Interim Consolidated Report as of June 30, 2015

Mission

Pursuing the 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 and safety, openness, flexibility, integration, innovation, quality, competitiveness, teamwork, humility, internationalisation, responsibility and integrity.

Countries in which Saipem operates

EUROPE

Austria, Belgium, Bulgaria, Croatia, Cyprus, Denmark, France, 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, Georgia, Kazakhstan, Russia, Turkmenistan, Ukraine

AFRICA

Algeria, Angola, Congo, Egypt, Gabon, Ghana, Libya, Mauritania, Morocco, Mozambique, Nigeria, South Africa, Uganda

MIDDLE EAST

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

FAR EAST AND OCEANIA

Australia, China, India, Indonesia, Japan, Malaysia, Pakistan, Papua New Guinea, Singapore, South Korea, Thailand, Vietnam

Board of Directors and auditors of Saipem SpA

BOARD OF DIRECTORS[1]

Chairman
Paolo Andrea Colombo

Chief Executive Officer (CEO)
Stefano Cao

Directors
Maria Elena Cappello, Federico Ferro-Luzzi, Francesco Antonio Ferrucci, Guido Guzzetti, Flavia Mazzarella, Nicla Picchi, Stefano Siragusa

BOARD OF STATUTORY AUDITORS[2]

Chairman
Mario Busso

Statutory Auditors
Anna Gervasoni
Massimo Invernizzi

Alternate Auditors
Paolo Sfameni
Giulia De Martino[3]

(1) Appointed by the Shareholders on April 30, 2015.
(2) Appointed by the Shareholders on May 6, 2014.
(3) Appointed by the Shareholders on April 30, 2015 to replace Elisabetta Maria Corvi, who resigned on January 14, 2015.

Independent Auditors

Reconta Ernst & Young SpA

Saipem is a subsidiary of Eni SpA

Approved by the Board of Directors on July 28, 2015

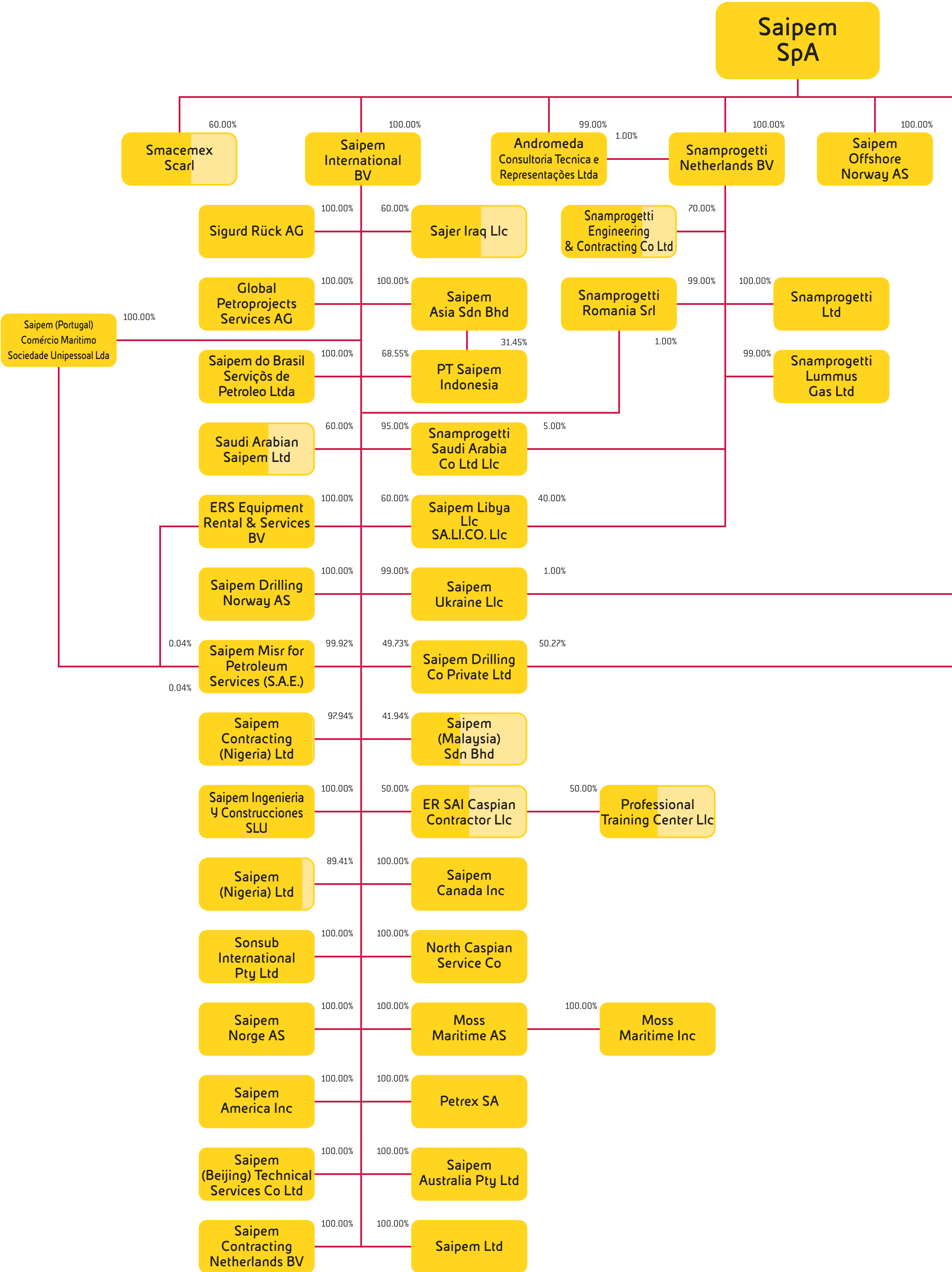
Interim results

The principal cause of the rapid deterioration seen during the first half of 2015 in the market environment in which Saipem operates was the low price of oil, whose downward trajectory commenced towards the end of the previous year. This highly deteriorated environment led in turn to the following:
- delays and cancellations of orders already underway, as well as the adoption by clients of an increasingly inflexible attitude during negotiations for change orders and claims, related to projects underway;
- an increased credit risk in certain geographical areas;
- the need to rethink Saipem's operating strategy. Accordingly, a turnaround plan called 'Fit for the future' has been launched, which involves the rationalisation of fabrication yards and vessels that are no longer viable in the new market environment;
- the need to review the Company's negotiating strategy with a view to reaching settlements with clients, aiming to keep potential disputes to a minimum and seeking to secure an immediate financial benefit.

The result for the first half of 2015, as impacted by the cancellation of the South Stream contract and the write-downs described above, were as follows:
- Adjusted EBIT[1]: -€ 579 million;
- EBIT: -€ 790 million, including € 211 million in write-downs of non-current assets;
- Adjusted net result: -€ 709 million;
- Net result: -€ 920 million;
- Capital expenditure: € 268 million (€ 329 million in the first half of 2014);
- Net debt at June 30, 2015: € 5,531 million (€ 4,424 million at December 31, 2014), including the negative cash impact of € 502 million relating to foreign exchange hedging derivatives maturing during the period;
- New contracts: € 3,500 million (€ 13,132 million in the first half of 2014);
- Backlog: € 19,018 million[2] at June 30, 2015 (€ 22,147 million at December 31, 2014).

(1) Adjusted EBIT and the adjusted net result do not include a € 211 million decrease in net capital employed resulting from the write-down of non-current assets.
(2) Cancelled from backlog € 1,232 million relating to the South Stream contract and € 24 million relating to a contract for the semi-submersible rig Scarabeo 5.

Saipem Group structure
(subsidiaries)



Saipem SpA
60.00%
Smacemex Scarl
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
Sigurd Rück AG
100.00%
60.00%
Sajer Iraq Llc
Snamprogetti Engineering & Contracting Co Ltd
70.00%
Global Petroprojects Services AG
100.00%
100.00%
Saipem Asia Sdn Bhd
Snamprogetti Romania Srl
99.00%
100.00%
Snamprogetti Ltd
Saipem (Portugal) Comércio Maritimo Sociedade Unipessoal Lda
100.00%
31.45%
1.00%
Saipem do Brasil Serviçõs de Petroleo Ltda
100.00%
68.55%
PT Saipem Indonesia
99.00%
Snamprogetti Lummus Gas Ltd
Saudi Arabian Saipem Ltd
60.00%
95.00%
Snamprogetti Saudi Arabia Co Ltd Llc
5.00%
ERS Equipment Rental & Services BV
100.00%
60.00%
Saipem Libya Llc SA.LI.CO. Llc
40.00%
Saipem Drilling Norway AS
100.00%
99.00%
Saipem Ukraine Llc
1.00%
0.04%
Saipem Misr for Petroleum Services (S.A.E.)
0.04%
99.92%
49.73%
Saipem Drilling Co Private Ltd
50.27%
Saipem Contracting (Nigeria) Ltd
97.94%
41.94%
Saipem (Malaysia) Sdn Bhd
Saipem Ingenieria y Construcciones SLU
100.00%
50.00%
ER SAI Caspian Contractor Llc
50.00%
Professional Training Center Llc
Saipem (Nigeria) Ltd
89.41%
100.00%
Saipem Canada Inc
Sonsub International Pty Ltd
100.00%
100.00%
North Caspian Service Co
Saipem Norge AS
100.00%
100.00%
Moss Maritime AS
100.00%
Moss Maritime Inc
Saipem America Inc
100.00%
100.00%
Petrex SA
Saipem (Beijing) Technical Services Co Ltd
100.00%
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Saipem Australia Pty Ltd
Saipem Contracting Netherlands BV
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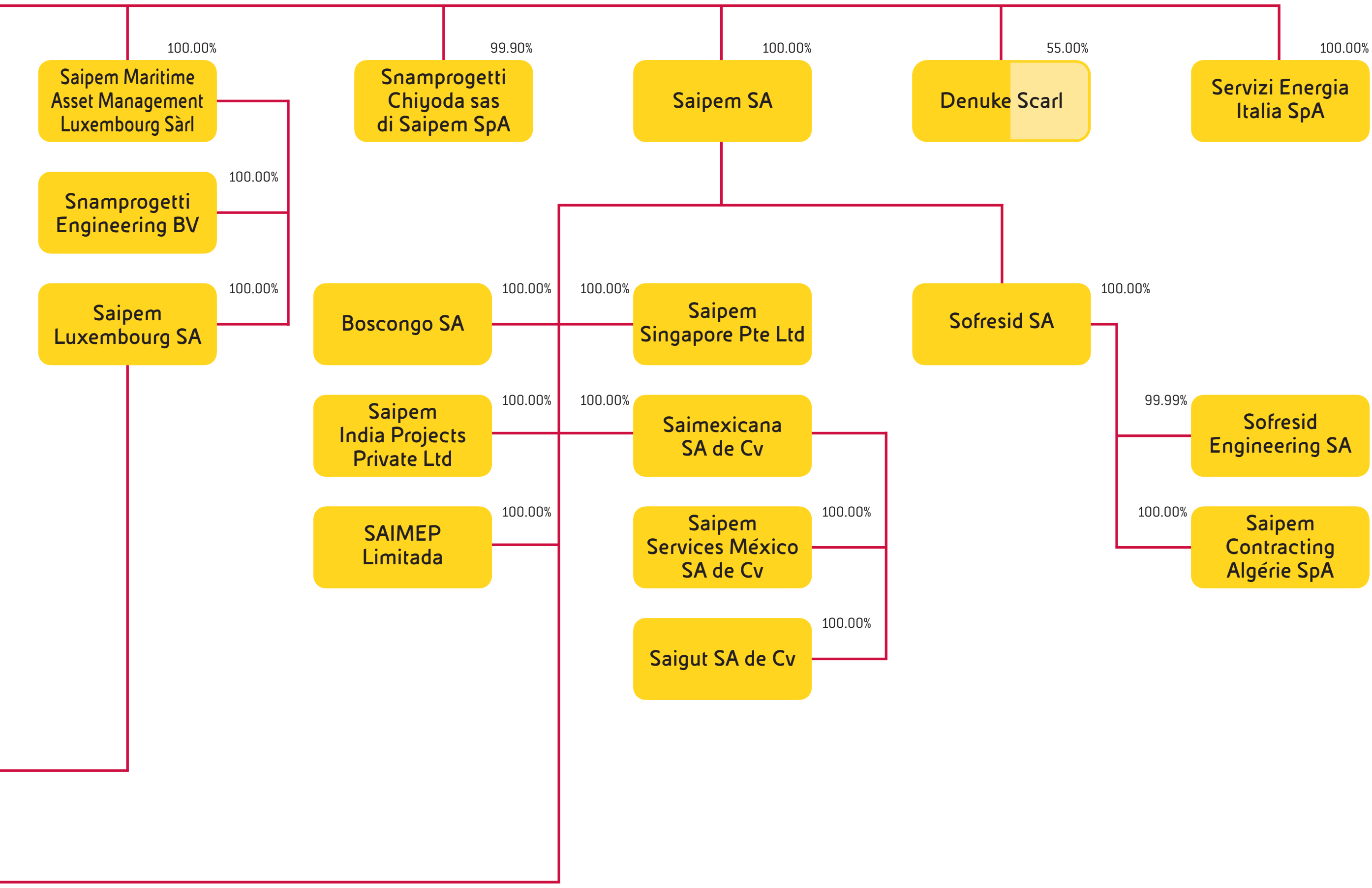
Saipem Ltd



The chart only shows subsidiaries

Operating and Financial Review

Saipem SpA share performance

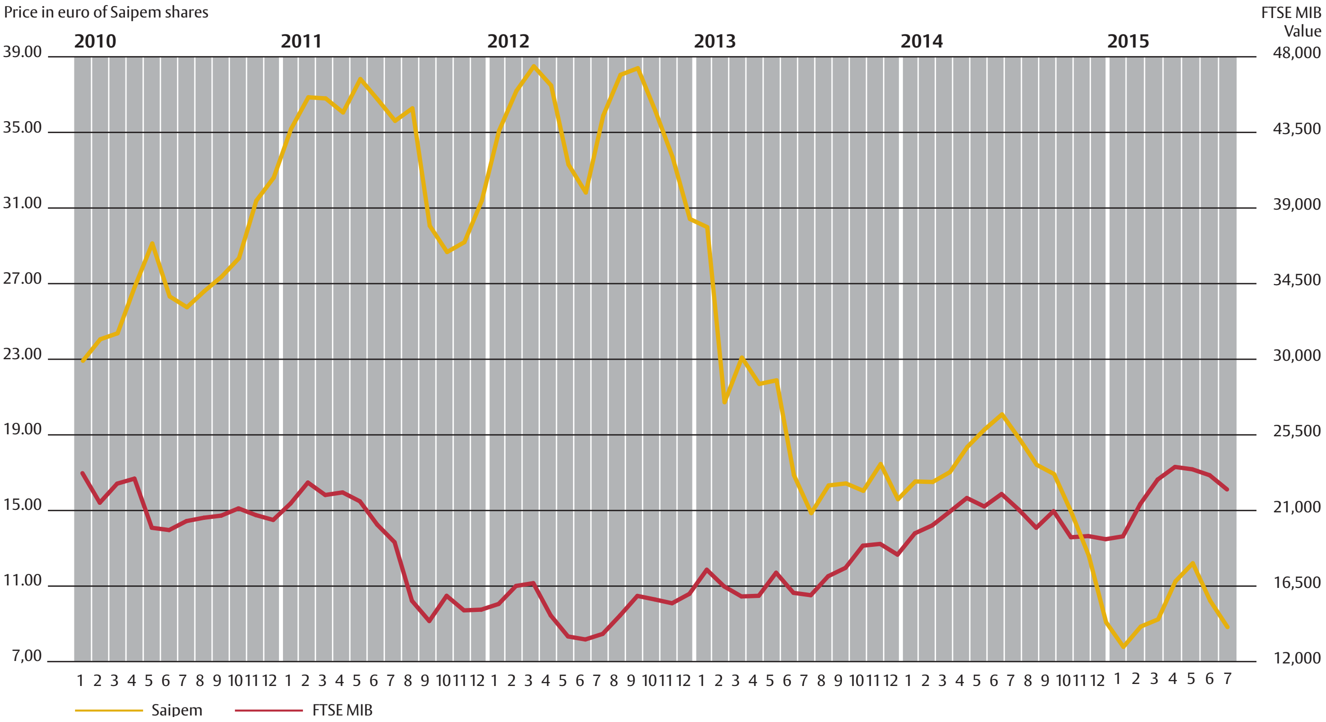
During the first half of 2015, the value of Saipem ordinary shares on the Milan Stock Exchange registered an increase of 8.7%, reaching a price of € 9.52 at June 30, 2015, versus € 8.76 at the beginning of January.
In the same period, the FTSE MIB index, which records the performance of the 40 most liquid and capitalised Italian stocks, reported a gain of 17.4%.

The first few days of the year saw the Saipem share continue the downward trajectory that began midway through 2014. This was mainly due to the sharp fall in oil prices, as well as to the suspension of the South Stream contract in December 2014.
The share price hit its period low of € 7.29 on January 20. However, already by the end of January 2015, the price had begun to reverse the downward trend, registering a gradual upturn that was supported by the financial community's positive reaction to the presentation of Saipem's annual results for 2014 in mid-February.
From April 2015, the oil price recovery helped consolidate the upturn in the share price, fostering a climate of renewed confidence with regard to the Company's future prospects.
An added boost was provided by the appointment of a new Board of Directors at the helm of the Company, with a three-year mandate. On April 16, the share price reached € 12.29.
The end of the suspension of the South Stream contract announced at the end of May, coupled with reports from financial analysts that were optimistic with regard to the outlook for the Company and the sector in general helped push the Saipem share towards its period high of € 12.76 on May 13.
Subsequently, in the wake of an announcement made by a competitor on the evening of July 6 after trading had closed of a significant deterioration in its results, the oil services sector registered a sharp fall in prices, causing the Saipem share to lose 6.7% on the previous day's price and close the day at € 8.41.
Saipem's market capitalisation at period end was approximately € 4.2 billion. In terms of share liquidity, shares traded during the period totalled 1,074 million, versus the 391 million registered in the same period of 2014. The average number of shares traded daily during the period totalled approximately 8.6 million (3.1 million in the first half of 2014), while the value of shares traded amounted to € 10.6 billion, compared with € 7 billion in the first half of 2014.
The period saw a high level of share price volatility, due in part to the growing presence of investors employing a speculative approach, based on a short-term investment horizon.
On April 30, the Saipem Board of Directors approved the payment of a preferential dividend of € 0.05 per share on savings shares only, in accordance with the limit of 5% of the nominal value of the share, pursuant to Article 6 of the Articles of Association.

The price of savings shares, which are convertible at par with ordinary shares, and are of limited number (109,326 at June 30, 2015), decreased by 15% over the period, closing at € 15.30 on June 30, 2015.

Share prices on the Milan Stock Exchange	(€)	2011	2012	2013	2014	First half 2015
Ordinary shares:						
- maximum		38.60	39.78	32.18	20.89	12.76
- minimum		23.77	29.07	12.60	8.31	7.29
- average		33.89	35.52	19.31	16.59	9.98
- period end		32.73	29.41	15.54	8.77	9.52
Savings shares:						
- maximum		39.25	39.40	35.00	20.99	18.05
- minimum		30.00	30.00	16.00	16.22	15.30
- average		34.89	34.72	24.50	18.58	17.58
- period end		30.00	35.00	17.10	18.05	15.30

Saipem and FTSE MIB - Average monthly prices January 2010-July 2015



Glossary

Financial terms

- **Adjusted operating result/net result** operating result/net result adjusted to exclude special items.
- **EBIT** Earnings Before Interest and Tax (operating result).
- **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, which comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) adopted by the IASB. The name International Financial Reporting Standards (IFRS) has been adopted by the IASB for standards issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.
- **Leverage** a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity including non-controlling interests.
- **OECD** Organisation for Economic Cooperation and Development.
- **ROACE** Return On Average Capital Employed, calculated as the ratio between the net result before non-controlling interests, plus net finance charges on net borrowings less the related tax effect and net average capital employed.
- **Special items** items of income arising from events or transactions that are non-recurring or that are not considered to be representative of the ordinary course of business.

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 or 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 or 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) 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.
- **EPCI** (Engineering, Procurement, Construction, Installation) 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 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. The gas is liquefied to facilitate its transportation from the place of extraction to that of processing and/or utilisation. A tonne of LNG is equivalent to 1,500 cubic metres of gas.
- **Local Content** policy whereby a company develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.
- **LPG** (Liquefied Petroleum Gas) produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gas exists in a gaseous state at ambient temperatures and atmospheric pressure, but changes to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy-to-handle metal pressure vessels.
- **LTI** (Lost Time Injury) any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
- **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 operational equipment.
- **Mooring buoy** offshore mooring system.
- **Multipipe system** 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) 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.
- **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 a coaxial double pipe.
- **Pipelayer** vessel used for subsea pipelaying.

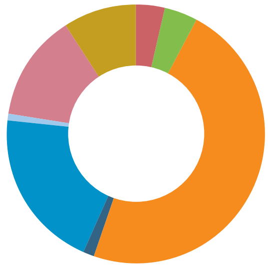
- **Pipeline** pipes and auxiliary equipment used principally for transporting crude oil, oil products and natural gas to the point of delivery.
- **Pipe Tracking System** (PTS) an electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Piping and Instrumentation Diagram** (P&ID) diagram showing all plant equipment, piping and instrumentation with associated shutdown and safety valves.
- **Pre-commissioning** phase comprising pipeline cleaning out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** geological formation present on the continental shelves offshore Brazil and Africa.
- **Pre-Travel Counselling** health and medical advice designed to take into account the health of the individual worker and ensure that he/she is furnished with adequate information on the specific risks present in his/her country of destination and the preventive measures that should be adopted.
- **Pulling** minor operations on oil wells for 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 waters** see Conventional waters.
- **Sick Building Syndrome** a combination of ailments associated with a person's place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites may be contributing factors.
- **S-laying** method of pipelaying that utilises the elastic properties of steel, making the pipe configuration resemble the letter 'S', with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipelaying.
- **Slug catcher** equipment for the purification of gas.
- **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 that is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of two pipelines.
- **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
- **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
- **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
- **Subsea treatment** 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.
- **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.
- **Tender Assisted Drilling unit** (TAD) offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tendon** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **Tension Leg Platform** (TLP) fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
- **Tie-in** connection between a production line and a 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.
- **Topside** portion of a platform above the jacket.
- **Train** series of units that perform 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.
- **Wellhead Barge** (WHB) 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

Market conditions

Global market conditions further deteriorated in the first half of 2015.
The causes of the deterioration are essentially a change in the energy market scenario triggered by oil supply outstripping demand, leading to a collapse in oil prices that saw West Texas Intermediate fall to below 50 dollars a barrel, before stabilising at around 60 dollars a barrel in the second quarter. The declining trend began towards the end of 2014, with the decision by the Organisation of the Petroleum Exporting Countries (OPEC) not to regulate the market by reducing their production output. OPEC's decision has had a negative adverse impact on oil company investments, as well as on all oil-producing countries, who have seen significant drops in their revenues. Recent months have seen these new conditions take its toll on the market. With new construction projects on the table constantly growing in complexity, the principal impact has been the award of a limited number of contracts, as well as the adoption by clients of an increasingly inflexible attitude during negotiations for change orders and claims.

New contracts by geographical area
(€3,500 million)



New contracts and backlog

New contracts awarded to the Saipem Group during the first half of 2015 amounted to € 3,500 million (€ 13,132 million in the first half of 2014).

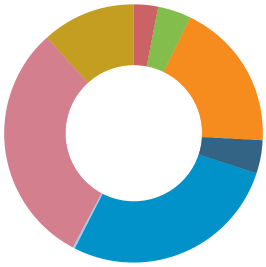
78% of all contracts awarded were in the Offshore Engineering & Construction sector, 12% in the Onshore Engineering & Construction sector, 6% in the Offshore Drilling sector and 4% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 96% and contracts awarded by Eni Group companies 6% of the overall figure. Orders awarded to the parent company Saipem SpA amounted to 19% of the total.
The backlog of the Saipem Group as at June 30, 2015 stood at € 19,018 million. This was impacted by the effects of the

Saipem Group - New contracts awarded during the first half of 2015

Financial year 2014		(€ million)	First half 2014		First half 2015	
Amount	%		Amount	%	Amount	%
5,729	32	Saipem SpA	3,568	27	659	19
12,242	68	Group companies	9,564	73	2,841	81
17,971	**100**	**Total**	**13,132**	**100**	**3,500**	**100**
10,043	56	Offshore Engineering & Construction	8,238	63	2,742	78
6,354	36	Onshore Engineering & Construction	4,328	33	431	12
722	4	Offshore Drilling	142	1	189	6
852	4	Onshore Drilling	424	3	138	4
17,971	**100**	**Total**	**13,132**	**100**	**3,500**	**100**
529	3	Italy	406	3	136	4
17,442	97	Outside Italy	12,726	97	3,364	96
17,971	**100**	**Total**	**13,132**	**100**	**3,500**	**100**
1,434	8	Eni Group	1,040	8	214	6
16,537	92	Third parties	12,092	92	3,286	94
17,971	**100**	**Total**	**13,132**	**100**	**3,500**	**100**

cancellation of outstanding orders totalling € 1,232 million from the South Stream contract, which was terminated by the client under a termination for convenience provision, and the suspension by the client Statoil of a € 24 million contract for the charter of the semi-submersible rig Scarabeo 5.
The breakdown of the backlog by sector is as follows: 49% in the Offshore Engineering & Construction sector, 32% in the Onshore Engineering & Construction sector, 13% in Offshore Drilling and 6% in Onshore Drilling.
97% of orders are on behalf of overseas clients, while orders from Eni Group companies represent 11% of the overall backlog.
The parent company Saipem SpA accounted for 27% of the total order backlog.

Backlog by geographical area
(€ 19,018 million)



- €613 Italy
- €784 Rest of Europe
- €3,519 CIS
- €841 Far East
- €5,215 Middle East
- €37 North Africa
- €5,834 West Africa and rest of Africa
- €2,174 Americas

Saipem Group - Backlog as at June 30, 2015

Dec. 31, 2014		(€ million)	June 30, 2014		June 30, 2015	
Amount	%		Amount	%	Amount	%
7,167	32	Saipem SpA	7,071	29	5,176	27
14,980	68	Group companies	17,144	71	13,842	73
22,147	**100**	**Total**	**24,215**	**100**	**19,018**	**100**
11,161	51	Offshore Engineering & Construction	13,374	55	9,283	49
6,703	30	Onshore Engineering & Construction	6,552	27	6,086	32
2,920	13	Offshore Drilling	2,976	12	2,547	13
1,363	6	Onshore Drilling	1,313	6	1,102	6
22,147	**100**	**Total**	**24,215**	**100**	**19,018**	**100**
689	3	Italy	928	4	613	3
21,458	97	Outside Italy	23,287	96	18,405	97
22,147	**100**	**Total**	**24,215**	**100**	**19,018**	**100**
2,458	11	Eni Group	2,850	12	2,067	11
19,689	89	Third parties	21,365	88	16,951	89
22,147	**100**	**Total**	**24,215**	**100**	**19,018**	**100**

Capital expenditure

Capital expenditure in the first half of 2015 amounted to € 268 million (€ 329 million in the first half of 2014) and mainly related to:
- € 82 million in the Offshore Engineering & Construction sector, relating mainly to the maintenance and upgrading of the existing asset base;
- € 17 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and the maintenance of existing assets;
- € 107 million in the Offshore Drilling sector, relating mainly to class reinstatement works on the drillships Saipem 10000 and Saipem 12000 and on the drilling jack-up Perro Negro 8, as well as maintenance and upgrading to the existing asset base;
- € 62 million in the Onshore Drilling sector, relating to upgrading work on the existing asset base.

The following table provides a breakdown of capital expenditure in the first half of 2015:

Capital expenditure

Year 2014	(€ million)	First half 2014	First half 2015
117	Saipem SpA	48	24
577	Group companies	281	244
694	**Total**	**329**	**268**
260	Offshore Engineering & Construction	135	82
55	Onshore Engineering & Construction	20	17
180	Offshore Drilling	105	107
199	Onshore Drilling	69	62
694	**Total**	**329**	**268**

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 competencies, together with a long-standing presence in strategic frontier markets, represent an industrial model that is particularly well suited to EPCI projects.

The latest addition to the fleet is the Castorone – a 330-metre long, 39-metre wide mono-hull pipelay vessel equipped with a class 3 dynamic positioning (DP) system, an S-lay system and features allowing for the installation of a J-lay tower.
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 flooded pipe conditions, using a special patented clamp), a highly automated firing line made up of 7 workstations (3 welding and 4 completion/inspection stations), 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 is a 183-metre long, 32-metre wide mono-hull equipped with a cutting-edge class 3 DP system and a pipeline fabrication system. The FDS 2 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 lay pipe 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 suited to 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, is capable of laying subsea pipelines in ultra-deep waters using the J-lay system and can handle a suspended load of up to 1,450 tonnes during pipelay operations. 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 capacity and high safety standards in a continuously evolving market.

With its portfolio of cutting-edge mobile assets, such as ROVs and specially equipped robots capable of carrying out complex deep-water interventions on pipelines, Saipem also enjoys a strong position in the subsea market.
Finally, the Company is active in the Leased FPSO segment, with a fleet comprising the Cidade de Vitoria and the Gimboa, which are currently operating in Brazil and Angola, respectively.

The review of Saipem's competitive positioning in a highly deteriorated market environment has led to the rationalisation of a fabrication yard and the disposal of vessels for which there is poor visibility with regard to their future deployment (Castoro Sette, S355 and Saibos 230). Following the revision of the depreciation schedule on December 31, 2014, Semac 1, which has been slated for scrapping, was fully depreciated as of June 30, 2015.

Market conditions

2015 is shaping up to be a year of growth, with global GDP forecast to increase by approximately 3.5 % against 2014. Levels of growth in advanced countries are exceeding expectations and would appear to be capable of offsetting an overall slowdown in emerging markets. The price of Brent crude remained significantly below the levels recorded in 2014, contributing to major market uncertainty and leading to a significant contraction in orders from oil companies, as well as repeated postponements of major projects compared with the previous year. Overall, the contraction is greater for North American and Brazilian operators. Current market conditions have led oil companies to adopt a more prudent approach, with the current goal continuing to be cost containment. As a consequence, a number of investments, such as North Sea field developments Johan Castberg and Snorre C, the deep-water field Bonga SW/Aporo in West Africa and the Jupiter field in Brazil, have either been postponed or cancelled.

Another sign, in addition to the significant revisions and delays to development plans, of the difficult period the market is

experiencing has been the adoption by clients of an increasingly rigid negotiating position. Since continuous interaction with clients with a view to overcoming any difficulties that may arise during project execution is a typical feature of the construction sector, this change in client attitudes during negotiations is proving to be a major critical factor in project operations.
In the subsea developments market, activities recorded in the first six months of the year were in line with 2014. Installations continue to be driven by activities in the North Sea, the Gulf of Mexico and South America, where the major projects assigned in recent years, such as Goliat and Roncador (Eni and Petrobras, respectively) are nearing completion.
The pipelay segment on the other hand is undergoing a contraction in 2015, with a significant number of projects either cancelled or delayed, particularly in Northern Europe and North America. The flowlines segment is also experiencing a decline in volumes. This is being driven in particular by the Asia-Pacific Region, which is seeing a significant slowdown, with numerous projects awarded in recent years now close to completion.
The decline in installations is affecting both the shallow and ultra-deep water markets, with the former affected mainly by the trend in South-East Asia and the latter influenced by a drop-off in areas that have historically been very active, such as the Gulf of Mexico and Brazil.

The fixed platform fabrication segment is continuing to experience numerous delays on major investment projects, such as Kasawari in Malaysia (Petronas) and West White Rose (Husky) – a sign of the difficult period the segment is at present undergoing. In terms of platform type, the biggest contribution to activities at this halfway stage of the year has been from lighter platform installations in South-East Asia, with larger size platform installations so far relatively few in number.

In the FPSO segment, 2015 is expected to come in below expectations after a good 2014. At present, there have been only two awards, in Ghana (Eni) and Iran (PEDCO) and a limited number of orders for new units are expected during the remainder of the year. A large number of projects are experiencing delays and difficulties securing a final investment decision, such as Camelia and Chissonga in Africa, Gendalo/Gehem in the Asia-Pacific Region and Johan Castberg in North Europe. In Brazil, after the large number of contract awards registered in recent years, activities are expected to be concentrated on the completion of units currently under construction, with forecasts showing a drastic slowdown in new unit orders in the area.

The first half of the year brought no new FLNG contract awards, mainly due to the uncertainty prevailing with regard to the market outlook, especially in relation to the LNG supply and demand balance and the technical complexity of projects in this sector.
A number of projects have been recently cancelled, such as the FLNG unit slated for construction in Guinea, and others may be set to experience delays, such as Browse FLNG in the Asia-Pacific Region (Woodside) and Lavaca Bay in North America (Excelerate).
There are, however, a number of other initiatives that are continuing to move through the approval process with their respective operators which may in 2015 receive a FID, such as Abadi (Inpex) in Indonesia, Coral (Eni) in Mozambique and Scarborough (Exxon) in Australia. At present, there are six FLNG units under construction.

New contracts

The most significant contracts awarded to the Group during the period were as follows:
- a contract with the North Caspian Operating Co (NCOC) for the construction of two 95 kilometre pipelines, which will connect D island in the Caspian Sea to the Karabatan onshore plant in Kazakhstan. The scope of work includes the engineering, the supply of welding materials, the conversion and the preparation of the vessels, dredging, and the installation, burial and pre-commissioning of the two pipelines. Construction is due to be completed by the end of 2016;
- an EPC contract in Saudi Arabia encompassing the engineering, procurement, fabrication, transportation and installation of new offshore structures, three production modules, and approximately 5 kilometres of subsea pipelines and cables, under the Long Term Agreement with Saudi Aramco, which was recently renewed until 2021.

Capital expenditure

Capital expenditure in the Offshore Engineering & Construction sector mainly related to maintenance and upgrading of the existing asset base.

Work performed

The biggest and most important projects underway or completed during the first half of 2015 were as follows.

In Saudi Arabia, for Saudi Aramco:
- under the **Long Term Agreement** for the engineering, procurement, construction, transport and installation of structures, platforms and pipelines, construction work was completed on two jackets, two pipelines and a deck, while

work is underway on the construction and installation of three decks;
- installation work has almost been completed 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 are also underway 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;
- work continued on the **Marjan Zuluf** contract for the engineering, procurement, fabrication, transport and installation of new offshore facilities, including three platforms, three jackets and associated pipelines and subsea cables.

Engineering and procurement work is ongoing, while fabrication work has just commenced, for Eni Muara in Indonesia on the **Jangrik** EPCI project. The project encompasses engineering, procurement and fabrication of the FPU and the installation of a mooring system, as well as hook-up, commissioning and assistance to the start-up.

Pipelaying activities are currently in full swing 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 ExxonMobil, in Angola, on the **Kizomba Satellite Phase 2** project at the yards in Soyo and Ambriz. The scope of work included engineering, procurement, fabrication and installation of production and water injection pipelines and flowlines, rigid jumpers and other related subsea structures;
- work was completed for Eni Congo, in Congo, on two contracts – WP4 and WP10 – encompassing the engineering, procurement, fabrication and transportation of the **Litchendjili** jacket, piles and related appurtenances;
- project management and procurement work continued for Total, in Angola, on the **Kaombo** Field Development Project, which comprises engineering, procurement and commissioning of two FPSO vessels;
- work continued for Total Upstream Nigeria Ltd on the EPCI contract for the subsea development of the **Egina** field. The scope of work includes engineering, procurement, fabrication, installation and pre-commissioning of subsea oil production and gas export pipelines, flexible jumpers, and umbilicals;
- work continued for Cabinda Gulf Oil Co Ltd (CABGOC), 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 continued for CABGOC, in Angola, on the EPCI 3 contract encompassing the 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;
- work continued for Total Exploration and Production on the **GirRI (Girassol Resources Initiatives)** contract, in Block 17, in Angola, which encompasses engineering, procurement, fabrication, installation and commissioning of changes to the topside of the pumping system on the FPSOs Girassol and Dalia;
- work continued for CABGOC on the fourth and fifth installation campaign of 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 being carried out off the coasts of Angola and the Democratic Republic of the Congo;
- work continued for Aker Solutions, in Congo, on the fabrication of subsea structures, including suction anchors, for the **Moho Nord** project.

In the North Sea:
- work continued for Det Norske Oljeselskap ASA on a contract encompassing the transportation and installation of the **Ivar Aasen jacket** and **topside**, in the Norwegian sector of the North Sea;
- in addition, various structures were installed using the Saipem 7000 for ConocoPhillips (**Eldfisk**), Statoil (**Statoil decommissioning**), Nexen (**Golden Eagle**) and Lundin.

In Russia, work was completed for Lukoil-Nizhnevolzhskneft 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 was also completed on the additional scope, which comprised the transport and installation of four platforms.

In Azerbaijan, work continued for BP on a **T&I** contract involving the transportation and installation of jackets, topsides, subsea production systems and subsea structures for stage 2 of the Shah Deniz field development project.

In Kazakhstan:
- work began on a contract with the North Caspian Operating Co (NCOC) for the construction of two 95-kilometre pipelines,

which will connect D island in the Caspian Sea to the Karabatan onshore plant in Kazakhstan. The scope of work includes the engineering, the supply of welding materials, the conversion and the preparation of the vessels, dredging, and the installation, burial and pre-commissioning of the two pipelines;
- work continued for Agip Kazakhstan North Caspian Operating Co NV on the contract for the **EP Clusters 2 and 3** project in the framework of the Kashagan field development. The contract includes engineering, procurement, fabrication, and transportation of three topside production manifold modules;
- work continued for North Caspian Production Operations Co BV on the **Major Maintenance Services** project. The contract encompasses the provision of maintenance and services for offshore (D island) and onshore (OPF) facilities;
- work continued for Teniz Burgylau Llp on the fabrication, outfitting and commissioning of a jack-up rig in consortium with **Keppel Kazakhstan Llp**.

In the Gulf of Mexico, engineering and procurement work started on the **Lakach** project for Pemex. The contract encompasses the engineering, procurement, construction and installation of the system connecting the offshore field with the onshore gas conditioning plant.

In Brazil, for Petrobras:
- work continued 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 also continued on the **Sapinhoà Norte and Iracema Sul** project;
- 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 continued on the **Lula Norte**, **Lula Sul** and **Lula Extremo Sul** project, which encompasses the engineering, procurement, fabrication and installation of three offshore pipelines and two Free Standing Hybrid Risers for the gas export systems.

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

In Italy, work is underway for Eni E&P as part of its **2015 Offshore Campaign** on a contract for the transportation and installation of two platforms and two subsea pipelines in the Mediterranean Sea.

In the Leased FPSO segment, the following vessels carried out operations during the period:
- the **FPSO Cidade de Vitoria** carried out operations 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 **FPSO Gimboa** carried out operations on behalf of Sonangol P&P under a 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, 2015

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.
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, a holding capacity of up to 750 tonnes (expandable to 1,000 tonnes), pipelay capability of up to 60 inches, onboard fabrication facilities for triple and double joints and large pipe storage capacity in cargo holds.
Castoro Otto	Derrick pipelay ship capable of laying pipes of up to 60” diameter and lifting structures weighing up to 2,200 tonnes.
Saipem 3000	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.
Castoro II	Derrick lay barge capable of laying pipe of up to 60” diameter and lifting structures of up to 1,000 tonnes.
Castoro 10	Trench/pipelay barge capable of burying pipes of up to 60” diameter and of laying pipes in shallow waters.
Castoro 12	Pipelay barge capable of laying pipes of up to 40” diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Castoro 16	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.
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.

With poor visibility into their prospects of deployment on future projects, the vessels Castoro Sette, S355 and Saibos 230 were written down during the first half of 2015 and have been slated for scrapping. Following the revision of the depreciation schedule on December 31, 2014, Semac 1, which has been slated for scrapping, was fully depreciated as of June 30, 2015.

Onshore Engineering & Construction

General overview

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

Saipem enjoys a worldwide leading position in the Onshore sector, providing a complete range of integrated basic and detailed engineering, procurement, project management and construction services, principally to the oil&gas, complex civil and marine infrastructure and environmental markets. The Company places great emphasis on maximising Local Content during project execution phase in a large number of the areas in which it operates. The review of Saipem's competitive positioning in the light of a significant deterioration in market conditions led to the rationalisation of a fabrication yard and has made more complex the negotiations for the recognition of change orders and claims with clients.

Market conditions

The volume of EPC contracts assigned on the Onshore E&C market (Upstream, Midstream and Downstream) in the first half of 2015 dropped significantly compared with the same period of previous years.
At global level, a significant share of EPC project awards were located in the United States in the Pipeline, Petrochemical, LNG and Fertilizer segments. In the Middle East (Kuwait and United Arab Emirates), awards were almost exclusively concentrated in the Upstream segment. In the CIS (Russia and Azerbaijan), the principle focus of contracting activity were the Refining, Fertilizer and Petrochemical segments. Central Africa (Uganda) registered the award of a project in the Refining segment, while in Europe (Slovak Republic), the period saw a project awarded for the construction of a Fertilizer facility.
The value of EPC contracts awarded in the **Upstream** segment during the first half of 2015 were comparable with the average for the same period in recent years – confirmation that the market is holding up in spite of the unfavourable conditions.
Most new EPC contracts awarded during the reporting period were concentrated in the Middle East, confirming both its strategic importance and its countercyclical nature, while important contracts were also awarded in Kuwait and the United Arab Emirates. Canada on the other hand saw a sudden and dramatic fall-off in contracting activity, which saw the cancellation and postponement of planned projects.
The Upstream segment continues to show good short to medium term growth potential driven by gas and oil field discoveries and developments, but there is an increasingly pressing need for investments to maintain gradually declining production levels in existing fields.
Activity during the period in the **Pipeline** segment was driven by the award of a major EPC contract award in China for the construction of a third gas pipeline on the West-East China Gas Pipeline (Stage 2) project. Smaller gas pipeline awards were also made in the Middle East (Kuwait) and South America.
With the pipeline segment heavily driven by the abundance of available gas and, consequently, by the need to transport the gas from the production fields to the end user markets, recent years have seen projects to build new gas pipelines or to expand existing ones outnumbering oil pipeline initiatives. This trend is expected to continue in the short to medium term, particularly in countries opting to develop non-conventional fields, as this will require them to make investments to upgrade their distribution infrastructure.
Following a year in which awards were abundant, the **LNG** segment registered a downturn, with relatively few awards registered, mainly in North America (United States), but also in Asia-Pacific (Malaysia), either for the construction of additional units or the expansion of existing facilities.
North America's growing role as an exporter of LNG is being driven by a continuous and constant abundance of gas from non-conventional fields, which is enabling natural gas to be produced at low cost. Henry Hub natural gas prices are currently much lower than gas prices on the rest of the world's markets, and with American gas likely to remain affordable in the short to medium term, liquefaction terminal projects represent an increasingly attractive investment opportunity.
The **Refining** segment – which has always been one of the drivers of the E&C market in terms of EPC contract awards – saw a considerable drop in the overall value of contract awards compared with prior years. The fall in awards notwithstanding, the first half of 2015 nevertheless saw two contracts assigned in the CIS (Russia) and the construction of a refinery in Central Africa (Uganda).
The increasingly strict environmental legislation in force, particularly in OECD countries (and especially in Europe), is requiring the refining industry to modernise continually, with existing facilities forced to revamp constantly in pursuit of process efficiencies. The effect of this has been to encourage small and medium size investments, the closure of outdated refineries and the construction of new Mega Export Refineries in crude producing countries, particularly in the Middle East.
In the short to medium term, the volume of future investments continues to be considerable and pertains to all of the geographical areas being monitored by the Company.
The largest investments are planned in Asia-Pacific and the Middle East, although all other geographical areas continue to present interesting opportunities.

After a year featuring a large number of important major project awards in 2014, the **Petrochemical** segment experienced a significant downward turn in the first few months of 2015.
The period saw the award of a project for the construction of an ethylene plant in the United States, as well as contracts for two smaller facilities in the Asia-Pacific Region (China and Singapore).
The **Fertilizer** segment also registered a significant drop in overall volumes of awards compared with the same period of 2014, but there were important contract awards for the construction of ammonia plants in both Russia and the United States.

New contracts

The most significant contract awarded to Saipem during the period was a contract for Fermaca relating to the El Encino Pipeline project situated in Mexico, encompassing the engineering, procurement, construction and commissioning support for a compressor station at El Encino.

Capital expenditure

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

Work performed

The biggest and most important projects underway or completed during the first half of 2015 were:

In Saudi Arabia:
- work continued for Petrorabigh (a joint venture between Saudi Aramco and Sumitomo Chemical) on the contract for the Naphtha and Aromatics Package of the **Rabigh II** project, which encompasses the engineering, procurement, construction and pre-commissioning of two processing units: a naphtha reformer unit and an aromatics complex;
- work continued for Saudi Aramco on two EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project to be undertaken approximately 80 kilometres from the city of Jazan, in south western Saudi Arabia. The Package 1 contract comprises the gasification, soot/ash removal, acid gas removal and hydrogen recovery units. The Package 2 contract includes six sulphur recovery units (SRU) trains and relevant storage facilities. The scopes of work of both packages include engineering, procurement, construction, pre-commissioning, assistance to commissioning and performance tests of the concerned facilities;
- work continued for Saudi Aramco on the **Complete Shedgum - Yanbu Pipeline Loop 4&5** contract, encompassing detailed engineering, the procurement of all materials except for the pipeline supplied by the client Aramco, installation, commissioning and start up assistance for two pipelines;
- work commenced for Saudi Aramco on the EPC project relating to the expansion of the onshore production centres at the **Khurais**, **Mazajili** and **Adu Jifan** fields;
- work continued for Safco on the **Safco V** contract, which encompasses the engineering, procurement and construction of a urea production plant, together with associated utilities and off-site systems and interconnecting structures to existing plants.

In the United Arab Emirates:
- construction work for the three product lines (sales gas, natural gas liquids and condensate) have almost been completed on the contract for Abu Dhabi Gas Development Co Ltd forming part of the development of the high sulphur content **Shah** sourgas field. The development project encompasses the treatment of 28 million cubic metres of gas a day from the Shah field, the separation of the sulphur from the gas, the transportation of the gas product lines by pipeline to Habshan (where it is injected into the national gas network) and to Ruwais, and the transportation of the sulphur by separate pipeline to the granulation facility at Habshan and from there to Ruwais by railway. Negotiations are underway to secure approval by the client of change orders and claims occurring during project execution;
- work continued on a project for the Etihad Rail Co in Abu Dhabi, encompassing the engineering and construction of a **railway line** for the transportation of granulated sulphur, linking the natural gas production fields of Shah and Habshan (located inland) to the port of Ruwais.

In Kuwait, work continued for Kuwait Oil Co (KOC) on the **BS 171** contract, which encompasses the engineering, procurement, construction and commissioning of a new gas booster station comprising three high and low-pressure gas trains for the production of dry gas and condensate. Negotiations are underway to secure approval by the client of change orders and claims occurring during project execution.

In Iraq:
- work continued 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;
- work started for Shell Iraq Petroleum Development on the **FCP GAS** project, encompassing the installation of two

turbocompressors and auxiliary equipment, as well as tie-ins to existing facilities. The facilities will supply gas to the North Rumaila power plant;
- construction work is underway for Basrah Gas Co (BGC) on the **Inlet Booster Compressors (IBC)** project, encompassing the installation of three turbocompressors and related auxiliary systems, as well as interconnections to the existing facility;
- work continued on the **Zubair Gathering System** project for Morning Star for General Services Llc and ExxonMobil Iraq Ltd, which encompasses the construction of a gathering system, flowlines and interconnecting facilities, as well as the distribution node.

In Turkey, work continued for Star Refinery AS on the **Aegean Refinery** project, encompassing the engineering, procurement and construction of a refinery.

In Nigeria:
- complex work is underway for Southern Swamp Associated Gas Solution (SSAGS) on the **Southern Swamp** contract, comprising engineering, procurement, construction and commissioning of compression facilities at four sites and of new central production facilities at one of the sites, which will treat the routed associated gas;
- work continued for Dangote Fertilizer Ltd on the **Dangote** project for a new ammonia and urea production complex. The facility was originally due to be located in Edo State, but was reallocated by the client to the Lekki Free Trade Zone in Lagos State. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities and off-site facilities;
- work continued for Total 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 is underway for Shell Petroleum Development Co on the **Otumara-Saghara-Escravos Pipeline** contract, which encompasses the engineering, procurement, fabrication and commissioning of a network of pipelines in a swamp area, to connect the client's flowstations in the Otumara, Saghara and Escravos fields;
- work continued for the Government of Rivers State (Nigeria) on the contract for the engineering, procurement and construction of the first and second train of the **Independent Power Plant at Afam**.

In Congo, work continued for Eni Congo on the **Litchendjili** project for the construction of an onshore treatment facility which will treat the feed stream from the Litchendjili Offshore Platform and separate the fluid into two main streams: the gas product (delivered to Centrale Electrique du Congo) and liquid hydrocarbons.

In Italy:
- work is underway for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group) on the contract for the detailed engineering, project management and construction of a 39-kilometre section of **high-speed railway line** and of an additional 12 kilometres of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation;
- work started on an EPC contract for **Versalis-Ferrara IT** for the construction of a fourth production line to operate alongside three existing lines, in addition to increasing production capacity and upgrading the plant's outside battery limit auxiliary systems.

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

On certain Canadian projects in relation to which the clients (Canadian Natural Resources Ltd and Husky Oil) announced the contract termination, the parties are in the process of negotiations relating to claims and change orders. From an operating point of view, the period saw the completion of the **U&O/Williams** projects, while **Phase 3** and **SRU-SWC** continue according to schedule.

In Mexico:
- work is underway for Transcanada (Transportadora de Gas Natural Norte - Noroeste) on the **El Encino** project, comprising engineering, procurement and construction of a pipeline from El Encino (Chihuahua State) to Topolobampo (Sinaloa State). The project includes two compressor stations and three metering stations;
- 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 Salamanca.

In Suriname, for Staatsolie, work has almost been completed 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 Azerbaijan and Georgia, work is underway for the Shah Deniz consortium on the **SPCX Pipeline** contract, which encompasses the construction of two pipelines and associated above ground installations.

In Australia, work was completed for Gladstone LNG Operations Pty Ltd on the **Gladstone LNG** contract 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. Negotiations are underway to secure approval by the client of change orders and claims occurring during project execution.

Offshore Drilling

General overview

At June 30, 2015, the Saipem offshore drilling fleet consisted of fifteen 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), one for mid-water operations at depths of up to 500 metres (the semi-submersible Scarabeo 3), two high specification jack-ups for operations at depths of up to 375 feet (Perro Negro 7 and Perro Negro 8), four standard jack-ups for activities at depths up to 300 feet (Perro Negro 2, Perro Negro 3, Perro Negro 4 and Perro Negro 5) and one tender-assisted drilling rig (TAD). All units are the property of Saipem. The fleet also includes other minor units operating offshore Peru. During the first half of 2015, Saipem's offshore drilling fleet operated in the Norwegian sector of the North Sea and the Barents Sea, in the Mediterranean Sea (Italy, Egypt and Cyprus), the Red Sea, the Persian Gulf, in West Africa, Indonesia, offshore Ecuador and Peru.
The semi-submersible platform Scarabeo 4 was fully written down during the first half of 2015 and slated for scrapping.

Market conditions

The negative cycle that commenced in 2014 continued to prevail during the first few months of 2015, with the oil price environment remaining fairly weak, and the general climate of uncertainty surrounding the medium term outlook, which emerged during the second half of 2014, continuing to obtain.
The unfavourable market conditions in the offshore drilling segment impacted principally on spending by oil and gas companies. The declining trend affecting spending on drilling services, which began in 2014, continued during the period, with a fall of 13% registered compared to forecasts made at year end 2014. Data for rig utilisation continued to follow a general downward trend, with all types of rig affected. Only the latest models (i.e. deep water floaters and high spec jack-ups) were able to maintain rates close to 90%. The negative cycle affecting the oil and gas industry also led to a number of industry operators opting to retire and dismantle older units. Since year end 2014, over 30 rigs have been retired from the market due to a lack of work and poor medium-term prospects. The trend has had a particularly significant impact on the mid-water segment, where the number of rigs dropped by approximately 20% compared with 2014.
Day rates for contracts awarded during the period continued the downward trend that began in 2014, with falls registered in particular for ultra-deep water operations (where rates have stabilised at below $400,000 per day, even dipping below $300,000 per day, compared with rates in excess of $600,000 per day in 2013) and high spec jack-ups (which went from peaks in 2013 of more than $200,000 per day to $110,000 per day in the first half of 2015).
The significant number of orders placed in previous years enabled new offshore drilling rig construction activities to remain at healthy levels, with 176 new rigs under construction (115 jack-ups, 21 semi-submersibles and 40 drillships), 156 of which are slated for delivery by the end of 2016. Overall, only 43 of these units have already secured contracts, while the remainder will in the short to medium term contribute to a significant increase in the global drilling services fleet. The negative cycle affecting the market has however led to a number of client companies postponing their newbuild rig deliveries pending improved market conditions. The significant number of new builds scheduled for delivery in the medium term, combined with the retirements of a portion of the existing fleet cited above represent a structural change in the offshore drilling segment that may have significant effects over the medium to long term.

New contracts

The most significant contract awarded to Saipem during the period was with National Drilling of Abu Dhabi in the United Arab Emirates, involving the charter of the Perro Negro 8 for a thirty-month period starting June 2015.

Capital expenditure

The principal investments made in the Offshore Drilling sector during the first half of 2015 related principally to class reinstatement works on the drillships Saipem 10000 and Saipem 12000 and on the drilling jack-up Perro Negro 8, as well as maintenance and upgrading works on the existing asset base.

Work performed

In the first half of 2015, Saipem's offshore units drilled 42 wells totalling 84,848 metres.
The fleet was deployed as follows:
- deep-water units: the drillship **Saipem 12000** continued to operate in Angola for Total, while the drillship **Saipem 10000** operated under a long-term contract with Eni in Cyprus and then started planned maintenance operations; the semi-submersible rig **Scarabeo 9** operated in Angola on a long-term contract with Eni; the semi-submersible rig **Scarabeo 8** continued to work in the Norwegian sector of the Barents Sea for Eni Norge; the semi-submersible rig **Scarabeo 7** continued to operate in Indonesia for Eni Muara Bakau under a long-term contract; the semi-submersible rig **Scarabeo 6**

continued to operate in Egypt for Burullus; in mid-February the semi-submersible rig **Scarabeo 5** recommenced work in the Norwegian sector of the North Sea for Statoil. Operations had previously been suspended by the client due to adverse market conditions. The vessel received the standby rate during this idle period, which was used to complete upgrades;
- mid-water units: the semi-submersible rig **Scarabeo 4** continued activities in Egypt on a contract for International Egyptian Oil Co (IEOC) and was subsequently transferred to Cyprus, placed in standby and slated for scrapping; after completing operations in Nigeria for Addax, the semi-submersible rig **Scarabeo 3** carried out planned maintenance operations and then began preparations for work for FASL, which started towards the end of the reporting period;
- high specifications jack-ups: the **Perro Negro 8** completed maintenance and upgrades before starting operations for National Drilling Co (NDC) in the United Arab Emirates towards the end of the period; the **Perro Negro 7** continued operations for Saudi Aramco offshore Saudi Arabia;
- standard jack-ups: the **Perro Negro 3** and **Perro Negro 2** continued operations in the United Arab Emirates for NDC, while the **Perro Negro 5** continued work for Saudi Aramco in Saudi Arabia; the **Perro Negro 4** continued to operate in the Red Sea for Petrobel; the **Ocean Spur**, which is operated by Saipem and owned by third parties, completed operations in Ecuador for Petroamazonas and was then returned to its owners;
- other activities: in Congo, the tender assisted drilling unit **TAD** continued work for Eni Congo SA, while operation of the Loango-Zatchi platforms also proceeded; offshore Peru, work was carried out for Pacific Offshore Energy and Savia.

Utilisation of vessels

Vessel utilisation in the first half of 2015 was as follows:

Vessel	Days under contract [1]
Semi-submersible platform Scarabeo 3	144
Semi-submersible platform Scarabeo 4 [2]	95
Semi-submersible platform Scarabeo 5	175
Semi-submersible platform Scarabeo 6	174
Semi-submersible platform Scarabeo 7	181
Semi-submersible platform Scarabeo 8	181
Semi-submersible platform Scarabeo 9	180
Drillship Saipem 10000	90
Drillship Saipem 12000	152
Jack-up Perro Negro 2	107
Jack-up Perro Negro 3	181
Jack-up Perro Negro 4	171
Jack-up Perro Negro 5	179
Jack-up Perro Negro 7	181
Jack-up Perro Negro 8	-
Tender Assisted Drilling Unit	172
Ocean Spur [3]	96

(1) For the remaining days (to 181) the vessel underwent class reinstatement and maintenance works as a result of technical issues.
(2) Vessel fully written down and slated for scrapping.
(3) Third party rig returned to client.

Onshore Drilling

General overview

At June 30, 2015, Saipem's onshore drilling rig fleet was composed of 107 units. Of these, 100 are owned by Saipem, while 7 are owned by third parties but operated by Saipem. The areas of operations were South America (Peru, Bolivia, Colombia, Ecuador, Chile and Venezuela), Saudi Arabia, the Caspian Sea Region (Kazakhstan and Turkmenistan), Africa (Congo), and Europe (Italy).

Market conditions

The overall volume of investments by oil companies during the first half of 2015 was down compared with the previous year. Unlike in the previous period, where the Onshore Drilling segment was less affected by the unfavourable market conditions than its offshore counterpart, in the first half of 2015 the negative market cycle and the weak oil price environment had a more significant impact overall.
One of the geographical areas registering the biggest drops in activity was the United States. During the second half of 2014, the general market slowdown had been offset by the increase in gas demand to meet storage requirements for winter use, but in the first half of 2015, with this no longer a requirement, there was a drastic fall in active rigs of approximately 50% compared with the previous year.
Levels of activity on the international market, on which Saipem operates, were not immune to the negative cycle either.
South America, which historically has always been an oil price sensitive region, recorded the biggest fall in activity, of approximately 30%. Given the Company's significant deployment of vessels in the country, the situation in Venezuela is particularly critical for Saipem. The drops in activity seen in other regions were smaller, although the only exception to the declining trend was the Middle East, where levels of activity remained substantially stable, thanks to the region's key market, Saudi Arabia, as well as to other countries with significant major development programmes in place, such as Kuwait.

New contracts

New contracts for the use of fourteen drilling rigs in Italy and South America, with durations ranging in length from four months to two years, were awarded to the Group during the reporting period by various clients.

Capital expenditure

The main investments made during the period in the Onshore Drilling segment related to upgrading work on the existing asset base.

Work performed

204 wells were drilled during the period, totalling approximately 401,837 metres drilled.
In South America, Saipem operated in a number of countries: in **Peru**, work was carried out for various clients, including Cepsa, China National Petroleum Corp, Pluspetrol, Gran Tierra, Perenco, Hunt, and Savia, deploying nineteen company-owned rigs and operating five rigs owned by clients or third parties; in **Bolivia**, four rigs were deployed for YPFB Andina, Pluspetrol and Repsol; in **Chile**, work continued for Empresa Nacional del Petróleo (ENAP), deploying one rig, while operations on a second rig started for Yacimientos Petrolíferos Fiscales (YPF); in **Colombia**, where Saipem has six rigs, work was performed for various clients, including Equion, Canacol, and Ecopetrol, while operations were completed for Schlumberger; in **Ecuador**, four company-owned rigs were deployed for various clients, including Agip Oil and Petroamazonas, while work was completed for Tecpeservices; finally, in **Venezuela**, work continued for PDVSA involving the deployment of twenty-eight rigs.
In **Saudi Arabia**, Saipem deployed twenty-six rigs, continuing operations for Saudi Aramco under previously acquired long-term contracts.
In the Caspian Sea Region, Saipem operated in **Kazakhstan** for various clients, including Karachaganak Petroleum Operating BV, Agip KCO, and Zhaikmunai, using 4 rigs supplied by a partner and 4 owned rigs, one of which operated until May and then, at the client's request, was stacked due to adverse market conditions. The stacking period will be paid for by the client. Operations with the rig are due to start up again in October. In **Turkmenistan**, work continued for Burren/Rheinisch-Westfälisches Elektrizitätswerk AG using one rig.
In West Africa, Saipem continued to operate in **Congo** for Eni Congo SA, using one company-owned rig and operating one client-owned rig.
Saipem has one rig in both **Tunisia** and **Mauritania**. Neither rig carried out operations during the first half of 2015.
Operations in **Italy** saw the deployment of one rig which performed work for Total in the Tempa Rossa area. Another rig is currently undergoing upgrading works in the country.

Utilisation of rigs

The average utilisation of rigs in the first half of 2015 was 93.5% (96.5% in the first half of 2014). At June 30, 2015, company-owned rigs amounted to 100, located as follows: 28 in Venezuela, 28 in Saudi Arabia, 19 in Peru, 6 in Colombia, 4 in Kazakhstan, 4 in Bolivia, 4 in Ecuador, 2 in Italy, 1 in Chile, 1 in Congo, 1 in Mauritania, 1 in Tunisia, and 1 in Turkmenistan. Additionally, 5 third-party rigs were deployed in Peru, 1 in Congo and 1 in Chile.

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.

Given the conditions described over the preceding pages, market prospects in the oil services sector are steadily worsening. Clients are focusing on cost reduction, which results in a more rigid approach to negotiations, demands for greater efficiency on awarded projects, delays in new contract awards and, in some cases, the cancellation of already approved projects.

Results of operations

Saipem Group - Income statement

Year 2014	(€ million)	First half 2014	First half 2015	% Ch.
12,873	**Net sales from operations**	**5,966**	**5,373**	**(9.9)**
9	Other income and revenues	4	-	
(9,262)	Purchases, services and other costs	(4,118)	(4,349)	
(2,408)	Payroll and related costs	(1,197)	(1,221)	
1,212	**Gross operating result (EBITDA)**	**655**	**(197)**	..
(1,157)	Depreciation, amortisation and impairment	(362)	(593)	
55	**Operating result (EBIT)**	**293**	**(790)**	..
(199)	Net finance expense	(110)	(110)	
24	Net income from investments	17	7	
(120)	**Result before income taxes**	**200**	**(893)**	..
(118)	Income taxes	(64)	(13)	
(238)	**Result before non-controlling interests**	**136**	**(906)**	..
8	Non-controlling interests	-	(14)	
(230)	**Net result**	**136**	**(920)**	..

Net sales from operations for the first half of 2015 amounted to € 5,373 million, representing a decrease of 9.9% compared to the same period of 2014.
The **gross operating result (EBITDA)** amounted to -€ 197 million.
Depreciation and amortisation of tangible and intangible assets amounted to € 593 million.
The **operating result (EBIT)** for the first half of 2015 was -€ 790 million. The largest variations are analysed in detail in the subsequent sections describing the performance of the various business units.

Net finance expense increased by € 110 million, which was in line with the first half of 2014.
Net income from investments amounted to € 7 million.
The **result before income taxes** amounted to -€ 893 million.
Income taxes amounted to € 13 million. The decrease compared to the first half of 2014 was principally due to a decrease in taxable income.
The **net result** for the period was -€ 920 million.

Year 2014	(€ million)	First half 2014	First half 2015
55	Operating result (EBIT)	293	(790)
410	Depreciation	-	211
465	Adjusted operating result (EBIT)	293	(579)

The write-down of € 211 million against non-current assets is related to vessels that are due to be scrapped because they are no longer commercially viable for the execution of projects in the order backlog and to Saipem's components within logistics bases that have been affected by the rescheduling and/or cancellation of projects by their main clients, leading to reduced utilisation compared with forecasts.

Year 2014	(€ million)	First half 2014	First half 2015	% Ch.
12,873	**Net sales from operations**	**5,966**	**5,373**	**(9.9)**
9	Other income and revenues	4	-	
(9,262)	Purchases, services and other costs	(4,118)	(4,349)	
(2,408)	Payroll and related costs	(1,197)	(1,221)	
1,212	**Gross operating result (EBITDA)**	**655**	**(197)**	..
(747)	Depreciation, amortisation and impairment	(362)	(382)	
465	**Adjusted operating result (EBIT)**	**293**	**(579)**	..
(199)	Net finance expense	(110)	(110)	
24	Net income from investments	17	7	
290	**Adjusted result before income taxes**	**200**	**(682)**	..
(118)	Income taxes	(64)	(13)	
172	**Adjusted result before non-controlling interests**	**136**	**(695)**	..
8	Non-controlling interests	-	(14)	
180	**Adjusted net result**	**136**	**(709)**	..

Operating result and costs by function

Year 2014	(€ million)	First half 2014	First half 2015	% Ch.
12,873	**Net sales from operations**	**5,966**	**5,373**	**(9.9)**
(11,916)	Production costs	(5,435)	(5,690)	
(116)	Idle costs	(61)	(86)	
(143)	Selling expenses	(70)	(63)	
(11)	Research and development costs	(5)	(6)	
(21)	Other operating income (expenses)	(8)	(8)	
(201)	General and administrative expenses	(94)	(99)	
465	**Adjusted operating result (EBIT)**	**293**	**(579)**	..

In the first half of 2015, the Saipem Group reported **net sales from operations** of € 5,373 million, representing a decrease of € 593 million compared to the same period of the previous year. This was mainly due to lower volumes registered in the Middle East, Australia and North America.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to € 5,690 million, representing an increase of € 255 million over the first half of 2014. This was mainly due to the effect of the write-downs of non-current assets and the increase in the country risk.
Idle costs increased by € 25 million, mainly due to the semi-submersible Scarabeo 3, which was not under contract in March, as well as to inactivity of a number of vessels in South America.
Selling expenses amounted to € 63 million.
Research and development costs included in operating costs increased by € 1 million.
General and administrative expenses amounted to € 99 million, representing an increase of € 5 million.
The results of the business units were as follows:

Offshore Engineering & Construction

Year 2014	(€ million)	First half 2014	First half 2015
7,202	Net sales from operations	3,184	3,388
(6,470)	Cost of sales	(2,857)	(3,192)
732	EBITDA	327	196
(297)	Depreciation, amortisation and impairment	(147)	(160)
435	Adjusted operating result (EBIT)	180	36
(160)	Impairment	-	(150)
275	Operating result (EBIT)	180	(114)

Revenues for the first half of 2015 amounted to € 3,388 million, representing a 6.4% increase compared to the same period of 2014, due mainly to higher volumes recorded in Azerbaijan and Kazakhstan, which offset lower volumes registered in North and South America.
The cost of sales amounted to € 3,192 million, increasing compared with the first half of 2014 consistently with the increase registered in volumes. Depreciation and amortisation rose by € 13 million compared to the first six months of 2014, due to an adjustment of the economic useful life of a vessel at December 31, 2014, which led to a revision of its depreciation schedule.
Adjusted operating result (EBIT) for the first half of 2015 amounted to € 36 million, compared with € 180 million for the same period of 2014. This was mainly due to the cancellation of the South Stream project and to lower revenues from projects in South America.
Operating result (EBIT) for the first half of 2015 amounted to -€ 114 million versus € 180 million in the first half of 2014, due to write-downs of one yard and certain vessels.

Onshore Engineering & Construction

Year 2014	(€ million)	First half 2014	First half 2015
3,765	Net sales from operations	1,890	1,048
(4,138)	Cost of sales	(1,952)	(1,735)
(373)	EBITDA	(62)	(687)
(38)	Depreciation, amortisation and impairment	(19)	(21)
(411)	Adjusted operating result (EBIT)	(81)	(708)
-	Impairment	-	(50)
(411)	Operating result (EBIT)	(81)	(758)

Revenues for the first six months of 2015 amounted to € 1,048 million, representing a 44.6% decrease compared to the same period of 2014. This was mainly attributable to lower volumes recorded in the Middle East, Australia and North America.
The cost of sales, which amounted to € 1,735 million, also decreased compared with the same period of the previous year. Depreciation and amortisation amounted to € 21 million, which was in line with the figure for the same period of 2014.
Adjusted operating result (EBIT) for the first half of 2015 amounted to -€ 708 million, compared with € 81 million for the same period of 2014. This was mainly due to lower revenues generated by projects in the Middle East and Australia.
The operating result (EBIT) for the first half of 2015 amounted to negative € 758 million, compared with -€ 81 million for the same period of 2014 due to the write-down of a yard.

Offshore Drilling

Year 2014	(€ million)	First half 2014	First half 2015
1,192	Net sales from operations	556	538
(580)	Cost of sales	(278)	(274)
612	EBITDA	278	264
(262)	Depreciation, amortisation and impairment	(123)	(113)
350	Adjusted operating result (EBIT)	155	151
(250)	Impairment	-	(11)
100	Operating result (EBIT)	155	140

Revenues for the first half of 2015 amounted to € 538 million, down 3.2% on the same period of 2014. This was due to decreases in revenue from the drillship Saipem 10000 and the drilling jack-up Perro Negro 8 as a result of class reinstatement works performed during the period and from the semi-submersible platform Scarabeo 3, which was not under contract in March.
The drop in revenue from the above vessels was partially offset by an increase in revenue from the Scarabeo 7, which was fully operative during the period, having undergone preparatory works during the same period of 2014.
The cost of sales € 274 million was almost in line with the same period of 2014.

Depreciation and amortisation fell by € 4 million compared with the first half of 2014.
Adjusted operating result (EBIT) for the first half of 2015 amounted to € 151 million, compared with € 155 million in the first half of 2014, with the margin on revenues remaining almost unchanged.
The operating result (EBIT) for the first half of 2015 amounted to € 140 million, compared to € 155 million in the first half of 2014, while the margin on revenues fell from 27.9% to 26% due to the write-down of the semi-submersible Scarabeo 4.

Onshore Drilling

Year 2014	(€ million)	First half 2014	First half 2015
714	Net sales from operations	336	399
(473)	Cost of sales	(224)	(369)
241	EBITDA	112	30
(150)	Depreciation, amortisation and impairment	(73)	(88)
91	Operating result (EBIT)	39	(58)

Revenues for the first half of 2015 amounted to € 399 million, representing an increase of 18.8% compared with the same period of 2014, due principally to an increase in activity in Saudi Arabia and South America.
The cost of sales increased by € 145 million compared with the same period of 2014, principally due to an increase in the country risk.

Depreciation and amortisation amounted to € 88 million, representing an increase of € 15 million compared with the same period of 2014, due mainly to a higher level of activities in Saudi Arabia and South America.
EBIT for the first half of the year totalled -€ 58 million compared with € 39 million for the first half of 2014 due to the write-down recorded against a portion of overdue receivables in the light of an increase in the country risk.

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, 2014		(€ million)	Dec. 31, 2014		June 30, 2015	
	7,910	Net tangible assets		7,601		7,383
	759	Net intangible assets		760		758
	8,669			**8,361**		**8,141**
3,804		*- Offshore Engineering & Construction*	*3,666*		*3,462*	
590		*- Onshore Engineering & Construction*	*590*		*544*	
3,332		*- Offshore Drilling*	*3,034*		*3,031*	
943		*- Onshore Drilling*	*1,071*		*1,104*	
	169	Investments		112		107
	8,838	**Non-current assets**		**8,473**		**8,248**
	1,308	**Net current assets**		**297**		**869**
	(221)	Employee termination indemnities		(237)		(240)
	-	**Assets (liabilities) available for sale**		**69**		**-**
	9,925	**Net capital employed**		**8,602**		**8,877**
	4,773	Shareholders' equity		4,137		3,288
	48	Non-controlling interests		41		58
	5,104	Net debt		4,424		5,531
	9,925	**Funding**		**8,602**		**8,877**
	1.06	**Leverage (net borrowings/shareholders' equity including non-controlling interests)**		**1.06**		**1.63**
	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.

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, 2015 stood at € 8,248 million, a decrease of € 225 million compared to December 31, 2014.

The decrease was the result of capital expenditure of € 269 million; negative changes in investments accounted for using the equity method of € 11 million, depreciation and amortisation of € 382 million, write-downs of € 211 million and the positive effect of € 110 million deriving mainly from the translation of financial statements in foreign currencies and other changes.

Net current assets increased by € 572 million, from positive € 297 million at December 31, 2014 to positive € 869 million at June 30, 2015.

The **provision for employee benefits** amounted to € 240 million, representing an increase of € 3 million compared with December 31, 2014.

As a result of the above, **net capital employed** increased by € 275 million, reaching € 8,877 million at June 30, 2015, compared with € 8,602 million at December 31, 2014.

Shareholders' equity, including non-controlling interests, decreased by € 832 million, to € 3,346 million at June 30, 2015, compared with € 4,178 million at December 31, 2014.

This decrease reflected the negative effect of the net result for the period of € 906 million, the negative effect of changes in the fair value of exchange rate and commodity hedging instruments of € 15 million and the positive effect of the translation into euro of financial statements expressed in foreign currencies and other variations amounting to € 89 million.

The increase in net capital employed, which was greater than the increase in shareholders' equity, led to an increase in net borrowings which, at June 30, 2015, stood at € 5,531 million, compared with € 4,424 million at December 31, 2014, representing an increase of € 1,107 million.

Analysis of net borrowings

June 30, 2014	(€ million)	Dec. 31, 2014	June 30, 2015
(1)	Financing receivables due after one year	(1)	(1)
-	Payables to banks due after one year	250	-
3,125	Payables to other financial institutions due after one year	3,064	3,477
3,124	**Net medium/long-term debt**	**3,313**	**3,476**
(1,393)	Accounts c/o bank, post and Group finance companies	(1,595)	(1,424)
-	Available-for-sale securities	(9)	(8)
(8)	Cash and cash on hand	(7)	(5)
(55)	Financing receivables due within one year	(58)	(32)
465	Payables to banks due within one year	277	465
2,971	Payables to other financial institutions due within one year	2,503	3,059
1,980	**Net short-term debt**	**1,111**	**2,005**
5,104	**Net debt**	**4,424**	**5,531**

The fair value of derivative assets (liabilities) is detailed in Note 7 'Other current assets' and Note 18 'Other current liabilities'.

A breakdown by currency of gross debt, amounting to € 7,001 million, is provided in Note 14 'Short-term debt' and Note 19 'Long-term debt and current portion of long-term debt'.

Statement of comprehensive income

(€ million)	First half 2014	First half 2015
Net profit (loss) for the period	**136**	**(906)**
Other comprehensive income:		
- change in the fair value of cash flow hedges (*)	(48)	(68)
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	19	86
- share of other comprehensive income of investments accounted for using the equity method	(1)	-
- income tax relating to other items of comprehensive income	17	53
Total other comprehensive income, net of taxation	**(13)**	**71**
Total comprehensive income (loss) for the period	**123**	**(835)**
Attributable to:		
- Saipem Group	123	(852)
- non-controlling interests	-	17

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

Shareholders' equity including non-controlling interests

(€ million)	
Shareholders' equity including non-controlling interests at December 31, 2014	**4,178**
Total comprehensive income for the period	(906)
Dividend distribution	-
Sale of treasury shares	-
Other changes	74
Total changes	**(832)**
Shareholders' equity including non-controlling interests at June 30, 2015	**3,346**
Attributable to:	
- Saipem Group	3,288
- non-controlling interests	58

Reclassified cash flow statement [1]

Saipem's reclassified cash flows statement derives from the statutory cash flow statement. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flow statement) and in net borrowings (deriving from the reclassified cash flows statement) that occurred between the beginning and the end of the period. The measure enabling such a link is represented by the free cash flow, which is the cash in excess of capital expenditure requirements. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the 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 year by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Year 2014	(€ million)	First half 2014	First half 2015
(230)	Net result for the period	136	(920)
(8)	Non-controlling interests	-	14
	Adjustments to reconcile cash generated from operating result before changes in working capital:		
1,011	Depreciation, amortisation and other non-monetary items	338	487
(2)	Net (gains) losses on disposal and write-off of assets	(3)	(17)
291	Dividends, interests and income taxes	145	106
1,062	**Net cash generated from operating result before changes in working capital**	**616**	**(330)**
569	Changes in working capital related to operations	(382)	(334)
(433)	Dividends received, income taxes paid, interest paid and received	(184)	(188)
1,198	**Net cash flow from (used in) operations**	**50**	**(852)**
(694)	Capital expenditure	(329)	(268)
(9)	Investments and purchase of consolidated subsidiaries and businesses	(2)	(1)
15	Disposals	7	97
-	Other cash flow related to capital expenditures, investments and disposals	-	-
510	**Free cash flow**	**(274)**	**(1,024)**
(10)	Borrowings (repayment) of debt related to financing activities	1	28
(170)	Changes in short and long-term financial debt	414	817
-	Sale of treasury shares	-	-
(45)	Cash flow from capital and reserves	(44)	1
18	Effect of changes in consolidation and exchange differences	5	5
303	**NET CASH FLOW FOR THE PERIOD**	**102**	**(173)**
510	**Free cash flow**	**(274)**	**(1,024)**
-	Sale of treasury shares	-	-
(45)	Cash flow from capital and reserves	(44)	1
(129)	Exchange differences on net borrowings and other changes	(26)	(84)
336	**CHANGE IN NET BORROWINGS**	**(344)**	**(1,107)**

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

Net cash flow used in operations (negative € 852 million) together with capital expenditures of € 172 million generated a negative free cash flow of € 1,024 million.
Cash flow from capital and reserves amounted to € 1 million; the effect of exchange differences on net borrowings and other changes produced a net negative effect of € 84 million.
As a result, **net borrowings** increased by € 1,107 million.
In particular:
Net cash generated from operating result before changes in working capital of negative € 330 million related to:

- the net result for the period of negative € 906 million;
- depreciation, amortisation and impairment of tangible and intangible assets of € 593 million, after negative changes in investments accounted for using the equity method of € 11 million and other changes of negative € 117 million;
- net gains on the disposal of assets, which had an impact of negative € 17 million;
- net finance expense of € 93 million and income taxes of € 13 million.

The negative change in working capital related to operations of € 334 million was due to financial flows of projects underway.
Dividends received, income taxes paid, interest paid and received during the first half of 2015 of € 188 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.
Capital expenditure on tangible and intangible assets amounted to € 268 million. Details of investments by sector are as follows: Offshore Drilling (€ 107 million), Offshore Engineering & Construction (€ 82 million), Onshore Drilling (€ 62 million) and Onshore Engineering & Construction (€ 17 million). Additional information concerning capital expenditure during the first half of 2015 can be found in the 'Operating Review' section.
Investments and purchase of consolidated subsidiaries and businesses amounted to € 1 million.
Cash flow generated by disposals amounted to € 97 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 net result for the period, which amounted to € 0 million at December 31, 2014, € 295 million for the twelve-month period ended June 30, 2014 and € 0 million for the twelve-month period ended June 30, 2015.

		Dec. 31, 2014	June 30, 2014	June 30, 2015
Net result	(€ million)	(238)	322	(1,280)
Exclusion of finance costs on borrowings (net of tax effect)	(€ million)	144	151	144
Unlevered net result	(€ million)	(94)	473	(1,136)
Capital employed, net:	(€ million)			
- at the beginning of the period		9,504	9,193	9,925
- at the end of the period		8,602	9,925	8,877
Average capital employed, net	(€ million)	9,053	9,559	9,406
ROACE	(%)	**(1.04)**	**4.9**	**(12.1)**
Return On Average Operating Capital	(%)	**(1.05)**	**5.1**	**(12.3)**

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 non-controlling interests.

	June 30, 2014	June 30, 2015
Leverage	1.06	1.63

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[1], which exercises a sustainability strategy-setting role and is chaired by the CEO, meets to discuss and approve the Company's sustainability strategy, to verify its implementation on the ground and to monitor the progress being made on the sustainability initiatives planned at its operating companies. One of the tools used to do this is a Management by Objectives system, whose aim is to ensure that sustainability principles and values are translated into concrete business actions. The first half of 2015 brought the completion of the definition of the MBOs targets for the year for 60 managers at Saipem SpA and Group operating companies, in accordance with high level Company targets set by top management and focusing particularly on the material issues identified as a result of the materiality analysis carried out in 2014.

The Sustainability Committee met in an official capacity during the first half of the year to discuss the results achieved in 2014, to approve the 2014 Sustainability Report, and to lay down lines of action for the forthcoming year. The Committee is scheduled to meet again during the first half of 2015 to discuss planned activities and projects underway and to monitor progress being made.

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.

Since 2009, Saipem has used a model developed in-house known as SELCE (Saipem Externalities Local Content Evaluation) that enables the analysis and quantification of the value generated (i.e. the direct, indirect and induced effects, measured in terms of economic value, employment and human capital development) by the Local Content strategy over a given time frame and in a specific geographical situation.

The first half of 2015 saw the completion of the model's application on the El Encino-Topolobampo project in Mexico at the request of the client. The principal indicators used by the model showed a total economic impact of approximately € 420 million for the 2013-2014 period and a contribution of 0.03% to the country's GDP in 2014. The model was applied to Chihuahua and Sinaloa states only, which are the geographical areas most affected by operations. Respectively, total economic impacts of € 160 million and € 64 million and contributions to state GDP of 0.40% and 0.20% were calculated for 2014.

During the second half of the year, the model will be applied to the other significant operating companies of the Saipem Group.

Saipem continued during the first half of the year with its efforts to monitor and improve the social impacts of its operations, particularly in relation to human rights. This drive saw Saipem dialogue with its external stakeholders, such as ratings agencies and clients, on initiatives currently underway, including major projects such as South Stream, as well as working on a Social Responsibility campaign aimed at Saipem vendors and a Human Rights Training Programme.

Sustainability reporting

The first half of 2015 saw the completion and publication of the annual sustainability reporting documents 'Sustainability Performance 2014' – published as an addendum to the Annual Report – and 'Saipem Sustainability 2014'. Both documents, which are approved by the Board of Directors and audited by the independent auditor Reconta Ernst & Young SpA, are prepared in accordance with the international guidelines of the Global Reporting Initiative (GRI - version G3) and are designed to furnish readers with greater detail with regard to the commitments undertaken, the initiatives carried out and the results achieved by Saipem in relation to the issues identified by the materiality analysis, which is conducted in collaboration with the Company's stakeholders.

(1) The Saipem Sustainability Committee is composed of the Chief Executive Officer (Chairman) plus the heads of the Company's business areas and managers of key functions.

Research and development

Technological innovation is one of the key drivers of Saipem's competitiveness. An essential factor in the Company's success in most of our activities, innovation enables us to identify and anticipate the future needs of the Oil & Gas industry and offer our clients the most advanced solutions, capture new and challenging opportunities, achieve improved operational performance and reduce the environmental impact of our construction activities. Technological innovations at Saipem are usually developed in steps, from idea through to application or conceived on projects or the Company's proprietary assets and vessels as the result of a problem-solving approach.

Research and development activities at Saipem are organised into thematic areas directly coinciding with the activities of the business units with the aim of ensuring clearer alignment with their strategies and fostering an effective transfer of the fruits of Saipem's technology development efforts to the business areas. During the first half of 2015, the Offshore Business Unit focused its development efforts primarily on the Subsea (SURF and Subsea Processing) and pipelines areas. In addition, work was carried out in relation to materials technologies, which are of interdisciplinary interest for both of the first two areas.

Significant results were achieved during the reporting period in the SURF (Subsea, Umbilicals, Risers and Flowlines) segment, including:

- the first commercial application of an innovative downline for commissioning and intervention operations on subsea pipelines;
- work continued during the period for the industrialisation of a J-lay installation method adapted to plastic-lined pipes. Tests simulating offshore installation conditions were conducted successfully;
- in relation to active heating using pipe-in-pipe technology, a campaign of demonstration tests for the development and qualification of a technology suitable for J-lay installation was completed in early 2015. The design arrangement and the solution for the connection of electrical cables and of the temperature monitoring system were confirmed. Further qualification activities are planned for the remainder of 2015.

In the subsea processing segment, work continued during the period on the development of a number of innovative subsea processing systems in partnership with various leading oil companies.

- a second qualification campaign to achieve design improvements is being carried out on the proprietary 'Spoolsep' liquid/liquid gravity separation system. In parallel, a JIP (Joint Industry Project) funded by leading oil companies and focusing on the application of the system in cases of specific interest to the partners was launched in early 2015;
- technology refinements continued during the period on the subsea water treatment system developed jointly with Total/Veolia for the removal of sulphates present in seawater.

In parallel with the technology development activities mentioned above, following the completion of a study to develop standardised interfaces for subsea processing plants ('subsea factories') carried out in collaboration with Statoil, a programme for the industrialisation of subsea production technologies developed by Saipem is now underway.

A number of innovative laying technologies for export lines and trunklines are ready for commercial application, including:

- development activities for the Anti-Flooding Tool (AFT) system, which prevents the flooding of the pipe during the installation phase, were completed and two units have been installed and are ready for use on a pipelay vessel;
- industrialised versions of the new IAU acoustic measurement tool for remotely measuring internal pipe ovality to prevent buckling during S and J-lay operations have been installed on a number of pipelay vessels and are awaiting final commissioning. Currently, technological qualification is being conducted on the measurement system;
- a new automated field joint coating system for sealines, capable of significantly reducing coating cycle times in the firing line, was built, qualified and successfully tested on board a pipelay vessel.

Meanwhile, the plasma welding technology developed in recent years, which enhances weld seam quality and production rates on carbon steel and clad pipelines, has seen increasing and successful application on commercial projects.

The focus of the Floater business line during the half-year period was primarily on high-end technological solutions, such as FLNG and floaters for harsh/Arctic conditions. In the Floating LNG technology segment, the focus was on the following areas:

- creation of innovative solutions for floating liquefaction facilities with the objective of achieving more efficient and safer gas production under increasingly challenging conditions;
- qualification of a tandem LNG offloading system using floating flexible hoses in collaboration with an industrial partner.

The Drilling Business Unit concentrated mainly on the adoption of new drilling techniques and rigs for harsh conditions. This involved:

- monitoring of methods and equipment for the Managed Pressure Drilling market;
- development of designs for drilling rigs suited to Arctic conditions.

In addition, a recently developed package of new technologies based on a 'green design' approach became available.

The package offers solutions designed to minimise the environmental impact and maximise the energy-saving capabilities of the next generation of drilling semi-submersibles and drillships (Moss EcoDrive™, Moss EcoLNG™ and Moss EcoGreen™).

The Onshore E&C Business Unit focused mainly on the optimisation of proprietary licensed process technologies and innovative solutions for selected non-proprietary business segments (LNG, heavy oil, gas monetisation) in order to increase the value proposition to clients, principally in the energy efficiency and environment fields.

Implementation started of a long-term development plan designed to ensure that the competitiveness of proprietary fertilizer production technology 'Snamprogetti™ Urea' is maintained at maximum levels. Activities underway as part of this drive include:
- yield improvement through the use of the innovative 'Supercups™' trays in the reactor, which were successfully tested in two commercial facilities in 2014 and which are now ready to bring to market;
- improved corrosion resistance and cost reductions through the development of new construction materials;
- a reduction in energy consumption through the optimisation of utility systems;
- reduction of environmental impact ('Urea Zero Emissions' programme) through highly innovative solutions currently under development.

In relation to non-proprietary technologies, work done during the period included a comprehensive study of the regasification of liquefied natural gas, which is nearing completion. The study is looking at a number of different options for reducing energy consumption compared with currently technology.
Other work focused on developments to improve energy efficiency and reduce environmental impacts, with a wide range of potential applications (e.g. use of renewable energy in process facilities, optimisation of Life Cycle Assessment methodologies).
The period also saw an increased effort devoted to two significant cross-business themes, Oil Spill Response and Pipeline Integrity Management.
Lastly, the 15 patent applications filed by the Company during the first half of the year provided confirmation of the significant efforts made by Saipem in the area of technological innovations during the period.

Quality, Safety and Environment

Quality

As part of the Bring Quality to the Next Level programme, work was carried out for the homogenisation and migration of the Document Management System at all subsidiaries from November until its conclusion in January. System content can be accessed by all Saipem employees.
A gap analysis between existing documentation and the new Corporate documentation under development has been commenced at all subsidiaries, with the aim of cutting down on the number of local documents.

The analysis of processes performed on the project identified improvements to cross-cutting processes relating to welding and plant completion.
The final part of the previous year saw the creation of two cross-cutting work groups. Work on the cross-cutting welding processes ended with the sharing of a series of responsibility matrices. A procedure is currently in the process of being issued.

As part of the Cost Structure Optimisation project, the period saw the start of an analysis of Quality cost centres used worldwide with the aim of homogenising them and monitoring costs allocated to them.

A quality management review approved the ISO 9001 multi-sites certification model. Use of this model will produce a cost saving and will lead to ISO 9001 certification of the Corporate quality management system at all companies and branches where it is required.
Currently, work is being carried out to select the certifying body which will provide certification services worldwide.
The process will run from December 2015 until recertification of Saipem SpA. During the subsequent three-year period, Saipem subsidiaries and branches will also gradually achieve certification.

The period also saw the continuation of the following activities:
- issue of corporate standards and technical instructions with the aim of ensuring uniformity and integration of quality assurance and quality control at the business lines (approximately forty documents issued in the period);
- improvement and redefinition of Technical and Vessel Document Systems;
- a review of the reporting system launched in 2013 for quality activities at branches/subsidiaries (Company and project level);
- review of KPIs for all processes in accordance with output of 'Regulatory System Improvement' project;
- modification to Quality System Internal Audit planning and performance in accordance with new Process definition and Process Owners;
- measurement of customer satisfaction.

Safety

Saipem's safety performance in the first half of 2015 was generally in line with the overall performance recorded in 2014. The recordable incidents index (TRIFR) stood at 1.10, which is very close to the final result of 1.09 posted in the previous year.
This positive outcome is closely correlated to a series of technical and cultural initiatives conducted at the Company. The main initiatives conducted during the reporting period were as follows:
- ongoing delivery to personnel of the cultural change programme, Leadership in Health and Safety, which from 2007 has seen the participation of Saipem personnel at all levels. The initial one and a half day interactive workshop for Company management has now been delivered more than 900 times, while the cascading event designed to ensure direct dissemination by management to their own team of the messages contained in the opening workshop has been held on over a thousand occasions. Saipem-wide delivery of both the internal training program, 'Five Stars', whose aim is to ensure the effective management of unsafe behaviours and the 'Leading Behaviours' campaign, designed to foster the spread and embedding within the Saipem DNA of the 5 non-negotiable behaviours, also continued during the period. Meanwhile, the fifth phase of LiHS program 'Choose Life', which is designed to raise awareness among employees of the importance of a healthy lifestyle, reached its 500th edition during the first half of 2015;
- in parallel with the LiHS programme's training initiatives, on the occasion of the World Day for Safety and Health at work on April 28, the LHS Foundation and Saipem launched a three-day initiative called 'Italia loves sicurezza' (Italy loves safety) in three Italian cities, as part of an international campaign to raise public awareness about emerging trends in the field of health and safety at work, with the ultimate goal of furthering the prevention of occupational injury and illness on a global level;
- the initiatives organised in connection with the day also included the launch of an in-house competition connected with the 'Sharing Love For Health And Safety' campaign. The competition, entitled the 'Safe & Sound Contest', received more than 40 video entries from all around the Saipem world;
- also in April, the LHS Foundation and Saipem supported the participation by Saipem employees in the 'Milano Relay Marathon 2015', with the objective of helping to promote the adoption of active healthy lifestyles within the Company;
- the 'Keep Your Hands Safe' campaign continued during the period at a number of the Group's operating sites. The campaign, which aims to reduce the frequency of hand injuries, saw a number of workshops connected with the theme 'Know Your Barriers' held at various offshore drilling rigs;
- the campaign to promote the 'Life-Saving Rules' developed by the OGP (International Association of Oil & Gas Producers) will

shortly be finalised and launched. The campaign aims to step up efforts to call attention to the life-saving rules and to shine a spotlight on dangerous activities and on the actions that individuals can take to protect both themselves and others;
- in terms of information tools and systems, work ongoing during the period included updates to the HSE training portal 'Delphi', the release of HSE audit application 'Corinth', which will enable a shared database to be established, and the deployment of a 'Safety Dashboard', which will enable users to monitor Saipem accident and incident trends in real-time, with data viewable for the Group as a whole, by business unit and by activity.

Meanwhile, testing continued on new accident management application 'Prometheus', which is designed to facilitate the statistical analysis of HSE incidents at the Company.

Environment

Saipem aims to achieve the continuous improvement of its environmental performance and adopts strategies designed to reduce all types of impact and to promote the conservation and enhancement of natural resources.
To achieve this goal means promoting a high level degree of environmental awareness at all Saipem projects, sites and offices. During the first half of 2015, Saipem once again stepped up its effort in relation to a wide number of aspects, including:
- Energy efficiency: energy diagnostics were planned and conducted at a number of offices and an onshore drilling rig. Energy diagnostics are also due to be conducted in the coming months at a fabrication yard. The objective of energy diagnostics is to identify technical solutions for achieving enhanced energy efficiency that will be implemented in 2015-2016. Saipem also aims to gather together all of the 'best practices' adopted in relation energy efficiency.
- Waste management: Saipem organised a technical workshop on waste management and related legislative developments in Italy. Meanwhile, from an operational point of view the Company focused on reducing the quantity and hazardousness of the waste it produces.
- Environmental awareness raising initiatives: to coincide with 'World Environmental Day' (WED), which was celebrated in June, a number of initiatives were launched to motivate and raise the awareness of personnel with regard to environmental sustainability.

As always, all of the health, safety and environment initiatives mentioned above are part of a wider process of continuous improvement based on the careful analysis of incidents and accidents, the findings of HSE audits and HSE management reviews. Reviews are conducted at individual business unit level to ensure a greater depth of analysis.

Human resources and health

Human Resources Management

The first period of 2015 saw the Human Resources Management function continue its efforts to define and implement internal cost structure optimisation initiatives and to align contractual and expatriation instruments and procedures with developments in the applicable national and international legislation, pursuant to its role of guidance, coordination and control over decentralised Human Resources functions (business and geographical area HR functions in Italy and abroad).

Meanwhile, the review of Company documentation relating to key human resource processes currently underway continued during the period. The aim of the review is to ensure continuous updating of human resource management processes in accordance with all relevant developments in national and international legislation and regulations, as well as to achieve their continuous improvement. One of the key outcomes of the review was the issue of a new Company standard, which will enable all Saipem Group companies around the world to establish shared rules for assigning company cars.

Process roll-out/digitalisation actions also continued, in step with the latest relevant technological developments, bringing during the period the development of dedicated information tools designed to ensure an even more effective and accurate monitoring of Human Resource activities. This included the roll out to a number of important Saipem companies of various tools that were already in place in Italian offices, thus increasing the integration of Saipem's process governance systems.

Industrial Relations

The Company has for many years now been working to consolidate a model of industrial relations that aims to harmonise and achieve optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies.
In view of the global nature of the environment in which Saipem operates today, which encompasses a wide range of socio-economic, political, industrial and legislative situations and conditions, continuous monitoring of the industrial relations model in place is fundamental.

In Italy, the first half of 2015 saw a large number of important moments of discussion and dialogue, which were conducted in accordance with the consolidated working relationship already established with trade union organisations.
With a view to further reinforcing the participatory model of Industrial Relations, the Company and the trade union organisations continued discussions focused on establishing an Industrial Relations protocol that recognises the centrality of communication, negotiation and dialogue.
Internationally, the reporting period saw the renewal of important collective labour agreements in Nigeria, in the engineering and construction sector, in Peru and Nigeria, in the drilling sector and, finally, in Canada, in the fabrication sector.

The signing of the new agreements was also an opportunity to consolidate the provisions of the agreements, through the introduction of enhanced resolution mechanisms for industrial disputes and the inclusion of clear references to the Code of Ethics. The aim of this latter aspect was to encourage our trade union partners to take full ownership of the fundamental principles underlying Saipem's business approach, with the aim of securing maximum applicability and buy-in, through a commitment by the unions to respect the principles and to work to promote them amongst the Saipem workforce.

Finally, the first half of 2015 also brought the renewal for the 2015-2018 period of the Construction Barge Agreement with the International Transport Workers' Federation (ITF), which covers maritime personnel working on twelve vessels in the Saipem fleet.

Development, Organisation, Compensation and Senior Manager Administration

In terms of organisational developments, the first half of 2015 brought a redefinition of the operating model for engineering activities, which saw the Business Units assigned direct management of engineering competencies specific to their respective areas, as well as governance of project engineering activities.
Work also continued during the period to align the organisational structures of subsidiaries and branches with the newly introduced organisational models adopted for engineering and fabrication activities.

The following measures were taken with a view to securing the continuous improvement of company governance and the system of internal controls and risk management:
- drive to secure adoption by joint ventures of instruments of organisational governance;
- continuation of the programme of improvements currently underway on the Company regulatory system with a view to achieving rationalisation and simplification.

Saipem's 2015 Remuneration Policy was again defined in accordance with the governance model adopted by the Company

and the recommendations included in the Corporate Governance Code, with the aim of attracting and retaining highly skilled professional and managerial resources and aligning the interests of management with the priority objective of value creation for the shareholders in the medium-long term.
The 2015 Remuneration Report was prepared in compliance with the legal obligations pursuant to Article 123-*ter* of Legislative Decree No. 58/1998 and with Article 84-*quater* of the Consob Issuers' Regulation. The Saipem Board of Directors approved the 2015 Remuneration Report on March 10, 2015, while the Company's shareholders voted in favour of the First Section of the Report at their meeting on April 30, 2015.

The 2015 Remuneration Policy Guidelines call for the setting of challenging 2015 goals, which will be built into management assessments.

In keeping with the Company's Strategic Plan, the performance targets assigned are designed to allow the guidance, monitoring and assessment of actions related to cost containment and to the monitoring, development and promotion of skills critical for business requirements and for the attainment of long-term business objectives.

In order to provide an incentive-based loyalty program for the Company's key managers, with the aim of strengthening their participation in business risk, improving the Company's performances, and maximising value for shareholders in the long term, the Company confirmed the adoption of the Long-Term Monetary Incentive Plan for critical managerial resources for the three-year period 2015-2017 which, as with the plan approved in 2014, uses both Total Shareholder Return and ROACE as performance parameters. The Plan was approved by the Saipem Board of Directors on March 10, 2015, while the Company's shareholders voted in favour of its adoption at their meeting on April 30, 2015.

During the first half of 2015, an analysis and review of the development, training, selection and skill management processes was launched with a view to consolidating the alignment between the business strategy and the people strategy and to improving, simplifying, and increasing the effectiveness of the processes and tools in place.

The work focused on segmenting criteria, strategic resource planning, succession plans and the performance assessment system.

Actions were implemented designed to enable Saipem and its employees to maintain and enhance their critical personal and professional skills. This included the launch of an analysis of competencies, which was accompanied by a review of the methods deployed in the recruitment, training and skill management processes.
Meanwhile, the basic framework of an On-the-Job Training model was defined during the period. The model, whose aim is to maximise and promote employee competencies and knowledge sharing, is set for a worldwide roll-out within Saipem, together with a set of operating tools.

Year			**First half consolidated companies as per IFRS 10 and 11**	
2014		(units)	**Average workforce 2014**	**Average workforce 2015**
16,840	Offshore Engineering & Construction		15,774	19,980
19,831	Onshore Engineering & Construction		20,425	15,662
2,725	Offshore Drilling		2,671	2,710
7,892	Onshore Drilling		7,764	7,759
1,679	Staff positions		1,895	1,493
48,967	**Total**		**48,529**	**47,604**
7,491	Italian personnel		7,498	7,456
41,476	Other nationalities		41,031	40,148
48,967	**Total**		**48,529**	**47,604**
6,722	Italian personnel under open-ended contract		6,722	6,716
769	Italian personnel under fixed-term contract		776	740
7,491	**Total**		**7,498**	**7,456**

Dec. 31, 2014		(units)	**June 30, 2014**	**June 30, 2015**
7,908	Number of engineers		7,798	7,762
49,580	Number of employees		49,497	46,527

Saipem continues to invest in employer branding initiatives aimed at top universities and secondary level technical schools.
The effectiveness and penetration of these initiatives will be increased by a global roll-out of e-recruitment technologies, which will also benefit the overall selection process.
With the complex and increasingly challenging market conditions requiring Saipem to maintain high standards of excellence, the Company has also designed and is in the process of rolling out a new responsible leadership model applicable to all levels of the Company. The aim of the model is to foster the development of managers capable of making decisions that successfully reconcile integrity requirements and business needs, working towards long-term value creation.
The ultimate goal of the model is to provide the Company with leaders who, while recognising and working towards their own personal objectives, are capable of effectively translating the Company mission into daily actions, strategies, programmes and procedures, have a strong sense of the effects of their actions on all stakeholders, and who act to promote the principles of the model to their teams.
A Compliance and Governance training matrix has been defined for application at Group level with the aim of consolidating awareness of Compliance and Governance issues and injecting the numerous training initiatives launched over the last two years with a greater degree of clarity and consistency of purpose.
The matrix maps out the initiatives designed to meet specific Compliance and Governance training needs/gaps for all company roles. Its introduction will also allow training delivery to all of the company workforce to be monitored.
Investments have been commenced to enhance the e-learning training system. In addition, the roll-out of the new training management application 'Peoplearning' continued during the period. So far, the roll-out has covered France, United States, Canada and Mexico. During the remainder of the year, the application will be extended to other Group companies and to the training centres.
Finally, the Safety training required by Legislative Decree No. 81/2008 for Employers, Safety Managers, Safety Supervisors and Safety Officers continues to be a main priority for the Company.

Health

With regard to work done in connection with health and occupational medicine related issues in Italy (Saipem SpA), the first half of 2015 saw Saipem consolidate its routine activities and promote a series of new initiatives.

- 3,370 preventive and periodical medical check-ups were carried out at Saipem SpA in Italy and abroad; 439 further medical examinations and 10 alcohol and drug tests were carried out.
- The diffusion of the 'Pre-Travel Counselling' programme for all Saipem SpA personnel due to work abroad, which includes updates based on international health alerts, continued during the period, with 579 employees receiving counselling.
  The program has been in place since 2008 and has so far seen a total of 6,700 employees receive health and medical advice related to the specific risks present in his/her country of destination, in accordance with the applicable legislation.
- The sessions to raise vaccine awareness, which focus on mandatory and strongly recommended vaccines, continued during the first six months of the year for all Saipem SpA personnel due to work in Italy and abroad. Meanwhile, the frame agreement signed with the local health authority in San Donato Milanese for yellow fever vaccination also continued.
- An update of the 'Sì Viaggiare' international travellers' handbook application, which is available in Android, Apple and Windows 8 versions, was completed during the period. The new version now features up-to-date information on epidemiological emergencies. 11,000 downloads of the application have so far have been registered.
- The period also saw ongoing work under agreements with a variety of organisations on a wide range of issues.
  These included partnerships with the IRCCS Policlinico di San Donato Milanese for health promotion initiatives (One Stop Clinic) and emergency medical assistance provided to Saipem employees at the hospital's A&E unit and with the IRCCS San Raffaele on a Work-Related Stress assessment programme.

Information technology

Saipem's ICT efforts in 2014 and the first half of 2015 focused on a substantial review of ICT activities in accordance with the cost containment objectives the ICT function is pursuing. Change initiatives implemented on the Company's information management systems during the reporting period were therefore focused on the consolidation of results already obtained in relation to both applications and infrastructure, in keeping with the policies set by top management.

A large number of ICT service contracts were subjected to review with a view to securing conditions and prices that were in line with management's expectations. A procurement plan was prepared for contract reviews. Most of these focused on renegotiating the Company's key infrastructure contracts – producing significant cost savings in relation to telecommunication services (British Telecom, NewSat and Fastweb) and data infrastructure services (HP and EMC2) – and its key application management contracts.

In terms of management applications, the period saw the completion of the release of the new Business Intelligence and Consolidated Financial Statements environments. Saipem's adoption of high-performance platform SAP HANA – an in-memory database supporting columnar storage – enabled the unification of enterprise data warehouse environment SAP BW, and the SAP BPC environment, on which consolidated financial statements application SAP SEM is based. The unification of the two previously separate environments not only produced cost savings but also led to a significant performance improvement, with the time required to produce reports and to perform consolidations falling considerably.
In terms of new Business Intelligence initiatives, the first half of 2015 saw releases of dashboards for Procurement and HR, as well as new solutions in the Offshore E&C and Drilling business areas. The period also saw the roll-out at Saipem's Mexican companies of SAP R/3, as well as the follow-up to the roll-out of the system at Saipem do Brasil. Meanwhile, the roll-out plan for the inventory management application SAP Material Ledger was completed at all of the main Group companies.
Alongside SAP R/3, new e-Procurement system SAP SRM has reached full maturity, with significant results achieved in terms of use of the platform for e-tenders and more than 16,000 vendors now registered. In addition, catalogue ordering functionality is now operational for stationery items and is also ready for extension to more complex items.
In the Human Resources area, the release of the Talent Management module on the Peoplesoft HCM application has been completed. Meanwhile, the roll-out of the Saipem developed international payroll solution continued with success. Development and maintenance of the payroll software, as well as related HR management activities have been assigned to Saipem India Projects Private Ltd in Chennai, producing significant cost savings. Finally, also in HR, development of the new Falcon suite – a comprehensive HR management application – is currently ongoing. At Saipem SA in Paris, France, the first release of new recruitment solution Oracle Taleo got underway during the period, with subsequent releases of the application also scheduled for Saipem locations in other countries. Taleo is one of the first 'cloud-based' solutions to be employed by Saipem, with the application based on information systems provided by the supplier at its own premises, which are accessed via a web browser. The use of a dedicated single tenant operating environment ensures adequate data security.
Finally, work started during the period on the new Saipem website. As well as offering a high degree of usability, the site's responsive design makes it suitable for access from a variety of devices.

These initiatives were accompanied by a broad range of business support initiatives underlining the Company's firm commitment to its strategy of work process digitalisation.
Business support development initiatives carried out during the period focused on the adoption of innovative tools targeted at increasing the efficiency and quality of engineering design and construction activities and on the automation of business processes through the optimisation of existing applications.
This second area of intervention, named Project Information Management, is an improvement initiative that the ICT function is carrying out for the Engineering, Project Management and Quality functions, which aims to identify areas in which improvements in efficiency can be targeted, as well as to enhance the quality of the engineering data Saipem is able to offer to its clients.
One of the most important innovations introduced during 2014 concerned the completion of the Knowledge Sharing project sponsored by Saipem Top Management and the release of e-collaboration application K-hub, which is based on Microsoft Sharepoint. The initiative has proved a significant success in terms of both numbers of registered users and contributions.

New processes for automated drawing generation based on modelling tool Intergraph SmartPlant 3D were also developed and new engineering data control procedures based on Aveva Engineering were released with the aim of improving data quality. These solutions have now been leveraged on a large number of contracts, providing the Company with a genuine competitive edge.

In terms of new business support initiatives, the period saw use of the new Spool Tracking System for on site pipe spool management continue to grow. The system, which provides integrated management of pipe spool fabrication activities together with the related technical documentation, is emblematic of the type of

applications ICT is currently working on for the business areas.
The period also saw the deployment of specialised solutions for enhanced management of project documentation, including an integrated client comment management system, as well as applications designed for managing technical documentation on board vessels and at fabrication yards.
A review was conducted of the development plan established by Onshore Business Management for implementation of the new construction management suite, which features integrated site activity planning using Oracle Primavera, as well as functionalities for job accounting and the development of quality plans.
Some recent developments have now been abandoned in favour of a more efficient and less costly revisitation of tried and tested applications included in the Construction Management suite SICON, developed in-house.

In terms of infrastructure, following a period of limited investment, a number of initiatives have now been launched, including the deployment of applications such as Splunk for the management and optimisation of centralised infrastructure and the roll-out of Webex, an inexpensive videoconferencing product developed by Cisco.
The period also saw the continued development according to plan of the ICT function's presence in Chennai, India, which was set up in 2013 to enable the offshoring of a number of infrastructure activities. International infrastructure management services have been operational since July 2014, meaning the Saipem Group enjoys 24x7 first level support for its international servers and local networks. During the reporting period coverage was extended to ICT security and some technical monitoring activities. Approximately 70% of service tickets for international server management issues were managed and resolved by the Chennai team, meaning service levels were raised despite a reduction in overall costs.

Governance, compliance and security processes were all carried out successfully and according to schedule during the period. Deployment of the RCM Role & Compliance Manager System developed by CA Technologies, which allows the definition of standard user application profiles, has now been extended to all SAP environments, to Peoplesoft HCM and to all of the main software applications. This completes the automation of the role assignment process, allowing internal client managers to perform the controls required by the relevant legislation. This was combined with a cutting-edge use of IT security technologies designed to mitigate the security risks associated with data processing by the company information systems. Finally, in terms of security, the period saw the extension of the coverage of credential management system, Oracle FastLogon, which enables users to access the principal Company applications on a Single Sign-On basis.

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 Saipem's internal control system constitutes an integral part of the Organisational and Management Model of the Company. It assigns specific roles to the Company's management bodies, compliance committees, control bodies, Company management and all personnel and 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 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 as follows:
(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, i.e. the risk that suitable sources of funding for the Group's operations 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 mainly with the executions 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 manages market risk in accordance with the above-mentioned guidelines and with procedures that provide a centralised model of conducting finance and treasury operations based on the Group's Treasury functions.

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 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. 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. The fair value of exchange rate derivatives is determined by the Corporate Finance Unit of Eni SpA on the basis of standard valuation models and market prices/input 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 the euro for which exchange risk exposure in the first half of 2015 was highest, in order to calculate the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in the exchange rates.

The 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 the pre-tax result of -€ 76 million (-€ 46 million at December 31, 2014) and an overall effect on shareholders' equity, before related tax effects, of -€ 427 million (-€ 377 million at December 31, 2014).
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 the pre-tax result of € 76 million (€ 46 million at December 31, 2014) and an overall effect on shareholders' equity, before related tax effects, of € 427 million (€ 377 million at December 31, 2014).

The increases/decreases with respect to the previous period 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

Interest rate fluctuations affect the market value of the Company's financial assets and liabilities and its net finance expenses. The purpose of risk management is to reduce interest rate risk to a minimum in pursuit of the financial structuring objectives set and approved by management.

When entering into long-term financing agreements with variable rates, the Treasury Department of the Saipem Group assesses their compliance with objectives and, where necessary, uses Interest Rate Swaps (IRS) to manage the risk exposure arising from interest rate fluctuations. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance function, 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).
Such derivatives are evaluated by the Corporate Finance Unit of Eni SpA at fair value on the basis of standard valuation models and market prices/input provided by specialised sources. To measure sensitivity to interest rate risk, a sensitivity analysis was performed. 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 debt.

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 period and the average rate of return for the period, while for short and long-term financial liabilities, the average exposure for the period and average interest rate for the period were considered.

A positive variation in interest rates would have produced an overall effect on the pre-tax result of -€ 6 million (-€ 11 million at December 31, 2014) and an overall effect on shareholders' equity, before related tax effects of -€ 6 million (-€ 11 million at December 31, 2014). A negative variation in interest rates would have produced an overall effect on the pre-tax result of € 6 million (€ 11 million at December 31, 2014) and an overall effect on shareholders' equity, before related tax effects of € 6 million (€ 11 million at December 31, 2014).
The increases/decreases with respect to the previous period 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.

The fair value of such derivatives is determined by the Treasury Department of Eni SpA on the basis of standard valuation models and market prices/input 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 the net result or shareholders' equity (€ 1 million at December 31, 2014). A 10% negative variation in the underlying rates would have produced no significant effect on the net result or shareholders' equity (-€ 1 million at December 31, 2014).
The increase (decrease) with respect to the previous period 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 in the event of non-performance by a counterparty. With regard to 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 defined 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.
At June 30, 2015, the area with the biggest concentration of credit risk was South America, where the total exposure amounted to € 478 million.

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 Group's needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an efficient balance 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 a balance in terms of debt composition and maturity profile, as well as adequate credit facilities.
As of June 30, 2015, Saipem maintained unused borrowing facilities of € 2,478 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)	2016	2017	2018	2019	After	Total
Long-term debt	736	1,059	638	1,487	44	3,964
Short-term debt	3,037	-	-	-	-	3,037
Derivative liabilities	347	1	-	-	-	348
	4,120	**1,060**	**638**	**1,487**	**44**	**7,349**
Interest on debt	163	88	49	24	1	325

Trade and other payables				
	Maturity			
(€ million)	2016	2017-2019	After	Total
Trade payables	3,295	-	-	3,295
Other payables and advances	2,493	-	-	2,493

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)	2016	2017	2018	2019	After	Total
Non-cancellable operating leases	151	107	72	69	251	650

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

The table below Saipem's investment commitments on major projects, for which procurement contracts will normally have already been entered into.

	Maturity	
(€ million)	2015	2016
Committed on major projects	2	-
Committed on other investments	12	144
	14	**144**

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.
Saipem is fully committed to a process of continuous improvement of its safety, health, and environmental performance, to minimising the impact of its operations and to ensuring compliance with all applicable legislation.

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.
The Saipem HSE organisational model establishes varying levels of responsibility, starting from the persons closest to the risk

sources, who are best positioned to assess the potential impact of risks and to ensure adequate preventive measures are put in place. In addition, HSE departments perform a governance, coordination, support and control role and issue and update guidelines, procedures and best practices designed to ensure continuous improvement.
In addition, campaigns to secure improvements and raise awareness on health, safety and environmental issues are designed, developed and launched centrally, and subsequently rolled out on projects and work sites. In recent years, campaigns have included 'Leadership in Health and Safety', 'Choose Life', 'Working at Height & in Confined Spaces', 'Keep your hands safe', and 'Life saving rules'. A number of these campaigns form part of a broader initiative which aims to completely eliminate workplace fatalities, called 'We Want Zero'.
Saipem has always invested heavily in HSE training and continues to work to promote and facilitate training, not just at a theoretical level, but also in terms of effective practical training experiences, particularly on key HSE issues.
All HSE initiatives and management of HSE issues are subjected to periodic audits conducted by independent bodies, who verify that the Company's HSE management system is compliant with international standards ISO 14001 (Environment) and OHSAS 18001 (Health and Safety). Both Saipem SpA, as well as a number of other Group companies have already achieved and maintain this certification. HSE monitoring is also planned and carried out either directly or indirectly for key Saipem contractor companies.

Country risk

Substantial portions of Saipem's operations are performed in countries outside the EU and North America, certain of which may be politically, socially or economically less stable. Developments in the political framework, economic crises, internal social unrest and conflicts with other countries may temporarily or permanently compromise 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. Such measures may be costly and have an impact on expected results. Further risks associated with activities in such countries include: (i) lack of well-established and reliable legal systems and uncertainties surrounding the enforcement of the rights of foreign companies in the event of non-performance of contractual obligations by private parties or governments; (ii) unfavourable developments in/unfavourable applications of laws and regulations, and unilateral contract changes, leading to reductions in the value of assets, forced sales and expropriations; (iii) restrictions of various kinds on construction, drilling, import and export activities; (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 regularly monitors 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 procedures and standards, as well as on security reports prepared in accordance with Corporate guidelines and standards on security activities.
The risk assessment model used by Saipem is compliant with Legislative Decree No. 81/2008 (the Consolidated Act on Health and Safety at the workplace), which requires employers to adopt instruments to reduce and, where possible, eliminate risks. Article 28 of the decree states that 'the assessment pursuant to Article 17, paragraph 1, letter a) [...] shall take into account all risks to the health and safety of workers, including those for groups of workers who are exposed to particular risks...'. In terms of security, this means risks deriving from unlawful acts committed by physical or legal persons which may expose the Company and its assets, people and image to potential damage.
To manage the security risks to which it is exposed in the countries in which it operates, Saipem has adopted a security model based on the criteria of prevention, planning, 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.
The Company's Security function has implemented a comprehensive security management system, which provides an organisational, legal and procedural tool for minimising 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 legal persons which may expose the Company and its assets, people and image to potential damage. This is made possible by synergies between the Security functions and the units in charge of the Company's maritime certification and logistics bases.
The Security management system, which is designed to suit the specific characteristics of Saipem's business, has the following key features:
- a strong central security structure which monitors and provides guidelines for security issues to an extensive local security network equipped with adequate powers and resources;

- an information system supporting project Security Risk Management activities during the commercial and execution phases;
- the coordination of security training, planning, reporting and audits.

As a global contractor, Saipem applies the highest standards of security, meeting all company and client requirements and adhering to all relevant international best practices. The Saipem Security function provides support to operations in all contractual phases, from the bid phase through to project execution, to ensure all operations are carried out in conditions of security for all personnel and assets.

Specific project risks

The Industrial Risk Management function is structured to enable it to meet all of the following objectives:

- ensure the application of the Risk Management methodology during the commercial and execution phases 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. 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, enabling management to intervene by deploying the appropriate risk management tools of avoidance, mitigation, transfer or 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 contributing also to improved management of contingencies;
- provide advice, support and guidelines to the Business Units and projects in terms of 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 to commercial and project management teams;
- 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 responsibility for decisions to assume significant risks to the appropriate managerial levels.

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.
In view of the coverage 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 for events occurring during transit and for events occurring during offshore drilling and construction operations;
- 'Comprehensive General Liability' policy: covers all other types of general and third party liability claims arising from Saipem's industrial activities and supplements the specific P&I coverage;
- 'Employer's Liability' and 'Personal Accident' policies: these cover employer liability and employee accident risks respectively on the basis of the specific regulations in force in each country where the Group operates.

A key tool in the management of Saipem's insurable risks is the captive reinsurance company Sigurd Rück AG, which covers the initial part 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, and testing) including the warranty 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

As of June 30, 2015, the share capital amounted to €441,410,900. On the same day, the number of shares in circulations was 439,471,068. 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, 2015, the following twenty Saipem subsidiaries fell within the scope of application of the regulation in question:

- Saipem Australia Pty Ltd;
- 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 do Brasil Serviçõs de Petroleo Ltda;
- Saipem Contracting Algérie SpA;
- Saipem Canada Inc;
- Saipem Offshore Norway AS;
- Saipem Drilling Norway AS;
- Sajer Iraq Llc;
- Boscongo SA;
- Saimexicana SA de Cv.

Procedures designed to ensure full compliance with Article 36 have already been adopted.

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 10 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 10, 2015, ascertained that the Company satisfies the conditions set out in 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 10, 2015 verified that the composition of the Board itself, as appointed by the Shareholders' Meeting of May 6, 2014, and of its internal Committees, was in accordance with letter d), paragraph 1 of Article 37. The Board was found to be made up of a majority of independent directors, while the Committees (the Compensation and Nomination Committee and the Audit and Risk Committee) were found to be composed exclusively of independent directors.

Following the appointment of the Board of Directors by the Shareholders on April 30, 2015, the Board of Directors Meeting on April 30, 2015 verified that the composition of the new Board was in accordance with letter d), paragraph 1 of Article 37. The Board was found to be made up of a majority of independent directors. The Board of Statutory Auditors verified the correct application of the relevant criteria by the Board of Directors.

On May 15, 2015, the Board of Directors appointed the members of the Board Committees. The Committees required by the Corporate Governance Code (the Compensation and Nomination Committee and the Audit and Risk Committee) are composed exclusively of independent directors, in accordance with letter d), paragraph 1 of Article 37 of the Consob Regulation on Markets.

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 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 of the 'Notes to the condensed consolidated interim financial statements'.

Transactions with the parent company Eni and companies subject to its 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' of the 'Notes to the condensed consolidated interim financial statements'.

Events subsequent to period end

On July 8, South Stream Transport BV, following the suspension of the contract on December 30, 2014 and its partial reopening on May 8, 2015, has definitively terminated the South Stream project under a convenience termination provision. The contract encompassed the installation design and the construction of the first line of the South Stream Offshore Pipeline, from Russia to Turkey across the Black Sea.

The sale for scrapping of the semi-submersible Scarabeo 4 to Simsekler Gida Gemi Sokum Ins in Turkey was completed on July 18.

'Fit for the future': Saipem's turnaround plan

In the current oil price environment the outlook for the oil services industry is continuing to deteriorate. Clients are focusing on cost reduction, resulting in them adopting a more rigid approach to negotiations, constant pressure on supply-chain margins, delays in new contract awards and in some cases in the cancellation of already approved projects.

To maximise its competitive capabilities and create value in this new market scenario, Saipem has launched a turnaround and cost cutting programme which will achieve savings of € 1,300 million over the period 2015-2017.

This programme involves a rationalisation of the Company's asset portfolio to refocus on higher-value areas and businesses.
In terms of its geographical footprint, operations in certain countries, such as Canada and Brazil, will be downsized. The fleet will see the scrapping of 5 vessels which are not commercially viable in the current market. Furthermore, a review of the organisation and processes is currently ongoing within Saipem in order to increase the speed and efficiency of operations.

These measures are expected to yield a workforce reduction of 8,800 people between 2015 and 2017, mainly as a result of the conclusion of certain large projects and the rationalisation of the Company's business operations and geographical presence.

This turnaround plan also entails a review of the Company's investment plans, with effects on capital expenditure starting from 2015. This year's investments are now forecast at below € 600 million.

Further details of Saipem's turnaround plan will be provided in an update of the Company's strategic plan prior to the date scheduled for the release of the third quarter results.

Management outlook for 2015

In the context of the continuing low oil price environment, Saipem's results for 2015 will be affected by the termination of the South Stream contract and write-downs carried out during the first six months of the year.

The Company expects to achieve revenues of € 12 billion, at the lower end of the previously-released range. EBIT is forecast at around -€ 450 million. The reported net result is expected to be -€ 800 million.

Capital expenditure will amount to less than € 600 million, a saving of € 50 million compared to previous long-term indications, thanks to the measures adopted to improve efficiency.

Finally, net debt at year end is expected below € 5 billion, excluding the impact of exchange rate fluctuations. Based on the current prevailing foreign exchange rates, we expect the cash impact of hedging derivatives to affect net debt by approximately € 500 million at year end.

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 what are known as Non-GAAP measures).
Non-GAAP measures are disclosed to enhance the user's understanding of the Group's performance and are not intended to be considered as a substitute for IFRS measures.
The Non-GAAP measures used in the Operating and Financial Review are as follows:
- cash flow: the sum of the net result plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- EBITDA: a useful measure for evaluating the operating

performance of the Group as a whole and of the individual sectors of activity, in addition to operating profit. EBITDA is an intermediate measure, which is calculated by adding depreciation and amortisation to operating profit;
- non-current assets: the sum of net tangible assets, net intangible assets and investments;
- net current assets: includes working capital and provisions for contingencies;
- net capital employed: the sum of non-current assets, working capital and the provision for employee benefits;
- funding: shareholders' equity, non-controlling interests and net borrowings;
- special items: (i) non-recurring events or transactions; (ii) events or transactions that are not considered to be representative of the ordinary course of business.

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, income statement and cash flow statement to statutory schemes

Reclassified balance sheet

(€ million)	Dec. 31, 2014		June 30, 2015	
Reclassified balance sheet items (where not stated otherwise, items comply with statutory scheme)	Partial amounts from reclassified scheme	Amounts from reclassified scheme	Partial amounts from reclassified scheme	Amounts from reclassified scheme
A) Net tangible assets		7,601		7,383
Note 8 - Property, plant and equipment	*7,601*		*7,383*	
B) Net intangible assets		760		758
Note 9 - Intangible assets	*760*		*758*	
C) Investments		112		107
Note 10 - Investments accounted for with the equity method	*120*		*124*	
Reclassified from E) - provisions for losses related to investments	*(8)*		*(17)*	
D) Working capital		576		1,116
Note 3 - Trade and other receivables	*3,391*		*3,466*	
Reclassified to I) - financing receivables not related to operations	*(58)*		*(32)*	
Note 4 - Inventories	*2,485*		*2,531*	
Note 5 - Current tax assets	*317*		*311*	
Note 6 - Other current tax assets	*307*		*399*	
Note 7 - Other current assets	*520*		*359*	
Note 11 - Other financial assets	*1*		*1*	
Reclassified to I) - financing receivables not related to operations	*(1)*		*(1)*	
Note 12 - Deferred tax assets	*297*		*482*	
Note 13 - Other non-current assets	*115*		*111*	
Note 15 - Trade and other payables	*(5,669)*		*(5,788)*	
Note 16 - Income tax payables	*(134)*		*(128)*	
Note 17 - Other current tax liabilities	*(184)*		*(181)*	
Note 18 - Other current liabilities	*(838)*		*(380)*	
Note 22 - Deferred tax liabilities	*(40)*		*(29)*	
Note 23 - Other non-current liabilities	*(2)*		*(5)*	
Note 24 - Assets held for sale	*69*		*-*	
E) Provisions for contingencies		(210)		(247)
Note 20 - Provisions for contingencies	*(218)*		*(264)*	
Reclassified to C) - provisions for losses related to investments	*8*		*17*	
F) Provision for employee benefits		(237)		(240)
Note 21 - Provisions for employee benefits	*(237)*		*(240)*	
CAPITAL EMPLOYED, NET		**8,602**		**8,877**
G) Shareholders' equity		4,137		3,288
Note 26 - Saipem shareholders' equity	*4,137*		*3,288*	
H) Non-controlling interests		41		58
Note 25 - Non-controlling interests	*41*		*58*	
I) Net debt		4,424		5,531
Note 1 - Cash and cash equivalents	*(1,602)*		*(1,429)*	
Note 2 - Other financial assets held for trading or available for sale	*(9)*		*(8)*	
Note 14 - Short-term debt	*2,186*		*3,037*	
Note 19 - Long-term debt	*3,314*		*3,477*	
Note 19 - Current portion of long-term debt	*594*		*487*	
Reclassified from D) - financing receivables not related to operations (Note 3)	*(58)*		*(32)*	
Reclassified from D) - financing receivables not related to operations (Note 11)	*(1)*		*(1)*	
FUNDING		**8,602**		**8,877**

Reclassified income statement

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

- 'finance income' (€ 516 million), 'finance expenses' (-€ 607 million) and 'derivatives' (-€ 19 million), which are indicated separately under the statutory scheme, are stated under the item 'net finance expense' (-€ 110 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' (€ 382 million), 'net impairment of tangible and intangible assets' (€ 211 million), 'other changes' (-€ 117 million) and the 'effect of accounting using the equity method' (€ 11 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' (€ 487 million);
- the items 'interest expense' (€ 96 million), 'income taxes' (€ 13 million) and 'interest income' (-€ 3 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and taxes' (€ 106 million);
- the items regarding 'trade payables' (-€ 41 million), 'trade receivables' (€ 277 million), 'provisions for contingencies' (€ 37 million), changes in 'inventories' (€ 6 million) and 'other assets and liabilities' (-€ 613 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' (-€ 334 million);
- the items 'dividends received' (€ 4 million), 'interest received' (€ 7 million), 'income taxes paid net of refunds of tax credits' (-€ 102 million) and 'interest paid' (-€ 97 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends received, income taxes paid and interest paid and received' (-€ 188 million);
- the items relating to investments in 'tangible assets' (€ 265 million) and 'intangible assets' (€ 3 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (€ 268 million);
- the items relating to disposals of 'securities' (€ 1 million) and 'financing receivables' (€ 27 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' (€ 28 million);
- the items 'proceeds from long-term debt' (€ 739 million), 'increase (decrease) in short-term debt' (€ 551 million) and 'repayments of long-term debt' (-€ 473 million), indicated separately and included in net cash flow used in financing activities in the statutory scheme, are shown net under the item 'changes in short and long-term financial debt' (€ 817 million).

All other items are unchanged.

Condensed consolidated interim financial statements

Balance sheet

(€ million)	Note	Dec. 31, 2014 Total	Dec. 31, 2014 *of which with related parties* (1)	June 30, 2015 Total	June 30, 2015 *of which with related parties* (1)
ASSETS					
Current assets					
Cash and cash equivalents	(No. 1)	1,602	885	1,429	678
Other financial assets held for trading or available for sale	(No. 2)	9		8	
Trade and other receivables	(No. 3)	3,391	868	3,466	756
Inventories	(No. 4)	2,485		2,531	
Current tax assets	(No. 5)	317		311	
Other current tax assets	(No. 6)	307		399	
Other current assets	(No. 7)	520	360	359	218
Total current assets		**8,631**		**8,503**	
Non-current assets					
Property, plant and equipment	(No. 8)	7,601		7,383	
Intangible assets	(No. 9)	760		758	
Investments accounted for using the equity method	(No. 10)	120		124	
Other financial assets	(No. 11)	1		1	
Deferred tax assets	(No. 12)	297		482	
Other non-current assets	(No. 13)	115	2	111	12
Total non-current assets		**8,894**		**8,859**	
Assets held for sale	(No. 24)	69		-	
TOTAL ASSETS		**17,594**		**17,362**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(No. 14)	2,186	1,873	3,037	2,530
Current portion of long-term debt	(No. 19)	594	594	487	487
Trade and other payables	(No. 15)	5,669	382	5,788	238
Income tax payables	(No. 16)	134		128	
Other current tax liabilities	(No. 17)	184		181	
Other current liabilities	(No. 18)	838	828	380	344
Total current liabilities		**9,605**		**10,001**	
Non-current liabilities					
Long-term debt	(No. 19)	3,314	3,064	3,477	3,477
Provisions for contingencies	(No. 20)	218		264	
Provisions for employee benefits	(No. 21)	237		240	
Deferred tax liabilities	(No. 22)	40		29	
Other non-current liabilities	(No. 23)	2	-	5	4
Total non-current liabilities		**3,811**		**4,015**	
TOTAL LIABILITIES		**13,416**		**14,016**	
SHAREHOLDERS' EQUITY					
Non-controlling interests	(No. 25)	41		58	
Saipem shareholders' equity:	(No. 26)	4,137		3,288	
- share capital	(No. 27)	441		441	
- share premium reserve	(No. 28)	55		55	
- other reserves	(No. 29)	(209)		(150)	
- retained earnings		4,123		3,905	
- net profit (loss) for the period		(230)		(920)	
- treasury shares	(No. 30)	(43)		(43)	
Total shareholders' equity		**4,178**		**3,346**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,594**		**17,362**	

(1) For an analysis of figures shown as 'of which with related parties', see Note 43 'Transactions with related parties'.

Income statement

(€ million)		Note	First half 2014 Total	First half 2014 of which with related parties [1]	First half 2015 Total	First half 2015 of which with related parties [1]
REVENUES						
Net sales from operations	(No. 32)	5,966	968	5,373	890	
Other income and revenues	(No. 33)	12	8	1	-	
Total revenues		**5,978**		**5,374**		
Operating expenses						
Purchases, services and other costs	(No. 34)	(4,126)	(154)	(4,350)	(103)	
Payroll and related costs	(No. 35)	(1,197)	-	(1,221)	(1)	
Depreciation, amortisation and impairment	(No. 36)	(362)		(593)		
Other operating income (expense)		-	-	-	-	
OPERATING PROFIT		**293**		**(790)**		
Finance income (expense)						
Finance income		333	-	516	-	
Finance expense		(373)	(67)	(607)	(80)	
Derivative financial instruments		(70)	(71)	(19)	(18)	
Total finance income (expense)	(No. 37)	**(110)**		**(110)**		
Income (expense) from investments						
Share of profit (loss) of equity-accounted investments		13		(11)		
Other income from investments		4		18		
Total income (expense) from investments	(No. 38)	**17**		**7**		
RESULT BEFORE INCOME TAXES		**200**		**(893)**		
Income taxes	(No. 39)	(64)		(13)		
NET RESULT		**136**		**(906)**		
Attributable to:						
- Saipem		136		(920)		
- non-controlling interests	(No. 40)	-		14		
Earnings (loss) per share attributable to Saipem (€ per share)						
Basic earnings (loss) per share	(No. 41)	0.310		(2.094)		
Diluted earnings (loss) per share	(No. 41)	0.309		(2.093)		

(1) For an analysis of figures shown as 'of which with related parties', see Note 43 'Transactions with related parties'.

Statement of comprehensive income

(€ million)	First half 2014	First half 2015
Net profit (loss) for the period	**136**	**(906)**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans for employees	-	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans	-	-
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassified subsequently to profit or loss		
Change in the fair value of cash flow hedges [1]	(48)	(68)
Exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	19	86
Share of other comprehensive income of investments accounted for using the equity method	(1)	-
Income tax on items that may be reclassified subsequently to profit or loss	17	53
Total other items of comprehensive income net of taxation	**(13)**	**71**
Total comprehensive income (loss) for the period	**123**	**(835)**
Attributable to:		
- Saipem Group	123	(852)
- non-controlling interests	-	17

(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)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the period	Treasury shares	Total	Non-controlling interests	Total shareholders' equity
	Saipem shareholders' equity													
Balance at December 31, 2013	**441**	**55**	**7**	**88**	**-**	**85**	**(100)**	**(5)**	**4,283**	**(159)**	**(43)**	**4,652**	**92**	**4,744**
Net profit (loss) for the first half of 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**136**	**-**	**136**	**-**	**136**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	(31)	-	-	-	-	-	(31)	-	(31)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	25	-	(6)	-	-	19	-	19
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income (loss) for the first half of 2014	**-**	**-**	**-**	**-**	**-**	**(31)**	**25**	**-**	**(7)**	**136**	**-**	**123**	**-**	**123**
Transactions with shareholders														
Dividend distribution for the first half of 2014	-	-	-	-	-	-	-	-	-	-	-	-	(44)	(44)
Retained earnings	-	-	-	-	-	-	-	-	(159)	159	-	-	-	-
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	-	(1)	-	(1)	-	-	(2)	-	(2)
Transactions with companies under common control	-	-	-	-	-	-		-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(160)**	**159**	**-**	**(2)**	**(44)**	**(46)**
Balance at June 30, 2014	**441**	**55**	**7**	**88**	**-**	**54**	**(76)**	**(5)**	**4,116**	**136**	**(43)**	**4,773**	**48**	**4,821**
Net profit (loss) for the second half of 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(366)**	**-**	**(366)**	**(8)**	**(374)**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(15)	-	-	-	(15)	(1)	(16)
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	1	-	-	-	1	-	1
Items that may be reclassified subsequently to profit or loss														
Change in the fair value of cash flow hedging derivatives, net of the tax effect	-	-	-	-	-	(328)	-	-	-	-	-	(328)	(3)	(331)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	68	-	2	-	-	70	6	76
Share of other comprehensive income of investments accounted for using the equity method	-	-	(1)	-	-	-	-	-	1	-	-	-	-	-

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, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the period	Treasury shares	Total	Non-controlling interests	Total shareholders' equity
Total comprehensive income (loss) for the second half of 2014	**-**	**-**	**(1)**	**-**	**-**	**(328)**	**68**	**(14)**	**3**	**(366)**	**-**	**(638)**	**(6)**	**(644)**
Transactions with shareholders														
Dividend distribution in the second half of 2014	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Other changes in shareholders' equity														
Expired stock options	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other changes	-	-	-	-	-	(1)	(1)	-	5	-	-	3	-	3
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**4**	**-**	**-**	**2**	**(1)**	**1**
Balance at December 31, 2014	**441**	**55**	**6**	**88**	**-**	**(275)**	**(9)**	**(19)**	**4,123**	**(230)**	**(43)**	**4,137**	**41**	**4,178**
Net profit (loss) for the first half of 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(920)**	**-**	**(920)**	**14**	**(906)**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(1)	-	-	-	(1)	1	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	(14)	-	-	-	-	-	(14)	(1)	(15)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	74	-	9	-	-	83	3	86
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the first half of 2015	**-**	**-**	**-**	**-**	**-**	**(14)**	**74**	**(1)**	**9**	**(920)**	**-**	**(852)**	**17**	**(835)**
Transactions with shareholders														
Dividend distribution for the first half of 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	(230)	230	-	-	-	-
Contribution from non-controlling interests Snamprogetti Engineering & Contracting Co Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(230)**	**230**	**-**	**-**	**1**	**1**
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	-	-	-	3	-	-	3	(1)	2
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**-**	**3**	**(1)**	**2**
Balance at June 30, 2015	**441**	**55**	**6**	**88**	**-**	**(289)**	**65**	**(20)**	**3,905**	**(920)**	**(43)**	**3,288**	**58**	**3,346**

Cash flow statement

(€ million)	Note	First half 2014		First half 2015	
Net profit (loss) for the period		136		(920)	
Non-controlling interests		-		14	
Adjustments to reconcile net profit to cash flow from operations:					
- depreciation and amortisation	(No. 35)	362		382	
- net impairment of tangible and intangible assets	(No. 35)	-		211	
- share of profit (loss) of equity accounted investments	(No. 38)	(13)		11	
- net (gains) losses on disposal of assets		(3)		(17)	
- interest income		(2)		(3)	
- interest expense		83		96	
- income taxes	(No. 39)	64		13	
- other changes		(13)		(117)	
Changes in working capital:					
- inventories		(835)		6	
- trade receivables		419		277	
- trade payables		(34)		(41)	
- provisions for contingencies		(27)		38	
- other assets and liabilities		95		(614)	
Cash flow from working capital		*232*		*(664)*	
Change in the provision for employee benefits		2		-	
Dividends received		1		4	
Interest received		1		7	
Interest paid		(78)		(97)	
Income taxes paid net of refunds of tax credits		(108)		(102)	
Net cash flow from operations		**50**		**(852)**	
of which with related parties [1]	(No. 43)		**585**		**642**
Investing activities:					
- tangible assets	(No. 8)	(324)		(265)	
- intangible assets	(No. 9)	(5)		(3)	
- investments	(No. 10)	(2)		(1)	
- financing receivables		(39)		(1)	
- change in payables and receivables relating to investments		-		1	
Cash flow used in investing activities		*(370)*		*(269)*	
Disposals:					
- tangible assets		-		-	
- consolidated subsidiaries and businesses		-		-	
- investments		7		97	
- financing receivables		14		27	
- securities		26		1	
Cash flow from disposals		*47*		*125*	
Net cash flow used in investing activities [2]		**(323)**		**(144)**	
of which with related parties [1]	(No. 43)		**(29)**		**14**

cont'd **Cash flow statement**

(€ million)	Note	First half 2014	First half 2015
Proceeds from long-term debt		504	739
Repayments of long-term debt		(207)	(473)
Increase (decrease) in short-term debt		117	551
		414	**817**
Net capital contributions from non-controlling shareholders		-	1
Dividend distribution		(44)	-
Sale of treasury shares		-	-
Net cash flow from financing activities		**370**	**818**
of which with related parties [1]	(No. 43)	**360**	**963**
Effect of changes in consolidation		-	(2)
Effect of exchange rate changes and other changes on cash and cash equivalents		5	7
Net cash flow for the period		**102**	**(173)**
Cash and cash equivalents - beginning of period	(No. 1)	**1,299**	**1,602**
Cash and cash equivalents - end of period	(No. 1)	**1,401**	**1,429**

(1) For an analysis of figures shown as 'of which with related parties', see Note 43 'Transactions with related parties'.
(2) 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 the 'Operating and Financial Review'.
The cash flows of these investments were as follows:

(€ million)	First half 2014	First half 2015
Financing investments:		
- financing receivables	(39)	-
	(39)	**-**
Disposal of financing investments:		
- securities	26	1
- financing receivables	14	27
	40	**28**
Net cash flows from investments/disposals related to financing activities	**1**	**28**

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.
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 became into effect as of January 1, 2015, as illustrated in the 'Recent accounting principles' section of the 2014 Annual Report.
The notes to these financial statements have been prepared in a condensed format. Current income taxes are determined on the basis of estimated taxable income at the balance sheet date. Current income tax assets and liabilities are measured at the amount expected to be paid to/recovered from the tax authorities, using tax laws that have been enacted or substantively enacted by the end of the reporting period and tax rates estimated on an annual basis.
Consolidated companies, non-consolidated subsidiaries, interests in joint ventures and joint operations and associated companies are indicated in the section 'Scope of consolidation', which constitutes an integral part of these notes. The same section contains a list detailing the changes that occurred in the scope of consolidation during the period. The condensed consolidated interim financial statements as of June 30, 2015, approved by Saipem's Board of Directors on July 28, 2015, 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 the financial statements and the notes thereto are in millions of euros.

Foreign currency translation

Financial statements of foreign companies having a functional currency other than euro are converted into euro applying: (i) closing exchange rates for assets and liabilities; (ii) historical exchange rates for equity accounts; and (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 caption 'Cumulative currency translation differences' for the portion relating to the Group's interest and under 'Non-controlling interests' for the portion related to non-controlling shareholders. Cumulative exchange differences are taken to profit or loss 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 disposed of is attributed to non-controlling interests in equity.
The financial statements used for translation into euros are those denominated in the functional currency, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.
The exchange rates that have been applied for the translation of financial statements in foreign currencies are as follows:

Currency	Exchange rate at Dec. 31, 2014	Exchange rate at June 30, 2015	2015 average exchange rate
US Dollar	1.2141	1.1189	1.11579
British Pound Sterling	0.7789	0.7114	0.732325
Algerian Dinar	106.607	110.698	106.76
Angolan Kwanza	124.884	135.972	121.283
Argentine Peso	10.2755	10.1653	9.83968
Australian Dollar	1.4829	1.455	1.42608
Brazilian Real	3.2207	3.4699	3.31015
Canadian Dollar	1.4063	1.3839	1.37736
Egyptian Pound	8.68519	8.53421	8.43588
Indian Rupee	76.719	71.1873	70.1244
Indonesian Rupee	15,076.1	14,938.4	14,469.2
Malaysian Ringgit	4.2473	4.2185	4.06212
Nigerian Naira	223.693	222.697	219.547
Norwegian Kroner	9.042	8.791	8.64826
Peruvian New Sol	3.63265	3.55333	3.45828
Qatari Riyal	4.42155	4.0728	4.0623
Romanian New Leu	4.4828	4.4725	4.44793
Russian Rouble	72.337	62.355	64.6407
Saudi Arabian Riyal	4.55733	4.19622	4.18599
Singapore Dollar	1.6058	1.5068	1.50608
Swiss Franc	1.2024	1.0413	1.05673

Use of accounting estimates

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Accounting estimates are a critical factor in the preparation of consolidated financial statements and interim reports because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results.
For a description of the accounting estimates used, see the 2014 Annual Report.

Changes to accounting criteria

European Commission Regulation No. 2015/29 dated December 17, 2014, approved the amendments to IAS 19 'Defined Benefit Plans: Employee Contributions', which allow defined benefit plan contributions from employees or third parties to be recognised as a reduction in the service cost in the period in which the related service is rendered, provided that the contributions: (i) are set out in the formal terms of the plan; (ii) are linked to service; and (iii) are independent of the number of years of service (e.g. a fixed percentage of the employee's salary, a fixed amount throughout the service period or contributions that are dependent on the employee's age).
European Commission Regulation No. 2015/28 dated December 17, 2014, approved the document 'Annual Improvements to IFRSs 2010-2012 Cycle', which essentially consists of changes of a technical and editorial nature to existing standards.
The adoption rules required the amendments to be adopted for annual periods beginning on or after February 2015, with earlier application permitted. Saipem has taken the early application option, applying the provisions as from the 2015 annual period. The adoption of these principles did not generate a significant effect.
The other changes to accounting standards that became applicable as from January 1, 2015 did not produce any significant effects.

Recent accounting principles

See the most recent annual report for a description of recently published accounting principles.
Saipem is currently reviewing these new standards to determine if their adoption will have a significant impact on the financial statements.

Scope of consolidation at June 30, 2015

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 0.44 56.65		

Subsidiaries

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
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.
Smacemex Scarl	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	60.00 40.00	60.00	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

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	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
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	762,729,045	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	152,778,100	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.

(*) F.C. = full consolidation, W.I. = working interest, E.M. = equity method, Co. = cost method

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
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	70,000,000	Saipem SA Saipem International BV	99.98 0.02	100.00	F.C.
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	1,528,188,000	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	Algeri (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem do Brasil Serviçõs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	1,154,796,299	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.
Saipem India Projects Private 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 (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Libya LLC - SA.LI.CO. Llc	Tripoli (Libya)	LYD	10,000,000	Saipem International BV Snamprogetti Netherlands BV	60.00 40.00	100.00	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 Sàrl Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.

(*) F.C. = full consolidation, W.I. = working interest, 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 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 Singapore Pte Ltd	Singapore (Singapore)	SGD	28,890,000	Saipem SA	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 Co for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV Third parties	60.00 40.00	60.00	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 (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
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 Third parties	99.00 1.00	99.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	203,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Romania Srl	Bucharest (Romania)	RON	5,034,100	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid SA Third parties	99.99 0.01	100.00	F.C.
Sofresid SA	Montigny le Bretonneux (France)	EUR	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, W.I. = working interest, 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	E.M.
Baltica Scarl (***)	Rome	EUR	10,000	Saipem SpA Third parties	50.00 50.00	50.00	E.M.
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.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	E.M.
Consorzio F.S.B.	Venice - Marghera	EUR	15,000	Saipem SpA Third parties	28.00 72.00	28.00	Co.
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	E.M.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	E.M.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.
Ship Recycling Scarl	Genoa	EUR	10,000	Saipem SpA Third parties	51.00 49.00	51.00	W.I.

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	E.M.
CCS Netherlands BV (***)	Amsterdam (Netherlands)	EUR	300,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
Charville - Consultores e Serviços Lda	Funchal (Portugal)	EUR	5,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
CMS&A WII	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	E.M.
CSC Japan Godo Kaisha (***)	Yokohama (Japan)	JPY	3,000,000	CCS Netherlands BV	100.00	33.33	E.M.
CSFLNG Netherlands BV	Amsterdam (Netherlands)	EUR	600,000	Saipem SA Third parties	50.00 50.00	50.00	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	E.M.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.
KWANDA Suporte Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem SA Third parties	40.00 60.00	40.00	E.M.
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.

(*) F.C. = full consolidation, W.I. = working interest, 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 (*)
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	E.M.
S.B.K. Baltica Società Consortile a Responsabilità Limitata Spólka Komandytowa (***)	Gdańsk (Poland)	PLN	10,000	Saipem SpA Baltica Scarl Third parties	49.00 2.00 49.00	50.00	Co.
Sabella SAS	Quimper (France)	EUR	5,263,495	Sofresid Engineering SA Third parties	22.04 77.96	22.04	E.M.
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 (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Saipem Dangote E&C Ltd (***)	Victoria Island - Lagos (Nigeria)	NGN	100,000,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipem Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	40,000,000	Saipem International BV Third parties	40.00 60.00	40.00	E.M.
Saipon Snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem SA Third parties	60.00 40.00	60.00	W.I.
Sairus Llc	Krasnodar (Russian Federation)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	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	E.M.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
Sud-Soyo Urban Development Lda (***)	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
Tchad Cameroon Maintenance BV	Rotterdam (Netherlands)	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.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
TMBYS SAS	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
TSGI Mühendislik İnşaat Ltd Şirketi	Istanbul (Turkey)	TRY	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.
Xodus Subsea Ltd	London (United Kingdom)	GBP	1,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.

(*) F.C. = full consolidation, W.I. = working interest, E.M. = equity method, Co. = cost method
(***) Inactive throughout the period.

The Saipem Group comprises 106 companies: 59 are consolidated using the full consolidation method, 2 using the working interest method, 42 using the equity method and 3 using the cost method.
At June 30, 2015, the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and jointly-controlled entities		
	Italy	Outside Italy	Total	Italy	Outside Italy	Total
Subsidiaries/Joint operations and their participating interests	**4**	**55**	**59**	**1**	**1**	**2**
Companies consolidated using the full consolidation method	4	55	59	-	-	-
Companies consolidated using the working interest method	-	-	-	1	1	2
Participating interests held by consolidated companies [1]	**-**	**3**	**3**	**9**	**33**	**42**
Accounted for using the equity method	-	3	3	7	32	39
Accounted for using the cost method	-	-	-	2	1	3
Total companies	**4**	**58**	**62**	**10**	**34**	**44**

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

Changes in the scope of consolidation

There were no significant changes in the scope of consolidation during the first six months of 2015 with respect to the consolidated financial statements at December 31, 2014. Changes are shown by order of occurrence.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Construction Saipem Canada Inc**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem Canada Inc;
- **02 Pearl Snc**, previously consolidated using the working interest method, was consolidated using the equity method, as it became immaterial;
- **SPF - TKP Omifpro Snc**, previously consolidated using the working interest method, was consolidated using the equity method, as it became immaterial;
- **Baltica Scarl**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Fertilizantes Nitrogenados de Oriente CEC**, previously consolidated using the cost method, was sold to third parties;
- **Fertilizantes Nitrogenados de Oriente SA**, previously consolidated using the cost method, was sold to third parties;
- **S.B.K. Baltica Società Consortile a Responsabilità Limitata Spólka Komandytowa**, with registered offices in Poland, was incorporated and is accounted for using the cost method;
- **Saipem UK Ltd**, previously consolidated using the full consolidation method, was removed from the Register of Companies;
- **Barber Moss Ship Management AS**, previously accounted for using the equity method, was sold to third parties;
- **Saipem Dangote E&C Ltd**, with registered offices in Nigeria, was incorporated and is accounted for using the equity method;
- **PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA**, previously accounted for using the equity method, was removed from the Register of Companies.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to € 1,429 million, representing a decrease of € 173 million compared with December 31, 2014 (€ 1,602 million). Cash and equivalents at period-end, 29% of which are denominated in euro, 41% in US dollars and 30% in other currencies, received an average interest rate of 0.295%. € 678 million thereof (€ 885 million at December 31, 2014) are on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of € 5 million (€ 7 million at December 31, 2014).
Funds in two current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to € 87 million at June 30, 2015) have been frozen since February 2010 in connection with an investigation being conducted into third parties. The decrease of € 3 million registered in the amount frozen compared with the situation at December 31, 2014 was due to exchange rate differences.
The subsidiary Saipem Canada Inc has also deposited the equivalent of € 7 million in trust funds in connection with disputes with a number of suppliers.
The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2015 by geographical area (based on the country where the relevant position or account was domiciled) was as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Italy	173	225
Rest of Europe	1,069	807
CIS	11	16
Middle East	97	159
Far East	33	45
North Africa	104	94
West Africa and Rest of Africa	79	36
Americas	36	47
Total	**1,602**	**1,429**

For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 109.

2 Other financial assets held for trading or available for sale

Other financial assets held for trading or available for sale amounted to € 8 million (€ 9 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Financing receivables for non-operating purposes		
Listed bonds issued by sovereign states	6	5
Listed securities issued by financial institutions	3	3
Total	**9**	**8**

Listed bonds issued by sovereign states of € 5 million at June 30, 2015 were as follows:

(€ million)	Nominal value	Fair value	Nominal rate of return %	Maturity	Rating - Moody's
Fixed rate bonds					
France	3	3	2.50	2018	AA+
Spain	2	2	3.75	2020	BBB
Total	**5**	**5**			

The listed securities issued by financial institutions amounting to € 3 million carry a rating of Aaa (Moody's).

3 Trade and other receivables

Trade and other receivables of € 3,466 million (€ 3,391 million at December 31, 2014) were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Trade receivables	2,808	2,716
Financing receivables for operating purposes	3	3
Financing receivables for non-operating purposes	58	32
Prepayments for services	341	465
Other receivables	181	250
Total	**3,391**	**3,466**

Receivables are stated net of a provision for impairment losses of € 230 million.

(€ million)	Dec. 31, 2014	Additions	Deductions	Currency translation differences	Other changes	June 30, 2015
Trade receivables	110	135	(36)	3	-	212
Other receivables	36	-	(18)	-	-	18
Total	**146**	**135**	**(54)**	**3**	**-**	**230**

Trade receivables amounted to € 2,716 million, representing a decrease of € 92 million, due principally to the write-down of a portion of overdue receivables as the result of an increase in the country risk.
At June 30, 2015, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to € 366 million (€ 512 million at December 31, 2014). Saipem is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factors.
Trade receivables included retention amounts guaranteeing contract work-in-progress of € 179 million (€ 162 million at December 31, 2014), of which € 64 million was due within one year and € 115 million due after one year.
Financing receivables for operating purposes of € 3 million (€ 3 million at December 31, 2014) were mainly related to a receivable held by Saipem SpA from Serfactoring SpA.
The financing receivables for non-operating purposes of € 32 million (€ 58 million at December 31, 2014) related mainly to the deposit paid by Snamprogetti Netherlands BV in relation to the TSKJ matter of € 25 million (see the 'Legal proceedings' section for full details).
Other receivables of € 250 million were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Receivables from:		
- insurance companies	7	3
- employees	29	37
Guarantee deposits	13	17
Other receivables	132	193
Total	**181**	**250**

Trade receivables and other receivables from related parties 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.
For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 109.

4 Inventories

Inventories amounted to €2,531 million (€2,485 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Raw and auxiliary materials and consumables	530	530
Contract work-in-progress	1,955	2,001
Total	**2,485**	**2,531**

The item 'Raw and auxiliary materials and consumables' includes spare parts for drilling and construction activities, as well as consumables for internal use and not for sale. The item is stated net of a valuation allowance of €48 million.

(€ million)	Dec. 31, 2014	Additions	Deductions	Other changes	June 30, 2015
Raw and auxiliary materials and consumables valuation allowance	9	44	(5)	-	48
Total	**9**	**44**	**(5)**	**-**	**48**

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 amount of contract work-in-progress as presented in these condensed interim consolidated financial statements as at and for the six-month period ended June 30, 2015 was affected by delays and cancellations of projects already underway, as well as by the adoption by clients of an increasingly inflexible attitude during negotiations for change orders and claims.
The amount recorded in relation to contract work-in-progress was largely in line with the same period of the previous year, due to the combined effect of: (i) the increase related to project progress made over the half year period pending the approval of milestones by clients, whose timeframe has been affected by the prolongation of negotiations for additional work; (ii) the negative effect produced by estimation of a limited number of specific projects, which were in part due to a change in the negotiating approach adopted in relation to certain positions.
Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 42 'Segment information, geographical information and construction contracts'.
For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 109.

5 Current tax assets

Current tax assets amounted to €311 million (€317 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Italian tax authorities	150	170
Foreign tax authorities	167	141
Total	**317**	**311**

6 Other current tax assets

Other current tax assets amounted to €399 million (€307 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Italian tax authorities	47	79
Foreign tax authorities	260	320
Total	**307**	**399**

7 Other current assets

Other current assets amounted to € 359 million (€ 520 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Fair value of hedging derivatives	193	136
Fair value of non-hedging derivatives	154	82
Other assets	173	141
Total	**520**	**359**

At June 30, 2015, derivative instruments had a positive fair value of € 218 million (€ 347 million at December 31, 2014).
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 (outrights, forwards and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2015, 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 table below shows the assets considered in the calculation of the fair value of derivative contracts, including the long-term portion, broken down by type.

	Assets Dec. 31, 2014			Assets June 30, 2015		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	192			46		
. sale	3			105		
Total	195			151		
- forward currency contracts (Forward component)						
. purchase	(2)			2		
. sale	-			(7)		
Total	(2)	2,413	64	(5)	787	4,089
- forward commodity contracts (Forward component)						
. purchase	-			-		
Total	-	-		-	-	
Total derivative contracts qualified for hedge accounting	**193**	**2,413**	**64**	**146**	**787**	**4,089**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	135			47		
. sale	21			36		
Total	156			83		
- forward currency contracts (Forward component)						
. purchase	-			1		
. sale	(2)			(2)		
Total	(2)	3,367	229	(1)	835	1,183
- forward commodity contracts (Forward component)						
. sale		-			-	
Total			2			-
Total derivative contracts not qualified for hedge accounting	**154**	**3,367**	**231**	**82**	**835**	**1,183**
Total	**347**	**5,780**	**295**	**228**	**1,622**	**5,272**

Cash flow hedge transactions related to forward purchase and sale transactions (outrights, forwards and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions at June 30, 2015 are expected to occur up until 2017. During the first half of 2015, 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, 2015, including the long-term portion described in Note 13 'Other non-current assets', totalled € 146 million (€ 193 million at December 31, 2014). The spot component of these derivatives of € 151 million (€ 195 million at December 31, 2014) was deferred in a hedging reserve in equity (€ 142 million; € 171 million at December 31, 2014) and recorded as finance income

and expense (€ 9 million; € 24 million at December 31, 2014), while the forward component, which was not designated as a hedging instrument, was recognised as finance income and expense (€ 5 million; € 2 million at December 31, 2014).
The negative fair value of derivatives qualified for hedge accounting at June 30, 2015, analysed in Note 18 'Other current liabilities' and including the long-term portion described in Note 23 'Other non-current liabilities', was € 221 million (€ 556 million at December 31, 2014). The spot component of these derivatives of € 221 million was deferred in a hedging reserve in equity (€ 181 million; € 501 million at December 31, 2014) and recorded as finance income and expense (€ 40 million; € 52 million at December 31, 2014).
During the period, operating revenues and expenses were adjusted by a net negative amount of € 267 million to reflect the effects of hedging.
Other assets at June 30, 2015 amounted to € 141 million, representing a decrease of € 32 million compared with December 31, 2014, and consisted mainly of prepayments.
Other assets from related parties are shown in Note 43 'Transactions with related parties'.

Non-current assets

8 Property, plant and equipment

Property, plant and equipment amounted to € 7,383 million (€ 7,601 million at December 31, 2014) and consisted of the following:

(€ million)	Gross value at Dec. 31, 2014	Accumulated depreciation and impairment at Dec. 31, 2014	Net value at Dec. 31, 2014	Capital expenditure	Depreciation	Impairment	Disposals	Exchange differences	Other changes	Final net value at June 30, 2015	Final gross value at June 30, 2015	Accumulated depreciation and impairment at June 30, 2015
Property, plant and equipment	13,639	6,038	7,601	265	(377)	(211)	(1)	106	-	7,383	14,071	6,688
Total	**13,639**	**6,038**	**7,601**	**265**	**(377)**	**(211)**	**(1)**	**106**	**-**	**7,383**	**14,071**	**6,688**

Capital expenditure in the first half of 2015 amounted to € 265 million (€ 324 million in the first half of 2014) and mainly related to:
- € 80 million in the Offshore Engineering & Construction sector, relating mainly to the maintenance and upgrading of the existing asset base;
- € 16 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and the maintenance of existing assets;
- € 107 million in the Offshore Drilling sector, relating mainly to class reinstatement works on the drillships Saipem 10000 and Saipem 12000 and on the drilling jack-up Perro Negro 8, as well as maintenance and upgrading of the existing asset base;
- € 62 million in the Onshore Drilling sector relating to upgrading work on the existing asset base.

No finance expenses were capitalised during the period.
Exchange rate differences arising from the translation of financial statements prepared in currencies other than the euro, amounting to € 106 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 the year, no government grants were recorded as a decrease of the carrying value of property, plant and equipment.
At June 30, 2015, all property, plant and equipment was free from pledges, liens and encumbrances.
The total commitment on current items of capital expenditure at June 30, 2015 amounted to € 144 million (€ 174 million at December 31, 2014), as indicated in the 'Risk management' section of the 'Operating and Financial Review'.
Property, plant and equipment includes assets carried under finance leases amounting to the equivalent of € 30 million, relating to finance leases for the utilisation of two onshore drilling rigs in Saudi Arabia.
In accordance with the need to rethink Saipem's operating strategy via the rationalisation of fabrication yards and vessels that are no longer viable in the new market environment and with the guidelines set out in the turnaround plan 'Fit for the future', the first half of 2015 saw a write-down totalling € 41 million recorded against the vessels Scarabeo 4, Castoro Sette, S355 and Saibos 230, which have been slated for scrapping. In addition, write-downs totalling € 170 million were recorded in relation to components of two fabrication yards that will not be used in future activities. Finally, following the revision of the depreciation schedule on December 31, 2014, the rig Semac 1, which has been slated for scrapping, was fully depreciated as of June 30, 2015.
In reviewing its impairment indicators, Saipem considers, among other factors, the relationship between its market capitalisation and net assets. At June 30, 2015, the Group's market capitalisation was higher than its net assets. This notwithstanding, in the light of the size of the write-downs recorded during the period against tangible assets that are not independent cash generating units and against contract work-in-progress and also in view of ongoing market conditions characterised by low oil prices and a high degree of volatility, management deemed it necessary to update impairment tests on all cash generating units. The cash generating units identified were as follows: two leased FPSO units, the other Offshore E&C assets, the Onshore E&C sector, the Onshore Drilling sector and the individual offshore drilling rigs (15 separate rigs).
The analyses performed showed that the carrying amount of the cash generating units tested could be recovered through use.

9 Intangible assets

Intangible assets amounted to € 758 million (€ 760 million at December 31, 2014) and were as follows:

(€ million)	Gross value at Dec. 31, 2014	Accumulated amortisation and impairment at Dec. 31, 2014	Net value at Dec. 31, 2014	Investments	Amortisation	Impairment	Reversals	Disposals	Exchange differences	Other changes	Final net value at June 30, 2015	Final gross value at June 30, 2015	Accumulated amortisation and impairment at June 30, 2015
Intangible assets with finite useful lives	191	159	32	3	(5)	-	-	-	(1)	-	29	193	164
Other intangible assets with indefinite useful lives	728	-	728	-	-	-	-	-	1	-	729	729	-
Total	**919**	**159**	**760**	**3**	**(5)**	**-**	**-**	**-**	**-**	**-**	**758**	**922**	**164**

Goodwill of € 729 million related to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€ 689 million), Sofresid SA (€ 21 million) and the Moss Maritime Group (€ 14 million) on the date that control was acquired.
For impairment purposes, goodwill has been allocated to the following cash-generating units:

(€ million)	June 30, 2015
Offshore E&C	415
Onshore E&C	314
Total	**729**

Management has retested the value in use of the CGUs to which goodwill has been allocated to verify the recoverability of their carrying amounts, including allocated goodwill. The recoverable amount of the two cash generating units in question was determined based on value in use, calculated by discounting the future cash flows expected to result from the use of each CGU.
The expected future cash flows for the explicit forecast period of four years were derived from Saipem's 2015-2018 Strategic Plan, has been updated to reflect the revision of results expected for 2015 and for the following years of the plan to take into account current business trends.
For all cash generating units, value in use was calculated by discounting expected future post-tax cash flows at a rate of 5.9% (down 1% compared with 2014). The discount rate was based on: (i) a cost of debt consistent with current interest rates and Eni's rating; (ii) Eni's leverage target; and (iii) the beta of the Saipem share.
The terminal value (i.e. for subsequent years beyond the plan horizon) was estimated using the perpetuity model, applying a real growth rate of zero (unchanged from 2014) reflecting expected long-term growth for the sectors, applied to the normalised free cash flow of the final projection year to take 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 calculation using pre-tax cash flows and discount rates.
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	314	729
Amount by which recoverable amount exceeds carrying amount	4,467	1,824	6,291

The key assumptions adopted for assessing recoverable amounts were principally the operating results of the CGU (based on a combination of various factors, e.g. sales volumes, service prices, project profit margins, cost structure), the discount rate, and the growth rates adopted to determine the terminal value.

10 Investments accounted for using the equity method

Investments accounted for using the equity method of € 124 million (€ 120 million at December 31, 2014) were as follows:

(€ 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	Movements in reserves	Other changes	Closing net value	Provision for impairment
Dec. 31, 2014												
Investments in joint ventures and associates	166	9	(3)	27	(3)	(11)	-	9	-	(74)	120	-
Total	**166**	**9**	**(3)**	**27**	**(3)**	**(11)**	**-**	**9**	**-**	**(74)**	**120**	**-**
June 30, 2015												
Investments in joint ventures and associates	120	1	-	8	(10)	(1)	-	5	-	1	124	-
Total	**120**	**1**	**-**	**8**	**(10)**	**(1)**	**-**	**5**	**-**	**1**	**124**	**-**

Investments in subsidiaries, jointly-controlled entities and associates are analysed in the section 'Scope of consolidation at June 30, 2015'.
Acquisitions and subscriptions of € 1 million related to the subscription of the share capital of Saipem Dangote E&C Ltd.
The share of profit of investments accounted for using the equity method of € 8 million included profits for the period of € 3 million recorded by the jointly-controlled entity TSGI Mühendislik İnşaat Ltd Şirketi, € 4 million recorded by the associate KWANDA Suporte Logistico Lda and € 1 million recorded by other companies.
The share of losses of investments accounted for using the equity method of € 10 million included losses for the period of € 7 million recorded by the jointly-controlled entities Petromar Lda (€ 5 million) and Xodus Subsea Ltd (€ 2 million) and a loss for the period of € 3 million recorded by the associate Saipem Taqa Al Rushaid Fabricators Co Ltd.
Deductions for dividends of € 1 million related mainly 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, 2014	Net value at June 30, 2015
Rosetti Marino SpA	20.00	31	31
Petromar Lda	70.00	42	41
Other		47	52
Total investments in joint ventures and associates		**120**	**124**

The total carrying value of investments accounted for using the equity method does not include the provision for losses of € 17 million (€ 8 million at December 31, 2014) recorded under the provisions for contingencies.

11 Other financial assets

At June 30, 2015 other long-term financial assets amounted to € 1 million (€ 1 million at December 31, 2014) and related to financing receivables held for non-operating purposes by Sofresid SA.

12 Deferred tax assets

Deferred tax assets of €482 million (€297 million at December 31, 2014) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2014	Additions (Deductions)	Currency translation differences	Other changes	June 30, 2015
Deferred tax assets	297	279	11	(105)	482
Total	**297**	**279**	**11**	**(105)**	**482**

'Other changes', which amounted to negative €105 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €32 million); (ii) the negative tax effects (€69 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; and (iii) other changes (negative €4 million).
Net deferred tax assets consisted of the following:

(€ million)	Dec. 31, 2014	June 30, 2015
Deferred tax	(314)	(335)
Deferred tax assets available for offset	274	306
Deferred tax liabilities	**(40)**	**(29)**
Deferred tax assets	297	482
Net deferred tax assets (liabilities)	**257**	**453**

Taxes are shown in Note 39 'Income taxes'.

13 Other non-current assets

Other non-current assets of €111 million (€115 million at December 31, 2014) were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Fair value of hedging derivatives	-	10
Other receivables	16	16
Other non-current assets	99	85
Total	**115**	**111**

The fair value of hedging derivatives relates to foreign exchange risk hedges mainly entered into by Saipem SA and Sofresid SA with the Eni Group maturing in 2016.
Other non-current assets mainly related to prepayments.
Other non-current assets from related parties are shown in Note 43 'Transactions with related parties'.

Current liabilities

14 Short-term debt

Short-term debt of €3,037 million (€2,186 million at December 31, 2014) consisted of the following:

(€ million)	Dec. 31, 2014	June 30, 2015
Banks	277	465
Other financial institutions	1,909	2,572
Total	**2,186**	**3,037**

Short-term debt increased by €851 million. Debt to banks include €250 million classified at December 31, 2014 under long-term debt relating to a loan agreement signed in 2014 with covenants requiring Saipem to maintain specific financial and economic ratios. The loan has been reclassified under short-term debt because the negative value recorded for EBITDA at June 30, 2015 is in breach of the one of the covenants, thus giving the lender the ability to demand repayment of the loan.
The current portion of long-term debt, amounting to €487 million (€594 million at December 31, 2014), is detailed in Note 19 '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, 2014			June 30, 2015		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
Eni SpA	Euro	124	1.518	1.518	363	1.510	1.510
Eni SpA	US Dollar	-	-	-	18	7.000	7.000
Serfactoring SpA	Euro	7	-	-	-	-	-
Serfactoring SpA	US Dollar	11	-	-	20	-	-
Serfactoring SpA	Other	6	-	-	-	-	-
Eni Finance International SA	Euro	697	0.657	2.157	749	0.660	1.510
Eni Finance International SA	US Dollar	710	0.821	2.321	632	1.037	1.690
Eni Finance International SA	Australian Dollar	197	3.150	3.150	235	2.650	2.650
Eni Finance International SA	Canadian Dollar	-	-	-	505	2.250	2.250
Eni Finance International SA	Other	121	variable		-	-	-
Eni Finance USA	US Dollar	-	-	-	8	1.687	1.687
Third parties	Euro	5	1.018	1.018	257	0.940	1.585
Third parties	US Dollar	4	1.351	1.571	1	0.417	8.000
Third parties	Other	304	variable		249	variable	
Total		**2,186**			**3,037**		

At June 30, 2015, Saipem had unused lines of credit amounting to € 2,478 million (€ 2,450 million at December 31, 2014). Commission fees on unused lines of credit were not significant.
Short-term debt to related parties is shown in Note 43 'Transactions with related parties'.

15 Trade and other payables

Trade and other payables of € 5,788 million (€ 5,669 million at December 31, 2014) consisted of the following:

(€ million)	Dec. 31, 2014	June 30, 2015
Trade payables	3,283	3,295
Deferred income and advances	1,980	1,990
Other payables	406	503
Total	**5,669**	**5,788**

Trade payables amounted to € 3,295 million, representing an increase of € 12 million compared with December 31, 2014.
Deferred income and advances of € 1,990 million (€ 1,980 million at December 31, 2014), consisted mainly of adjustments to revenues from long-term contracts of € 1,381 million (€ 1,314 million at December 31, 2014) 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 € 609 million (€ 666 million at December 31, 2014).
Trade and other payables to related parties are shown in Note 43 'Transactions with related parties'.
Other payables of € 503 million were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Payables to:		
- employees	189	293
- national insurance/social security contributions	71	54
- insurance companies	5	5
- consultants and professionals	4	3
- Board Directors and Statutory Auditors	1	-
Other payables	136	148
Total	**406**	**503**

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.
For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 109.

16 Income tax payables

Income tax payables of € 128 million (€ 134 million at December 31, 2014) were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Italian tax authorities	3	12
Foreign tax authorities	131	116
Total	**134**	**128**

17 Other current tax liabilities

Other current tax liabilities amounted to € 181 million (€ 184 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Italian tax authorities	13	-
Foreign tax authorities	171	181
Total	**184**	**181**

18 Other current liabilities

Other current liabilities amounted to € 380 million (€ 838 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Fair value of hedging derivatives	555	216
Fair value of non-hedging derivatives	280	127
Other liabilities	3	37
Total	**838**	**380**

At June 30, 2015, derivative instruments had a negative fair value of € 343 million (€ 835 million at December 31, 2014).
The following table shows the positive and negative fair values of derivative contracts at June 30, 2015.

(€ million)	Dec. 31, 2014	June 30, 2015
Positive fair value of derivative contracts	347	228
Negative fair value of derivative contracts	(836)	(348)
Total	**(489)**	**(120)**

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 (outrights, forwards and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2015, 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.
A liability of € 1 million (€ 1 million at December 31, 2014) relating to the fair value of an interest rate swap has been recorded under Note 19 'Long-term debt'. The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at June 30, 2015, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.

The table below shows the liabilities considered in the calculation of the fair value of derivative contracts, including the long-term portion, broken down by type.

	Liabilities Dec. 31, 2014			Liabilities June 30, 2015		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate contracts (Spot component)						
. purchase	1			1		
Total	1	250		1	250	
- forward currency contracts (Spot component)						
. purchase	27			47		
. sale	525			173		
Total	552			220		
- forward currency contracts (Forward component)						
. purchase	(2)			(4)		
. sale	-			4		
Total	(2)	582	6,047	-	2,036	2,143
- forward commodity contracts (Forward component)						
. purchase	5			-		
Total	5	16	-	-	3	-
Total derivative contracts qualified for hedge accounting	**556**	**848**	**6,047**	**221**	**2,289**	**2,143**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	19			17		
. sale	261			109		
Total	280			126		
- forward currency contracts (Forward component)						
. purchase	(1)			(1)		
. sale	1			2		
Total	-	290	3,404	1	715	930
- forward commodity contracts (Forward component)						
. purchase	-			-		
. sale	-			-		
Total	-	1	-	-	3	3
Total derivative contracts not qualified for hedge accounting	**280**	**291**	**3,404**	**127**	**718**	**933**
Total	**836**	**1,139**	**9,451**	**348**	**3,007**	**3,076**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 7 ‘Other current assets’, Note 13 ‘Other non-current assets’ and Note 23 ‘Other non-current liabilities’.
Other liabilities amounted to €37 million (€3 million at December 31, 2014).
Other liabilities to related parties are shown in Note 43 ‘Transactions with related parties’.

Non-current liabilities

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

Long-term debt, including the current portion of long-term debt, amounted to € 3,964 million (€ 3,908 million at December 31, 2014) and was as follows:

	Dec. 31, 2014			June 30, 2015		
(€ million)	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks	-	250	250	-	-	-
Other financial institutions	594	3,064	3,658	487	3,477	3,964
Total	**594**	**3,314**	**3,908**	**487**	**3,477**	**3,964**

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

(€ million)

Type	Maturity range	2016	2017	2018	2019	After	Total
Other financial institutions	2016-2024	249	1,059	638	1,487	44	3,477
Total		**249**	**1,059**	**638**	**1,487**	**44**	**3,477**

The long-term portion of long-term debt amounted to € 3,477 million, up € 163 million against December 31, 2014 (€ 3,314 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, 2014			June 30, 2015		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2015-2017	1,674	2.518	4.950	2,018	2.510	4.950
Eni Finance International SA	Euro	2015-2024	1,319	0.757	2.507	1,337	0.760	2.510
Eni Finance International SA	US Dollar	2015-2016	665	0.921	4.330	609	0.940	2.687
Third parties	Euro	2017	250	1.585	1.585	-	-	-
Total			**3,908**			**3,964**		

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 € 4,247 million (€ 4,189 million at December 31, 2014) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2014	2015
Euro	0.16-0.36	0.01-0.50
US Dollar	0.27-1.28	0.18-0.89

The difference between the fair value of long-term debt and its nominal value was mainly due to the debt of € 750 million expiring in 2019.
Long-term debt to related parties is shown in Note 43 'Transactions with related parties'.

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

	Dec. 31, 2014			June 30, 2015		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,602	-	1,602	1,429	-	1,429
B. Available-for-sale securities	9	-	9	8	-	8
C. Liquidity (A+B)	**1,611**	**-**	**1,611**	**1,437**	**-**	**1,437**
D. Financing receivables	**58**	**-**	**58**	**32**	**-**	**32**
E. Short-term bank debt	277	-	277	465	-	465
F. Long-term bank debt	-	250	250	-	-	-
G. Short-term related party debt	1,873	-	1,873	2,530	-	2,530
H. Long-term related party debt	594	3,064	3,658	487	3,477	3,964
I. Other short-term debt	36	-	36	42	-	42
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**2,780**	**3,314**	**6,094**	**3,524**	**3,477**	**7,001**
N. Net financial position pursuant to Consob communication No. DEM/6064293/2006 (M-C-D)	**1,111**	**3,314**	**4,425**	**2,055**	**3,477**	**5,532**
O. Non-current financing receivables	**-**	**1**	**1**	**-**	**1**	**1**
P. Net borrowings (N-O)	**1,111**	**3,313**	**4,424**	**2,055**	**3,476**	**5,531**

Net borrowings include a liability relating to the interest rate swap but do not include the fair value of derivatives indicated in Note 7 'Other current assets', Note 13 'Other non-current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'.
Cash and cash equivalents included € 94 million deposited in accounts that are frozen or placed in trust funds, as indicated in Note 1 'Cash and cash equivalents'.

20 Provisions for contingencies

Provisions for contingencies of € 264 million (€ 218 million at December 31, 2014) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2014					
Provisions for taxes	55	4	(13)	2	48
Provisions for contractual penalties and disputes	14	19	(5)	-	28
Provisions for losses of investments	8	4	-	(4)	8
Provision for contractual expenses and losses on long-term contracts	83	63	(48)	4	102
Other provisions	44	50	(59)	(3)	32
Total	**204**	**140**	**(125)**	**(1)**	**218**
June 30, 2015					
Provisions for taxes	48	1	(4)	-	45
Provisions for contractual penalties and disputes	28	6	(19)	2	17
Provisions for losses of investments	8	9	-	-	17
Provision for contractual expenses and losses on long-term contracts	102	88	(26)	-	164
Other provisions	32	1	(10)	(2)	21
Total	**218**	**105**	**(59)**	**-**	**264**

The **provisions for taxes** amounted to € 45 million and 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 € 17 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes.

The **provisions for losses of investments** amounted to € 17 million and related to provisions for losses of investments that exceed their carrying amount. The provision related mainly to amounts set aside in connection with the investment held in the company Southern Gas Constructor Ltd by Saipem International BV.
The **provision for contractual expenses and losses on long-term contracts** stood at € 164 million and related to an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sectors.
Other provisions amounted to € 21 million.
For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 109.

21 Provisions for employee benefits

Provisions for employee benefits at June 30, 2015 amounted to € 240 million (€ 237 million at December 31, 2014).

22 Deferred tax liabilities

Deferred tax liabilities of € 29 million (€ 40 million at December 31, 2014) are shown net of offsettable deferred tax assets of € 306 million.

(€ million)	Dec. 31, 2014	Additions (Deductions)	Currency translation differences	Other changes	June 30, 2015
Deferred tax liabilities	40	145	4	(160)	29
Total	**40**	**145**	**4**	**(160)**	**29**

The item 'Other changes', which amounted to negative € 160 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative € 32 million); (ii) the negative tax effects (€ 122 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; and (iii) other changes (negative € 6 million).
A breakdown of deferred tax assets is provided in Note 12 'Deferred tax assets'.

Tax losses

Tax losses amounted to € 2,374 million (€ 1,427 million at December 31, 2014) of which a considerable part can be carried forward without limit. Tax recovery corresponds to a tax rate of 27.5% for Italian companies and to an average tax rate of 28% for foreign companies.
Tax losses related mainly to foreign companies and can be used in the following periods:

(€ million)	Italian subsidiaries	Foreign subsidiaries
2015	-	-
2016	-	62
2017	-	111
2018	-	60
2019	-	25
After 2019	-	571
Without limit	285	1,260
Total	**285**	**2,089**

23 Other non-current liabilities

Other non-current liabilities of € 5 million (€ 2 million at December 31, 2014) were as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Fair value of hedging derivatives	-	4
Trade and other payables	2	1
Total	**2**	**5**

The fair value of hedging derivatives relates to foreign exchange risk hedges entered into by Saipem SpA and Saipem SA with the Eni Group maturing in 2016.

24 Assets held for sale

In January 2015, Snamprogetti Netherlands BV completed the sale of its interests in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA. As of June 30, 2015 there were no assets held for sale.

Shareholders' equity

25 Non-controlling interests

Non-controlling interests at June 30, 2015 amounted to € 58 million (€ 41 million at December 31, 2014).

26 Saipem's shareholders' equity

Saipem's shareholders' equity at June 30, 2015 amounted to € 3,288 million and was as follows:

(€ million)	Dec. 31, 2014	June 30, 2015
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	(275)	(289)
Cumulative currency translation differences	(9)	65
Employee defined benefits reserve	(19)	(20)
Other	6	6
Retained earnings	4,123	3,905
Net profit (loss) for the period	(230)	(920)
Treasury shares	(43)	(43)
Total	**4,137**	**3,288**

Saipem's shareholders' equity at June 30, 2015 included distributable reserves of € 3,830 million (€ 3,931 million at December 31, 2014), 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 (€ 107 million).

27 Share capital

At June 30, 2015, 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 441,301,574 are ordinary shares and 109,326 savings shares.
On April 30, 2015, the Annual Shareholders' Meeting resolved to forego the distribution of a dividend for ordinary shares and to distribute a dividend for savings shares amounting to 5% of the nominal value, i.e. € 0.05 per share.

28 Share premium reserve

The share premium reserve amounted to € 55 million at June 30, 2015 and was unchanged from December 31, 2014.

29 Other reserves

At June 30, 2015, 'Other reserves' amounted to negative € 150 million (€ 209 million at December 31, 2014) and consisted of the following items.

(€ million)	Dec. 31, 2014	June 30, 2015
Legal reserve	88	88
Cash flow hedge reserve	(275)	(289)
Cumulative currency translation differences	(9)	65
Employee defined benefits reserve	(19)	(20)
Other	6	6
Total	**(209)**	**(150)**

Legal reserve

At June 30, 2015, 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 € 289 million (negative balance of € 275 million at December 31, 2014), which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges at June 30, 2015.
The cash flow hedge reserve is shown net of tax effects of € 144 million (€ 91 million at December 31, 2014).

Cumulative currency translation differences

This reserve amounted to positive € 65 million (negative € 9 million at December 31, 2014) 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

This reserve is used to recognise remeasurements of employee defined benefit plans. At June 30, 2015, it had a negative balance of € 20 million (negative € 19 million at December 31, 2014).
The reserve is shown net of tax effects of € 8 million (€ 8 million at December 31, 2014) and includes a positive amount of € 1 million relating to investments accounted for using the equity method.

Other

This item amounted to € 6 million (€ 6 million at December 31, 2014), relating to the allocation of part of 2005 net profit, pursuant to Article 2426, 8-*bis* of the Italian Civil Code. It also contains the revaluation reserve set up by Saipem SpA in previous years, amounting to € 2 million, and a reserve with a negative balance of € 1 million for cash flow hedges of investments accounted for using the equity method.

30 Treasury shares

Saipem SpA holds treasury shares to the value of € 43 million (€ 43 million at December 31, 2014), consisting of 1,939,832 (1,939,832 at December 31, 2014) with a nominal value of € 1 each.
Treasury shares were allocated under the 2002-2008 stock option plans. Operations involving treasury shares during the period 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	8,261,712			
Treasury shares held at June 30, 2015	**1,939,832**			

At June 30, 2015, there were 61,350 stock options outstanding for the purchase of Company shares.
Further information on stock option plans is provided in Note 35 'Payroll and related costs'.

31 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,461 million (€8,169 million at December 31, 2014).

	Dec. 31, 2014			June 30, 2015		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Joint ventures and associates	283	184	467	300	180	480
Consolidated companies	126	2,331	2,457	126	2,115	2,241
Own	142	5,103	5,245	24	4,716	4,740
Total	**551**	**7,618**	**8,169**	**450**	**7,011**	**7,461**

Other guarantees issued for consolidated companies amounted to €2,115 million (€2,331 million at December 31, 2014) and related to independent guarantees given to third parties relating mainly to bid bonds and performance bonds.
Guarantees issued to/through related parties are detailed in Note 43 'Transactions with related parties'.
For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 109.

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, jointly-controlled entities 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 €45,781 million (€40,912 million at December 31, 2014), including both work already performed and the relevant portion of the backlog of orders at June 30, 2015.

Risk management

The main risks that the Company is facing and actively monitoring and managing are described in the 'Risk management' section of the 'Operating and Financial Review'.

FAIR VALUE MEASUREMENT

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, 2015 are classified as follows:

	June 30, 2015			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	(45)	-	(45)
Available-for-sale financial assets:				
- other available-for-sale financial assets	8	-	-	8
Net hedging derivative assets (liabilities)	-	(75)	-	(75)
Total	**8**	**(120)**	**-**	**(112)**

There was no movement between Levels 1 and 2 during the first half of 2015.

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 disputes is provided below.

TSKJ Consortium - Investigations by the US, Italian and other overseas Authorities

Snamprogetti Netherlands BV holds a 25% interest in the TSKJ Consortium of companies. The remaining interests are held in equal shares of 25% by KBR, Technip and JGC. From 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 entered into 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, Eni agreed to indemnify Saipem for costs and potential losses resulting from the investigations into the TSKJ matter, including in connection with all related subsidiaries.
A number of judicial authorities, including the Milan Public Prosecutor's office, have carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials. The proceedings in both the United States and Nigeria have been resolved through settlements.
The proceedings in Italy: 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. The proceedings brought by the Milan Public Prosecutor against Eni SpA and Saipem SpA related to administrative responsibility under Legislative Decree No. 231/2001 arising from offences of international corruption allegedly committed by former managers of Snamprogetti.
The Milan Public Prosecutor requested the application of precautionary measures pursuant to Legislative Decree No. 231/2001 consisting in Eni and Saipem being debarred from activities involving – directly or indirectly – any agreement with the Nigerian National Petroleum Corp or its subsidiaries, claiming the ineffectiveness and inadequacy and violation of the organisational, management and control model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision.
On November 17, 2009, the Judge for the Preliminary Investigation rejected the request for precautionary measures of disqualification filed by the Milan Public Prosecutor, which subsequently appealed against this decision. 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 Milan Public Prosecutor and upheld the decision of the Judge for the Preliminary Investigation. On September 30, 2010, an appeal against this decision filed by the Milan Public Prosecutor was upheld by the Court of Cassation, which ruled that the request for precautionary measures was also admissible pursuant to Legislative Decree No. 231/2001 in cases of alleged international corruption. The Milan Public Prosecutor's office subsequently withdrew its request for precautionary measures against Eni and Saipem following the payment by Snamprogetti Netherlands BV of a deposit of € 24,530,580, which was also on behalf of Saipem SpA. The accusations regarded alleged acts of corruption in Nigeria committed until 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 USD 65 million). On January 26, 2011, the Judge for the Preliminary Hearing ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) and five former Snamprogetti SpA employees to stand trial. In February 2012, following a request made by the defence, the Court dismissed the charges against the physical persons under investigation, ruling that the charges had expired under the statute of limitations. The Court also ordered a separate trial for the continuation of proceedings against the legal person of Saipem only.
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 Milan Public Prosecutor's office. On February 19, 2015, the Court of Appeal upheld the ruling of the Court of Milan.
On July 3, 2015, Saipem filed an appeal against the decision of the Court of Appeal with the Italian Court of Cassation.
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 in the TSKJ Consortium.
The decisions of the Court of Milan and the Milan Court of Appeal have no financial impact on Saipem since Eni SpA, at the time of the sale of Snamprogetti SpA to Saipem, undertook to indemnify Saipem for costs and losses sustained in connection with the TSKJ matter.

Algeria

On February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Italian 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' specified in the request is one of the offences punishable under Legislative Decree No. 231 of June 8, 2001 in connection with the direct responsibility of collective entities for certain crimes committed by their own employees.
The collection of documentation was commenced in prompt compliance with the request, and on February 16, 2011, Saipem filed the material requested.
On November 22, 2012, Saipem received a notification of inquiry from the Milan Public Prosecutor's office related to alleged unlawful administrative acts arising from the crime of international corruption pursuant to Article 25, paragraphs 2 and 3 of Legislative Decree No. 231/2001, together with a request to provide documentation regarding a number of contracts connected with activities in Algeria. This request was followed by notification of a seizure order on November 30, 2012, two further requests for documentation on December 18, 2012 and February 25, 2013 and the issue of a search warrant on January 16, 2013.
On February 7, 2013, a search was conducted, including at offices belonging to Eni SpA, to obtain additional documentation relating to intermediary agreements and subcontracts entered into by Saipem in connection with its Algerian projects.
The subject of the investigations are allegations of corruption which, according to the Milan Public Prosecutor, occurred up until and after March 2010 in relation to a number of contracts the Company was awarded in Algeria.
Several former employees of the Company are involved in the proceedings, including the former Deputy Chairman and CEO and the former Chief Operating Officer of the Engineering & Construction Business Unit. The Company has 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 proceedings. In agreement with its Internal Control Bodies and the Compliance Committee, and having duly informed the Prosecutor's office, Saipem performed its own checks on the contracts that are subject to investigation, and to this end appointed an external legal firm. On July 17, 2013, the Board of Directors analysed the conclusions reached by the external consultants following an internal investigation carried out in relation to a number of brokerage contracts and subcontracts regarding projects in Algeria. The internal investigation was based on the examination of documents and interviews with personnel from the Company and other companies in the Group, excluding those who, to the best knowledge of the Company, were directly involved in the criminal investigation, so as not to interfere with the investigative activities of the Prosecutor. The Board, confirming its full cooperation with the investigative authorities, decided to convey the findings of the external consultants to the Milan Public Prosecutor 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 intermediary agreements or subcontracts examined; and (ii) that they found violations deemed detrimental to the interests of the Company of internal rules and procedures in force at that time in relation to the approval and management of intermediary agreements and subcontracts examined and a number of activities in Algeria.
The Board decided to initiate legal action against certain former employees and suppliers in order to protect the interests of the Company, reserving the right to take any further action necessary should additional information emerge.
On June 14, 2013, January 8, 2013 and July 23, 2014 the Milan Public Prosecutor's office submitted requests for extensions to the preliminary investigations. On October 24, 2014, notice was received of a request from the Milan Public Prosecutor for gathering evidence before trial, by way of questioning of the former Chief Operating Officer of the Saipem Engineering & Construction Business Unit and another former manager of Saipem, who are both being investigated in the criminal proceedings. After the request was granted, the Judge for the Preliminary Hearing in Milan set hearings for December 1 and 2, 2014. On January 15, 2015, Saipem SpA defence counsel received notice from the Milan Public Prosecutor's office of the conclusion of preliminary investigations, pursuant to Article 415-*bis* of the Italian Code of Criminal Procedure. Notice was also received by eight physical persons and the legal person of Eni SpA. In addition to the crime of 'international corruption' specified in the request from the Milan Public Prosecutor's office, the notice also contained an allegation against seven physical persons of a violation of Article 3 of Legislative Decree No. 74 of March 10, 2000 concerning the filing of fraudulent tax returns, in connection with the recording in the books of Saipem SpA of *'brokerage costs deriving from the agency agreement with Pearl Partners signed on October 17, 2007, as well as Addendum No. 1 to the agency agreement signed entered into August 12, 2009'*, which is alleged to have led subsequently to the inclusion in the *'consolidated tax return of Saipem SpA of profits that were lower than the real total by the following amounts: 2008: -€ 85,935,000; 2009: -€ 54,385,926'*. On February 5, 2015, the Milan tax unit of the Guardia di Finanza (Italian Finance Police) conducted a tax inspection at Saipem SpA premises. The official minutes describe the inspection as having focused on: *'a) Ires (Italian corporate income tax) and Irap (Italian regional production tax) for tax periods from January 1, 2008 to December 31, 2010, as well as fiscally relevant aspects elements emerging from checks performed as part of criminal proceedings No. 58461/14 - mod. 21 instituted by the Public Prosecutor's office of the Court of Milan (Substitute Public Prosecutors Fabio De Pasquale, Giordano Baggio and Isidoro Palma) [Algeria affair].* (omissis) *b) identifying, for the 2010 tax period only, transactions with companies resident or domiciled in non-EU countries or territories with preferential tax regimes (Article 110, paragraph 10 et seq. of the Italian Consolidated Income Tax Act; - verifying the compliance of the tax position of company employees for the year 2015 up until the day of the inspection'*. In connection with point a) of the tax inspection, on April 14, 2015, the Guardia di Finanza served Saipem SpA with a tax audit report in which the following costs are deemed as non-deductible because they are alleged to be 'costs arising from the commission of crimes' (pursuant to Article 14, paragraph 4-*bis* of Law No. 437/1993):
- amounts paid in 2008 and 2009 by Snamprogetti SpA and Saipem SpA to Pearl Partners totalling approximately € 140 million;
- approximately € 41.5 million in costs allegedly over-invoiced to Saipem SpA by a subcontractor in 2009 and 2010.

Saipem SpA did not concur with the findings contained in the tax audit report and, on June 12, 2015, pursuant to Article 12, paragraph 5, of Law No. 212/2000 (the Italian Taxpayers' charter), presented its arguments in its defence, requesting that the question be closed, to the Large Taxpayers Unit of the Italian revenue agency's Lombardy Regional Tax Office, to which the Guardia di Finanza had transmitted the report. On July 9, 2015, the Large Taxpayers Unit of the Italian revenue agency's Lombardy Regional Tax Office served Saipem with four tax assessment notices relating to Ires and Irap taxes for 2008 and 2009. The total amounts requested in the four notices for taxes due, interest and fines, amounted to approximately € 155 million. Saipem plans to file an appeal with the Provincial Tax Commission in accordance with the time limit prescribed by law, requesting that the assessment notices be annulled and their enforcement suspended provisionally.
On February 26, 2015, Saipem SpA defence counsel received notice from the Judge for the Preliminary Hearing of the scheduling of a preliminary hearing, together with a request for committal for trial filed by the Milan Public Prosecutor's office on February 11, 2015. The same notice was also served on eight physical persons, as well as on the legal person of Eni SpA. The hearing was scheduled by the Judge for the Preliminary Hearing for May 13, 2015. At the hearing, the Italian revenue agency instituted civil proceedings, while other requests to bring civil proceedings were rejected.
The Judge for the Preliminary Investigation granted a request for adjournment made by the defence to allow time for the examination of the substantial amount of documentation filed by the Milan Public Prosecutor's office prior to the hearing. The hearing was adjourned until June 12, when the Prosecutor commenced presentation of its arguments. Subsequent hearings before the Judge for the Preliminary Hearing were held on July 10, 21 and 22, 2015. The decision regarding the request for committal to trial will be announced by the Judge for the Preliminary Hearing at the hearing scheduled for September 30, 2015.
Meanwhile, at the request of the US Department of Justice ('DoJ'), Saipem SpA entered into a 'tolling agreement' which extended by 6 months the limitation period applicable to any possible violations of federal laws of the United States in relation to previous activities of Saipem and its subsidiaries. The tolling agreement, which has been renewed until November 29, 2015, does not constitute an admission by Saipem SpA of having committed any unlawful act, nor does it imply any recognition on the Company's part of United States jurisdiction in relation to any investigation or proceedings. Saipem

therefore intends to offer its complete cooperation in relation to investigations by the DoJ, which on April 10, 2014 made a request for documentation relating to past activities of the Saipem Group in Algeria, with which Saipem has complied.
We also note that the investigations commenced in 2010 into the procedures used for the award by Sonatrach of the GK3 contract (the 'Sonatrach 1' investigation), in relation to which a number of Saipem Contracting Algérie SpA's current accounts in local currency were frozen, are still currently underway. Some of these accounts were subsequently unfrozen, although two in Algerian Dinars, containing in total the equivalent of €86,840,646 (calculated at the exchange rate prevailing on June 30, 2015) remain frozen. The two bank accounts in question relate to the MLE and GK3 projects. The frozen MLE bank account is no longer used for MLE project payments, while the GK3 bank account is still being used to receive contractual payments in Algerian Dinars due in relation to the project. The outstanding payments amount to an approximate equivalent of €4,539,405 (calculated at the exchange rate prevailing on June 30, 2015). In relation to the investigations into the procedures used to award the GK3 contract, in 2012 Saipem Contracting Algérie SpA received formal notice of the referral to the Chambre d'accusation at the Court of Algiers of an investigation underway into the company regarding allegations that the company took advantage of the authority or influence of representatives of a government-owned industrial and trading company in order to inflate prices in relation to contracts awarded by that company. At the beginning of 2013, the 'Chambre d'accusation' ordered Saipem Contracting Algérie SpA to stand trial and further ordered that the aforementioned current accounts remain frozen. In April 2013 and in October 2014, the Algerian Supreme Court rejected a request to unfreeze the above-mentioned bank accounts that had been made by Saipem Contracting Algérie SpA in 2010. The case was transferred to the Court of Algiers where, at the hearing of March 15, 2015 proceedings were adjourned to the next court session, held on June 7, 2015. At this hearing, the Court adjourned proceedings, due to the absence of a number of witnesses, to the next court session, which is due to begin in October 2015.
In March 2013, the legal representative of Saipem Contracting Algérie SpA was summoned to appear at the Court of Algiers, where he received verbal notification from the local investigating judge of an investigation ('Sonatrach 2') underway *'into Saipem for charges pursuant to Articles 25a, 32 and 53 of Anti-Corruption Law No. 01/2006'*. The investigating judge also requested documentation (articles of association) and other information concerning Saipem Contracting Algérie SpA, Saipem SpA and Saipem SA.

Kuwait

On June 21, 2011, an order requested by the Milan Public Prosecutor was served on Saipem SpA for the search of the office of a Saipem employee. The order 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 party companies for a project in Kuwait. In connection with the same matter, the Public Prosecutor also served a notification of inquiry upon Saipem SpA pursuant to Italian Legislative Decree No. 231/2001. In this regard, the Company believes that its position will be 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. 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

In the frame 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 notification of inquiry 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 injured parties 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 a number of parties for whom the statute of limitations applied. At 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. 31/2001. The defendants of the other companies involved were also sued. Subsequently, at the hearing of September 20, 2011, sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums ordered. The Court 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. On October 24, 2013, the Milan Court of Appeal essentially confirmed the first instance ruling, which it modified only partially in relation to a number of physical persons, against whom it dismissed the charges, ruling that they had expired under the statute of limitations. The accused parties have filed an appeal with the Court of Cassation. The hearing before the Court of Cassation has been scheduled for September 30, 2015.

Fos Cavaou

With regard to the Fos Cavaou ('FOS') project for the construction of a regasification terminal, the client Société du Terminal Méthanier de Fos Cavaou ('STMFC', now Fosmax LNG) in January 2012 commenced arbitration proceedings before the International Chamber of Commerce in Paris ('Paris ICC')

against the contractor STS [a French 'société en participation' made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)]. On July 11, 2011, the parties signed a mediation protocol pursuant to the rules of Conciliation and Arbitration of the Paris ICC. With Fosmax LNG refusing to extend the deadline, the mediation procedure ended on December 31, 2011, with no agreement having been reached.
The brief filed by Fosmax LNG in support of its request for arbitration included a demand for payment of approximately € 264 million for damages allegedly suffered, penalties for delays and costs for the completion of works ('mise en régie'). Of the total sum demanded, approximately € 142 million was for loss of profit, an item excluded from the contract except for cases of wilful misconduct or gross negligence. STS filed its reply, including a counterclaim 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 the amount of such extra works at a later stage in proceedings). On October 19, 2012, Fosmax LNG lodged its Statement of Claim. Against this, STS lodged its own Statement of Defence on January 28, 2013, in which it filed a counterclaim for € 338 million. The final hearing was held on April 1, 2014. On April 30, 2015, on the basis of the award issued by the Arbitration Panel on February 13, 2015, Fosmax LNG paid STS € 84,349,554.92 (including interest), 50% of which is due to Saipem SA. On June 26, 2015, Fosmax LNG lodged an appeal against the award with the French Council of State, in which it requested the annulment of the award, claiming that the Arbitration Panel had mistakenly applied private law to what was a public law case. STS has 60 days from the date of receipt of the notice of appeal to submit its own observations to the French Council of State.

Arbitration on Menzel Ledjmet Est project ('MLE'), Algeria

On December 23, 2013, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris ('Paris ICC') in connection with the contract entered into on March 22, 2009, by Saipem SpA and Saipem Contracting Algérie SpA (collectively, 'Saipem') on the one hand, and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures SpA ('Sonatrach') and First Calgary Petroleums LP (collectively, the 'Client') on the other, for the engineering, procurement and construction of a natural gas gathering and treatment plant and related export pipelines in the Menzel Ledjmet Est field in Algeria. The Client was notified of the request on January 8, 2014. In its request for arbitration, Saipem asked the arbitral tribunal to grant: (i) an extension of 14.5 months to the contractual term; and (ii) Saipem's right to receive approximately € 580 million (not including the € 145.8 million already paid by First Calgary Petroleums LP) relating to an increase in the contract price for the extension of the contract terms, variation orders, unpaid invoices past due and spare parts, as well as a sum yet to be quantified for having completed the works in advance of the contractually agreed term. Both Sonatrach and First Calgary Petroleums LP (this latter wholly owned by the Eni Group since 2008) have appointed their arbitrator and, on March 28, 2014, filed their respective Answers to the Request for Arbitration. The Chairman of the Arbitral Tribunal was appointed on May 26, 2014. On December 17, 2014, Saipem submitted a Statement of Claim, together with all of the relevant supporting documentation, in which it requested a total equivalent of approximately € 898.5 million from the Client.
Sonatrach and First Calgary Petroleums LP will file their Statements of Defence by August 14, 2015.

Arbitration proceedings regarding LPG project in Algeria

On March 14, 2014, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris in connection with the contract for the construction of the LDHP ZCINA plant for the 'extraction des liquides des gaz associés Hassi Messaoud et séparation d'huile' (LDHP ZCINA unit for extraction of liquids from associated gas from the Hassi Messaoud field and oil-gas separation), entered into on November 12, 2008 between, on the one hand, Sonatrach, and on the other, Saipem SA and Saipem Contracting Algérie SpA (collectively 'Saipem'). In its request, Saipem asked the Arbitration Tribunal to order Sonatrach to pay the equivalent of approximately € 171.1 million for additional costs incurred as contractor during the execution of the project in relation to variation orders, time extensions, force majeure, non-payment or late payment of invoices and related interest. Sonatrach, in its answer to the request, which it filed on June 10, 2014, denied all liability and asserted a counterclaim requesting that Saipem be ordered to pay liquidated damages for delays amounting to USD 70.8 million. The Arbitral Tribunal was officially constituted on September 16, 2014, following the Chairman of the Arbitral Tribunal's acceptance of his appointment. On November 13, 2014, the parties reached an agreement with regard to the procedural timetable, in accordance with which Saipem filed its Statement of Claim by March 13, 2015, while Sonatrach is required to file its Statement of Defence by September 14, 2015. Arbitration hearings are scheduled to be held in October 2016.

Arbitration proceedings regarding LZ2 project in Algeria

On May 12, 2015, Saipem SpA and Saipem Contracting Algérie SpA (collectively 'Saipem') filed a request for arbitration against Sonatrach for payment of € 7,339,038 and 605,447,169 Algerian Dinars, plus interest, for wrongly applied liquidated damages, extra works and project extension costs, with the International Chamber of Commerce in Paris. The request relates to the contract for the construction of a pipeline between Hassi R'Mel and Arzew in Algeria entered into by Saipem and Sonatrach on November 5, 2007 ('LZ2 project'). Saipem and Sonatrach have both appointed their arbitrators. The respondent has until September 7, 2015 to file its reply.

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

With Resolution No. 18949 of June 18, 2014, Italian stock market regulator Consob fined Saipem SpA € 80,000 for having allegedly delayed the profit warning it issued on January 29, 2013. On July 28, 2014, Saipem SpA filed an appeal against the resolution with the Milan Court of Appeal, but this was rejected by the Court in its ruling of December 11, 2014. The Company has lodged an appeal against the Court of Appeal's decision with the Italian Court of Cassation.
On April 28, 2015, Saipem received notice of legal proceedings before the Court of Milan by 64 investors claiming compensation for damages of approximately € 174 million allegedly incurred following the purchase of Saipem shares in the period between February 13, 2012 and June 14, 2013. The first hearing is scheduled for November 17, 2015. Saipem SpA will challenge the claim in court.

Significant tax disputes

Saipem SpA

On February 5, 2015, the Milan tax unit of the Italian financial police ("Guardia di Finanza") commenced a tax verification of Saipem SpA, which is still underway. As part of the verification, on April 14, 2015, the Guardia di Finanza served Saipem SpA with a tax audit report, full details of which are provided in the 'Algeria' section of the note on legal proceedings.

Potential significant tax disputes

Saipem SpA

As part of the same tax verification process, on July 20, 2015, the Guardia di Finanza served Saipem SpA with a tax audit report at the conclusion of checks carried out in relation to costs arising from transactions occurring in 2010 with companies resident or domiciled in territories with preferential tax regimes, pursuant to Italian Ministerial Decree of January 23, 2002 (i.e. 'black list costs'). In the report, the Guardia di Finanza notified the Italian Revenue Agency of costs amounting to €235,502,590.30 it deemed non-deductible pursuant to Article 110, paragraph 10 of the Italian Income Tax Act, in order to allow the Agency to carry out the checks provided for by paragraph 11 of the same article. If the checks confirm the conclusions contained in the tax audit report either fully or partially, this may result in the issue of a tax assessment notice. Saipem may, within a 90-day period following receipt of notification of the start of checks, file its own observations with the Italian Revenue Agency, as well as any further documentation demonstrating the existence of one of the exonerating circumstances provided for by Italian anti-avoidance legislation, and may also request to be heard by the Agency in an adversarial proceeding.

Saipem Drilling Norway AS

On December 18, 2014, following an audit conducted by the Norwegian revenue agency between January and May 2014 regarding the fiscal years 2012 and 2013, Saipem Drilling Norway AS was served with a report containing the preliminary findings of the inspection. The report does not constitute a tax assessment and therefore does not represent a request for payment. The agency is contesting the value assigned to the rig Scarabeo 8 when it was transferred from Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda to Saipem Drilling Norway AS in July 2012, deeming it higher than its market value, and proposes taxing the extra depreciation charges deducted in the years under consideration, which amount to NOK 630 million (€72 million). The report also proposes a discretionary increase in the 2012 tax base of NOK 1.2 billion (€136 million), corresponding to the recovery of the presumed negative value of the charter contract for the Scarabeo 8. On April 30, 2015, the company filed its response to the findings contained in the report. Objecting to the conclusions of the authority, it attached a report prepared by a leading Norwegian Oil & Gas sector analyst, which provides an extensive description of the Norwegian domestic offshore drilling market and its prospects at the moment the rig was purchased by Saipem Drilling Norway AS. The report concludes with an estimate of the then market value of the rig that is substantially in line with the price at which the rig was transferred between the two Saipem Group companies. Following the issue of the report on December 18, 2014, the statute of limitations on the tax periods under examination were suspended. As a result, the Norwegian revenue agency may now proceed with its checks without a definite term and may invite the company to submit further evidence or, alternatively, issue a definitive tax assessment. Should a definitive tax assessment confirm fully or partially the request contained in the report, the company intends to file an appeal and enter into legal proceedings.

Revenues

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

32 Net sales from operations

Net sales from operations were as follows:

(€ million)	First half 2014	First half 2015
Net sales from operations	5,128	5,365
Change in contract work-in-progress	838	8
Total	**5,966**	**5,373**

Net sales by geographical area were as follows:

(€ million)	First half 2014	First half 2015
Italy	292	184
Rest of Europe	473	627
CIS	392	855
Middle East	1,246	1,103
Far East	570	346
North Africa	275	107
West Africa and Rest of Africa	1,130	1,219
Americas	1,588	932
Total	**5,966**	**5,373**

The disclosures required by IAS 11 are provided by business sector in Note 42 'Segment information, geographical information and construction contracts'.
Contract revenues include the amount agreed in the initial contract, plus revenues from change orders and claims.
Change orders are changes to the contracted scope of work requested by the client, while claims are requests for the reimbursement of costs not included in the contract price. Change orders and claims are included in revenues when: (a) contract negotiations with the client are at an advanced stage and approval is probable; and (b) their amount can be reliably estimated.
The cumulative amount of additional payments for change orders and claims, including amounts pertaining to previous years, based on project progress at June 30, 2015, totalled €788 million, down €254 million compared with the previous period. For projects where additional payments exceed €50 million, estimates are supported by a technical/legal opinion provided by third party consultants. Contributing factors in the decrease in revenues compared with the same period of the previous year included the cancellation of specific orders, among which the South Stream project, and the deterioration of the market environment, particularly in relation to a number of specific counterparties, as described in the operating and financial review. Revenues from related parties are shown in Note 43 'Transactions with related parties'.

33 Other income and revenues

Other income and revenues were as follows:

(€ million)	First half 2014	First half 2015
Indemnities	2	-
Other income	10	1
Total	**12**	**1**

Operating expenses

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

34 Purchases, services and other costs

Purchases, services and other costs included the following:

(€ million)	First half 2014	First half 2015
Production costs - raw, ancillary and consumable materials and goods	1,172	1,079
Production costs - services	2,367	2,511
Operating leases and other	608	622
Net provisions for contingencies	(27)	40
Other expenses	15	95
less:		
- capitalised direct costs associated with self-constructed tangible assets	(7)	(10)
- change in inventories of raw, ancillary and consumable materials and goods	(2)	13
Total	**4,126**	**4,350**

The variation in 'Production costs - raw, ancillary and consumable materials and goods' was related to work on projects underway during the period. Costs for services included agency fees of € 1 million (€ 1 million in the first half of 2014).
Provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
Purchase services and other costs to related parties are shown in Note 43 'Transactions with related parties'.

35 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	First half 2014	First half 2015
Wages and salaries	1,204	1,226
less:		
- capitalised direct costs associated with self-constructed/developed fixed assets	(7)	(5)
Total	**1,197**	**1,221**

Stock-based compensation plans for Saipem senior managers

Saipem discontinued its managerial incentive program involving the assignment of stock options to senior managers of Saipem SpA and its subsidiaries in 2009. At June 30, 2015, the only stock option plan still in force was the 2008 plan approved by the Shareholders of Saipem SpA on April 28, 2008. Neither the general plan conditions nor the other information provided in the consolidated financial statements at December 31, 2014 underwent any significant changes during the period.

STOCK OPTIONS

The following table shows changes in the stock option plans:

	2014			2015		
(€ thousand)	Number of shares	Average strike price	Market price [a]	Number of shares	Average strike price	Market price [a]
Options as of January 1	**259,500**	**25.979**	**4,038**	**61,350**	**25.872**	**538**
New options granted	-	-	-	-	-	-
(Options exercised during the period)	-	-	-	-	-	-
(Options expiring during the period)	(198,150)	-	3,547	-	-	-
Options outstanding as of June 30	**61,350**	**25.872**	**538**	**61,350**	**25.872**	**582**
Of which: exercisable at June 30	**61,350**	**25.872**	**538**	**61,350**	**25.872**	**582**

(a) The market price of shares underlying options granted, exercised or 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, 2015, 61,350 options were outstanding 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
2008 plan	61,350	25.872	1	-	582
Total	**61,350**				

Average number of employees

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

(number)	First half 2014	First half 2015
Senior managers	414	409
Junior managers	4,732	4,859
White collars	21,508	22,058
Blue collars	21,546	19,946
Seamen	329	332
Total	**48,529**	**47,604**

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.

36 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	First half 2014	First half 2015
Depreciation and amortisation:		
- tangible assets	358	377
- intangible assets	4	5
Total	**362**	**382**
Impairment:		
- tangible assets	-	211
- intangible assets	-	-
Total	**-**	**211**

Total write-downs of tangible assets amounting to € 211 million related to a write-down of € 41 million recorded against four vessels slated for scrapping and a write-down of € 170 million recorded in relation to components of two fabrication yards that will not be used in future activities, as described in Note 8 'Property, plant and equipment'.

37 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	First half 2014	First half 2015
Finance income (expense)		
Finance income	333	516
Finance expense	(373)	(607)
Total	**(40)**	**(91)**
Derivatives	(70)	(19)
Total	**(110)**	**(110)**

Net finance income and expense was as follows:

(€ million)	First half 2014	First half 2015
Exchange gains (losses)	**56**	**7**
Exchange gains	331	511
Exchange losses	(275)	(504)
Finance income (expense) related to net borrowings	**(93)**	**(95)**
Interest and other income from Group financial companies	-	-
Interest from banks and other financial institutions	2	5
Interest and other expense due to Group financial companies	(67)	(80)
Interest and other expense due to banks and other financial institutions	(28)	(20)
Other finance income (expense)	**(3)**	**(3)**
Other finance income from third parties	-	-
Finance income (expense) on defined benefit plans	(3)	(3)
Total finance income (expense)	**(40)**	**(91)**

Gains (losses) on derivatives consisted of the following:

(€ million)	First half 2014	First half 2015
Exchange rate derivatives	(70)	(18)
Interest rate derivatives	-	(1)
Total	**(70)**	**(19)**

Net expenses from derivatives of € 19 million (expenses of € 70 million in the first half of 2014) mainly related to the recognition in income of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.
Finance income (expense) with related parties is 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 were as follows:

(€ million)	First half 2014	First half 2015
Share of profit of investments accounted for using the equity method	13	8
Share of loss of investments accounted for using the equity method	(1)	(10)
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	1	(9)
Total	**13**	**(11)**

The share of profit (losses) of investments accounted for using the equity method is commented on in Note 10 'Investments accounted for using the equity method'.

Other income (expense) from investments

A gain of € 18 million was registered during the period mainly in relation to the sale of the Venezuelan companies Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA (classified as held for sale at December 31, 2014).

39 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2014	First half 2015
Current taxes:		
- Italian companies	19	(4)
- foreign companies	84	151
Net deferred taxes:		
- Italian companies	(36)	(217)
- foreign companies	(3)	83
Total	**64**	**13**

(€ million)	First half 2014	First half 2015
Income taxes presented in consolidated income statement	64	13
Income tax related to items of other comprehensive income	(17)	(53)
Tax on total comprehensive income	**47**	**(40)**

40 Non-controlling interests

Profit attributable to non-controlling interests amounted to € 14 million (no profit attributable to non-controlling interests recorded during the first half of 2014).

41 Earnings (loss) per share

Basic earnings 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 number of shares outstanding used for the calculation of the basic earnings per share was 439,361,742 and 439,359,038 in 2015 and 2014, respectively.
Diluted earnings per share are calculated by dividing net profit 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, 2015, 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 2015 and 2014 was 439,532,418 and 439,702,259, respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		June 30, 2014	June 30, 2015
Average number of shares used for the calculation of the basic earnings per share		**439,359,038**	**439,361,742**
Number of potential shares following stock option plans		232,425	61,350
Number of savings shares convertible into ordinary shares		110,796	109,326
Average number of shares used for the calculation of the diluted earnings per share		**439,702,259**	**439,532,418**
Saipem's net profit (loss)	(€ million)	136	(920)
Basic earnings (loss) per share	(€ per share)	0.310	(2.094)
Diluted earnings (loss) per share	(€ per share)	0.309	(2.093)

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 2014						
Net sales from operations	3,990	2,331	747	420	-	7,488
less: intra-group sales	806	441	191	84	-	1,522
Net sales to customers	**3,184**	**1,890**	**556**	**336**	**-**	**5,966**
Operating result	180	(81)	155	39	-	293
Depreciation, amortisation and impairment	147	19	123	73	-	362
Net income from investments	12	5	-	-	-	17
Capital expenditure	135	20	105	69	-	329
Tangible and intangible assets	3,804	590	3,332	943	-	8,669
Investments	83	82	-	4	-	169
Current assets	2,696	2,554	579	491	1,923	8,243
Current liabilities	3,089	1,688	293	156	3,771	8,997
Provisions for contingencies	47	57	1	2	62	169
First half 2015						
Net sales from operations	4,476	1,321	744	493	-	7,034
less: intra-group sales	1,088	273	206	94	-	1,661
Net sales to customers	**3,388**	**1,048**	**538**	**399**	**-**	**5,373**
Operating result	(114)	(758)	140	(58)	-	(790)
Depreciation, amortisation and impairment	310	71	124	88	-	593
Net income from investments	(5)	12	-	-	-	7
Capital expenditure	82	17	107	62	-	268
Tangible and intangible assets	3,462	544	3,031	1,104	-	8,141
Investments	106	(4)	-	5	-	107
Current assets	3,008	2,223	556	533	2,183	8,503
Current liabilities	3,688	2,018	255	207	3,833	10,001
Provisions for contingencies	49	132	1	2	63	247

Geographical information

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single year, it is difficult to allocate assets to a specific geographic area. As a result, certain assets have been deemed not directly attributable.
The unallocated part of tangible and intangible assets and capital expenditure related to vessels and their related equipment and goodwill.
The unallocated part of current assets pertained to inventories related to vessels.
A breakdown of revenues by geographical area is provided in Note 32 'Net sales from operations'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
First half 2014									
Capital expenditure	8	4	6	46	1	7	65	192	329
Tangible and intangible assets	102	36	315	716	17	304	951	6,228	8,669
Identifiable assets (current)	249	1,416	491	2,321	501	763	1,666	836	8,243
First half 2015									
Capital expenditure	7	3	15	58	-	2	26	157	268
Tangible and intangible assets	108	31	303	949	2	155	805	5,788	8,141
Identifiable assets (current)	403	1,419	811	1,667	356	956	1,819	1,072	8,503

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); and (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 2014	First half 2015
Construction contracts - assets	2,635	2,001
Construction contracts - liabilities	(1,289)	(1,545)
Construction contracts - net	**1,346**	**456**
Costs and margins (completion percentage)	6,464	5,943
Progress billings	(5,137)	(5,425)
Change in provision for future losses	19	(62)
Construction contracts - net	**1,346**	**456**

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, and entering into derivative contracts with joint ventures, associates and unconsolidated subsidiaries, with subsidiaries, jointly-controlled entities and associates of Eni SpA, and with a number of entities owned or controlled by the 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 2015:

- on January 8, 2015, Saipem Drilling Norway AS, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a 3-year long-term revolving loan agreement for € 300 million, carrying a variable rate of interest plus a spread of 250 basis points;
- on March 11, 2015, Saipem Canada Inc, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for 625 million Canadian Dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on March 17, 2015, Saimexicana SA de Cv, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for 200 million US dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on March 23, 2015, Sofresid SA, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for € 300 million carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on June 29, 2015, Snamprogetti Saudi Arabia Ltd, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, two loan agreements: the first is a two-year loan agreement for 290 million US dollars carrying a variable rate of interest based on Libor plus a spread of 250 basis points, while the second is a one-year loan agreement for 280 million US dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- the transaction with Vodafone Omnitel BV which, pursuant to the provisions of Consob's Regulation concerning transactions with related parties of March 12, 2010 and Saipem's internal procedure 'Interests held by Board Directors and Statutory Auditors and transactions with related parties', is related to Eni SpA through a member of the Board of Directors. The transaction in question was carried out on an arm's length basis and essentially related to costs for mobile communication services amounting to € 1 million.

The tables below show the value of transactions of a trade, financial or other nature entered into with related parties. The analysis by company is based on the principle of relevance in relation to the total amount of transactions. Transactions not itemised because they are immaterial are aggregated under the following captions:

- unconsolidated subsidiaries;
- associated and jointly-controlled companies;
- Eni subsidiaries;
- Eni associated and jointly-controlled companies;
- other related parties.

Trade and other transactions

Trade and other transactions as of December 31, 2014 and for the six-month period ended June 30, 2014 were as follows:

(€ million)

	Dec. 31, 2014			First half 2014			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services (1)	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	2	-	-	1	-	-
Total unconsolidated subsidiaries	**-**	**2**	**-**	**-**	**1**	**-**	**-**
Associated and jointly-controlled companies							
ASG Scarl	-	6	-	-	-	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	114	152	150	-	68	69	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	21	12	278	-	-	1	-
CSFLNG Netherlands BV	-	1	-	-	-	7	-
Gruppo Rosetti Marino SpA	-	-	-	-	1	-	-
KWANDA Suporte Logistico Lda	68	15	-	-	4	4	-
Petromar Lda	90	4	39	-	1	31	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	1	-	-	-	-	-	-
Saipar Drilling Co BV	-	-	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	14	16	-	-	17	3	-
Société pour la Réalisation du Port de Tanger Méditerranée	1	-	-	-	-	-	-
Southern Gas Constructors Ltd	1	-	-	-	-	-	-
TMBYS SAS	2	1	-	-	-	5	-
Others (for transactions not exceeding € 500 thousand)	1	2	-	-	1	2	-
Total associated and jointly-controlled companies	**313**	**209**	**467**	**-**	**92**	**122**	**-**
Eni consolidated subsidiaries							
Eni SpA	5	11	4,742	-	8	-	-
Eni SpA Exploration & Production Division	87	7	-	-	-	92	-
Eni SpA Gas & Power Division	1	1	-	-	1	-	-
Eni SpA Refining & Marketing Division	18	1	-	1	-	13	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	1	-
Agip Oil Ecuador BV	2	-	-	-	-	1	-
Banque Eni SA	-	-	-	-	1	-	-
Eni Adfin SpA	-	3	-	-	2	-	-
Eni Angola SpA	55	-	-	-	-	62	-
Eni Congo SA	150	21	-	-	-	96	-
Eni Corporate University SpA	-	3	-	-	3	-	-
Eni Cyprus Ltd	27	-	-	-	-	-	-
Eni East Sepinggan Ltd	1	-	-	-	-	-	-
Eni Finance International SA	-	1	-	-	-	-	-
Eni Insurance Ltd	-	5	-	-	13	-	8
Eni Lasmo PLC	2	-	-	-	-	3	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	1	-
Eni Muara Bakau BV	35	25	-	-	-	3	-
Eni Norge AS	46	-	-	-	-	85	-
EniPower SpA	2	-	-	-	-	1	-
EniServizi SpA	1	17	-	-	24	1	-
Eni Turkmenistan Ltd	2	-	-	-	-	-	-
Floaters SpA	1	-	-	-	-	3	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-

(€ million)

	Dec. 31, 2014			First half 2014			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services (1)	Goods and services	Other
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Nigerian Agip Exploration Ltd	1	-	-	-	-	11	-
Raffineria di Gela SpA	-	-	-	-	-	3	-
Serfactoring SpA	3	13	-	-	1	-	-
Syndial SpA	9	-	-	-	-	5	-
Versalis SpA	13	-	-	-	-	27	-
Others (for transactions not exceeding € 500 thousand)	1	-	-	-	-	1	-
Total Eni consolidated subsidiaries	**470**	**108**	**4,742**	**1**	**53**	**409**	**8**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	-	-	-	-	-	84	-
Total Eni subsidiaries	**470**	**108**	**4,742**	**1**	**53**	**493**	**8**
Eni associated and jointly-controlled companies							
Eni East Africa SpA	7	3	-	-	-	59	-
Greenstream BV	1	-	-	-	-	-	-
Mellitah Oil&Gas BV	10	-	-	-	-	(1)	-
Petrobel Belayim Petroleum Co	23	-	-	-	-	42	-
Raffineria di Milazzo	6	-	-	-	-	-	-
South Stream Transport BV	-	-	-	-	-	230	-
Others (for transactions not exceeding € 500 thousand)	1	-	-	-	-	4	-
Total Eni associated and jointly-controlled companies	**48**	**3**	**-**	**-**	**-**	**334**	**-**
Total Eni companies	**518**	**111**	**4,742**	**1**	**53**	**827**	**8**
Entities controlled or owned by the State	**16**	**60**	**-**	**-**	**6**	**19**	**-**
Pension funds: FOPDIRE	**-**	**-**	**-**	**-**	**1**	**-**	**-**
Total transactions with related parties	**847**	**382**	**5,209**	**1**	**153**	**968**	**8**
Overall total	**3,391**	**5,669**	**8,169**	**1,172**	**2,990**	**5,966**	**12**
Incidence (%)	**25.60** (2)	**6.74**	**63.77**	**0.09**	**5.08** (3)	**16.23**	**66.67**

(1) The item 'Services' includes costs for services, costs for the use of third-party assets and other costs.
(2) Incidence includes receivables shown in the table 'Financial transactions'.
(3) Incidence is calculated net of pension funds.

Trade transactions as at and for the six-month period ended June 30, 2015 were as follows:

(€ million)

	June 30, 2015			First half 2015			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services (1)	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	1	-	-	-	-	-
Total unconsolidated subsidiaries	**-**	**1**	**-**	**-**	**-**	**-**	**-**
Associated and jointly-controlled companies							
ASG Scarl	-	6	-	-	-	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	58	104	150	-	-	81	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	15	8	291	-	-	-	-
Charville - Consultores e Servicos, Lda	-	-	-	-	-	-	-
CSFLNG Netherlands BV	22	-	-	-	-	23	-
Fertilizantes Nitrogenados de Venezuela CEC	-	-	-	-	-	-	-
Gruppo Rosetti Marino SpA	2	2	-	2	-	-	-
KWANDA Suporte Logistico Lda	68	12	-	-	2	5	-
Petromar Lda	111	3	39	-	1	29	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	-	-	-	-	-	-	-
Saipar Drilling Co BV	-	-	-	-	-	1	-

(€ million)

	June 30, 2015			First half 2015			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services [1]	Goods and services	Other
Saipem Taqa Al Rushaid Fabricators Co Ltd	13	16	-	-	48	(1)	-
Southern Gas Constructors Ltd	1	-	-	-	-	-	-
TMBYS SAS	2	1	-	-	-	-	-
Others (for transactions not exceeding € 500 thousand)	1	-	-	-	1	-	-
Total associated and jointly-controlled companies	**293**	**152**	**480**	**2**	**52**	**138**	**-**
Eni consolidated subsidiaries							
Eni SpA	4	10	3,783	-	9	-	-
Eni SpA Downstream Gas Division	-	-	-	-	1	-	-
Eni SpA Exploration & Production Division	79	5	-	-	-	52	-
Eni SpA Gas & Power Division	1	-	-	-	-	-	-
Eni SpA Refining & Marketing Division	6	1	-	2	-	8	-
Agip Energy & Natural Resources (Nigeria) Ltd	-	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	-	-
Agip Oil Ecuador BV	2	-	-	-	-	2	-
Banque Eni SA	-	-	-	-	1	-	-
Eni Adfin SpA	-	4	-	-	2	-	-
Eni Angola SpA	51	-	-	-	-	124	-
Eni Congo SA	139	10	-	-	-	224	-
Eni Corporate University SpA	-	3	-	-	2	-	-
Eni Cyprus Ltd	-	-	-	-	-	42	-
Eni East Sepinggan Ltd	-	-	-	-	-	-	-
Eni Finance International SA	-	-	-	-	-	-	-
Eni Insurance Ltd	9	6	-	-	3	-	-
Eni Lasmo PLC	8	-	-	-	-	7	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	-	-
Eni Muara Bakau BV	30	5	-	-	-	128	-
Eni Norge AS	42	-	-	-	-	78	-
EniPower SpA	-	-	-	-	-	-	-
EniServizi SpA	-	21	-	-	22	-	-
Eni Trading & Shipping SpA	-	-	-	-	5	-	-
Eni Turkmenistan Ltd	8	-	-	-	-	7	-
Floaters SpA	-	-	-	-	-	-	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	5	-	-	-	-	-	-
Nigerian Agip Exploration Ltd	-	-	-	-	-	-	-
Raffineria di Gela SpA	1	-	-	-	-	1	-
Serfactoring SpA	3	17	-	-	1	-	-
Syndial SpA	4	-	-	-	-	3	-
Versalis SpA	13	-	-	-	-	9	-
Others (for transactions not exceeding € 500 thousand)	-	2	-	-	-	3	-
Total Eni consolidated subsidiaries	**407**	**84**	**3,783**	**2**	**46**	**688**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	-	-	-	-	-	-	-
Total Eni subsidiaries	**407**	**84**	**3,783**	**2**	**46**	**688**	**-**
Eni associated and jointly-controlled companies							
Eni East Africa SpA	11	-	-	-	-	20	-
Greenstream BV	2	-	-	-	-	1	-
Mellitah Oil&Gas BV	10	-	-	-	-	-	-
Petrobel Belayim Petroleum Co	15	-	-	-	-	27	-

(€ million)

Name	June 30, 2015 Receivables	Payables	Guarantees	First half 2015 Costs Goods	Services [1]	Revenues Goods and services	Other
Raffineria di Milazzo	1	-	-	-	-	4	-
Others (for transactions not exceeding € 500 thousand)	-	-	-	-	-	-	-
Total Eni associated and jointly-controlled companies	**39**	**-**	**-**	**-**	**-**	**52**	**-**
Total Eni companies	**446**	**84**	**3,783**	**2**	**46**	**740**	**-**
Entities controlled or owned by the State	**10**	**1**	**-**	**-**	**1**	**12**	**-**
Pension funds: FOPDIRE	**-**	**-**	**-**	**-**	**1**	**-**	**-**
Total transactions with related parties	**749**	**238**	**4,263**	**4**	**100**	**890**	**-**
Overall total	**3,466**	**5,788**	**7,461**	**1,079**	**3,228**	**5,373**	**1**
Incidence (%)	**21.81** [2]	**4.11**	**57.14**	**0.37**	**3.07** [3]	**16.56**	**0.00**

(1) The item 'Services' includes costs for services, costs for the use of third-party assets and other costs.
(2) Incidence includes receivables shown in the table 'Financial transactions'.
(3) Incidence is calculated net of pension funds.

The figures shown in the tables refer to Note 3 'Trade and other receivables', Note 15 'Trade and other payables', Note 31 'Guarantees, commitments and risks', Note 32 'Net sales from operations', Note 33 'Other income and revenues' and Note 34 'Purchases, services and other costs'.
The Saipem Group provides services to Eni Group companies in all sectors in which it operates, both in Italy and abroad.
Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group.
Other transactions consisted of the following:

(€ million)	Dec. 31, 2014 Other receivables	Dec. 31, 2014 Other payables	June 30, 2015 Other receivables	June 30, 2015 Other payables
Eni SpA	356	805	226	332
Agip Oil Ecuador BV	-	-	-	2
Banque Eni SA	3	18	1	5
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	3	-	3	-
Eni Insurance Inc	-	-	-	8
Eni Trading & Shipping SpA	-	5	-	1
Total transactions with related parties	**362**	**828**	**230**	**348**
Overall total	**635**	**840**	**470**	**385**
Incidence (%)	**57.01**	**98.57**	**48.94**	**90.39**

Financial transactions

Financial transactions as of December 31, 2014 and for the six-month period ended June 30, 2014 were as follows:

(€ million)

Name	Dec. 31, 2014 Cash and cash equivalents	Receivables [1]	Payables [2]	Commitments	First half 2014 Expenses	Income	Derivatives
Eni SpA	87	-	1,798	15,864	(34)	-	(62)
Banque Eni SA	57	-	-	366	-	-	(9)
Eni Finance International SA	741	-	3,709	-	(32)	-	-
Eni Finance Usa Inc	-	14	-	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	-	-	-	-
Serfactoring SpA	-	-	24	-	(1)	-	-
TMBYS SAS	-	7	-	-	-	-	-
Total transactions with related parties	**885**	**21**	**5,531**	**16,230**	**(67)**	**-**	**(71)**

(1) Shown on the balance sheet under 'Trade and other receivables' (€ 21 million).
(2) Shown on the balance sheet under 'Short-term debt' (€ 1,873 million); 'Long-term debt' (€ 3,064 million) and 'Current portion of long-term debt' (€ 594 million).

Financial transactions as of and for the six-month period ended June 30, 2015 were as follows:

(€ million)

	June 30, 2015				First half 2015		
Name	Cash and cash equivalents	Receivables [1]	Payables [2]	Commitments	Expenses	Income	Derivatives
Eni SpA	113	-	2,399	12,373	(40)	-	(24)
Banque Eni SA	67	-	-	200	-	-	6
Eni Finance International SA	498	-	4,067	-	(38)	-	-
Eni Finance Usa Inc	-	-	8	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	-	-	-	-
Serfactoring SpA	-	-	20	-	(2)	-	-
TMBYS SAS	-	7	-	-	-	-	-
Total transactions with related parties	**678**	**7**	**6,494**	**12,573**	**(80)**	**-**	**(18)**

(1) Shown on the balance sheet under 'Trade and other receivables' (€ 7 million).
(2) Shown on the balance sheet under 'Short-term debt' (€ 2,530 million); 'Long-term debt' (€ 3,477 million) and 'Current portion of long-term debt' (€ 487 million).

Financial transactions also included transactions with Eni Trading & Shipping SpA which are included in the income statement under the item 'Other operating income (expense)'.
As the result of a special agreement between Saipem and the Eni Corporate Finance Unit, Eni SpA supplies 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, 2014			June 30, 2015		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Short-term debt	2,186	1,873	85.68	3,037	2,530	83.31
Long-term debt (including current portion)	3,908	3,658	93.60	3,964	3,964	100.00

	First half 2014			First half 2015		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Finance income	333	-	-	516	-	-
Finance expense	(373)	(67)	17.96	(607)	(80)	13.18
Derivative financial instruments	(70)	(71)	101.43	(19)	(18)	94.74
Other operating income (expense)	-	-	-	-	-	-

The main cash flows with related parties were as follows:

(€ million)	June 30, 2014	June 30, 2015
Revenues and other income	976	890
Costs and other expenses	(154)	(104)
Finance income (expenses) and derivatives	(138)	(98)
Change in trade receivables and payables	(99)	(46)
Net cash flow from operations	**585**	**642**
Change in financial receivables	(29)	14
Net cash flow from (used in) investing activities	**(29)**	**14**
Change in financial debt	360	963
Net cash flow from (used in) financing activities	**(360)**	**963**
Total cash flows with related parties	**916**	**1,619**

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

(€ million)	June 30, 2014 Total	Related parties	Incidence %	June 30, 2015 Total	Related parties	Incidence %
Net cash flow from operations	50	585	1,170.00	(852)	642	(75.35)
Net cash flow from (used in) investing activities	(323)	(29)	8.98	(144)	14	(9.72)
Net cash flow from (used in) financing activities (*)	414	360	86.96	817	963	117.87

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

Disclosure of interests in joint operations

The table below contains information regarding interests in joint operations that are consolidated using the working interest method as at June 30, 2015:

(€ million)	June 30, 2014	June 30, 2015
Net capital employed	(61)	(48)
Total assets	62	88
Total current assets	62	86
Total non-current assets	-	2
Total liabilities	61	85
Total current liabilities	61	84
Total non-current liabilities	-	1
Total revenues	1	9
Total operating expenses	(1)	(12)
Operating result	-	(3)
Net profit (loss) for the period	-	(1)

44 Significant non-recurring events and operations

No significant non-recurring events or operations took place in the first half of 2015 or the first half of 2014.

45 Transactions deriving from atypical or unusual operations

No transactions deriving from atypical and/or unusual operations occurred in the first half of 2014 or the first half of 2015.

46 Events subsequent to period end

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

47 Additional information Algeria

Further to the disclosures provided in the Algeria paragraph of the ‘Legal proceedings’ section, we note the following additional information with regard to projects under execution in Algeria as at June 30, 2015, with the sole purpose of providing a complete and comprehensive picture of the current situation:

- funds in two current accounts (ref. Note 1) amounting to the equivalent of € 87 million are currently frozen;
- trade receivables (ref. Note 3) totalled € 52 million, all past due and not impaired;
- work-in-progress (ref. Note 4) on projects under execution amounted to € 154 million;
- deferred income and advance payments (ref. Note 15) totalled € 65 million and € 1 million, respectively;
- provisions for future losses (ref. Note 20) for projects under execution amounted to € 3 million;
- guarantees (ref. Note 32) on projects under execution totalled € 546 million.

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 Stefano Cao and Alberto Chiarini 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 at June 30, 2015 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, 2015 have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Saipem in accordance with the Internal Control - Integrated Framework Model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:

3.1 the condensed consolidated interim financial statements at June 30, 2015:

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

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

c) fairly represent the financial condition, 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 occurring during the first half of 2015 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 also contains a reliable analysis of the disclosure on significant related-party transactions.

July 28, 2015

Stefano Cao
CEO

Alberto Chiarini
Chief Financial Officer and Compliance Officer

Independent Auditors' Review report

Building a better
working world

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Review report on the condensed consolidated interim financial statements
(Translation from the original Italian text)

To the Shareholders of
Saipem S.p.A.

Introduction

We have reviewed the condensed consolidated interim financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement and the notes of Saipem S.p.A. and its subsidiaries (the "Saipem Group") as of June 30, 2015. The Directors of Saipem S.p.A. are responsible for the preparation of the condensed consolidated interim financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

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, 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 6, 2015

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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