidated subsidiaries							
Eni SpA	1	27	6,235	1	8	-	-
Eni SpA Exploration & Production Division	73	2	-	-	-	71	-
Eni SpA Gas & Power Division	1	1	-	-	1	-	-
Eni SpA Refining & Marketing Division	35	-	-	2	-	18	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	-	-
Burren Energy Services Ltd	7	-	-	-	-	4	-
Eni Adfin SpA	-	2	-	-	2	-	-
Eni Algeria Production BV	-	-	-	-	-	-	-
Eni Angola SpA	37	-	-	-	-	70	-
Eni Canada Holding Ltd	56	5	-	-	-	6	-
Eni Congo SA	46	2	-	-	1	50	-
Eni Corporate University SpA	-	2	-	-	3	-	-
Eni East Africa SpA	31	-	-	-	-	68	-
Eni Finance International SA	-	-	-	-	-	-	-
Eni Finance USA Inc	45	-	-	-	-	-	-
Eni Ghana Exploration & Production Ltd	20	-	-	-	-	18	-
Eni Insurance Ltd	8	5	-	-	11	7	-
Eni Iraq BV	2	-	-	-	-	-	-
Eni Mediterranea Idrocarburi SpA	1	-	-	-	-	1	-
Eni Norge AS	47	-	-	-	-	83	-
EniPower SpA	3	-	-	-	-	3	-
EniServizi SpA	-	36	-	-	21	-	-

(€ million)

	June 30, 2013			First half 2013			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Eni Togo BV	12	-	-	-	-	42	-
Eni Trading & Shipping SpA	-	-	-	-	(1)	-	-
Eni Venezuela BV	-	-	-	-	-	-	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Polimeri Europa France SAS	-	-	-	-	-	-	-
Raffineria di Gela SpA	3	-	-	-	-	2	-
Serfactoring SpA	3	49	-	-	-	-	-
Servizi Aerei SpA	-	-	-	-	-	-	-
Syndial SpA	13	-	-	-	-	5	-
Tecnomare SpA	-	-	-	-	-	-	-
Versalis SpA (ex Polimeri Europa SpA)	17	-	-	-	-	10	-
Other (for transactions not exceeding €500 thousand)	1	3	-	-	1	-	-
Total Eni consolidated subsidiaries	**470**	**134**	**6,235**	**3**	**47**	**458**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	120	11	-	-	-	321	-
Total Eni subsidiaries	**590**	**145**	**6,235**	**3**	**47**	**779**	**-**
Eni associates and jointly controlled companies	18	-	-	-	-	18	-
Total Eni companies	**608**	**145**	**6,235**	**3**	**47**	**797**	**-**
Entities controlled or owned by the Italian State	**43**	**1**	**-**	**-**	**3**	**104**	**-**
Total transactions with related parties	**767**	**260**	**6,393**	**3**	**115**	**983**	**-**
Overall total	**3,158**	**5,452**	**8,326**	**1,093**	**3,013**	**5,186**	**3**
Incidence (%)	**24.29**	**4.77**	**76.78**	**0.27**	**3.82**	**18.95**	**-**

The figures shown in the tables refer to Note 2 'Trade and other receivables', Note 14 'Trade and other payables', Note 30 'Guarantees, commitments and risks', Note 31 'Net sales from operations', Note 32 'Other income and revenues' and Note 33 '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. Revenues from Eni associates, which amounted to €18 million, mainly comprised €14 million from Petrobel Belayim Petroleum Co. Receivables from Eni associates amounting to €18 million, mainly comprised €11 million from Petrobel Belayim Petroleum Co and €3 million from Mellitah Oil & Gas BV.
Transactions with companies controlled or owned by the Italian State were mainly with the Snam Group.
Other transactions were as follows:

	Dec. 31, 2012		June 30, 2013	
(€ million)	Other receivables	Other payables	Other receivables	Other payables
Eni SpA	203	86	75	144
Banque Eni SA	4	3	13	6
Eni Insurance Ltd	-	-	-	7
Eni Trading & Shipping SpA	-	-	-	1
Total transactions with related parties	**207**	**89**	**88**	**158**
Overall total	**562**	**96**	**396**	**221**
Incidence (%)	**36.83**	**92.71**	**22.22**	**71.49**

Financial transactions

Financial transactions as of December 31, 2012 and for the six-month period ended June 30, 2012 consisted of the following:

(€ million)

	Dec. 31, 2012		First half 2012		
Name	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	2,183	13,116	(24)	-	(44)
Banque Eni SA	-	385	-	-	28
Eni Finance International SA	3,072	-	(24)	1	-
Serfactoring SpA	10	-	(1)	-	-
Total transactions with related parties	**5,265**	**13,501**	**(49)**	**1**	**(16)**

(1) Shown on the balance sheet under 'Short-term debt' (€1,523 million), 'Long-term debt' (€3,343 million) and 'Current portion of long-term debt' (€399 million).

Financial transactions as of and for the six-month period ended June 30, 2013 consisted of the following:

(€ million)

	June 30, 2013		First half 2013		
Name	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	2,095	12,335	(28)	-	(90)
Banque Eni SA	-	299	-	-	10
Eni Finance International SA	3,655	-	(32)	-	
Eni Trading & Shipping	-	-	-	-	(1)
Ferrovie dello Stato	-	-	-	9	-
Serfactoring SpA	-	-	(1)	-	-
Total transactions with related parties	**5,750**	**12,634**	**(61)**	**9**	**(81)**

(1) Shown on the balance sheet under 'Short-term debt' (€1,426 million), 'Long-term debt' (€3,971 million) and 'Current portion of long-term debt' (€353 million).

Financial transactions also contain hedging contracts entered into with Eni Trading & Shipping SpA which are included in the income statement under 'Other operating income (expense)'.
As the result of a special agreement between Saipem and the Eni Corporate Finance Unit, Eni SpA provides financial services to the Italian companies of the Saipem Group, consisting of loans, deposits and financial instruments for the hedging of foreign exchange and interest rate risks.
The incidence of financial transactions and positions with related parties was as follows:

	Dec. 31, 2012			June 30, 2013		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	1,740	1,523	87.53	1,611	1,426	88.52
Long-term debt (including current portion)	3,943	3,742	94.90	4,568	4,324	94.66

	First half 2012			First half 2013		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	155	1	0.65	234	9	3.85
Finance expense	(221)	(49)	22.17	(246)	(61)	24.80
Derivatives	(17)	(16)	94.12	(80)	(80)	100.00
Other operating income (expense)	-	-	-	(1)	(1)	100.00

The main cash flows with related parties were as follows:

(€ million)	June 30, 2012	June 30, 2013
Income and revenues	939	983
Costs and other expenses	(76)	(118)
Finance income (expenses) and derivatives	(64)	(133)
Change in trade and other receivables and payables	19	264
Net cash flow from operations	**818**	**996**
Change in financial payables	922	485
Net cash flow from financing activities	**922**	**485**
Total cash flows with related parties	**1,740**	**1,481**

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

	June 30, 2012			June 30, 2013		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Cash flow from operations	143	818	572.03	499	996	199.60
Cash flow used in investing activities	(549)	-	-	(445)	-	-
Cash flow from financing activities (*)	599	922	153.92	502	485	96.61

(*) Cash flow from financing activities does not include dividends distributed or net purchase of treasury shares.

Information on jointly controlled entities

Information relating to jointly controlled entities at June 30, 2013, consolidated using the proportionate method, are as follows:

(milioni di euro)	June 30, 2012	June 30, 2013
Capital employed, net	(139)	(125)
Total assets	547	446
Total current assets	453	370
Total non-current assets	94	76
Total liabilities	512	394
Total current liabilities	489	375
Total non-current liabilities	23	19
Total revenues	434	240
Total operating expenses	410	236
Operating profit	24	4
Net profit (loss) for the period	16	3

44 Significant non-recurring events and operations

No significant non-recurring events or operations took place in the first half of 2013 or in the first half of 2012.

45 Transactions deriving from atypical or unusual transactions

In the first half of 2012 and 2013, there were no transactions deriving from atypical and/or unusual operations.

46 Events subsequent to period-end

Information on subsequent events is provided in the section ‘Events subsequent to period-end’ of the ‘Operating and Financial Review’.

47 Additional information - Notification of Consob proceedings

Following the issue by Saipem SpA of its press release of January 29, 2013, in which it revised its 2012 earnings guidance and its outlook for 2013, the Company received a communication from Consob dated January 31, 2013 asking it to reconstruct the process of evaluation and the considerations that led to the decision to issue the press release in question and to describe the information used to arrive at the revision of its guidance for 2012 and 2013 profit and its outlook for 2014.

Subsequently, in a letter dated February 1, 2013, Consob announced the commencement of an inspection of Saipem pursuant to Article 187-*octies*, paragraph 3 of Legislative Decree No. 58 of February 24, 1998 with the purpose of gathering documents and information regarding the preparation of the press release and the handling of privileged information.

Subsequently, Consob requested additional information from Saipem in communications of February 8, February 25 and May 2, 2013, including information concerning the variations between the last business plan approved prior to January 29, 2013 and the new 2013-2016 business plan, contract monitoring data and details relating to the accounting treatment of contract costs. The Company replied to the above communications, providing the documentation and the information requested and offering Consob its full cooperation.

Following the press release issued by Saipem SpA on June 14, 2013 in which the Company again reviewed its guidance for 2013 operating profit and net profit , Consob sent a new request on June 19, 2013 for information regarding: (i) negotiations with Sonatrach from January 2013; (ii) the contracts for which expected profits had been revised downwards and the reasons for this revision. Saipem responded to the above communications supplying the documentation and information requested.

On July 19, 2013, Consob notified the Company that it was commencing proceedings to seek an adjustment it believes may be necessary of the financial disclosures made in the consolidated and statutory financial statements at December 31, 2012 and to challenge the financial statements before the judicial authorities (pursuant to Article 154-*ter*, paragraph 7 and Article 157, paragraph 2 of Legislative Decree No. 58/1998). Consob believes it has identified instances of non-compliance with international accounting standards in the financial statements in question, and specifically with the provisions of IAS 11 'Construction contracts'. The non-compliance claimed by Consob relates to accounting data from eight contracts, of which seven were still underway at December 31, 2012. In relation to five of these contracts, Consob has suggested that the downward revision of estimates amounting to approximately € 500 million that was announced in the profit warning issued on June 14 and which this half year report places in the first half of 2013, actually pertains to 2012. In relation to the other three contracts, Consob believes it has identified critical situations pointing to the existence of negative margins amounting to approximately € 130 million which it claims should have been recognised in the 2012 financial statements.

The Company has confirmed the disclosures and judgements presented in the financial statements at December 31, 2012 and is of the opinion that there are still no grounds for recognising the alleged negative margins on the three contracts not included in the profit warning of June 14, 2013 in this half year report. The Company will present its own arguments to Consob in accordance with the required terms.

Certification of the Condensed Consolidated Interim Financial Statements pursuant to Article 81-*ter* of Consob Resolution No. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned Umberto Vergine and Stefano Goberti 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 consolidated interim financial statements as of June 30, 2013 and during the period covered by the report, were:
- adequate to the company structure, and
- effectively applied during the process of preparation of the report.

2. Internal controls over financial reporting in place for the preparation of the condensed consolidated interim financial statements as of June 30, 2013 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. This declaration has been made taking into account the representations contained in the Note 47 'Additional information - Notification of Consob proceedings' on page 110 of this half year report.

3. The undersigned officers also certify that:

3.1 the condensed consolidated interim financial statements as of June 30, 2013:

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 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 operating and financial review includes a reliable analysis of the material events occurred during the first half of 2013 and their impact on the condensed consolidated interim financial statements, as well as a description of the main risks and uncertainties for the second half of the year. The interim operating and financial review contains a reliable analysis of the disclosure on significant related-party transaction.

July 30, 2013

Umberto Vergine	Stefano Goberti
CEO	Chief Financial Officer

Independent Auditors' Review Report

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Auditors' review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Saipem S.p.A.

1. We have reviewed the condensed consolidated interim financial statements of Saipem S.p.A. and its subsidiaries (the "Saipem Group") as of June 30, 2013, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flows statement and the related explanatory notes. Saipem S.p.A.'s Directors are responsible for the preparation of the condensed consolidated interim financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the condensed consolidated interim financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements as we expressed on the annual consolidated financial statements.

   The condensed consolidated interim financial statements present, for comparative purposes, the financial data of the prior year and of the corresponding period of the prior year, some of which, as disclosed in the explanatory notes, were restated as a result of the retrospective application of the amendment to IAS 19, with respect to the data previously presented, on which we issued our auditors' report and our review report on April 3, 2013 and on August 2, 2012, respectively. We have examined the methods adopted to restate the comparative financial data and the related disclosures for the purpose of issuing this review report.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Saipem Group as of June 30, 2013 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

4. As an emphasis of matter, we refer to note 47 "Additional information" of the condensed consolidated interim financial statements of Saipem S.p.A. as June 30, 2013, which describes the terms of the proceeding started by Consob with respect to the financial information included in the consolidated and separate financial statements as of December 31, 2012.

Milan, August 5, 2013

Reconta Ernst & Young S.p.A.
Signed by: Pietro Carena, Partner

This report has been translated into the English language solely for the convenience of international readers

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Publications
Bilancio al 31 dicembre (in Italian)
Annual Report (in English)

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

Saipem Sustainability (in English)

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