

Consolidated and Statutory Financial statements of Saipem S.P.A. at December 31, 2016 - Information Pursuant to art. 154-ter, subsection 7, of Italian legislative decree no. 58/98

San Donato Milanese (Milan), March 5, 2018 - Saipem SpA (hereinafter "Saipem" or the "Company"), issuer of shares negotiated on the MTA of the Italian Stock Exchange, notes the following.

Given that

- a. on January 30, 2018, Consob, having concluded its inspection commenced on November 7, 2016 (which ended on 23 October, 2017) and of which information was given in the Annual Report 2016, has informed Saipem that it has detected non compliances in "the Annual Report 2016, as well as in the Interim Consolidated Report as of June, 30 2017" with the applicable international accounting principles (IAS 1 "Presentation of Financial Statements"; IAS 34 "Interim financial reporting"; IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" par. 5, 41 and 42; IAS 36 "Impairment of Assets" par. 31, 55-57) and, consequently, has informed Saipem about the commencement "of proceedings for the adoption of measures pursuant to art. 154-ter, subsection 7 of Legislative Decree no. 58/98";
- b. with notes of February 13 and 15 2018, the Company transmitted to Consob its own considerations in relation to the remarks formulated by the Offices of Consob, highlighting the reasons for which it does not share such remarks;
- c. on March 2, 2018, the Commission of Consob, partially accepting the remarks of the Offices of Consob, informed Saipem of its own resolution no. 20324 (the "Resolution"), with which it ascertained the "non conformity of the Saipem's Annual Report 2016 with the regulations governing their predisposition", without censuring the correctness of the Interim Consolidated Report as of June 30, 2017;
- d. according to the Resolution, the non-conformity of the Saipem's Annual Report 2016 with the regulations which govern its predisposition, concerns in particular: (i) the incorrect application of the accounting principle of the accrual basis of accounting affirmed by the accounting principles IAS 1; (ii) the failed application of the accounting principle IAS 8 in relation to the correction of errors with reference to the financial statements of 2015 and (iii) the estimation process of the discount rate pursuant to the accounting principles IAS 36;

- e. Consob has therefore asked the Company, pursuant to art. 154-ter, subsection 7, of legislative Decree no. 58 of 1998, to disclose the following elements of information to the market:
- (i) the shortcomings and criticalities revealed by Consob in relation to the accounting correctness of the financial statements mentioned above;
 - (ii) the applicable international accounting principles and the violations detected in relation thereto;
 - (iii) the illustration, in an appropriate pro-forma consolidated income statements and balance sheet - with comparative data - of the effects that accounting in compliance with the regulations would have produced on 2016 balance sheet, income statement and shareholders' equity, for which incorrect information was supplied.

Given all of the above, Saipem hereinafter provides the information requested by the Consob resolution.

A. Shortcomings and criticalities revealed by Consob regarding the correctness of accounting in the 2016 consolidated and statutory financial statements.

The shortcomings and criticalities encountered by Consob with regard to the 2016 consolidated and statutory financial statements can be substantially attributed to the following two items:

- a) non-compliance of the "2016 consolidated and statutory Saipem SpA financial statements with reference to the comparative data for the financial year 2015",
- b) non-compliance of the process of estimation of the discount rate underpinning the 2016 impairment test with accounting principle IAS 36 which requires that the company must "apply the appropriate discount rate to ... future cash flows".

With regard to point a), the contestation concerns the non-compliance of the 2016 consolidated and statutory financial statements with:

- i. IAS 1, par. 27, according to which "An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting." and par. 28, according to which "When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework."

and

- ii. IAS 8, par. 41, according to which "material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period" and par. 42 according to which "the entity must correct the material errors for the previous financial years retroactively in the first financial statements authorised for publication after their discovery as follows: a) by newly determining the comparative figures for the financial year/years prior to the one in which the error was committed [...]"

In substance, in Consob's opinion, the circumstances at the basis of some of the write-downs recognised in the 2016 financial statements already existed, wholly or in part, when preparing 2015 financial statements. Indeed, Consob alleges that the Company approved 2016 consolidated and statutory financial statements without having corrected the "material errors" contained in the consolidated and statutory financial statements of the previous administrative period, in relation to the following items:

- "properties, plants and equipment";
- "inventories";
- "tax assets"

With regard to point sub b), Consob alleges that the Company, for the purposes of the impairment test: (i) used a sole rate to actualise business unit cash flows, characterised by a different risk profile; (ii) did not consider the country risk in relation to some assets operating in specific geographical areas over a long period of time; (iii) did not take into account the significant changes in Company risk profile subsequent to the transaction that determined the deconsolidation of Saipem from the Eni group.

B. The applicable accounting standards and the violations encountered in relation thereto

Consob holds that the 2016 consolidated and statutory financial statements of Saipem at December 31, 2016, were not compliant with the following accounting principles: IAS 1; IAS 8; IAS 36.

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

- "properties, plants and equipment";
- "inventories";
- "tax assets"

With reference to the item "properties, plants and equipment" for 2015, Consob alleges the incorrect application of IAS 16 Accounting Principle "properties, plants and equipment" and of IAS 36.

Specifically, Consob alleges that some write offs (totalling approximately 1.3 billion euro) carried out by the Company on "properties, plants and equipment" in the 2016 consolidated financial statements 2016 should have been accounted for, at least in part, in the previous financial year.

In particular Consob alleges:

(i) The non-correct application of IAS 36 with reference to the impairment test relating to the evaluation of some assets registered as "properties, plants and equipment" of the Offshore Drilling business unit and with respect to the assets registered in the Offshore and Onshore Engineering and Construction business units. Consob's remarks refers to the methods of cash flow estimation expected from the use of said assets for the purposes of the application of the impairment test with respect to the financial year

2015 and specifically to the incorrect application of IAS 36: (a) par. 33, let. a), according to which “In measuring value in use an entity shall:

(a) base cash flow projections on reasonable and supportable assumptions that represent management’s best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence” .

(b) par. 34 in the part that requires that management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past cash flow projections and actual cash flows. Management shall ensure that the assumptions on which its current cash flow projections are based are consistent with past actual outcomes, provided the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated make this appropriate; (c) par. 35 in the part that refers to the approach to be followed when use is made of cash flow projections for a period of over five years, highlighting that said approach is allowed “if [the entity] is confident that these projections are reliable and it can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period.”

(ii) the non-correct application of IAS 16, paragraphs. 51, 56 and 57 with reference to useful residual life of some assets registered as “properties, plants and equipment” of the Onshore Drilling business unit, of the Engineering & Construction Offshore business unit and of the Onshore Engineering and Construction business unit. Consob’s remarks concern the circumstances that the review of the estimation of the useful residual life of assets cited (reported in the 2016 financial statements) should have already been done in the financial year 2015. Specifically, Consob alleges that IAS 16: (a) par. 51 was not correctly applied in the part that requests that “The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*”; (b) par. 56 in the part that requires that “The future economic benefits embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits that might have been obtained from the asset”; par. 57 in the part that requires that “The useful life of an asset is defined in terms of the asset’s expected utility to the entity. The asset management policy of the entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets.”

As a consequence of the above mentioned remarks, Consob likewise does not share the economic competence of the write off included in the 2016 consolidated and statutory financial statements with reference to some inventories and to a positive deferred tax asset (totalling approximately 0.1 billion

euro) related to the items criticized by Consob for which the economic competence of the write off according to Consob should have been accounted for in the 2015 financial year

Consob notes in this regard:

(i) IAS 2 par. 9, that "Inventories shall be measured at the lower of cost and net realisable value" and at par. 30 that "Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise."

(ii) IAS 12 in the part that requires at par. 34 that "A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised" and that "to the extent that it is not probable that taxable profit will be available against which unused tax losses or unused tax credits can be utilized, the deferred tax asset is not recognised"

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

In relation to the above, Consob also alleges the violation of the principle of correct representation of the Company's situation which would not guarantee the observance of fundamental assumptions and qualitative characteristics of information.

Consob believes, in fact, that the importance of the errors and the significance of the shortcomings can likewise determine the non-compliance of the aforementioned financial statements with the requirements of reliability, prudence and completeness, pursuant to principle IAS 1.

C. Illustration, in an appropriate pro-forma consolidated income statements and balance sheet - with comparative data - of the effects that accounting in compliance with the regulations would have produced on 2016 balance sheet, the income statement and shareholders' equity, for which incorrect information was supplied.

While not sharing the judgement of non-compliance of the 2016 consolidated and statutory financial statements put forward by Consob in its Resolution, and while reserving its right to any action, including the evaluation of a remedy of a judicial nature, Saipem communicates that, for the sole purposes of complying with the Resolution, it will publish, with markets closed, in a reasonable time frame given the complexity of the activities to be performed, and in any case within 3 weeks from today, by way of an

dedicated press release, a consolidated pro-forma 2016 profit and loss and balance sheet, which takes into account the remarks by Consob as illustrated previously.

Saipem points out that the 2015 and 2016 consolidated and statutory financial statements of the Company were subject to audit and that the auditors in charge of the review confirmed that the 2015 and 2016 consolidated and statutory financial statements were prepared in compliance with international accounting principles.

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The Board of Directors of Saipem, having met on March 4, 2018, in approving the text of this Press Release, has confirmed both the date of the Board meeting of March 5, 2018, having as its subject matter the approval of the financial statements of 2017, and the date of March 6, 2018 for the issuance of the related Press Release and the programmed conference call with analysts.

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Saipem is one of the world leaders in drilling services, as well as in the engineering, procurement, construction and installation of pipelines and complex projects, onshore and offshore, in the oil & gas market. The company has distinctive competences in operations in harsh environments, remote areas and deepwater. Saipem provides a full range of services with "EPC" and "EPCI" contracts (on a "turn-key" basis) and has distinctive capabilities and unique assets with a high technological content.

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