

## Saipem: 2021 Annual Report

San Donato Milanese (Milan), April 23, 2022 - Saipem informs that the following documents are available at the Company's Registered Office, on the Company's website [www.saipem.com](http://www.saipem.com) under the section "Governance - Shareholders' Meeting - Ordinary Shareholders' Meeting 2022", on Borsa Italiana S.p.A.'s website ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and via the "eMarket STORAGE" mechanism at [www.emarketstorage.com](http://www.emarketstorage.com):

- the 2021 Annual Report of Saipem S.p.A., containing the consolidated and draft statutory financial statements of Saipem S.p.A. at December 31, 2021, the Directors' Report and the declaration pursuant to art. 154-*bis*, paragraph 5 of Legislative Decree 58/1998, as well as the Reports by the Statutory Auditors and the Independent Auditors;
- the 2021 Consolidated Non-Financial Statement, pursuant to Legislative Decree 254/2016, has been published in a specific section of the Directors' Report and includes the related Report by the Independent Auditors;
- the Corporate Governance and Shareholding Structure Report, pursuant to article 123-*bis* of Legislative Decree 58/1998;
- the Report on Saipem's Remuneration Policy and Compensation Paid, pursuant to article 123-*ter* of Legislative Decree 58/1998;
- the document, "Sustainability Report 2021" and the related Report by the Independent Auditors.

With reference to the 2021 Annual Report, Saipem informs that the External Auditor KPMG S.p.A. has considered appropriate the disclosure included in the financial statements, issuing a "clean" opinion with an "emphasis of matter" on going concern.

A full copy of the independent auditors' report is attached to this press release.

*Saipem is an advanced technological and engineering platform for the design, construction and operation of safe and sustainable complex infrastructure and plants. Saipem has always been oriented towards technological innovation and is currently committed, alongside its clients, on the frontline of energy transition with increasingly digitalised tools, technologies and processes that were devised from the outset with environmental sustainability in mind. It is listed on the Milan stock exchange and operates in 70 countries around the world with 32 thousand employees from 130 different nationalities.*

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Annex: full copy of the Independent Auditors' Report.



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**(The accompanying translated consolidated financial statements of the Saipem Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

*To the shareholders of  
Saipem S.p.A.*

### **Report on the audit of the consolidated financial statements**

#### ***Opinion***

We have audited the consolidated financial statements of the Saipem Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Saipem Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Saipem S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainties about going concern**

We draw attention to that disclosed by the directors in section 4 "*Accounting estimates and significant judgements - Going concern*" of the notes to the consolidated financial statements about events and circumstances that indicate that there are material uncertainties which would cast significant doubts about the parent's and group's ability to continue as a going concern.

The above section also discloses the reasons why the parent's directors deemed it appropriate to prepare the consolidated financial statements at 31 December 2021 on a going concern basis.

Obtaining sufficient audit evidence supporting the parent's directors' use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

- discussing the assessment of the going concern assumption and the related material uncertainties with the parent's directors;
- analysing the process applied by the directors to assess the parent's and group's ability to continue as a going concern;
- including by involving our own specialists, understanding and assessing the reasonableness of the main assumptions underlying the 2022-2025 business plan approved by the parent's board of directors on 24 March 2022 (the "business plan");
- checking any discrepancies between the forecast figures included in the business plan and the previous year actual figures, in order to check the accuracy of the group management's estimation process;
- understanding and assessing the manoeuvre aimed at strengthening the group's and parent's financial and capital structure (the "financing package");
- analysing the documentation supporting the commitments taken on by the shareholders that exercise joint control over the parent and the banks involved in the financing package;
- analysing the events after the reporting date that provide information useful for an assessment of the going concern assumption;
- analysing the minutes of the parent's board of directors' meetings and the related decisions;
- assessing the appropriateness of the disclosures provided in the notes about the going concern assumption.

We did not qualify our opinion in this respect.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to that described in the *Material uncertainties about going concern* section, we have identified the following key audit matters to report herein.

**Revenue recognition and measurement of contract assets and liabilities**

*Notes to the consolidated financial statements: note 4 "Accounting estimates and significant judgements - Revenue, contract assets and contract liabilities", note 30 "Revenue", note 23 "Provisions for risks and charges", note 11 "Inventories and contract assets" and note 19 "Trade payables, other liabilities and contract liabilities"*

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2021 include contract assets of €1,320 million, contract liabilities of €2,517 million, provisions for contract costs and losses on long-term contracts of €973 million and core business revenue of €6,875 million, which is also related to significant long-term contracts with customers for the performance of large projects that are complex from an engineering, technological and construction point of view.</p> <p>Revenue from those projects is recognised over time, based on their stage of completion and using the cost-to-cost method.</p> <p>Measuring contract assets and liabilities is based on significant estimates about the total contract revenue and costs and the related stage of completion which entail a high level of judgement by the directors. These estimates are affected by many factors, including:</p> <ul style="list-style-type: none"> <li>— claims for additional consideration compared to that contractually agreed;</li> <li>— the projects' long timeframe, size and engineering and operating complexity;</li> <li>— the risk profile of certain countries in which the work is carried out.</li> </ul> <p>These estimates, therefore, require a high level of directors' judgement that may significantly affect the recognition of revenue and the measurement of contract assets and liabilities.</p> <p>Accordingly, we believe that the revenue recognition and measurement of contract assets and liabilities are a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process for the allocation of revenue from contract with customers and additional consideration, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;</li> <li>— selecting a sample of contracts on which we performed, inter alia, the following procedures:             <ul style="list-style-type: none"> <li>— analysing contracts with customers in order to check that the main contractual terms have been appropriately considered by management,</li> <li>— analysing the reasonableness of the assumptions underlying the project budgets and forecasts through (i) discussions with group management and the individual contract managers to support the information obtained from historical analyses (ii) analysis of supporting documentation, including any correspondence with customers and suppliers and legal-technical opinions possibly expressed by external experts engaged by group management (iii) analysis of the most significant discrepancies between past years' estimates and actual figures;</li> </ul> </li> <li>— checking the recognition of costs and their allocation to the contracts in progress;</li> <li>— assessing the accuracy of the stage of completion calculation and the consequent recognition of revenue and contract assets and liabilities;</li> </ul>

Key audit matter	Audit procedures addressing the key audit matter
	<ul style="list-style-type: none"> <li>— analysing the events after the reporting date that provide information useful for an assessment of management estimates;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about revenue and contract assets and liabilities.</li> </ul>

**Provisions for risks and charges and contingent liabilities**

*Notes to the consolidated financial statements: note 4 "Accounting estimates and significant judgements - Provisions for risks and charges", note 23 "Provisions for risks and charges" and note 29 "Guarantees, commitments and risks - Legal proceedings"*

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2021 comprise provisions for risks and charges of €1,353 million, including provisions for contract costs and losses on long-term contracts of €973 million.</p> <p>The parent and certain group companies are involved in a number of legal proceedings and, when a liability is considered to be probable and its amount can be estimated reliably, group management makes the related provisions for risks and charges.</p> <p>The process and methods for assessing the risk arising from the legal proceedings are complex and, by their very nature, entail a high level of judgement by group management, especially the evaluation of the uncertainty surrounding the outcome of the proceedings, the classification as provisions or liabilities and the appropriateness of the disclosures provided in the notes, including about possible liabilities.</p> <p>For the above reasons, we believe that this issue is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process for the assessment of legal proceedings and assessing the design and implementation of controls and procedures on the operating effectiveness of material controls;</li> <li>— analysing the accounting policies used by the directors to estimate the outcome of significant legal proceedings;</li> <li>— assessing management's evaluations of the proceedings and their reasonableness by checking the main internal documentation, related reports and any technical appraisals prepared by experts engaged by management, as well as through the information obtained from external and internal legal advisors and group management;</li> <li>— exchanging information with the parent's <i>Collegio Sindacale</i>, control and risk committee, supervisory board and internal auditors;</li> <li>— analysing the events after the reporting date that provide information useful for an assessment of the significant legal proceedings;</li> <li>— assessing the appropriateness of the disclosures provided in the annual report about significant legal proceedings.</li> </ul>

### **Measurement of property, plant and equipment and intangible assets**

*Notes to the consolidated financial statements: note 4 "Accounting estimates and significant judgements - Impairment of non-financial assets and Leases", note 14 "Property, plant and equipment", note 15 "Intangible assets" and note 16 "Right-of-use-assets and lease assets and lease liabilities"*

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The consolidated financial statements at 31 December 2021 include property, plant and equipment of €3,113 million, intangible assets of €699 million, including goodwill of €667 million, and right-of-use assets of €261 million.</p> <p>The parent's directors have identified fourteen cash-generating units ("CGUs"): Offshore E&amp;C, Onshore E&amp;C, Leased FPSO, Onshore drilling and ten vessels included in the Offshore drilling business segment.</p> <p>The parent's directors allocated goodwill to the Offshore E&amp;C CGU (€403 million) and the Onshore E&amp;C CGU (€264 million).</p> <p>Group management tests the carrying amounts of all CGUs for impairment whenever there are indicators of impairment, and of the CGUs that include goodwill at least annually, by comparing the individual CGU's estimated recoverable amount, calculated by discounting the expected cash flows using the discounted cash flow model, to the net capital employed allocated thereto.</p> <p>The recoverable amounts of those assets is based on assumptions, sometimes complex, that entail a high level of judgement. They are based on the expected cash flows forecast in the 2022-2025 strategic plan approved by the parent's directors, as well as projections for future years.</p> <p>The key assumptions underlying the expected cash flows forecast by the parent's directors relate to the future acquisition of orders, their profitability and the payments that the group will obtain by leasing its fleet of vessels, principally included in the Offshore drilling business segment.</p> <p>For the above reasons, we believe that this issue is a key audit matter.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none"> <li>— understanding the process adopted to prepare the impairment tests approved by the parent's directors;</li> <li>— understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived;</li> <li>— analysing the criteria used to identify the CGUs and the assets and liabilities allocated thereto;</li> <li>— analysing the reasonableness of the main assumptions underlying the 2022-2025 strategic plan approved by the parent's directors, mainly through inquiries with the managers of the business segments that include the CGUs identified, analysis of the supporting documentation and comparison of expected orders to the order backlog;</li> <li>— checking the consistency of the forecasts included in the 2022-2025 strategic plan approved by the parent's directors with the data underlying the expected cash flows used for impairment testing;</li> <li>— checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the group management's estimation process;</li> <li>— analysing the reasonableness of the valuation methods and key assumptions used by the parent's directors, and especially: <ul style="list-style-type: none"> <li>- the application of the discounted cash flow model;</li> <li>- the criteria and parameters used to calculate the discount rate applied to the projected cash flows and the long-term growth rate;</li> </ul> </li> </ul>

Key audit matter	Audit procedures addressing the key audit matter
	<ul style="list-style-type: none"> <li>— checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing;</li> <li>— analysing the events after the reporting date that provide information useful for an assessment of management estimates;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about the measurement of property, plant and equipment, intangible assets and right-of-use assets.</li> </ul>

***Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements***

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.



### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 3 May 2018, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## **Report on other legal and regulatory requirements**

### ***Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815***

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98***

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.



**Saipem Group**  
*Independent auditors' report*  
31 December 2021

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

***Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16***

The directors of Saipem S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 22 April 2022

KPMG S.p.A.

(signed on the original)

Cristina Quarleri  
Director of Audit