INTERIM FINANCIAL REPORT
AS OF JUNE 30, 2020

SAIPEM

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

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

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

COUNTRIES IN WHICH SAIPEM OPERATES
EUROPE
Albania, Austria, Bulgaria, Croatia, Cyprus, Denmark, France, Germany, Hungary, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey, United Kingdom

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

CIS
Azerbaijan, Georgia, Kazakhstan, Russia

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

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

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

BOARD OF DIRECTORS AND STATUTORY AUDITORS OF SAIPEM SPA
BOARD OF DIRECTORS[1]
Chairman
Francesco Caio

Chief Executive Officer (CEO)
Stefano Cao

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

BOARD OF STATUTORY AUDITORS[2]
Chairman
Giovanni Fiori

Statutory Auditors
Giulia De Martino
Norberto Rosini

Alternate Statutory Auditors
Francesca Michela Maurelli
Maria Francesca Talamonti

INDEPENDENT AUDITORS
KPMG SpA[4]

(1) Appointed by the Shareholders' Meeting on May 3, 2018, for 2018, 2019, and 2020 and in any case up to the date of the Shareholders' Meeting to approve the financial statements as at December 31, 2020.
(2) Appointed by the Shareholders' Meeting on April 29, 2020 for a three-year period and in any case up to the date of the Shareholders' Meeting to approve the financial statements as at December 31, 2022.
(3) Appointed by co-optation as Director by a resolution of the Board of Directors on February 5, 2020 following the resignation of Pierfrancesco Latini on December 23, 2019 and appointed as Director by the Shareholders' Meeting on April 29, 2020 until the expiry of the term of the current Board of Directors.
(4) The Shareholders' Meeting of May 3, 2018 resolved to appoint KPMG SpA as the independent auditors from 2019 to 2027.

INTERIM FINANCIAL REPORT AS OF JUNE 30, 2020

Approved by the Board of Directors on July 28, 2020

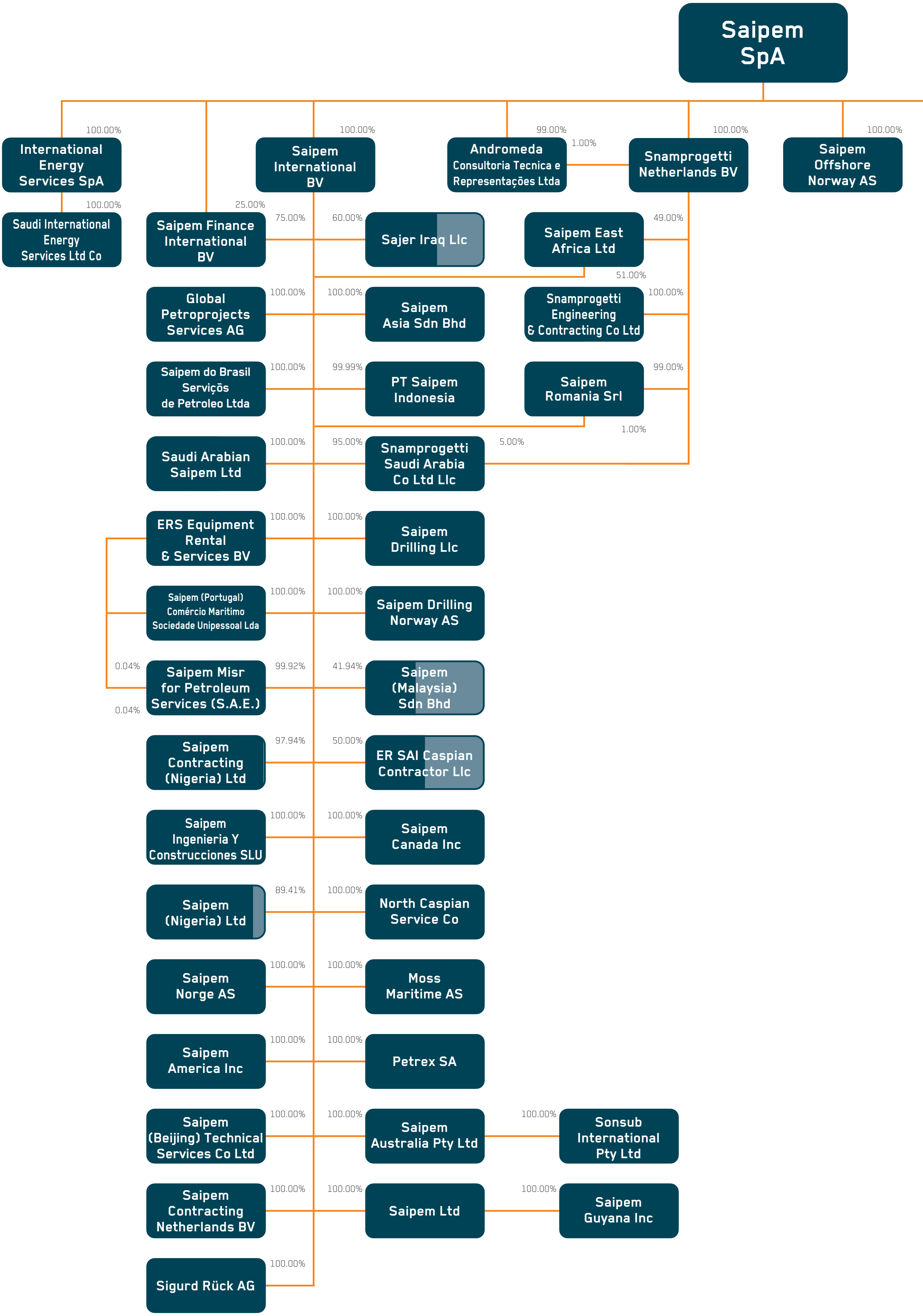
INTERIM RESULTS

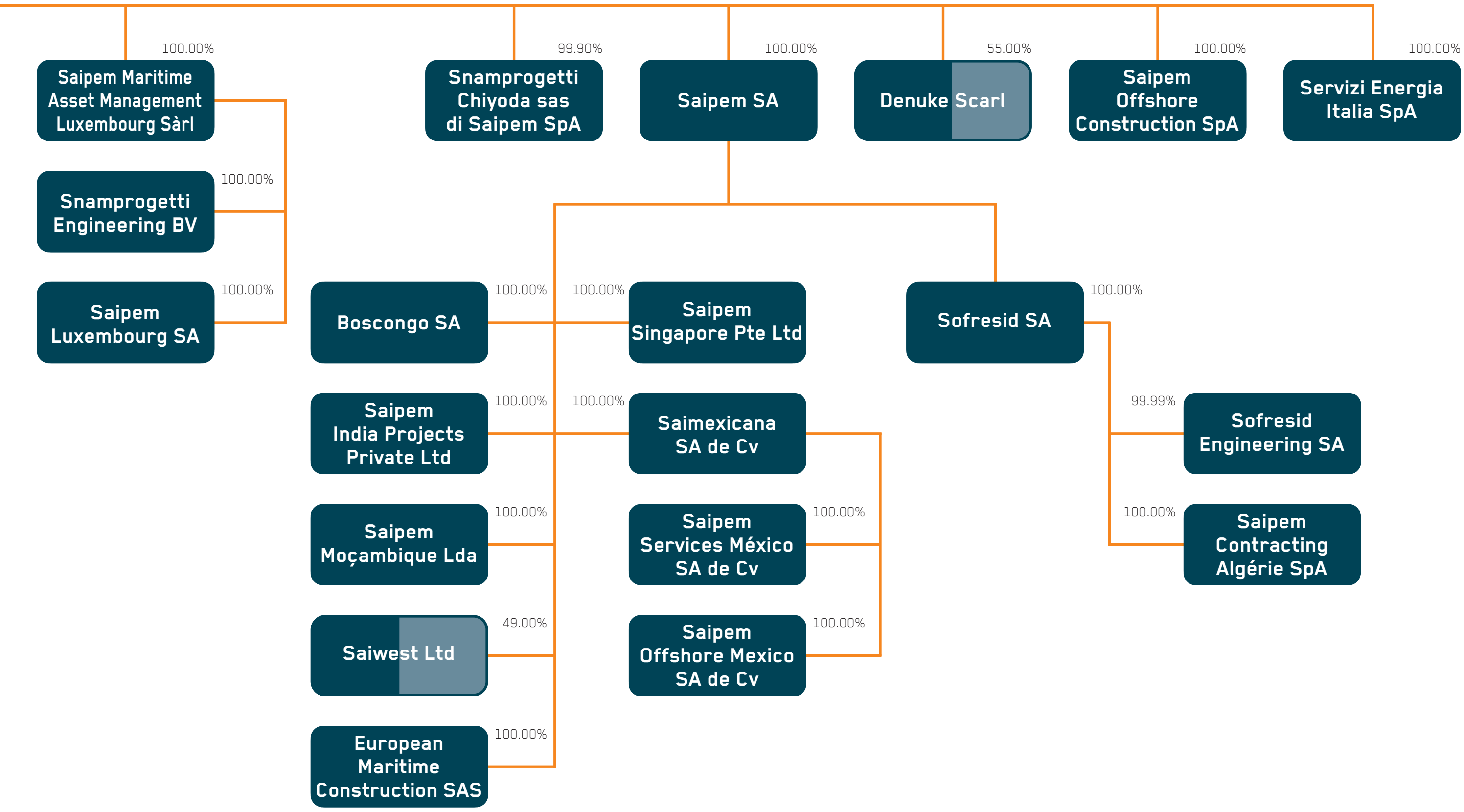
In the first half of 2020, Saipem recorded a slowdown in its operating results due to the pandemic.
The market scenario remains characterised by great uncertainty about the economic and financial prospects, because of the COVID-19 pandemic, still spreading worldwide, and because of the uncertainty as regards the demand for oil and gas and related services. Consequently, during the period, the investment plans of the Oil Companies have been considerably downsized. In this context, on April 15, 2020, Saipem Board of Directors decided to withdraw the guidance announced to the market at the end of February when presenting 2019 annual results. Despite the fact that the current year is still experiencing the impact of the COVID-19 pandemic, the backlog of orders to be carried out in the second half of the year will ensure the same volumes as in the first half. Initiatives to reduce overhead and operating costs, estimated at about €190 million for 2020, are expected to shore up the Group's adjusted EBITDA margin in the second half of the year, which could reach the levels of the first six-month period. Added to this is the rescheduling of capital expenditure, down over €200 million compared to the projections made at the beginning of the year.
This scenario does not take account of a further and possible tangible deterioration of business as a result of the intensification of the COVID-19 pandemic.
Saipem has solid fundamentals underpinning the strategies adopted to decisively challenge the pandemic consequences and take advantages of opportunities during the recovery phase.
Revenue amounted to €3,675 million (€4,519 million in the corresponding period of 2019), a decrease of 18.7% following the reduction in volumes across all divisions, the results of which have been impacted by the slowdown of projects and the postponement of certain activities agreed upon with clients as a result of the effects of the pandemic.
The Offshore Engineering & Construction sector accounted for 40% of revenue; the Onshore Engineering & Construction sector contributed 48% of revenue; the Offshore Drilling sector 5% of revenue and the Onshore Drilling sector generated 7% of revenue.
Adjusted EBITDA amounted to €355 million (€606 million in the first half of 2019), in line with the reduction in revenue.
Adjusted net profit recorded a loss of €132 million compared to the profit of €60 million in the first half of 2019. Adjusted operating profit lowered from €308 to €42 million, with a reduction of €266 million, which was partially mitigated by the positive variation of €74 million, mainly generated by the improvement of the results from shareholdings and lower third party interests.
Net profit recorded a loss of €885 million (profit of €14 million in the first half of 2019) and, unlike adjusted net profit, was impacted by the following special items:
> write-down of tangible assets of the Offshore Drilling Division for €590 million deriving from the impairment test in consideration of the increase by 1.6 percentage points of the cash flow net present value rate in addition to the review of the plan cash flow projections and the long term rates;
> write-down of tangible assets and related working capital, as well as of the right-of-use of a third-party asset for €99 million;
> contingent liabilities for about €20 million, in relation to a pending judgement on a project already completed, deriving from the activity of periodic legal monitoring of the evolution of the overall dispute;
> costs deriving from the healthcare emergency for about €44 million. This amount includes the costs incurred in the period directly attributable to the COVID-19 pandemic, such as costs for the resources on stand-by in cases in which the activities of operating sites and vessels were blocked by the authorities, for the purchase of personal protective equipment in excess of the standard quantities, for sanitising work areas and for the organisation of charter flights to bring the personnel home.

Net debt pre-IFRS 16 lease liabilities at June 30, 2020 amounted to €901 million, recording an increase of €429 million with respect to December 31, 2019 (€472 million), largely due to the fact that a number of projects acquired in 2019 had achieved fully operational status, and also to the slowdown of projects due to the effects of the pandemic and the postponement of some activities agreed upon with the clients. Net debt inclusive of IFRS 16 lease liabilities (€459 million) amounted to €1,360 million.
Capital expenditure in the first half of 2020, including the acquisition of the new vessel, Norce Endeavour (now Saipem Endeavour), amounted to €195 million (€135 million in the first half of 2019).
In the first half of 2020 Saipem was awarded new contracts amounting to a total of €4,837 million (€9,537 million in the first half of 2019). The backlog inclusive of non-consolidated companies at June 30, 2020 amounted to €22,245 million (€5,480 million in Offshore Engineering & Construction, €14,573 million in Onshore Engineering & Construction, €516 million in Offshore Drilling and €1,676 million in Onshore Drilling), of which €3,306 million to be realised in 2020.
The backlog inclusive of non-consolidated companies at June 30, 2020 amounted to €25,537 million (€5,480 million in Offshore Engineering & Construction, €17,865 million in Onshore Engineering & Construction, €516 million in Offshore Drilling and €1,676 million in Onshore Drilling), of which €3,905 million to be realised in 2020. The backlog as of June 30, 2020 is shown net of the cancellation of a contract in the Offshore Drilling Division, for €70 million.

STRUCTURE OF THE SAIPEM GROUP

(subsidiaries)


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



The chart only shows subsidiaries

INTERIM DIRECTORS' REPORT

SAIPEM SpA SHARE PERFORMANCE

The first half of 2020 was characterised by high stock market volatility, resulting from the combined effects of the economic crisis caused by COVID-19 and the fall in oil prices. In this context, the Saipem share fell by 49% in the first half of the year. This is a greater drop than the FTSE MIB index covering the largest Italian stocks, which recorded a 19% fall, but less than the OSX American industry index covering oil industry service companies, which recorded a decline of 58% for the same period.

2020 began on a positive note for the Saipem share, in the wake of the extraordinary performance recorded on stock lists across the world, with major indexes reaching record highs, supported first by the expansionary turn taken by the Federal Reserve and then by the trade agreement between the United States and China.
News of the award of new drilling contracts, combined with the extension of existing contracts for a total of $1.7 billion, shored up market performance for the first week of the year, with the share reaching €4.49 on January 8, its highest price for the first half of the year.

The award of further contracts, combined with the relatively stable performance of the energy services sector, helped shore up performance of the share until the end of the February when the spread of the COVID-19 crisis, first in Europe and then globally, resulted in a sudden and unexpected economic and financial crisis. This was fuelled by the lockdown measures progressively introduced by the major governments and by a situation of general uncertainty.

The resulting drastic drop in demand and consumption across the board led to a marked and progressive deterioration in economic prospects and global commercial flows for 2020, with significant downward revisions of global GDP estimates, translating into a strong contraction in share prices and an abrupt rise in volatility and risk aversion.

Furthermore, following the failure of oil producers to reach an agreement at the OPEC meeting of March 5, and the consequent measures announced by Russia and Saudi Arabia regarding the production and price of the commodity, the Brent and WTI index prices dipped, recording a 30% fall on March 9, 2020, which had a domino effect on the prices of all operators in the sector. The Saipem share fell by 31% between March 6 and March 12, reaching €1.95, the lowest price recorded for the period.

In this context, the first-quarter results season for 2020 was characterised by a significant review of future investment plans by businesses on a global scale, and oil companies in particular, together with the announcement of initiatives to ensure short-medium term liquidity.

Despite the deterioration of market conditions, Saipem's operating results for the first quarter were solid thanks to the strengthening of the financial position and assets achieved in recent years, the orientation of the business towards energy transition, the size and diversification of the backlog and the suitability of the assets, all of which have provided solid foundations from which to deal with the expected complexity of 2020. The launch of a cost containment and investment rephasing programme was also announced. The withdrawal of guidance for the current year was met without surprise by the market, as it is in keeping with the measures announced by leading industry competitors and numerous Italian and international companies.

Share performance stabilised in April and May, thanks to the partial recovery of the energy sector and the more positive orientation of global stock markets, supported by the strongly expansive fiscal and monetary policies promoted by leading central banks and measures adopted by all major countries to support consumption, savings and liquidity.
The Saipem share price only partially recovered, however, which was still feeling the effects of the uncertainty regarding the sector outlook.

News of the award of two important contracts – one for train 7 at the LNG plant on Bonny Island in Nigeria, the other for an offshore wind farm in France – helped boost share performance, which rose at the beginning of June to reach €2.63 on June 8, a 23% increase compared to the end of May.

Saipem's market capitalisation at the end of June was approximately €2.2 billion. In terms of share liquidity, shares traded during the half year totalled slightly more than 1.6 billion (+54% compared to the previous year). The average number of shares traded daily for the period totalled 12.8 million, compared to the 8.4 million in the same period of the previous year.
Nevertheless, despite a significant increase in daily volumes, in line with the dynamics observed on stock markets globally, the value of shares traded between the two periods was substantially the same, remaining at approximately €4.5 billion, due to the share price contraction in the first half of this year.

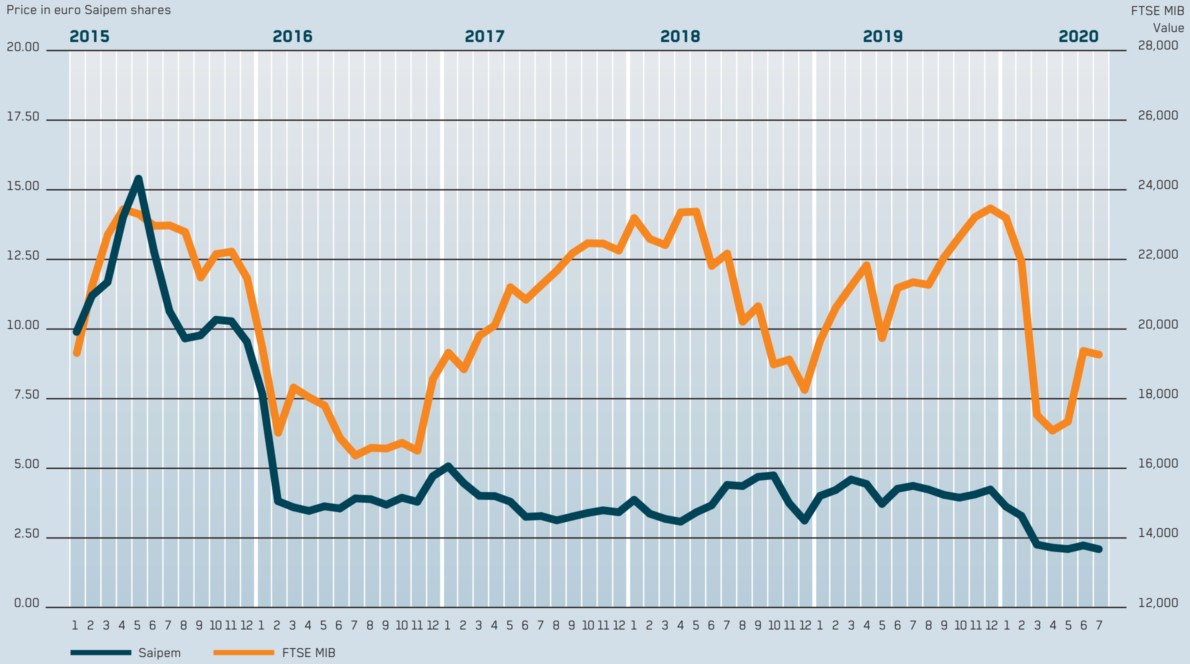
At the end of June 2020, there were 10,598 savings shares, which were convertible at par with ordinary shares. Their value, affected by the very poor liquidity, recorded only minor fluctuations during the half year, from a share price of €42.0 at the beginning of the period to €43.0 at the end of the period.

Prices on the Milan Stock Exchange

(€)	2016	2017	2018	2019	First half 2020
Ordinary shares:					
- maximum	9.17	5.65	5.43	4.99	4.49
- minimum	3.02	2.96	3.10	3.22	1.95
- average	4.23	3.83	3.98	4.29	2.88
- year end	5.36	3.83	3.25	4.36	2.22
Savings shares:					
- maximum	62.00	60.00	41.80	44.20	43.00
- minimum	39.00	40.00	40.00	40.00	42.00
- average	57.17	46.13	40.27	41.43	42.96
- year end	54.10	40.00	40.00	42.00	43.00

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

SAIPEM AND FTSE MIB - AVERAGE MONTHLY PRICES JANUARY 2015-JULY 2020



OPERATING REVIEW

Organisational structure

The strategic orientation for the Company is still the following:

- the Offshore Engineering & Construction business was identified as the "core" business with the objective of maintaining and re-enforcing its leadership position, also through targeted investments;
- the Onshore Engineering & Construction business will be focused on completing turnaround, aimed at recovering profitability, even through a repositioning of the portfolio;
- for both Onshore and Offshore Drilling, efforts toward increasing efficiency will continue and strategic options will be assessed with the goal of maximising value of the individual businesses.

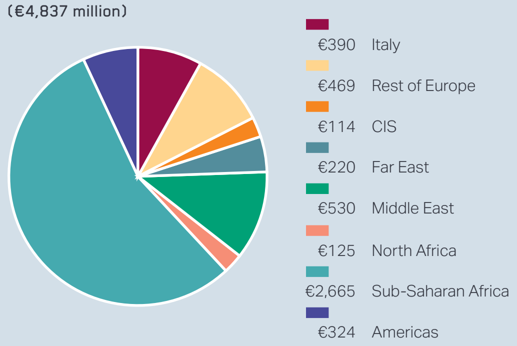
Saipem is a leading group in the areas of engineering, procurement and construction of large-scale projects in the energy and infrastructure industries. Saipem is divided into five business divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT. The process of divisionalisation, which concluded in December 2018, gave the divisions full autonomy, specifically with regard to sales, project execution, technology and Research and Development, business strategies, partnerships, etc.
The Offshore Engineering & Construction Division is a leader in offshore construction, strongly oriented towards the Oil&Gas operations in remote areas and deep water. It provides support to clients from the earliest phases of a project and throughout the entire development process. It offers a wide range of products and services, among which are: platforms, pipelines, undersea field development and MMO (Maintenance, Modification and Operation), to which we must add decommissioning and renewables in the form of windfarms.
The Onshore Engineering & Construction Division designs and builds plants, pipelines, pumping stations, compressor stations and terminals. It provides a complete range of integrated engineering, procurement, project management and construction services, mainly aimed at the oil industry, large-scale civic and maritime infrastructures and environmental operations.
The Offshore Drilling Division is an international contractor, offering offshore drilling services with all types of drilling rigs in every geographic area.
The Onshore Drilling Division operates in the Oil&Gas industry as an international contractor, offering onshore drilling services with all types of drilling rigs in every geographic area.
XSIGHT is a Saipem Group start-up. It provides state of the art, high value and highly innovative services to the entire Energy industry, including renewables and green energy. The XSIGHT Division works to improve the efficiency of engineering services through simplified processes and innovative digitalisation models.
In addition to engineering, it offers a wide range of services: financial development, consulting, stakeholder and risk management. The results of the XSIGHT Division are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure, so they are not disclosed to the market separately.

Market conditions

The first half of 2020 was characterised by an unexpected and extremely complex global economic and social context, connected with the COVID-19 pandemic. In order to prevent the uncontrolled spread of the virus, most countries adopted measures to contain transmission, through forced social distancing and significant restrictions on the movement of people. This led to a sharp drop in demand and global consumption, which had a knock-on effect across all industrial sectors. Despite the strong fiscal policies adopted by the major world governments to support national economies, and despite central banks' efforts to provide a liquidity injection to limit systemic financial risks, the global economy is projected to contract by more than 4% in 2020 compared to 2019, against pre-COVID estimates of +3.3% for the same period.
The effects of this economic downturn are being felt across all regions and countries, to varying degrees depending on the severity of the containment measures, the severity of the outbreak and any pre-existing critical economic and social issues.
The energy sector is among the worst affected globally, due to the fall in demand for energy, gas and oil in particular. The oil price has been negatively affected by the weeks-long total ban on movement across leading world economies, which led to a drastic decline in hydrocarbon consumption. The imbalance between supply and demand, which put unprecedented strain on global crude oil storage capacity, resulted in the Brent price for April falling below $20 a barrel. The decision to cut production by the OPEC and Russia alliance, reached in April when the crisis was already under way, led to a partial restoration of market equilibrium and enabled the slow recovery of prices, which reached $40 a barrel by the end of the six-month period.
As a consequence of the decline in the price scenario, and in order to mitigate the negative effects on cash flows, Oil&Gas sector operators announced a net cut in the volumes of investment in hydrocarbon exploration and production activities, approximately quantifiable as a 25% decrease compared to pre-COVID forecasts.

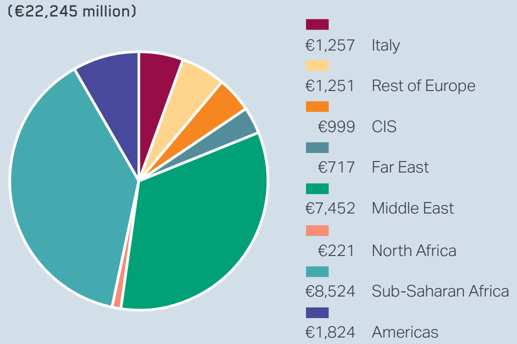
NEW CONTRACTS BY GEOGRAPHIC AREA

(€4,837 million)



ORDER BACKLOG BY GEOGRAPHIC AREA

(€22,245 million)



The investment trend has had a negative impact on the outlook for all of Saipem's reference markets, and the onshore and offshore drilling market in particular, which is particularly exposed to Oil Companies' cut in activities, especially upstream. North America, which represents a significant market on a global level – particularly with regard to non-conventional developments – is one of the areas most affected by the investment cuts, due to the marginal production cost and high flexibility of local operators. Beyond the potential short-term impacts, it is expected that other energy sectors, such as renewables, will continue to grow in importance in terms of source mix in the medium-long term – particularly with regard to the wind and solar sectors – favouring a potential acceleration of the use of green technologies, such as hydrogen.

New contracts and backlog

New contracts awarded to the Saipem Group during the first half of 2020 amounted to €4,837 million (€9,537 million in the corresponding period of 2019). 28% of all contracts awarded were in the Offshore Engineering & Construction sector, 69% in the Onshore Engineering & Construction sector, 1% in the Offshore Drilling sector and 2% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 92%. Contracts awarded by Eni Group companies were 4% of the overall figure. Orders awarded to Saipem SpA amounted to 12% of the total.
The order backlog as at June 30 amounted to €22,245 million (€21,153 million as at December 31, 2019), of which €3,306 million to be realised in 2020 (€5,480 million for Onshore Engineering & Construction, €14,573 million for Offshore Engineering & Construction, €516 million for Offshore Drilling and €1,676 million for Onshore Drilling).
The breakdown of the backlog by sector is as follows: 25% in the Offshore Engineering & Construction sector, 65% in the Onshore Engineering

Saipem Group - New contracts awarded during the first half of 2020

2019		(€ million)	First half 2019		First half 2020	
Amount	%		Amount	%	Amount	%
1,567	9	Saipem SpA	886	9	573	12
16,066	91	Group companies	8,651	91	4,264	88
17,633	**100**	**Total**	**9,537**	**100**	**4,837**	**100**
4,471	25	Offshore Engineering & Construction	2,102	22	1,354	28
10,849	62	Onshore Engineering & Construction	6,821	71	3,335	69
576	3	Offshore Drilling	354	4	34	1
1,737	10	Onshore Drilling	260	3	114	2
17,633	**100**	**Total**	**9,537**	**100**	**4,837**	**100**
272	2	Italy	102	1	390	8
17,361	98	Outside Italy	9,435	99	4,447	92
17,633	**100**	**Total**	**9,537**	**100**	**4,837**	**100**
656	4	Eni Group	261	3	184	4
16,977	96	Third parties	9,276	97	4,653	96
17,633	**100**	**Total**	**9,537**	**100**	**4,837**	**100**

Saipem Group - Backlog as of June 30, 2020

June 30, 2019		(€ million)	Dec. 31, 2019		June 30, 2020	
Amount	%		Amount	%	Amount	%
4,344	25	Saipem SpA	3,703	18	3,219	14
13,293	75	Group companies	17,450	62	19,026	86
17,637	**100**	**Total**	**21,153**	**100**	**22,245**	**100**
5,093	29	Offshore Engineering & Construction	5,611	27	5,480	25
11,144	63	Onshore Engineering & Construction	13,007	62	14,573	65
814	5	Offshore Drilling	737	3	516	2
586	3	Onshore Drilling	1,798	8	1,676	8
17,637	**100**	**Total**	**21,153**	**100**	**22,245**	**100**
1,119	6	Italy	1,105	5	1,257	6
16,518	94	Outside Italy	20,048	95	20,988	94
17,637	**100**	**Total**	**21,153**	**100**	**22,245**	**100**
419	2	Eni Group	418	2	332	1
17,218	98	Third parties	20,735	98	21,913	99
17,637	**100**	**Total**	**21,153**	**100**	**22,245**	**100**

& Construction sector, 2% in Offshore Drilling and 8% in Onshore Drilling.
94% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 1% of the overall backlog. The Group Saipem SpA accounted for 14% of the total order backlog.
The order backlog including non-consolidated companies was €25,537 million (€24,778 million at December 31, 2019).

Capital expenditure

Capital expenditure in the first half of 2020 amounted to €195 million (€135 million in the first half of 2019) and mainly related to:

- €124 million in the Offshore Engineering & Construction sector: acquisition of the new vessel, Norce Endeavour (now Saipem Endeavour) and maintenance and upgrading of existing assets;
- €5 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;
- €33 million in the Offshore Drilling sector: extraordinary maintenance of the drillship Saipem 10000, in addition to maintenance and upgrading of the existing assets;
- €33 million for Onshore Drilling: upgrading of rigs for operations in Saudi Arabia and South America, as well as the maintenance and upgrading of the existing assets.

The following table provides a breakdown of capital expenditure in the first half of 2020:

Capital expenditure

2019	(€ million)	First half 2019	First half 2020
62	Saipem SpA	21	20
274	Group companies	114	175
336	**Total**	**135**	**195**
144	Offshore Engineering & Construction	78	124
22	Onshore Engineering & Construction	6	5
86	Offshore Drilling	18	33
84	Onshore Drilling	33	33
336	**Total**	**135**	**195**

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

OFFSHORE ENGINEERING & CONSTRUCTION

General overview

The Offshore Engineering & Construction Division is a leading "Global Solution Provider" in the energy industry, with a focus on conventional projects and SURF, renewable energies and technological services for the energy industry. The division's core activities include the development of subsea infrastructures, pipelines, conventional fields, while it is also active in the renewables market as EPCI contractor for windfarms. We support our customers from the pre-FID (Final Investment Decision) phase to capital expenditure development, extending our services to the Life of Field, including operating, maintenance, or modification activities, all the way through to the decommissioning of plants.
Saipem pursues this objective through a set of best-in-class elements, among which engineering and project management expertise, a strong technological and innovative approach, an established local presence in strategic markets with fabrication yards in Nigeria, Angola, Brazil and Indonesia, a technologically advanced and comprehensive fleet sized to execute a wide span of projects in the most diverse operational and environmental conditions, a suite of products complementing our offer in the energy market.

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

The Offshore Engineering & Construction Division is pursuing an asset light model, hence it is actively managing its assets portfolio with the aim of tailoring its fleet to the needs of the strategic market pursued.

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

As far as the pipeline market is concerned, Saipem owns, amongst other assets, the Castorone, a 330-metre long and 39-metre wide mono-hull, designed to carry out the most demanding deep-water, large diameter pipelaying projects, with the necessary flexibility and productivity to be effective even in less complex projects. The vessel's distinctive features include a class 3 Dynamic Positioning system (DP3), the capacity to fabricate and lay triple joint pipes of up to 60" in diameter with a tensioning capacity of up to 750 tonnes, a highly automated firing line, the articulated stinger for both shallow and deep-water pipelaying through an advanced control system, and the capacity to operate in extreme environments.

Saipem's fleet of vessels also includes the Saipem 7000 semi-submersible, which is equipped with a class 3 DP system, has a 14,000-tonne lifting capacity and is capable of laying subsea pipelines in ultra-deep waters using the J-lay system, which can handle a suspended load of 1,450 tonnes during pipelay operations.
Saipem 7000 represents a solid asset that has the capabilities to serve different markets, and is proving to be a reliable resource in executing diverse decommissioning and offshore windfarm projects.

In addition to the above, the division manages some strategical assets, both owned, that allow an additional flexibility in the management of our portfolio of opportunities.
These include Saipem 3000, capable of laying flexible lines, umbilicals and mooring systems in deep waters up to 3,000 metres, and of installing structures of up to 2,200 tonnes.

This year, we are pleased to announce the replacement of our Castoro II vessel with Saipem

Endeavour, a barge for lifting heavy loads and laying pipes (in S-lay mode), suitable for launching single- or double-joint pipes of up to 60” in diameter for shallow and deep-water operations, with a tensioning capacity of up to 260 tonnes, equipped with a floating launch ramp composed of three sections for deep-water operations, a mini ramp with adjustable structure for shallow-water operations, and a rotating crane with a 1,100-tonne capacity. Like the Castoro II, the Endeavour will represent a key asset in the traditional strategic market of the Middle East.

Market conditions

In the first half of 2020, the world was thrown into turmoil by one of the most challenging events ever experienced in peace time. The black swan of COVID-19 emerged in an already tough context, marked by the return of protectionism and global commercial tensions, culminating in a perfect storm, the repercussions of which continue to be felt by the energy market, and the Oil&Gas sector in particular. Following the signs of recovery recorded in 2019, the offshore Oil&Gas services market was badly hit this year. Aside from the disruption to supply chains caused by the lockdown and the security protocols put in place across the world to combat the pandemic, the reduction in energy demand and consequent drop of the oil price (bearing in mind that the gas price was already low before the pandemic) led to liquidity issues for our clients, who have therefore been forced to defer final investment decisions on a large scale, in certain cases even rescheduling projects already in the execution phase. The energy demand is however destinated to increase in the long term, and as the energy transition is proceeding at a brisk pace, but not in a disruptive way. The Oil&Gas companies have merely deferred offshore projects, rather than cancelling them. In any case, the tenor of the situation is different for the various geographical areas where Saipem operates.
The traditional Middle Eastern shallow-water market is proving to be the most resilient. Saudi Arabia is proceeding with its major oil development plan (with Marjan, Zuluf and similar projects), and Qatar, despite a number of postponements, has not abandoned its goal of becoming the world’s largest gas exporter, while remaining firm in its commitment to proceed with offshore gas developments (such as the North Field) to support the growth in LNG capacity. The United Arab Emirates are also proceeding with their oil and gas developments, the latter aimed at satisfying national energy needs. A certain slackening has been observed in Europe as, on the one hand, clients’ liquidity issues will likely lead to the deferral of a number of decommissioning programmes and, on the other, the maturity of Northern European fields and the relatively small size of more recent discoveries pose a conundrum for clients, who must identify a development strategy with the lowest breakeven cost. Certain countries are already reacting, such as Norway, which has established a new fiscal regime for the Oil&Gas industry. Nevertheless, Europe must be regarded as a growing market as far as gas infrastructure is concerned: consider, for example, the plans for the Mediterranean and the contracts that we have recently been awarded to build gas pipelines in Northern Europe.
Africa is treading water. Some development projects in Mozambique have been postponed, as have the deep-water projects in West Africa. On the other hand, certain conventional projects are going ahead, such as those in Angola and Nigeria.
The Americas are also proving to be resilient.
Unlike onshore shale (the worst hit by the crisis), offshore developments are continuing in the Gulf of Mexico, while Guyana continues its inexorable journey towards becoming a new oil province, as demonstrated by the fact that ExxonMobil activities are continuing in the country with minimal delays.
The experience in Brazil is divided: Petrobras is moving forward with plans to develop various fields, one after another (consider, for example, the various phases of the Mero and Búzios projects), while other international companies in the Oil&Gas sector have postponed certain projects.
Finally, activities in Asia-Pacific have been subject to various deferrals. This is a significant area for the Offshore Division, because various developments are connected to gas, and because, in order to maintain or expand existing onshore LNG capacities, gas transport infrastructures will need to be developed.
These include the Scarborough gas pipeline, in relation to which projects have been postponed, but are expected to be realised in the medium term.
Moving on to the renewable energies market, the current crisis threw what we already knew into sharper relief: specifically, that the transition to greener energy is not only inevitable, but must also be economically sustainable. The renewable energies market, including the offshore wind sector, is regarded as a less risky, more attractive segment, into which investors can channel their resources. Consequently, the offshore wind sector has not suffered the immediate effects of the crisis, and developments in Northern Europe (including France) and Asia-Pacific continue with the same degree of intensity and conviction, albeit with an awareness that this segment is very susceptible to supply chain disruption. In other parts of the world, we have seen renewed ambition from countries that wish to maintain or increase their capacity targets. As a result, even in a period as complicated as the first half of 2020 has proven to be, the sector has taken action to address the situation, with the announcement of new technological developments and new partnerships, as well as strategic moves to enter – or achieve a competitive advantage in – certain emerging regions, such as Asia-Pacific, including the Far East and the United States.

Capital expenditure

In the Offshore Engineering & Construction Division, investments made in the first half of 2020 were mainly attributable to the purchase of the new vessel Norce Endeavour (now Saipem Endeavour), as well as to the maintenance and upgrading of existing assets.

New contracts

The most significant contracts awarded to the Group during the first half of 2020 were:

- for Petrobras, in Brazil, a contract for the project of the pre-salt field of Búzios. The project includes the engineering, procurement, construction and installation of the Steel Lazy Wave Risers and relative flowlines between all the wells and a FPSO unit;
- for Gaz System SA and Energinet.dk, co-financed by the European Union, a contract for the transport and installation of a gas pipeline between Denmark and Poland in the Baltic Sea; in particular, the contract includes realisation of a concrete-coated gas pipeline spanning approximately 275 kilometres, to be installed by Saipem vessels configured for the S-lay method. The contract also covers microtunnelling activities and civil works in Denmark and Poland, rock demolishing and pre- and post-lay excavation and backfilling;
- for EDF Renewables, Enbridge Inc and wpd Offshore, in France, as a joint venture with Bouygues Travaux Publics and Boskalis Fecamp, a contract for the engineering, construction and installation of 71 gravity base structures (GBS) in concrete as the basis for the Fécamp offshore wind;
- for Saudi Aramco, in Saudi Arabia, an EPCI contract, as part of the Long Term Agreement entered into with the client, in force until 2021. The scope of work includes the design, engineering, procurement, construction and offshore installation of a carbon steel pipeline as part of the existing network in the Ju'aymah area, and improvements to the relevant platform;
- for Eni Angola, in West Africa, a contract relating to developments in the Cabaça field and the Agogo preliminary phase 1. The scope of work includes the EPCI of risers, flowlines and jumpers, and the installation of a subsea production system (SPS) in deep waters between 400 and 600 metres, to be realised using the Saipem FDS and Saipem 3000 vessels;
- for Noble Energy, in Equatorial Guinea, a contract for the installation of a 70 kilometres offshore gas pipeline connecting the Alen platform to Punta Europa on the coast;
- for EnQuest Heather Ltd in the United Kingdom, a contract for the decommissioning of existing infrastructures in the Thistle field in the North Sea, using Saipem 7000;
- other smaller contracts awarded relate to two offshore transport and installation contracts in the Middle East and the Gulf of Mexico.

Work performed

The biggest and most important projects underway or completed during the first half of 2020 were as follows. In general, progress on the contracts described below has been slowed down by the COVID-19 emergency. This is as a result of the containment measures – such as reduced numbers of personnel at the operating sites and isolation of people in the event of a positive test result – and due to flights being grounded, preventing the planned mobilisation and normal shift scheduling of operating personnel. Despite this, no ongoing contracts were subject to a full suspension of works, and activities continued with the adoption of the measures required to deal with the pandemic and the containment protocols agreed upon with clients and/or local authorities.

In Saudi Arabia:

- for Saudi Aramco:
  - engineering and procurement activities continue and fabrication is in progress for the **Berri (LTA-34)** and **Marjan (LTA-35)** projects, which include engineering, procurement, construction and installation for new platforms, new wellhead platform decks, associated trunk line to shore, subsea pipelines and cables;
  - engineering and procurement activities are in progress for the EPCI of Berri Downstream **(LTA-43)** project, which includes engineering, procurement, construction and installation of subsea and onshore pipelines.

Also in Saudi Arabia, for Al Khafji Joint Operations (KJO), engineering and procurement activities are nearing completion, for the **Laying of New Hout Crude** contract, which includes the engineering, procurement, construction, installation and start-up phases of a new pipeline for the transportation of crude oil. The installation phase is still contingent on obtaining certain environmental permits.

In Qatar, for Barzan, offshore installation activities are nearing completion for the **Barzan Novated Items & Pipeline** contract, which includes the engineering, procurement, construction and installation phases relating to two export and interconnection pipelines, connecting elements between pipelines and various subsea structures. Demobilisation of the main installation vessel will take place in the second half of the year. Following damage to one of the pipelines, engineering and procurement activities are under way for the replacement section of the pipeline.
The installation phase will be completed in the first half of 2021.

In Guyana, for ExxonMobil:

- activities have been completed for the **Liza Phase 1** project, which includes the engineering, procurement, fabrication and installation of risers, flowlines, related structures and connections to develop the field located off the coast of Guyana at a depth of 1,800 metres;
- pipelay and installation activities are progressing for the **Liza Phase 2** project, which includes engineering, procurement, fabrication and installation of risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Liza field;
- engineering and procurement activities are progressing for the **Payara** project, which also includes engineering, procurement, fabrication and installation of risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Liza field.

In the Gulf of Mexico, for Pemex, in the framework of the project for the development of the **Lakach** field, operations are still suspended by the client.
The project encompasses services of engineering, procurement, construction and installation of the system connecting the offshore field with the onshore gas conditioning plant, which may now be envisaged for 2021;

In Indonesia, for BP Berau Ltd, the installation of offshore pipelines and platforms has been completed for the **Tangguh LNG Expansion** project, with rock dumping and commissioning nearing completion.
The project provides for the installation of two unmanned platforms and subsea pipelines.
Engineering activities were carried out for certain supplementary works, with some offshore operations scheduled for early 2021.

Supply and yard preparation continue for the fabrication of 32 jackets for Jan De Null for the **Formosa II** offshore windfarm in Taiwan.

In West Africa:
- for Eni Ghana, the **EPCI Takoradi** project is near completion, which includes engineering, procurement and construction of infrastructures necessary for upgrading the capacity of service stations near the ports of Takoradi and Tema in Ghana;
- for British Petroleum, combined execution of both the **Tortue** (Marine & Civil and Facilities) contracts has been postponed, which include engineering, procurement, fabrication, installation, hook up and commissioning of a breakwater, associated jetty and riser platform for the delivery of gas in co-development between Senegal and Mauritania, with installation foreseen in 2022;
- for Eni Angola, offshore installation was completed of the **Agogo-1** exploratory well via a new 8" wet insulated rigid flowline of about 15 km. As regards the **Cabaça** project, engineering and procurement activities began, while offshore installation was postponed to 2021. The project in question involves the engineering, procurement, fabrication and installation of four risers and all associated ancillary equipment, a 26 km rigid flowline, pipeline terminations (PLET), rigid spools, jumpers, umbilicals and manifolds.

In Egypt:
- for Petrobel, fabrication and installation activities are nearing completion for the **Zohr Rup** project, which includes engineering, procurement, construction and installation work for the "Ramp Up to Plateau" phase of the Zohr field gas development project. A number of spools still need to be installed by the end of the year, as do a number of supplementary umbilicals;
- for Pharaonic Petroleum, engineering and procurement activities have been completed for the EPCI **Atoll** and **Qattameya** project, which provided for the fabrication and laying of a pipeline; completion of subsea works still need to be carried out during the third quarter of 2020.

In the North Sea:
- for ConocoPhilips, preparatory activities have been completed for removal for the **LOGGS** project, involving the dismantling of the topside and jackets of a platform;
- for PremierOil, team mobilisation is currently under way for the offshore installation of the **Tolmount** project, which includes the engineering, procurement and installation of a 20" gas export pipeline and associated 3" piggyback methanol line;
- for Neart na Gaoithe, mobilisation and engineering activities are in progress for the **NnG Offshore Windfarm** project, which includes engineering, procurement, fabrication and installation of 52 jackets for the development of a windfarm, with mobilisation of the main installation vessel planned to take place by the end of the summer.

In Azerbaijan:
- for BP, work relating to the **Shah Deniz 2 (Call-off 007)** contract continued for the scope of work encompassing the transportation and installation of production systems and subsea facilities, the laying of optical fibre cables and production umbilicals, start-up, supply of the crew and operational management of the new vessel; engineering has begun for CGLP (Call-off 001) contract for a gas lift pipeline to Chirag platform, for ACE (Call-off 006) and ACE (Call-off 020) projects;
- for Total E&P, procurement and construction are nearing completion, while installation for the **Absheron** project, which includes engineering, procurement, construction and installation of pipelines and umbilical systems in the Caspian Sea, has been postponed to the third quarter of this year.

In Italy, for Trans Adriatic Pipeline AG, as part of the **Trans Adriatic Pipeline** project, the main installation works have been concluded, with some completion works still to be carried out.

Offshore fleet at June 30, 2020

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 meters.
Saipem Constellation	Dynamically positioned vessel for reel-lay of rigid and flexible pipelines, down to ultra-deep water depths. It is equipped with a 3,000 tonnes crane and a laying tower (800 tonnes capacity) equipped with 2 tensioners each with 400 tonnes capacity.
Saipem FDS	Dynamically positioned vessel utilised for the development of deep-water fields at depths of over 2,000 meters. Capable of launching 22” diameter pipes in J-lay configuration with a holding capacity of up to 750 tonnes and a lifting capacity of up to 600 tonnes.
Saipem FDS 2	Dynamically positioned vessel utilised for the development of deep-water fields, capable of launching pipes with a maximum diameter of 36” in J-lay mode with a holding capacity of up to 2,000 tonnes and depths up to 3,000 meters. 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 meters.
Castorone	Self-propelled, dynamically positioned pipe-laying vessel operating in S-lay mode with an S-lay stern stinger of over 120 m composed of 3 sections for shallow and deep-water operation, a tensioning capacity of up to 500 tonnes, pipelay capability of up to 60 inches, onboard fabrication facilities for double and triple joints and pipe storage capacity in cargo holds.
Normand Maximus	Dynamic positioning ship (leased) for laying umbilicals and flexible lines up to a depth of 3,000 meters. It is equipped with a crane that has a lifting capacity of up to 900 tonnes and a 550-tonne vertical lay tower with the possibility of laying rigid flowlines.
Saipem 3000	Mono-hull, self-propelled D.P. derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters (3,000 meters) and lifting structures of up to 2,200 tonnes.
Dehe	Dynamically positioned (leased) vessel equipped with anchors for laying pipes and a crane with a lifting capacity of up to 5,000 tonnes, capable of deep water installations up to depths of 3,000 meters and laying pipes up to 600 tonnes using 3 tensioners.
Saipem Endeavour	Barge for lifting heavy loads and laying pipes (in S-lay mode), suitable for launching single- or double-joint pipes of up to 60” in diameter for shallow and deep-water operations, with a tensioning capacity of up to 260 tonnes, equipped with a floating launch ramp composed of three sections for deep-water operations, a mini ramp with adjustable structure for shallow-water operations, and a rotating crane with a 1,100-tonne capacity.
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 meters.
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 meters.
Ersai 1	Heavy lifting barge equipped with 2 crawler cranes, capable of carrying out installations whilst grounded on the seabed and is capable of operating in S-lay mode. The lifting capacities of the 2 crawler cranes are 300 and 1,800 tonnes, respectively.
Ersai 2	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Ersai 3	Support barge with storage space, workshop and offices for 50 people.
Ersai 4	Support barge with workshop and offices for 150 people.
Bautino 1	Shallow water post trenching and backfilling barge.
Bautino 2	Cargo barge for the execution of tie- ins and transportation of materials.
Ersai 400	Accommodation barge for up to 400 people, equipped with gas shelter in the event of an evacuation due to H_2S leaks.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
Castoro 15	Cargo barge.
S42	Cargo barge, currently used for storing the J-lay tower of the Saipem 7000.
S43	Cargo barge.
S44	Launch cargo barge, for structures of up to 30,000 tonnes.
S45	Launch cargo barge, for structures of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
S 600	Launch cargo barge, for structures of up to 30,000 tonnes.

ONSHORE ENGINEERING & CONSTRUCTION

General overview

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

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

Aiming to grow, and adapting to the specific regional features of traditional markets, focusing on development segments of interest, as well as traditional segments and the gas and LNG segment, which has recently seen significant growth, the Onshore Engineering & Construction Division has developed an operational organisation covering six geographical areas (Europe/Russia/Caspian Sea, the Americas, North Africa/Middle East, Asia-Pacific, Saudi Arabia, Sub-Saharan Africa) and two product lines (Infrastructure and New Energies) supported transversely by engineering, procurement and construction hubs and functions.

During the half year, development initiatives continued, aiming to transform and increase the efficiency of work processes through digitalisation.

Saipem pays close attention to the "carbon footprint" and to "circular economy and water/energy recovery" issues for all initiatives, even those still based on the exploitation of traditional energy sources.

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

Market conditions

During the first half of the year, the contingent situation linked to the impact of energy consumption associated with the COVID-19 pandemic, together with the negative oil and gas price trend, led to a decline in the assignment of new projects by clients, who are reviewing their investment plans, resulting in fewer business opportunities with a final investment decision in 2020. The various factors have culminated in certain initiatives being postponed from 2020 to 2021, and certain projects being cancelled.
Nevertheless, commercial outlook over the course of the 2020-2023 plan remains at pre-COVID levels.

The volume of contracts awarded in the first half of the year on the relevant market for the division largely relate to the LNG segment, followed by Petrochemicals and Fertilisers.

From a short-to-medium term perspective, the Downstream segment is proving resilient, with large investments in Europe, Russia and Asia for Refineries and Petrochemicals going ahead, as well as investments in Fertilisers in Africa. The LNG market is seeing important initiatives in the Middle East, while a slowdown is expected in North America. A slight decline has been observed in the segments most sensitive to barrel price. In the Upstream segment, there has been a slowdown in terms of certain significant investments in the United Arab Emirates, Saudi Arabia, Asia and Central America.

The Infrastructure segment continues to show positive signs of large investments internationally both in traditional markets (Europe and North America) and in new markets (Egypt, Middle East, India, Russia and the Far East). With regard to renewables (solar) and green technologies (biotechnologies, carbon capture and hydrogen) in general, meanwhile, the outlook of projects in Europe, North Africa and the Middle East is increasing.

Capital expenditure

Capital expenditure in the first half of 2020 in the Onshore Engineering & Construction sector focused mainly on the acquisition and maintenance of equipment.

New contracts

The most significant contracts awarded to the Group during the first half of 2020 were:
- for Nigeria LNG Ltd, mainly a subsidiary of Shell and the Nigerian State company NNPC (Nigeria National Petroleum Corp), as a joint venture with Daewoo and Chiyoda Corp, an EPC contract for the engineering and construction of a LNG project, which consists in the construction of a LNG liquefaction train, as well as all the relevant utilities and port facilities for export;
- for Rete Ferroviaria Italiana, awarding of the second construction lot which entails completion of the civil works for the Brescia Est-Verona railway line section by the CEPAV Due Consortium, along with the construction of the railway superstructure, the electricity transmission system and technologies for the entire section;
- for Ethydco, in Egypt, as a joint venture with Petrojet, an EPC contract for the realisation of a synthetic

rubber production unit at the existing petrochemical complex in Alessandria.

Work performed

The largest and most important projects underway or completed during the first half of 2020 were as follows. In general, progress on the contracts described below has been slowed down by the COVID-19 emergency. This is as a result of the containment measures – such as reduced numbers of personnel at the operating sites and isolation of people in the event of a positive test result – and due to flights being grounded, preventing the planned mobilisation and normal shift scheduling of operating personnel. Despite this, no ongoing contracts were subject to a full suspension of works, and activities continued with the adoption of the measures required to deal with the pandemic and the containment protocols agreed upon with clients and/or local authorities.

In Saudi Arabia:

> for Saudi Aramco:
- the **Hawiyah Gas Plant Expansion** project is under execution for the expansion of the Hawiyah gas treatment plant located in the south-eastern part of the Arabian Peninsula;
- work continues on two EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project for the generation of electricity. The Package 1 contract includes the gasification unit, the soot and ashes removal unit, the acid gas removal unit and the hydrogen recovery unit. The Package 2 contract includes two sulphur recovery units and the associated storage systems. The scope of work of both packages includes engineering, procurement, construction, pre-commissioning, and assistance to commissioning;
- work has been completed for the **Complete Shedgum-Yanbu Pipeline Loop 4&5** project, which included detailed engineering, procurement of all materials, excluding the line pipe supplied by the client, construction, pre-commissioning and assistance with commissioning;
- as part of the **EPC Khurais** project, involving the extension of the onshore production centres in the Khurais, Mazajili, Abu Jifan, Ain Dar and Shedgum fields, various facilities included in the scope of works were delivered to the client, while the water injection unit, cogeneration unit and reverse osmosis plant are still to be delivered;
- the **South Gas Compression Plants Pipeline Project** project relating to the development of the gas plant Haradh (HdGP) located in the east of the country, which provides for the auditing of detailed engineering developed by the client, procurement of all materials, excluding the line pipe for coated carbon steel lines provided by the client, as well as construction, pre-commissioning and commissioning support, is under execution;
- the first phase of the restoration works on the plants damaged by the air raid on September 14, 2019 in **Khurais** was completed, with the plant restarted and production resumed by the client. The subsequent stages of the project are in progress, including the dismantling and replacement of some damaged equipment;
- engineering and procurement activities are under way, while TCF (Temporary Construction Facilities) erection activities are beginning for the **Marjan** project, an EPC contract for the implementation of "Package 10" of the development programme at the field of the same name, which includes gas treatment, sulphur recovery and tail gas treatment trains, while construction activities are scheduled to begin by the final quarter of the year;
- engineering activities are under way for the **Berri** project, an EPC contract to increase the capacity of the field of the same name, by setting up new facilities at Abu Ali and Khursaniyah, site activities for which will begin in 2021.

Also in Saudi Arabia:

> for Petrorabigh (a joint venture between Saudi Aramco and Sumitomo Chemical), the mechanical works of the **Rabigh II** project related to the naphtha conversion plant and the complex for the production of aromatic compounds have been completed, and also the additional works, awarded during the second half of 2016, related to the Utilities and Offsite Facilities package, have been concluded.

In Kuwait:

> for Kuwait Oil Co (KOC), engineering and procurement activities are nearing completion and construction activities relating to the **Feed Pipelines for New Refinery** project are underway.
> The contract includes engineering, procurement, construction and commissioning activities related to the development of the new connection lines and related pumping station and measurement of the new Al Zour refinery located in south Kuwait;

> for Kuwait Integrated Petroleum Industries Co (KIPIC), in joint venture with Essar Projects Ltd, engineering and procurement activities for the **Al-Zour Refinery** project are practically complete and construction and completion activities are progressing. The contract encompasses design, procurement, construction, pre-commissioning and assistance during commissioning tests, start-up and checks on the performance of tanks, related road works, offices, pipelines, piping support frames, water works and control systems for the Al-Zour refinery. Mechanical activities have been completed for the **KNPC Package 4** project, which is a variation

order of Al-Zour Refinery. The project required the execution of tie-ins, modification of existing piping, laying of pipelines as well as procurement and installation of new equipment.

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

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

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

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

In Indonesia, for BP Berau Ltd, work has been completed for engineering and procurement, the logistics for the delivery of the materials are under completion and on-site construction of infrastructure activities are ongoing, while at the same time civil works are under completion and mechanical works for plant units are ongoing for the **Tangguh LNG Expansion** project, which involves the construction of an onshore LNG plant, auxiliary services, an LNG jetty and the associated infrastructure.

In Thailand:
> for PTT LNG Co Ltd (PTTLNG), the engineering and procurement activities developed in Taipei have almost been completed, and the works related to engineering, procurement and construction of the **Nong Fab LNG Project** Regasification Terminal including storage tanks and a jetty for importing LNG are in progress;
> for Thai Oil, in joint venture with Samsung Engineering and Petrofac International (leader) the **Clean Fuel** project is in progress, involving the construction and start-up of new units within the Sriracha refinery located around 130 kilometres from Bangkok, Thailand. The design, procurement and module prefabrication and fabrication activities continue, aiming mainly to supply the module manufacturing in the yards and the recently awarded civil works, buildings and underground works on the site.

In Turkey, for Star Refinery AS, Provisional Acceptance of the plant was achieved in the **Aegean Refinery** project. The contract included engineering, procurement and construction of a new refinery with a marine terminal consisting of one import jetty and two export jetties.

In Nigeria:
> for Dangote Fertilizer design and procurement activities are nearing completion and construction is ongoing for the **Dangote** project for the new ammonia and urea production complex. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities located at the Lekki Free Trade Zone, Lagos State;
> for Southern Swamp Associated Gas Solution (SSAGS), construction was completed for the four sites for the **Southern Swamp** contract.
The contract provided for engineering, procurement, construction and commissioning of compression facilities at four sites and of new gas central production facilities at one of the sites, which will treat the routed associated gas;
> for Nigerian Agip Oil Co (NAOC), construction activities continued as part of the **OKPAI 2** project. The project involves engineering, procurement, construction and commissioning activities for a power plant consisting of two combined-cycle groups;
> for Nigeria LNG Ltd (NLNG), engineering activities and procurement services are under way for the initial stage of an EPC contract, **LNG Bonny train 7**, for the engineering and construction of a LNG project, in joint venture with Daewoo and Chiyoda Corp. It involves the construction of a natural gas liquefaction train, as well as all the necessary utilities and port facilities for export, for the expansion of the existing LNG plant at Finima on Bonny Island.

In Mozambique, for Total (that acquired Anadarko interests during 2019), the design and procurement are ongoing, while the preliminary activities for the **Mozambique LNG** project have begun, consisting of the realisation of a LNG plant made up of two LNG liquefaction trains, as well as all the relevant utilities, storage tanks and port facilities for export.

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

In Italy:
> for Ital Gas Storage (IGS), engineering, procurement and construction activities have been completed for the **Natural Gas Storage Plant** EPC project, which included the development of natural gas storage plants in Cornegliano Laudense, in the province of Lodi. The engineering and procurement activities for a works variation are currently underway;
> for Eni Refining & Marketing, activities are under way for the **Tempa Rossa** project, which provides for the construction of the auxiliary systems and of two tanks for the storage of the crude oil coming from the Tempa Rossa field operated by Total;
> for Rete Ferroviaria Italiana, engineering activities are under way in the context of the **CEPAV 2 High Speed** Brescia-Verona project, which includes engineering, procurement and construction of 48 kilometres of railway lines between the provinces of Brescia, Mantua and Verona; during the half year, the second construction lot has been awarded, which entails completion of the civil works for the Brescia Est-Verona railway line section, along with the construction of the railway superstructure, the electricity transmission system and technologies for the entire section.

In Serbia, for Infrastructure Development and Construction (IDC), the engineering, construction and pipelay activities progressed for the **Transmission Gas Pipeline** project (Interconnector) Border of Bulgaria-Border of Hungary.

In Russia, for Gazpromneft, the engineering, procurement and construction yard set-up activities are in progress for the realisation of a **sulphur recovery unit** for the Moscow refinery.

Floaters

The FPSO market remains stable in terms of volumes, despite the uncertain times, which have led to the postponement of a portion of the initiatives to 2021. Several feasibility studies, FEEDs and tenders for EPC contracts are currently underway, and the oil companies express their confidence in approving the final investment decisions (FID) by the end of 2020-start of 2021. The most significant initiative in the first half of 2020 was Gato do Mato for Shell Brazil, currently under way.

The FLNG/FSRU market shows potential development for FLNG offshore of Israel, and is still expanding for FSRU, technology requested by new LNG clients. In particular, Asia remains the main market for those types of units, but there are also small projects in the Mediterranean.

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

Work performed

The largest and most important projects underway or completed during the first half of 2020 were as follows.

In Indonesia, for Eni East Sepinggan Ltd, the **Merakes Development** project is in progress, involving the extension of the production capacity of the FPU in the Jangkrik gas field. The engineering and procurement activities are practically complete, as are nearing completion the module prefabrication activities at the Karimun Yard; at the same time, the offshore campaign activities began on board the FPU.

In Russia, for Arctic LNG-2 Llc, in joint venture with RHI Russia BV (affiliated company of Renaissance Heavy Industries Llc), activities related to the **Arctic LNG 2 - GBS** project are ongoing for the completion of three liquefied natural gas plants that will be installed on reinforced concrete support and storage structures. The scope of the contract includes design, procurement, construction, transportation by sea and installation of three concrete support and storage structures. Construction will take place in Murmansk on a site made available by Novatek and then the structures will be transported and installed in Gydan, Russia. Moreover, the procurement and yard set-up activities of the project **Arctic LNG 2 - Topsides** have started, which includes the engineering, procurement and fabrication of the topside modules of the LNG trains to be installed on three reinforced concrete support and storage structures (GBS).

In the "Leased FPSO" segment, the following vessels carried out operations during 2020:
> the **FPSO Cidade de Vitoria** carried out operations for Petrobras as part of an eleven-year contract on the second phase of development of the Golfinho field, situated off the coast of Brazil at a water depth of 1,400 metres;
> the **FPSO Gimboa** carried out operations on behalf of Sonangol P&P under a contract for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.

In the United Arab Emirates, for Eni, the provision of the services for lay-up and preservation of the **FPSO Firenze** are ongoing, pending the renewal works for the relocation of the unit in an oil field off the coast of Nigeria.

Finally, in Angola, for Total, the operations and maintenance services (O&M) of the **FPSO Kaombo Norte** and **Kaombo Sul** continue, for a seven-year period, plus an additional eight optional years.

OFFSHORE DRILLING

General overview

At June 2020, the Saipem Offshore Drilling fleet consisted of thirteen vessels, divided as follows: five ultra-deep water units for operations at depths in excess of 3,300 feet (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 8 and Scarabeo 9), five high specification jack-ups for operations at depths of up to 375 feet (Perro Negro 7, Perro Negro 8, Pioneer, Sea Lion 7 and Perro Negro 9), two standard jack-ups for activities at depths up to 300 feet (Perro Negro 4 and Perro Negro 5), and one barge tender rig (Saipem TAD). All these vessels are self-owned, with the exception of the Pioneer, Sea Lion 7 and Perro Negro 9 jack-ups, owned by third parties and leased and operated by Saipem.
The exceptional circumstances in the first half of the year, arising from a significant drop in the oil price and the outbreak of the COVID-19 pandemic, have led to a change in the market scenario. For these reasons, the semi-submersible Scarabeo 7 and the barge tender assisted rig (Saipem TAD), which were expected to potentially benefit from a gradual recovery in the pre-shock market scenario, were fully impaired and will be decommissioned in the second half of the year, together with the Perro Negro 2 jack-up, which was fully impaired in 2016.
During the half year, the Offshore Drilling fleet operated in Norway, Egypt (both in the Mediterranean and the Red Sea), Angola, Mozambique, Mexico and the Middle East.

Market conditions

In keeping with the end of 2019, the year opened with a sense of moderate optimism regarding the potential for the market to recover in the medium term.
The outlook changed drastically from the end of February, due to tensions among oil producing countries and the outbreak of the COVID-19 epidemic. The combination of these events led to a sharp drop in the oil price (which even fell below $20 a barrel and with negative futures prices) and a decline in short-to-medium term demand. The Oil Companies reacted by significantly reviewing their investment plans, the effects of which will be felt in particular in the second half of the year. This has resulted in some previously awarded contracts being cancelled, and activities being suspended and postponed to 2021.
In light of the market shocks mentioned above, drilling rig scrap activities have gained new momentum. Indeed, in the first half of the year, 20 rigs, approximately 3% of the world's entire supply, were definitively retired. When considering the scale of the increase in retirements, it should be noted that the number of rigs retired from the market in the first six months of the year alone was equivalent to the figure for the whole of 2019. Furthermore, the retired rigs included ultra-deep water drillships delivered in 2010 and 2011, and therefore in the top end of the range.
Though lower than the previous year, the number of rigs being completed in the shipyards is still relatively significant: as at June, 71 new units were in production (45 jack-ups, 8 semi-submersibles and 18 drillships), only six of which are known to be linked to a contract for their use following completion of the construction works.
The sudden and unexpected drop in the market affected all main drilling contractors in general, some of whom experienced a particularly significant worsening of their equity and financial position, to the extent of needing to resort to debt restructuring operations.
The high number of new units under construction, the retirement of some of the existing fleet (which is likely to continue), combined with the financial weakness of many contractors, represent structural changes to the offshore drilling segment, which may have a significant impact in the medium-to-long term.

New contracts

In the first half of 2020, no new projects were awarded. The sudden change in the market scenario explained in the previous paragraph led to the postponement and cancellation of important target projects, significantly reducing the opportunities to acquire additional contracts.

Capital expenditure

Investments made during the first half of 2020 concerned class reinstatement and work to ensure the compliance of vessels with international regulations and client requirements. Rigs subject to maintenance for the purposes of renewing class certification included, in particular, the Saipem 10000 drillship.

Work performed

In the first half of 2020, the entire Saipem Offshore Drilling fleet was affected by the handling of the aforementioned issues associated with the COVID-19 pandemic. A series of measures were put in place to manage the emergency, including: emergency plans, reviewing shifts, pre-boarding testing and scheduling quarantine periods for operating personnel in accordance with the regulations of the various countries where the projects were carried out.
These measures, which applied to all rigs, made it possible to ensure a substantial degree of business

continuity, while always prioritising health and safety. This is demonstrated by the fact that not a single positive case of COVID-19 was recorded on board the fleet.
In the first half of 2020, Saipem's offshore units drilled 41 wells (of which 23 workovers), totalling 60,185 metres.
The fleet was used in the following way:

> ultra-deep water/deep water unit: the **Saipem 12000** operated off the coast of Mozambique for Mozambique Rovuma Venture until approximately mid-April when, as a result of the effects of the market crisis and the need to reduce the volume of investments, the client put the rig into remunerated standby and postponed completion of the activities to 2021; under a multi-year contract with Eni, **Saipem 10000** continued its operations in Egypt until the beginning of March when the previously scheduled naval class renewal works began; due to the outbreak of the COVID-19 pandemic in the same period, the maintenance activities had to be rescheduled, with some of the works being postponed to a later date; as with Saipem 12000, as a result of the effects of the market crisis and the need to reduce the volume of investments, the client put the rig into remunerated standby and postponed completion of the planned activities to 2021; the semi-submersible **Scarabeo 9** completed the operations as part of the project for GSP in Romania and has been stacked in Las Palmas in the Canary Islands since the beginning of June, awaiting new work;

> in mid-April, the semi-submersible **Scarabeo 8** completed its activities for Wintershall in Norway then was stacked while waiting for the client to finalise its plans; the semi-submersible **Scarabeo 5** has continued to operate in Angola for Eni;

> high specification jack-up: the **Perro Negro 8** worked off the coast of the United Arab Emirates for ADNOC, who gave notice of the termination for "convenience" of the contract, effective from November 2020; the **Perro Negro 7** units has continued to operate for Saudi Aramco off the coast of Saudi Arabia; the **Pioneer** unit has continued to operate for Eni in Mexico; having begun operations in Saudi Arabia for Saudi Aramco in the first few days of 2020, the **Sea Lion 7** unit continued with its activities for the entire period; preparation works began on the **Perro Negro 9** unit with a view to it replacing Perro Negro 5 for the Saudi Aramco contract; the issues associated with the COVID-19 pandemic forced the postponement of the start of activities on the rig, initially scheduled for the second quarter, to the following quarter;

> standard jack-up: **Perro Negro 5** continued its activities in Saudi Arabia for Saudi Aramco; as mentioned previously, its replacement by the Perro Negro 9 has been postponed to the third quarter of 2020; the **Perro Negro 4** has continued to operate in the Red Sea for Petrobel;

> other activities: the **Saipem TAD** tender assisted rig remains stacked.

Work began on the disposal for scrap of the Scarabeo 7 and Perro Negro 2 rigs stacked and, owing to the absence of market prospects, has been impaired.

Utilisation of vessels

Vessel utilisation in the first half of 2020 was as follows:

Vessel (No. of days)	First half 2020 under contract	First half 2020 idle
Semi-submersible platform Scarabeo 5	182	-
Semi-submersible platform Scarabeo 7	-	182 (1)
Semi-submersible platform Scarabeo 8	105	77 (1)
Semi-submersible platform Scarabeo 9	127	55 (1)
Drillship Saipem 10000	95	87 (2)
Drillship Saipem 12000	182	-
Jack-up Perro Negro 2	-	182 (1)
Jack-up Perro Negro 4	182	-
Jack-up Perro Negro 5	182	-
Jack-up Perro Negro 7	182	-
Jack-up Perro Negro 8	182	-
Jack-up Pioneer	182	-
Jack-up Sea Lion 7	174	8 (2)
Jack-up Perro Negro 9	-	182 (2)
Tender Assisted Drilling Barge	-	182 (1)

(1) Days on which the vessel was idle and not under contract.
(2) Days on which the vessel underwent class reinstatement works and/or preparation works.

ONSHORE DRILLING

General overview

At June 2020, the Onshore Drilling rig fleet was composed of 86 units, of which 83 are owned by Saipem and 3 by third parties but operated by Saipem. The areas where Saipem operated were Latin America (Peru, Bolivia, Colombia and Argentina), the Middle East (Saudi Arabia and Kuwait), Kazakhstan, Italy and Africa (Congo and Morocco).

Market conditions

During the first half of 2020, the total volume of onshore drilling investments by oil companies decreased compared to 2019, in a global industrial context characterised by the economic crisis caused by the COVID-19 pandemic and by the fall of the oil price.
Net downward revisions of investments in the upstream sector have been outlined, with such investments due to decline by almost one third in the current year compared to 2019. The delay in awarding new contracts and the slowdown of those already under way have led to numerous vessels sitting idle, and certain operators claiming force majeure.
In North America, an area already penalised by high average exploration and production costs, the drilling activities decreased compared to 2019 in terms of spending and active rigs, with a stronger fall in drilling activities recorded in terms of both vessel operations and daily rates.
Also in the international market, the one in which Saipem operates, the overall activity in the first half of 2020 was clearly affected by the economic slowdown. Investments declined across all geographical areas compared to the previous year. With regard to active rigs, meanwhile, the only area that has felt the effects of the crisis less strongly is the Middle East, with vessels in Kuwait operating more or less as before. This is in contrast to Saudi Arabia, which has seen a substantial decline in drilling units.
In Latin America, drilling has shown, in terms of expenditure and number of rigs, levels of strong decrease compared to 2019, in particular as regards Argentina, which represents over 30% of the regional market. With regard also to the other areas in which Saipem operates (Europe and Africa), both investment levels and vessel activities have decreased.

Capital expenditure

Investments made in the first half of 2020 related to the upgrading of rigs for operations in Saudi Arabia and South America, as well as maintenance and upgrading of existing assets. Improvement and integration interventions were also carried out for maintaining the operating efficiency of the fleet and meeting the specific requirements of clients.

New contracts

In the first half of 2020, no new projects were awarded.

Work performed

In the first half of 2020, Saipem's onshore units drilled 94 wells (of which 8 workovers), totalling 283,085 metres.
Saipem worked in the following areas:
- Latin America: drilling, work-over and pulling activities were performed in **Peru** for various clients (including GMP, CNPC, Frontera Energy and Petrotal) with eight self-owned rigs and two owned by the client Frontera Energy. The other eight self-owned rigs remained inactive; in **Bolivia**, drilling activities were carried out for Shell and Repsol with two rigs, a third rig is currently being assembled to begin drilling with Repsol soon, while the fourth rig remained inactive; drilling activities were carried out in **Argentina** for YPF (Yacimientos Petrolíferos Fiscales) under multi-year contracts using two rigs, while the other two rigs remained inactive; drilling activities were carried out in **Colombia** for Ecopetrol using two rigs; there are two inactive units in **Ecuador**; the eighteen rigs in **Venezuela** have remained inactive.
- Middle East: drilling activities were carried out in **Saudi Arabia** for Saudi Aramco, under multi-year contracts using twenty-eight rigs but, due to the current situation, the activities of seven rigs were suspended at the end of the first half of the year; in **Kuwait** operations of two Saipem units provided to the client KOC are ongoing, under previously existing contracts.
- Rest of the world: in **Romania**, rig demobilisation activities have been completed following conclusion of the activities carried out for the client OMV-Petrom; in **Kazakhstan** demobilisation of the second rig used for the Zhaikmunai client has been completed. In 2019, the two rigs were released subject to an early termination fee following a reduction in the client's activities. In Africa, Saipem operated in the **Congo** and in **Morocco**, in the former for Eni Congo SA, managing a client-owned unit, while in the latter with a self-owned rig for Sound Energy. The latter rig is in standby, awaiting the resumption of the activities postponed by the client following the pandemic. In **Italy**, preparation of a rig for works to be carried out for Eni was suspended following the client's decision to postpone the launch of the works, initially for strategic reasons and then due to the pandemic.

Discussions are under way concerning the potential release of the rig prior to the contract expiry date.

Utilisation of rigs

Average (simple) utilisation of rigs in the first half of 2020 stood at 51.3% (59.4% in the same period of 2019). Considering the technical characteristics of the fleet as the reference weights, the weighted average utilisation of rigs in the first half of 2020 amounted to 62.6% (67.9% in the corresponding period of 2019). In the region referring to Europe, the Middle East and Africa, the number of rigs in use at June 30, 2020, totalled 36. In addition 1 unit owned by third parties was used in the Congo. In Latin America, Saipem had 47 rigs installed at June 30, 2020. In addition, 2 third-party rigs were used in Peru.

FINANCIAL AND ECONOMIC RESULTS

The effects of COVID-19

The outbreak of the COVID-19 ("Coronavirus") pandemic has significantly impacted the global economy and, as a result, the Saipem Group, also considering the drastic reduction in the prices of the main energy raw materials (primarily gas and oil) in the first half of 2020. Specifically, in the first and second quarters of the year, oil prices collapsed largely due to a sudden drop in consumption following the restrictions on production and on people's mobility imposed by governments to contain the epidemic, plus the effect of the "price war" between the main producing countries. The fact that production in the world's major economies is gradually resuming, along with the agreements between OPEC and Russia to limit production, has resulted in both supply and demand being partially rebalanced, and oil prices rose again towards the end of the first half of the year; however, these prices are still far below the levels reached at the beginning of 2020 and below the projections made back then.

As soon as the pandemic struck, Saipem began a detailed analysis of the possible effects of COVID-19, which is still ongoing as the situation continues to evolve in terms of: (i) evolution of regulatory frameworks and, in particular, monitoring the measures taken by the countries in which Saipem operates; (ii) management of relations with customers and partners; (iii) management of both active and passive contracts, by introducing and/or activating, where possible, specific contractual clauses; (iv) impact on project execution, particularly on operations at worksites and on vessels, due to changes in the availability of internal and external resources and/or other circumstances resulting, directly or indirectly, from the pandemic; (v) levels of performance and continuity of service by suppliers, subcontractors and partners.

Saipem has implemented specific mitigation measures to contain the impact of the pandemic from the outset, activating a crisis response protocol by setting up a specific task force in charge of constantly monitoring the spread of the virus and finding solutions to inform and protect internal and external staff (employees, customers and suppliers) in the offices and work sites in Italy and in the countries where the Group operates, in accordance with the instructions of the Ministry of Health. The Saipem Crisis Unit in Milan is open 24/7 and is constantly in contact, providing coordination with Local Crisis Units worldwide; it periodically reviews the situation and adjusts the status of the action plan with the Corporate Crisis Committee chaired by the Chief Executive Officer.

Consistently with the guidelines provided by ESMA (European Securities and Markets Authority) in its Public Statement of May 20, 2020, which highlights the need for issuers to provide updated information that can be useful to investors so as to adequately reflect the impact of COVID-19 (on the financial position, performance, cash flows and identification of the main risks and uncertainties to which issuers are exposed when preparing interim financial reports), Saipem's considerations on the impacts observed and the mitigation measures put in place are detailed below.

With regard to potential situations of financial stress, the Finance Department of Saipem SpA is constantly monitoring the Group's current and prospective liquidity. For the control and efficient use of its liquidity, the Saipem Group avails itself, among other things, of a central cash pooling system and automatic reporting tools.

Saipem Group's financial debt is structured over a medium-long term horizon, with a limited concentration of maturities in the financial years 2020 and 2021.

As of June 30, 2020, the maturities of the three bonds amounting to €500 million each are expected in the financial years 2022, 2023 and 2025.

An additional safety margin is represented by the availability of a €1 billion Revolving Credit Facility ("RCF") line, maturing in 2023, which has not yet been used.

On April 22, 2020, the Board of Directors of Saipem SpA approved the renewal for one year of the Euro Medium Term Note Programme (the "EMTN Programme"), established by the resolution of April 27, 2016 for a maximum amount of €2,000 million and then increased to a maximum amount of €3,000 million. The outstanding total amount of bonds issued under the EMTN Programme by Saipem Finance International BV ("SFI") amounts to €2 billion, including €500 million for the bond loan issued on July 15, 2020 and maturing in July 15, 2026.

Considering the negative economic and financial trends resulting from the pandemic and the reduction in crude oil prices, special emphasis is placed on reviewing the expected losses of financial assets, especially with regard to: (i) trade receivables, (ii) hedging derivatives and (iii) financial assets measured at fair value.

For Saipem, the most potentially significant impact is linked to the risk of insolvency with regard to trade receivables; this risk is constantly and centrally monitored and evaluated by the Finance Department of Saipem SpA by monitoring the risk indicators and the customer's Probability of default from third-party info providers.

The procedures centrally implemented by Saipem's Finance Department are structured to manage the risks associated with the transactions put in place by constantly monitoring the effects caused by uncertainty surrounding future variables and the risk of the market counterparties with whom contracts are entered into.

As regards the determination of the recoverable value of the non-financial assets used by the Group for implementing projects, as required by the impairment methodology approved by the Board of Directors of Saipem SpA, the prospective cash flows for estimating

the recoverable value of each Cash Generating Unit (CGU) are determined on the basis of the best information available and of the expectations at the time of the estimate, also taking into account the future expectations of the Management of the divisions in relation to their respective target markets, also based on actual results.
The method adopted by the Group is also suitable in emergency situations such as this one, and entails a reassessment of the assumptions underlying the test. The cash flows used for the impairment test are those of the 2020-2023 Strategic Plan approved by the Board of Directors in February 2020, which were updated using the best estimates available to date and approved by the Board of Directors on July 16, 2020. Due to the changes in the market caused by the COVID-19 pandemic, the EBITDA and Capex values of the divisions were updated, as well as the other parameters necessary to define flows such as exchange rates, assumptions on the evolution of working capital, tax rate and financial charges. In this respect, the updating of the EBITDA and Capex values, as well as of the other relevant parameters, is due to a review of the estimates of the prospective trend in the performance of the divisions, mainly resulting from the pandemic situation which, as mentioned above, has negatively affected the main phenomena influencing the profitability of Saipem's activities, as more specifically detailed below.
With regard to revenues from contracts with customers as a result of the COVID-19 crisis and changing market conditions, the circumstances relating to the possible (i) collection of payments that may no longer be highly probable and (ii) agreements between the parties that could modify certain aspects of the contract related to the performance obligation or to the price of transactions, were assessed.
The enforceability of contractual rights and obligations and the likelihood of collecting consideration are prerequisites for identifying a contract with customers for accounting purposes. In fact, according to IFRS 15, if these conditions are not met, the contract should not exist from an accounting point of view and revenues could not be recognised. Given the current uncertainty, it is therefore necessary to check whether such conditions are met when entering into a contract, and whenever substantial changes in the relevant facts and circumstances are likely to occur.
Moreover, the estimate of the variable component of the payments has been revised since, because of the uncertain situation, it is complex and requires a high degree of judgement due to the constraint envisaged by the principle that allows revenues to be recognised only for amounts that are very likely not to be reversed in the future.
With reference to the contract assets to be evaluated in long-term job orders, for which revenues are recorded "over the time" according to input methods such as "cost to cost", the estimate of the final charges and the timing for fulfiling the performance obligations made it necessary to consider whether the costs linked to COVID-19 should be excluded from project progress. For this purpose, Saipem has identified three "clusters" in which the costs linked to COVID-19 have been allocated:

1. Costs directly related to COVID-19: these are costs directly related to COVID-19 as they were incurred, or will be incurred, to manage the emergency within the companies of the Group and at the project sites; these costs are to be borne by Saipem, since they cannot be contractually reimbursed by the customer. These costs are recognised on specific contracts separate from operating contracts, and are recognised as costs in the income statement without generating contract progress (and therefore without recognising any contract assets) and without recognising any margin. In the first six months, these costs amounted to approximately €44 million in total.
2. Costs indirectly related to COVID-19: these are costs incurred, or that will be incurred, for which it is impossible to tell with reasonable certainty whether they are due to the pandemic or to inefficiencies or other causes which, for instance, are related to changing market conditions linked to fluctuations in crude oil prices. By way of example, these are delay costs arising from the reduction or postponement of project or construction site activities.
   These types of costs are included in the full-life estimates of job orders.
3. Costs "to be evaluated case by case": these are direct project costs for which the Company has declared that "force majeure causes", or which were incurred for staff kept on stand-by due to lockdown, and whose allocation must be assessed on a case-by-case basis because of the peculiarity of the situation, of the customer, of the contract, etc. No specific and quantifiable cases of this type have been identified.

To offset the types of costs linked to COVID-19 as described above, the Company has implemented an opex and capex cost containment plan for 2020 for a total amount of about €400 million.
As for the possible future outlooks for the markets, there is evidence that the COVID-19 pandemic is continuing to destabilise many industrial sectors globally, since the virus has continued to spread in some developed regions (including the United States) and has spread to less affluent regions, which had initially been less affected. The energy sector has been one of the sectors most affected by the pandemic, largely due to the fall in global demand. Leading analysts forecast medium-term oil price scenarios at lower levels than previously anticipated, which is bound to have a negative effect on the entire Oil&Gas sector in the next few years and, to a greater extent, on contractors and service companies operating in the Upstream sector (Onshore and Offshore Drilling and Offshore E&C).
It should be noted that Saipem designs and constructs systems commissioned by clients on the basis of long-term investment assessments, whose realisation from the initial concept phase of the initiative, through development and construction, takes on average between four and seven years, depending on the complexity of the project.
Due to the nature of the business and its diversification in various segments, there is no direct correlation between the trend in oil prices and Saipem's financial results: as of June 2020, more than 70% of its E&C

backlog was made up of non-oil projects, including LNG and renewables (energy efficiency).
The worldwide spread and duration of the contagion could have considerable and unquantifiable effects on sales and operating activities, and consequently on the Group's economic, equity and financial results, also in the light of the following:

- construction sites and logistics bases: limited productivity and delays in engineering activities due to restrictions on travel and presence at operating sites;
- ongoing projects: reduction in the scopes of work, interruption of projects due to the calling of the "force majeure" clause, the slowing down of activities following a reduction in project personnel, discount requests from clients on rental rates for drilling rigs, difficulties relating to the rotation of personnel abroad and team changes;
- current commercial tenders: lengthening of contract award timeframes over the year and postponement of contract awards from 2020 to 2021 with an increase in assets being idle.

In conclusion, at the beginning of July 2020, more than 78% of the active risks associated with the COVID-19 pandemic were quantified and the expected value of these risks is approximately less than 8% of the total expected value of all risks associated with Saipem projects. The geographical areas most exposed to this risk, although with different situations in the various divisions, are Europe, Russia and the Caspian Sea, with a concentration of more than 40% of COVID-19 related risk.
Despite the crisis caused by the COVID-19 pandemic and the changing market conditions resulting from the current and prospective price fluctuations of crude oil, the going concern assumption used in the preparation of the condensed interim consolidated financial statements as of June 30, 2020 may, based on the information available as of today, be considered adequate also as a result of the management and containment measures implemented, as described above.

Group organisation: reporting

The Saipem Group's operating and financial results for the first half of 2020 and the comparative data provided for prior years have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission.
The results of the XSIGHT Division are not disclosed to the market separately, rather they are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure.

Operating results

Saipem Group - Income statement

Year 2019	(€ million)	First half 2019	First half 2020	Ch. %
9,099	**Core business revenue**	**4,519**	**3,675**	**(19.0)**
11	Other revenue and income	6	2	
(6,232)	Purchases, services and other costs	(3,094)	(2,550)	
(62)	Net reversals of impairment losses (impairment losses) on trade receivables and other assets	(22)	(5)	
(1,670)	Personnel expenses	(835)	(851)	
1,146	**Gross operating profit (EBITDA)**	**574**	**271**	**(52.8)**
(690)	Depreciation, amortisation and impairment losses	(312)	(982)	
456	**Operating result (EBIT)**	**262**	**(711)**	**n.s.**
(210)	Net financial income (expense)	(101)	(95)	
(18)	Net gains (losses) on equity investments	(38)	10	
228	**Pre-tax profit (loss)**	**123**	**(796)**	**n.s.**
(130)	Income taxes	(77)	(74)	
98	**Profit (loss) before non-controlling interests**	**46**	**(870)**	**n.s.**
(86)	Profit attributable to non-controlling interests	(32)	(15)	
12	**Profit (loss) for the period**	**14**	**(885)**	**n.s.**

Core business revenue in the first half of 2020 amounted to €3,675 million.
Gross operating profit (EBITDA) amounted to €271 million. Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets totalled €982 million.
The **operating loss (EBIT)** for the first half of 2020 was €711 million. The main variations relating to the income statement items above are detailed below in the analysis by segment.
Net financial expense of €95 million was €6 million lower due to a decline in hedging costs and exchange losses, as well as to a reduction in charges deriving from the application of IFRS 9; this effect was partly offset by an increase in charges due to the early redemption of bonds maturing in 2021 and the

management of local lines of credit.
Net gains on equity investments totalled €10 million, mainly due to the profit earned on contracts carried out as joint ventures measured using the equity method.
The **pre-tax loss** amounted to €796 million.
Income taxes totalled €74 million.
The **net loss** amounted to €885 million (profit of €14 million in the first half of 2019) and, unlike adjusted net profit, was impacted by the following special items:

- write-downs of tangible assets of the Offshore Drilling Division for €590 million, of which €257 million already recognised in the first quarter of 2020, deriving from the impairment test in consideration of the increase by 1.6 percentage points in the rate used to discount cash flows, as well as revision of the cash flow projections and the long-term rates;
- write-down of tangible assets and related working capital, as well as of a Right-of-Use asset for €99 million;
- out-of-period losses for about €20 million in relation to a long-pending lawsuit regarding a completed project, deriving from the periodic legal monitoring of the progress of all disputes;
- costs deriving from the healthcare emergency for about €44 million. This amount includes the costs incurred in the period directly attributable to the COVID-19 pandemic, such as for personnel on stand-by in cases in which site activities and vessels were blocked by the authorities, for the purchase of personal protective equipment in excess of the standard quantities, for sanitising work areas and for the organisation of charter flights to bring the personnel home.

The following reporting accounts were affected by special items during the first halves of 2020 and 2019:

Year 2019	(€ million)	First half 2019	First half 2020
9,099	**Revenues**	**4,519**	**3,675**
34	Impairment losses on working capital	-	-
9,133	**Adjusted revenues**	**4,519**	**3,675**

Year 2019	(€ million)	First half 2019	First half 2020
456	**Operating result (EBIT)**	**262**	**(711)**
153	Impairment/write-down and restructuring expenses	46	753
609	**Adjusted operating profit (EBIT)**	**308**	**42**

Year 2019	(€ million)	First half 2019	First half 2020
12	**Profit (loss) for the period**	**14**	**(885)**
153	Impairment/write-down and restructuring expenses	46	753
165	**Adjusted profit (loss) for the period**	**60**	**(132)**

Adjusted EBIT reconciliation - EBIT first half 2020

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total
Adjusted EBIT	**17**	**23**	**13**	**(11)**	**42**
Restructuring expenses (1)	-	-	-	-	-
Impairment	-	-	590	-	590
Impairment of assets	40	19	13	7	79
Impairment of current assets (1)	-	7	11	2	20
Dispute settlements (1)	-	20	-	-	20
COVID-19 healthcare emergency (1)	15	14	9	6	44
Total special items	(55)	(60)	(623)	(15)	(753)
EBIT	**(38)**	**(37)**	**(610)**	**(26)**	**(711)**

(1) Total €84 million: reconciliation of adjusted EBITDA of €355 million with EBITDA of €271 million.

Adjusted EBIT reconciliation - EBIT first half 2019

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

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

The impact on the net result is the same as that on EBIT.

Saipem Group - Adjusted income statement

Year 2019	(€ million)	First half 2019	2020	% Ch.
9,133	**Adjusted core business revenue**	**4,519**	**3,675**	**(18.7)**
11	Other revenue and income	6	2	
(6,234)	Purchases, services and other costs	(3,087)	(2,487)	
(62)	Net reversals of impairment losses (impairment losses) on trade receivables and other assets	(22)	(5)	
(1,622)	Payroll and related costs	(810)	(830)	
1,226	**Adjusted gross operating profit (EBITDA)**	**606**	**355**	**(41.4)**
(617)	Depreciation, amortisation and impairment losses	(298)	(313)	
609	**Adjusted operating profit (EBIT)**	**308**	**42**	**(86.4)**
(210)	Net financial (income) expense	(101)	(95)	
(18)	Net gains (losses) on equity investments	(38)	10	
381	**Adjusted pre-tax profit (loss)**	**169**	**(43)**	**n.s.**
(130)	Income taxes	(77)	(74)	
251	**Adjusted profit (loss) before non-controlling interests**	**92**	**(117)**	**n.s.**
(86)	Profit attributable to non-controlling interests	(32)	(15)	
165	**Adjusted profit (loss) for the period**	**60**	**(132)**	**n.s.**

Adjusted operating profit and costs by function

Year 2019	(€ million)	First half 2019	2020	% Ch.
9,133	**Adjusted core business revenue**	**4,519**	**3,675**	**(18.7)**
(7,940)	Production costs	(3,930)	(3,269)	
(222)	Idle costs	(108)	(188)	
(150)	Selling expenses	(76)	(82)	
(38)	Research and development expenses	(14)	(15)	
(2)	Other operating income (expenses)	2	(2)	
(172)	General and administrative expenses	(85)	(77)	
609	**Adjusted operating profit (EBIT)**	**308**	**42**	**(86.4)**

The Saipem Group generated core business revenue of €3,675 million during the first half of 2020, down by €844 million with respect to the comparative period in 2019; the contraction was experienced by all divisions, as a consequence of the pandemic slowdown of projects due to the effects of the pandemic and the postponement of certain activities, agreed with the clients.

Production costs, which include the direct cost of sales and the depreciation of the vessels and equipment employed on the contracts concerned, amounted to €3,269 million. The reduction of €661 million with respect to the first half of 2019 was consistent with the decline in revenue.
Idle costs were €80 million more than in the first half of 2019, mainly as a consequence of the postponement

of certain projects of the Offshore Engineering & Construction Division to 2021. Selling expenses, equal to €82 million, were €6 million higher due to the continued commercial efforts made.
The research and development expenses recognised as operating costs, €15 million, were essentially in line with those incurred during the first half of 2019. General and administrative expenses, €77 million, were €8 million lower than in the first half of 2019 as a result of the cost-reduction efforts made following the pandemic.

Offshore Engineering & Construction

Year 2019	(€ million)	First half 2019	First half 2020
3,841	Core business revenue	1,990	1,485
(3,196)	Cost of sales	(1,662)	(1,312)
645	Adjusted gross operating profit (EBITDA)	328	173
(307)	Depreciation and amortisation	(148)	(156)
338	Adjusted operating profit (EBIT)	180	17
(13)	Impairment losses and charges	(6)	(55)
325	Operating result (EBIT)	174	(38)

Revenues for the first half of 2020 amounted to €1,485 million, down 25.4% compared to the same period of 2019, due mainly to lower volumes recorded in North Africa, Sub-Saharan Africa and the Middle East, partly offset by the greater volumes recorded in the Caspian Sea and in Italy.
The cost of sales, €1,312 million, was €350 million lower than in the first half of 2019, essentially in line with the lower levels of activity.
The adjusted gross operating profit (EBITDA) for the first half of 2020 was €173 million, equal to 11.6% of revenue. This was down from €328 million or 16.5% of revenue in the corresponding period of 2019.
The depreciation and amortisation charge was €8 million more than in the comparative period of 2019, mainly due to the greater depreciation of Right-of-Use assets, relating in particular to the leasing of vessels.
The operating result (EBIT) for the first half of 2020 was €38 million, after recognising an impairment charge on he value-in-use of a third-party asset for €39 million and the cost of the COVID-19 healthcare emergency for €16 million.

Onshore Engineering & Construction

Year 2019	(€ million)	First half 2019	First half 2020
4,199	Adjusted core business revenue	2,000	1,769
(3,972)	Cost of sales	(1,891)	(1,705)
227	Adjusted gross operating profit (EBITDA)	109	64
(83)	Depreciation and amortisation	(36)	(41)
144	Adjusted operating profit (EBIT)	73	23
(50)	Impairment losses and charges	(11)	(60)
94	Operating result (EBIT)	62	(37)

Adjusted revenues for the first half of 2020 amounted to €1,769 million, representing a 11.6% decrease compared to the corresponding period of 2019, mainly attributable to lower levels of activity in the Middle East.
The cost of sales, €1,705 million, was €186 million lower than in the first half of 2019, essentially in line with the lower levels of activity.
Adjusted gross operating profit (EBITDA) for the first half of 2020 was €64 million, equal to 3.6% of revenues, compared to €109 million, or 5.5% of revenues, in the same period of 2019.
Depreciation and amortisation amounted to €41 million, up by €5 million compared to the corresponding period of 2019, mainly due to the greater depreciation of Right-of-Use assets, relating in particular to lease contracts for new offices to execute the projects in the backlog.
The operating result (EBIT) for the first half of 2020 was €37 million, after recognising the write-down of a base and related inventories by €26 million, owing to the absence of commercial prospects over the course of the plan, out-of-period losses for €20 million in relation to a long-pending lawsuit regarding a completed project, deriving from the periodic legal monitoring of the progress of all disputes, and the costs incurred in relation to the COVID-19 healthcare emergency for €14 million.

Offshore Drilling

Year 2019	(€ million)	First half 2019	2020
555	Adjusted core business revenue	256	185
(329)	Cost of sales	(154)	(122)
226	Adjusted gross operating profit (EBITDA)	102	63
(103)	Depreciation and amortisation	(53)	(50)
123	Adjusted operating profit (EBIT)	49	13
(83)	Impairment losses and charges	(25)	(623)
40	Operating result (EBIT)	24	(610)

Revenues for the first half of 2020 amounted to €185 million, down 27.7% compared with the same period in 2019, due mainly to the drillship Saipem 10000, which underwent class reinstatement works, and the semi-submersible rigs Scarabeo 7 and Scarabeo 9, which were respectively idle and in demobilisation during the period; the decrease was partly compensated by greater revenues from the full activity of the semi-submersible rig Scarabeo 5, which was idle in the corresponding period of 2019, and the jack-up Sea Lion 7, which started working at the beginning of 2020.
The cost of sales, €122 million, was down by €32 million, in line with the reduction in volumes compared to the same period of 2019.
The adjusted gross operating profit (EBITDA) for the first half of 2020 was €63 million, equal to 34.1% of revenue. This was down from €102 million or 39.8% of revenue in the corresponding period of 2019.
The decline was mainly due to the increase in inactivity, partially offset by efficiency improvements.
Depreciation and amortisation amounted to €50 million, which was almost the same as the charge in the corresponding period of 2019.
The operating result (EBIT) for the first half of 2020 was €610 million and included write-downs of the tangible assets by €590 million, deriving from the impairment test in consideration of the increase by 1.6 percentage points in the rate used to discount cash flows, as well as revision of the cash flow projections and the long-term rates; write-downs of certain equipment and related inventories by €24 million, due to changes in the prospects for their use, and the costs incurred in relation to the COVID-19 healthcare emergency, €9 million.

Onshore Drilling

Year 2019	(€ million)	First half 2019	2020
538	Core business revenue	273	236
(410)	Cost of sales	(206)	(181)
128	Adjusted gross operating profit (EBITDA)	67	55
(124)	Depreciation and amortisation	(61)	(66)
4	Adjusted operating profit (EBIT)	6	(11)
(7)	Impairment losses and charges	(4)	(15)
(3)	Operating result (EBIT)	2	(26)

Revenues for the first half of 2020 amounted to €236 million, down 13.6% compared to the same period of 2019, due to lower activity in South America and the Caspian Sea.
The adjusted gross operating profit (EBITDA) for the first half of 2020 amounted to €55 million, equal to 23.3% of revenues. This was down from €67 million or 24.5% of revenue in the corresponding period of 2019.
Depreciation and amortisation amounted to €66 million, with an increase of €5 million compared to the corresponding period of 2019, for the entry into service of a new rig in Argentina.
The operating result (EBIT) for the first half of 2020 was €26 million, after writing down certain plant and related inventories by €9 million, given that the prospects for their use over the medium term are limited at best, and recognising the cost of the COVID-19 healthcare emergency, €6 million.

Balance sheet and financial position

Saipem Group - Reclassified consolidated statement of financial position [1]

The reclassified consolidated statement of financial position aggregates asset and liability amounts from the statutory statement of financial position by function, under three basic areas: operating, investing and financing.

Management believes that the reclassified statement of financial position provides useful information that helps investors to assess Saipem's capital structure and to analyse its sources of funds and investments in non-current assets and working capital.

June 30, 2019		(€ million)	Dec. 31, 2019		June 30, 2020	
	4,222	Property, plant and equipment		4,129		3,450
	531	Right-of-Use assets		584		395
	699	Net intangible assets		698		698
	5,452			**5,411**		**4,543**
3,038		*- Offshore Engineering & Construction*	*3,023*		*2,870*	
629		*- Onshore Engineering & Construction*	*594*		*554*	
1,218		*- Offshore Drilling*	*1,232*		*594*	
567		*- Onshore Drilling*	*562*		*525*	
	77	Equity investments		106		118
	5,529	**Non-current assets**		**5,517**		**4,661**
	298	**Net current assets**		**(64)**		**120**
	(224)	Employee benefits		(246)		(239)
	-	**Net assets held for sale**		**-**		**-**
	5,603	**Net capital employed**		**5,207**		**4,542**
	3,991	Equity		4,032		3,132
	38	Non-controlling interests		93		50
	1,043	Net financial debt pre-IFRS 16 lease liabilities		472		901
	531	Lease liabilities		610		459
	1,574	Net debt		1,082		1,360
	5,603	**Funding**		**5,207**		**4,542**
	0.26	**Leverage pre IFRS 16 (net debt/equity + non-controlling interests)**		**0.11**		**0.28**
	0.39	**Leverage post IFRS 16 (net debt/equity + non-controlling interests)**		**0.26**		**0.43**
	1,010,977,439	Number of shares issued and outstanding		1,010,977,439		1,010,977,439

(1) See "Reconciliation of the reclassified statement of financial position, income statement and statement of cash flows with the mandatory templates" on page 72.

Management uses the reclassified statement of financial position to calculate key ratios such as the Return On Average Capital Employed (ROACE) and leverage (used to indicate the robustness of the group's capital structure).

Non-current assets amount to €4,661 million at June 30, 2020, down by €856 million since December 31, 2019. The change derives from capital expenditure of €195 million, from depreciation and amortisation of €313 million and impairment losses of €669 million, from the write-down of leased Right-of-Use assets by €68 million, an increase in the equity investments measured using the equity method by €10 million, and the adverse net effect of €12 million deriving mainly from the translation of financial statements denominated in foreign currencies, as well as other changes.

Net current assets have increased by €184 million, from a negative balance of €64 million at December 31, 2019, to a positive balance of €120 million at June 30, 2020.

Employee benefits amount to €239 million, a decrease of €7 million since December 31, 2019, due to the utilisation of the provisions for restructuring expenses.

As a result of the above, **net capital employed** has decreased by €665 million to €4,542 million at June 30, 2020, from €5,207 million at December 31, 2019.

Equity, including non-controlling interests, amounts to €3,132 million at June 30, 2020, following a decrease of €900 million since December 31, 2019.

This reduction reflects the loss for the period (€870 million), the payment of dividends (€69 million), the purchase of treasury shares (€14 million), and the adverse effect of translating financial statements denominated in foreign currencies and other changes (€4 million), as offset by the change in the fair value of the derivatives that hedge exchange-rate and commodity-price risks (€14 million).

Net financial debt pre-IFRS 16 lease liabilities amounts to €901 million at June 30, 2020, up by €429 million since December 31, 2019 (€472 million) because, in the main, a number of projects acquired in 2019 have now achieved fully operational status.

The increase also reflects the slowdown of projects due to the effects of the pandemic and the postponement of some activities agreed with clients.

Net debt inclusive of IFRS 16 lease liabilities (€459 million) totals €1,360 million.

Analysis of net financial debt

June 30, 2019	(€ million)	Dec. 31, 2019	June 30, 2020
(68)	Non-current loan assets	(69)	(64)
623	Non-current bank loans and borrowings	676	627
1,992	Non-current bonds and other financial liabilities	1,994	1,495
2,547	**Net medium/long-term financial debt**	**2,601**	**2,058**
(1,736)	Cash and cash equivalents	(2,272)	(1,443)
(78)	Financial assets measured at fair value through OCI	(87)	(83)
(1)	Cash and cash on hand	-	(2)
(32)	Current loan assets	(178)	(199)
311	Current bank loans and borrowings	359	540
32	Current bonds and other financial liabilities	49	30
(1,504)	**Net short-term debt (liquid funds)**	**(2,129)**	**(1,157)**
1,043	**Net financial debt (liquid funds) pre-IFRS 16**	**472**	**901**
136	**Current lease liabilities**	**141**	**130**
395	**Non-current lease liabilities**	**469**	**329**
1,574	**Net financial debt (liquid funds)**	**1,082**	**1,360**

Cash and cash equivalents include: (i) cash and cash equivalents of €425 million in current accounts of projects executed in partnership or joint venture; (ii) cash and cash equivalents of €175 million in current accounts denominated in currencies subject to movement and/or convertibility restrictions; (iii) cash and cash equivalents amounting to €4 million in current accounts subject to restrictions in the event of disputes with some vendors, for a total of €604 million. See Note 20 “Analysis of net financial debt” for the related disclosures required by Consob communication no. DEM/6064293/2006.

Statement of comprehensive income

	First half	
(€ million)	2019	2020
Profit (loss) for the period	**46**	**(870)**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges	21	20
- change in the fair value of financial assets, other than equity investments, with effects on OCI	1	-
- remeasurement of defined benefit plans for employees	-	(2)
- exchange differences arising from the translation into euro of financial statements currencies other than the euro	9	(6)
- income tax on items of other comprehensive income	(4)	(4)
Other items of comprehensive income	**27**	**(8)**
Comprehensive income (expense) for the period	**73**	**(862)**
Attributable to:		
- owners of the parent	40	(878)
- non-controlling interests	33	16

Equity including non-controlling interests

(€ million)	
Equity including non-controlling interests at January 1, 2020	**4,125**
Total comprehensive income for the period	(862)
Dividends distributed to Saipem shareholders	(10)
Dividends distributed by other subsidiaries	(59)
Sale (purchase) of treasury shares net of fair value of the incentive plans	(14)
Purchase of non-controlling interests	-
Share capital increase net of charges	-
Other changes	2
Total changes	**(943)**
Equity including non-controlling interests at June 30, 2020	**3,182**
Attributable to:	
- owners of the parent	3,132
- non-controlling interests	50

Reclassified statement of cash flows [1]

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

Year		First half	
2019	(€ million)	**2019**	**2020**
12	Profit (loss) for the period	14	(885)
86	Non-controlling interests	32	15
	Adjustments:		
882	Depreciation, amortisation and other non-monetary items	375	941
(2)	Net (gains) losses on disposals of assets	(5)	1
243	Dividends, interest and income taxes	132	146
1,222	**Cash flows generated by operating activities before changes in working capital**	**548**	**218**
311	Changes in working capital related to operations	(21)	(203)
(275)	Dividends received, income taxes paid, interest paid and received	(108)	(151)
1,257	**Net cash flows from operating activities**	**419**	**(136)**
(336)	Capital expenditure	(135)	(195)
(45)	Investments in equity, consolidated subsidiaries and businesses	(35)	-
11	Disposals and partial sales of investments in consolidated companies, business units and property, plant and equipment	10	1
-	Other changes related to financing activities	-	-
887	**Free cash flow**	**259**	**(330)**
(146)	Net change in receivables and securities held for non-operating purposes	9	(14)
126	Changes in short and long-term loans and borrowings	3	(380)
(127)	Repayments of lease liabilities	(62)	(78)
-	Sale (repurchase) of treasury shares	-	(16)
(77)	Cash flow from capital and reserves	(77)	(10)
(65)	Changes in consolidation and exchange differences on cash and cash equivalents	(69)	1
598	**NET CASH FLOWS FOR THE PERIOD**	**63**	**(827)**
887	**Free cash flow**	**259**	**(330)**
(127)	Repayments of lease liabilities	(62)	(78)
-	Sale (repurchase) of treasury shares	-	(16)
(77)	Cash flow from capital and reserves	(77)	(10)
4	Exchange differences on net financial debt and other changes	(4)	5
687	**CHANGE IN NET FINANCIAL DEBT PRE-LEASE LIABILITIES**	**116**	**(429)**
(547)	Effect of first-time adoption of IFRS 16	(547)	-
(185)	Financing for the period	(48)	69
127	Repayments of lease liabilities	62	78
(5)	Exchange differences and other variations	2	4
(610)	Change in lease liabilities	(531)	151
77	**CHANGE IN NET FINANCIAL DEBT**	**(415)**	**278**

(1) See "Reconciliation of the reclassified statement of financial position, income statement and statement of cash flows with the mandatory templates" on page 72.

Net cash flows from operating activities of €136 million, plus the cash flow absorbed by capital expenditure equal to €195 million, net of the cash flow generated by disposals and partial sales of investments in consolidated companies, business units and tangible assets amounting to €1 million, resulted in negative **free cash flow** of €330 million.
Repayments of lease liabilities generated a negative effect for €78 million; **cash flow from capital and reserves** showed a negative balance of €10 million and was related to the payment of dividends.
The repurchase of treasury shares produced a negative effect of €16 million. Exchange differences on net financial debt and other changes produced a net positive effect of €5 million.
Therefore there was a negative change in **net financial debt pre-lease liabilities** of €429 million.
The **change in lease liabilities** generated an overall negative effect equal to €151 million, due to the negative effect of the reduction of Right-of-Use assets, equal to €69 million, of the repayments of lease liabilities and exchange differences and other changes totalling €82 million.

Cash flows generated by operating activities before changes in working capital of €218 million related to:
- the loss for the period of €870 million;
- depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €982 million, the measurement of equity investments using the equity method negative for €10 million, the change in employee benefits negative for €9 million and the exchange differences and other changes negative for €22 million;
- net losses on the disposal of assets of €1 million;
- net financial expense of €72 million and income taxes of €74 million.

The change in working capital related to operations, negative for €203 million, was due to cash flows of projects underway.
Dividends received, income taxes paid, interest paid and received during the first half of 2020 were negative for €151 million and were mainly related to income taxes paid net of tax credits and interest paid.
Capital expenditure amounted to €195 million.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted profit (loss) for the period before non-controlling interest, less net financial expense less the related tax effect and net average capital employed. The tax rate applied to financial expense is 24.0%, as per the applicable tax legislation.

Return On Average Operating Capital (ROACE)

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

		Dec. 31, 2019	June 30, 2019	June 30, 2020
Profit (loss) for the period	(€ million)	98	(66)	(818)
Exclusion of net financial expense (net of tax effect)	(€ million)	210	141	155
Unlevered profit (loss) for the period	(€ million)	258	75	663
Capital employed, net:	(€ million)			
- at the beginning of the period		5,742	5,524	5,603
- at the end of the period		5,207	5,603	4,542
Average capital employed, net	(€ million)	5,475	5,564	5,073
ROACE	(%)	**4.71**	**1.35**	**(13.07)**
Return On Average Operating Capital	(%)	**4.71**	**1.35**	**(13.17)**

Net financial debt and leverage

Saipem management uses leverage ratios to assess the soundness and efficiency of the Group's capital structure in terms of an optimal mix between net borrowings and 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 equity, including non-controlling interests.

	June 30, 2019	June 30, 2020
Leverage pre IFRS 16	0.26	0.28
Leverage post IFRS 16	0.39	0.43

Non-IFRS measures

Some of the performance indicators used in the "Interim Directors' Report" are not included in the IFRS (i.e. they are what are known as non-IFRS measures). Non-IFRS 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-IFRS measures used in the "Interim Directors' Report" are as follows:

- cash flow: the sum of profit plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- EBITDA: a useful measure for evaluating the operating performance of the Group as a whole and of the individual business segments, in addition to operating profit. EBITDA is an intermediate measure, which is calculated by adding depreciation and amortisation to operating profit;
- non-current assets: the sum of net property, plant and equipment net intangible assets and equity investments;
- net current assets: includes working capital and provisions for risks and charges;
- net capital employed: the sum of non-current assets, working capital and employee benefits;
- funding: equity, non-controlling interest and net financial debt;
- special items: (i) non-recurring events or transactions; (ii) events or transactions that are not considered to be representative of the ordinary course of business;
- net financial debt: is calculated as financial debt net of cash and cash equivalents, bonds and other financial assets that are not instrumental to operations.

SUSTAINABILITY

Business sustainability

Saipem's vision of business sustainability is a fundamental element of its strategies, which involves not only managing operations in a responsible way but also promoting dialogue and relations with its stakeholders in order to contribute to the creation of shared value as a factor of the socio-economic growth of the areas where it operates.
In this regard, the parent is a member of the most important international initiatives, such as the United Nations Global Compact aimed at promoting respect for ten fundamental principles in the field of Human and Labour Rights, environmental protection and the fight against corruption, in order to contribute, within its business role, to achieving the 2030 Sustainable Development Goals (SDGs).

Stakeholder engagement

The identification and involvement of all bearers of legitimate interests are fundamental features of the parent's sustainability strategy. Transparency and dialogue with all stakeholders are the tools through which values and reciprocal benefit can be engendered. This general approach was defined to allow Saipem to have a long-term presence on the market, and to effectively carry out activities across the territories in which it operates.
Despite the pandemic caused by the SARS-COV-2 virus, the majority of the work carried out on the various Sustainability fronts has continued.
Saipem also continued to engage with the financial community during the first half of 2020, dedicating increased attention to ESG (Environmental, Social and Governance) and sustainability matters. In particular, the Company participated in the activities of trade associations, such as Animp (Associazione Nazionale di Impiantistica - National Plant Engineering Association), financial bodies (Borsa Italiana) and professional groupings, such as the CSR Manager Network, and held several one-on-one meetings with analysts and investors. The Saipem Open Talks launched in 2019, as an innovative and transparent form of discussion with stakeholders, have continued with events addressing specific topics, including gas and the energy transition in relation to the Mozambique project, attended by authoritative external experts.
The positioning of the Company in terms of its sustainability ratings was confirmed by inclusion in Euronext Vigeo Eiris indices, Europe 120 and Eurozone 120, which comprise the 120 European companies with the best ESG performance among those with the largest float on the Eurozone and European stock markets; additionally, positive ratings were obtained from the principal rating agencies. This progress confirms the inclusion of Saipem in a number of sustainability indices during 2019, such as the Dow Jones Sustainability Index (2020 assessment already completed) and FTSE4Good.

Communicating with stakeholders

Following approval by the Board of Directors, Saipem has published the sustainability document entitled "Making Change Possible: 4 Challenges for the Energy Transition", which describes the strategies and action pursued in addressing the four fundamental challenges faced by leaders of the energy transition: the role of innovation in the new energy scenarios; the contribution made to reducing the carbon footprint of their customers; the safe management of personnel and operations; the creation of shared value.
This document also represents the "Communication on Progress" (COP) required to retain membership of the Global Compact.
In compliance with Legislative Decree No. 254/2016 on the non-financial disclosures of public entities, which implements Directive No. 95/2014 in Italy, the Board of Saipem has approved the third "Consolidated Non-Financial Statement" (NFS) 2019. This document provides information on the management of non-financial matters, presented in a separate section of the report on operations, and describes the Group's policies, activities, main results and impacts generated during the year using indicators and trend analysis.
With a view to ensuring the maximum reliability and credibility of the non-financial disclosures made to the public and the authorities pursuant to Legislative Decree No. 254/2016, Saipem has expanded the 2020 scope of the System of Internal Control to include the non-financial disclosures made and, in this way, further confirm their solidity and reliability.
Saipem has started work on the preparation – with publication expected during the second half of 2020 – of its third "Climate Change" document, applying the guidelines of the Task Force on Climate Related Financial Disclosure (TCFD) of the G20 Financial Stability Board. This report contains analyses, policies, strategies, actions and metrics, describing the management of risks, opportunities and technological initiatives in order to highlight the business impact of various climate change and energy transition scenarios.
Lastly, on June 30, 2020, the Board of Directors approved the "Saipem Modern Slavery Statement 2019" which describes the policies and actions taken by the Group to measure and strengthen the systems and processes which ensure respect for Human Rights and Workers' Rights, as well as to prevent forms of modern slavery and human trafficking both directly and throughout the supply chain.
All the above documents are available in the Sustainability section of the corporate website www.saipem.com.

RESEARCH AND DEVELOPMENT

Technological innovation has always been one of Saipem's strongest strategic pillars. Today the Oil&Gas industry needs to renew its focus sharply in order to cope with both near and future challenges and, in this context, Saipem has taken the role of "Innovative Global Solution Provider" for the energy industry.
The innovation efforts aim for a synthesis between the urgency to implement concrete solutions in the short term, mostly driven by current commercial projects, and the need to develop solutions reflecting the evolving macro-scenarios. In this field, technological innovation must be a key lever in achieving the goal of progressive and effective decarbonisation of energy. This model is then considering two dimensions: one "evolutionary", aiming at efficiency improvement, the second one "disruptive" to launch into the future. In the latter respect, we created the "Innovation Factory" that promotes an innovative and collaborative culture within and outside the company by promoting open innovation joint projects with major technological players and academic spin-offs.
"Evolutionary" innovation, a traditional domain of our divisions, is described in detail below.

By way of introduction, we provide a brief acknowledgement of the effect on innovation of the pandemic in the first half of this year and all that it has caused. The intensity of our innovation has not been particularly affected despite some efficiency over the Opex spending and certain Capex technological projects have been slightly delayed in accordance with the corporate investment policy. Certain activities have also been rescheduled due to only partial availability of certain co-development and supply chain partners.

In the first half of 2020, the new **Engineering & Construction Offshore** Division's organisational model was completed for the development of innovation processes, for the Core Market, Green and Solutions business areas. To better respond to the energy transition and the major changes in the global scenario, investigations are being conducted into the strategic adequacy of offshore technologies and recent technological development, also leading to optimisations of the portfolio and cost reductions.

Within the Solutions business area, following the first Life of Field contract for the submersible drone, assigned to Saipem by Equinor, which covers 10 years of service and that involves both the new Hydrone-R and the new Hydrone-W, the development and industrialisation programmes of the Hydrone platform continue.
The first Hydrone-R vehicle underwent intense sea trials in the Saipem "playground" off the coast of Trieste, before being delivered to work in the Equinor Njord field off Trondheim.
The third vehicle of the platform is the Hydrone-S, an advanced submersible vehicle with artificial intelligence and the ability to reside underwater. It uses some of the technologies previously developed by Shell on its FlatFish prototype (for which Saipem has signed an agreement for industrial production and marketing).
The entire Hydrone platform will also benefit from more advanced functions which, combined with subsea wireless networks, will improve continuous and detailed inspection capacity and allow more efficient data collection, by introducing advanced capacities that have already attracted the interest of several international players. On this issue it should also be added that a Saipem representative has been admitted into the steering group of SWiG (Subsea Wireless Group, an international Oil&Gas industry network that promotes interoperability for subsea wireless communication).
We can also report that the subsea rescue system developed by Saipem in collaboration with Drass, a leading firm in submarine technology with hyperbaric tech and divers, has been selected by the Italian Navy for outfitting the SDO-SuRS (Special & Diving Operations - Submarine Rescue Ship). The system incorporates a latest generation remotely-operated vehicle (ROV), which acts as the navigation and control vector, with a rescue capsule that returns the submarine crew to the surface in total safety using a controlled habitat.
Saipem is developing an industrial platform for Subsea Factory solutions, by creating industrial partnerships via a series of special agreements (with Total, Siemens, Curtis Wrights, Veolia and other technology providers). This development is suitable for the All-Electric vision adopted for the fields, comprising subsea infrastructure connected by electrical cables and optical fibres in place of the complex electrohydraulic umbilical cables that actuate the hydraulic valves.
This programme also passes through the storage and injection of chemical substances and the related technologies currently subject to industrialisation and qualification.
While the SPRINGS™ programme for the desalination and injection of stored water is at an advanced stage of qualification (together with Total and Veolia), other submarine process technologies are under development. Of these, we report on HiSep™, the submarine separation of CO_2 from crude oil, now under trial by Petrobras (owner of the technology), and the Spoolsep technology for separation and cleaning of the water produced together with the oil, for which a third phase of joint development is under discussion with various clients.
Other investigations are in progress on sand management and subsea processes for gas fields, to offer solutions for the transportation of pre-treated gas over very long distances.

Within the Green business line, the AFLOWT project has been launched, and will test the Saipem HexaFloat floating wind technology off Ireland, in a consortium led by the European Marine Energy Center (EMEC) and financed by Interreg North West Europe.

Technologies within the Core Market business line for the development of subsea fields have focused primarily on new production schemes, active sealine heating solutions and new materials for deep water flowlines and risers. As regards new production schemes, Saipem is benefiting from new technologies able to transfer processes currently carried out on the surface to the seabed and/or connecting them to structures located at ever greater distances, also supplying them with renewable energy collected from around the field itself. This is the case of the Windstream technology, based on the Hexafloat solution, a floating wind system which can provide electricity to subsea equipment or to energy distribution systems in the field, with the aim of reducing the costs of long-distance connections (Long Subsea Tie-Backs).
The backbone of this kind of architecture is the entirely electric submarine energy distribution systems, or the new sealines, especially the electrically heated ones. Of these, the Heat Traced Pipe-in-Pipe technology, further developed to reach greater distances, some new optimised solutions for distributed heating and the Local Heating station, which has been recently tested and for which an additional phase of qualification is being prepared. Saipem is proposing these proprietary technologies to its clients in optimised Long Subsea Tie-Back systems, together with new concepts for subsea storage of chemicals and certain process technologies, in order to guarantee the flow of products over long distances. At the same time, flow monitoring solutions are also being tested, ideally to provide real-time monitoring where there are critical delays.
New materials and solutions are currently under development in the area of flowlines and risers. Internal plastic coating of pipes is under qualification, to extend the application to various installation methods and/or production lines, together with an evaluation of the introduction of composite materials on risers of 4,000 m depth, including our SIR (Single Independent Riser) configuration. Some of these activities are being conducted in collaboration with leading Oil&Gas companies.
On the more traditional side, continual improvement of technologies for metallic pipework developed by the Pipeline Technology Centre in Ploiesti (Romania) has achieved significant success in operational projects. After the recent successes of the Zohr project off the coast of Egypt, some of the more recent welding technologies, NDT (Non Destructive Testing) and FJC (Field Joint Coating) have also been applied to the programme of development for the Liza field in Guyana and in various projects in the Middle East (Barzan in Qatar, LTA 34-35 in Saudi Arabia, etc.), which means welding of clad pipes, the prefabrication of multiple joints on board pipe laying ships and in the FJC process.
The development activities in Ploiesti have not seen particular slowdowns due to the COVID-19 epidemic. The control room established last year at PTC did in fact allow the representative of the client in a Middle East project to participate remotely in the official qualifications of the FJC process.
Saipem has for some years been involved in a large-scale innovation programme which also includes automation of proprietary intelligent joint coating systems that can be controlled (and operated) remotely, their Digital Twins and the training simulator for SWS welders.

Within the design of subsea systems, the **XSIGHT Division** is following some significant initiatives for the development of an integrated market range, aiming to involve clients in the initial stages of the projects, including:
- Development and Digital Visualisation of subsea system design in the conceptual stage. The FieldAp platform has progressed from concept to operations, where XSIGHT has begun to use the instrument in the development of its projects.
  The cloud-based digital collaboration platform allows the project stakeholders to view the proposed design quickly, share information, be involved in the optimisation of solutions and accelerate project fulfilment.
- Modernisation of Subsea Field Design. During 2019, the SpiDev project – involving a web-developed design instrument based on the Python system – realised an efficient collaborative project management platform, showing clear advantages in the timescales for issuing documents and fulfiling projects. To facilitate the decision-making process in terms of feasibility and at the early stages of the project, a high level control was recently conducted for the buoyancy status of the conduit under various conditions to guide the selection of dimensions and thicknesses, thereby minimising the risk of changes at later stages of the project, with consequent delays.
- Production Quality Solutions (Design).
  The engineering design software for thermal-hydraulic dynamic modelling OLGA, normally used in Flow Assurance, was used to develop specifications for line insulation and sizing.
  A modelling operator is under development for providing the basis for analysis and more efficient use of OLGA licences in order to reduce requirements and minimise costs.

The **Offshore Drilling Division** has been involved in the development of new subsea drilling technologies to improve efficiency and safety of offshore drilling

operations: the project is referred to as Neptune riser shape monitoring systems.
The Division is also in the forefront of wearable technologies to improve efficiency of its own personal protection equipment: the concept is to leverage sensors, widely available on the market, and use them to achieve more safety where we operate. A smart boot prototype was finalised and is now in the industrialisation phase, while a smart shirt pilot project began in cooperation with the Milan Polytechnic, aiming to verify the feasibility and potential of these systems.
In the field of digitalisation of drilling operations, in collaboration with Eni, a new portable virtual system was developed for immersion and operation training simulations in order to improve rig and equipment knowledge and operation know-how, support and safety awareness; the main contribution of Saipem was the complete virtualisation of Scarabeo 8.
Complementing the fleet virtualisation efforts, Saipem 12000 is in the roll-out phase, and four other rigs will be virtualised in 2020; to increase complexity of the Scarabeo 8 digital twin, the division also launched a pilot project aiming to add new information sources and capabilities, as well as to extend the programme to other flagship rigs.
Furthermore, after extensive proofs of concept, an implementing project on predictive maintenance has begun, to be deployed on the most critical equipment on the Scarabeo 8: the aim is to detect anomalies and propose "what if" analyses.
Lastly, the development of technologies considered breakthrough for the drilling industry is being actively monitored: electric BlowOut Preventer (BOP) and robotic drilling systems. Whilst the former would allow the achievement of more safety and more data from the BOP behaviour, the latter is considered to be a main building block for autonomous drilling.

The **Onshore Drilling Division** has focussed its efforts on exploiting real-time data from sensors installed on land rigs in order to enable informed decision making by the personnel and achieve operational excellence through the adoption of digital tools. Specifically, a Drilling Performance Dashboard has been adopted to support improvement of operating performance to facilitate advanced analysis of drilling operations. This innovative solution is currently implemented in Kuwait, with a view to extending its application to other Middle Eastern countries.

The **Onshore Engineering & Construction Division** and the **XSIGHT Division** have been focusing their innovative efforts mainly on the monetisation of natural gas, taking advantage of the solid expertise on the subject to maximise the efficiency of the entire value chain. To this end, a multi-year plan is in progress to keep the proprietary technologies at the highest level of competitiveness.

Relevant to the fertiliser production technology "Snamprogetti™ Urea", the ongoing activities include:
> improving resistance to corrosion and cost reduction through the development of novel construction materials, either by traditional methods or via additive manufacturing;
> enlarging our portfolio of high-end solutions with the introduction of the Snamprogetti™ SuperCups trays, which drastically increase the mixing efficiency of the reactant phases, optimising the product conversion rate; various new or "revamped" facilities are or will be adopting the SuperCups trays;
> complete solutions to operating plants as represented by the acquisition of the Tuttle Prilling Bucket technology, a device adopted worldwide in Urea prilling towers for the production of high quality prills for a wide range of plant capacities;
> reducing gaseous emissions using an innovative proprietary technology. A pilot plant is under construction and will begin operations in 2020;
> innovative solutions for Ammonia-Urea complexes (and also for refineries) for waste water treatment by a cooperation agreement with Purammon Ltd for a highly effective removal of nitrogen and organic contaminants through a novel electrochemical technology, that allows for compliance with the most stringent environmental regulations.

Continuous efforts in the LNG (Liquefied Natural Gas) field are ongoing to define proprietary small-scale liquefaction and re-gasification of natural gas, which can become a flexible tool also for supporting sustainable mobility in the near future.
Furthermore, the divisions and Saipem associated company Moss Maritime are working on alternative solutions designed to suit the current market scenario, including LNG structures based on the proprietary Liqueflex™ technology. The following key activities are in progress for the afore-mentioned applications:
> design consolidation, integration of information on equipment/suppliers and criticality assessment of maintenance of Onshore small-scale LNG solutions;
> cooperation with a partner for the development of a new low-cost containment system for small and medium-scale transportation of LNG.

Relevant to High Octane technologies, the ongoing activities of XSIGHT Division include:
> further improving the knowledge of high purity Isobutene technology proprietary catalyst by involving a qualified, external laboratory;
> tests of the new formulation of catalyser provided by BASF for the C_8 Hydrogenation technology involving an external lab (Milan Polytechnic);
> identification of new possible applications, such as studying Dimerisation and Oligomerisation technologies of the isobutene produced via fermentation.

XSIGHT is also defining the environmental "performance" of its products and licensed "utilities" using a standard LCA (Life Cycle Assessment) methodology that provides clients with a reliable and transparent quantitative assessment of their potential environmental impacts.

In the medium-long term, targeting progressive decarbonisation of energy and overall CO_2 reduction, Saipem is pursuing several and diversified actions:

- *CO_2 Management*: the Group is building a technology portfolio to deal either with the purification of natural gas from reservoirs with high CO_2 content, or for capturing CO_2 from combustion flue gas in electricity generation and industrial processes. In this area, Saipem has acquired a proprietary technology for capturing CO_2 from the Canadian company CO_2 Solutions Inc (CSI). The CSI technology lowers the cost ceiling of post-combustion for CO_2 capture by allowing its sequestration and facilitating reuse for obtaining new marketable products. The technology is based on an innovative enzyme-based CO_2 capture process which does not require the use or immission of toxic products, demonstrated on industrial scale (30 tonnes of CO_2 a day). Saipem also acquired CSI's healthy intellectual property portfolio, which includes more than 90 patents that have been granted or are pending and subject to registration. It also acquired the CO_2 capture system located at the Resolute Forest Products paper mill in Saint-Félicien, Québec. Saipem has also assured continuity of technology Research and Development activities having hired the CSI personnel. After the acquisition, Saipem launched a phase of engineering optimisation of the technology by applying our specific know-how to achieve further Capex and Opex reductions in commercial scale systems;
- *hybrid solutions*: application of novel approaches to optimise integration of renewables/energy storage concepts with fossils exploitation in Oil&Gas operations for hydrocarbon production, both onshore and offshore (as reported above for the Windstream project);
- *hydrogen*: the potential for the future use of green hydrogen or blue hydrogen in industry, automotive transport and domestic heating is currently under study, based on the company's considerable related experience and characteristic know-how;
- *circular economy*: the development of innovative solutions to sustainable treat waste or residual/opportunity feedstocks from the Oil&Gas industry (or other industries, including plastics recycling), with their consequent valorisation to energy and/or valuable products, is becoming an important asset. In this scenario, Saipem recently evaluated ITEA's Oxy-Combustion technology for the disposal and reuse of plastic waste.

In the onshore renewables field, technology efforts are dedicated to concentrated solar and bio-refineries. In addition, XSIGHT Division has recently signed an agreement with KiteGen Research for the development of an innovative device that generates electricity from high altitude winds, by using kites; the concept can be extended also for offshore applications.
Given the ever increasing demand for power levelling technologies, the XSIGHT is developing Pumped Heat Energy Storage (PHES) technology patented by Saipem in 2008. PHES uses the high density of energy contained in solids at a high temperature and deploys Pumped Hydro Storage (PHS) and Compressed Air Energy Storage (CAES) without being limited by the conformation of the installation site.

In marine renewable energies, following the award of the contracts for the construction of the two offshore wind farms, Neart na Gaoithe (NnG), off the coast of Scotland, and Formosa II off Taiwan, we can report the recent acquisition of the installation operations for the foundations for the EDF Fecamp project, by the Offshore E&C Green business line. The development of the AFLOWT project has been reported on previously. Saipem is also pursuing several other solutions, including a new concept of "Offshore Floating Solar Park", developed by Moss Maritime.
As regards the promising marine/ocean energy sector, some important results have already been obtained:
- an agreement has been signed with the Finnish company, Wello Oy, which has developed an innovative technology for the generation of energy from sea waves, called Penguin. The agreement aims to identify global opportunities for the application of Penguin and to improve energy efficiency through the skill and experience of Saipem;
- the XSIGHT Division is also supporting a survey campaign for the application of the GEMStar hydro-turbine, developed by SeaPower, a spin-off of the University of Naples. In this field, Saipem's activities will include the transport and installation of the turbine and the optimisation of its anchorage.

More generally, Cassa Depositi e Prestiti (Italian welfare fund) and Saipem have signed a Protocol of understanding to jointly assess launching innovative, high environmental, social and economic sustainability projects, for promoting energy transition both nationally and internationally.

In the area of environmental protection, and Oil Spill Response in particular, an innovative approach is under development with Altec SpA, a company that specialises in managing big data from satellite systems, is the EWIS (Early Warning Integrated System), a data collection platform for supporting decision-making, which will allow effective and immediate interventions for oil spills at sea. EWIS will integrate and process data on the movement and extension of oil slicks obtained from different sources (satellites, aircrafts, radars, fixed observation structures, etc.). All data will be processed and mapped in GIS configuration to allow users to define and implement the most suitable recovery techniques. The EWIS architecture has been fully defined, the first small-scale tests have been conducted at the Altec Labs and the prototyping tests of increasing scale and complexity are planned for 2020-21 to finalise the product for marketing.

Within the complete framework of technological development activities, Saipem filed 3 new patent applications in the first half of 2020. In addition, Saipem is in fifth place in the classification drafted by the European Patent Office (EPO) for Italian businesses with the greatest number of patent applications filed in 2019.

As for the explosive project, Saipem is consolidating its efforts in the Innovation Factory, launched in 2016 to address the challenges of the sector through the

adoption of novel technologies and new methodologies. The intention is to change the way Saipem works, not only to increase efficiency and productivity but also to discover and pursue new value propositions. Carefully defined strategic issues, agile approach, rapid prototyping, digitalisation, cross-industry open innovation and promotion of innovative thinking are the key success factors.
In the second half of 2019, a new round of Proof of Concepts was established relating to key ideas such as the Blockchain, Floating Renewables Sites, Immersive Virtual Realities, Operations with "connected" workers, new technologies for smart warehouses and for Estimation and Reduction of the CO_2 Footprint in new projects.
In terms of Open Innovation, to reinforce our capacity to systematically investigate the rich ecosystem of innovative start-ups and SMEs, Saipem has signed three new agreements for development projects in the energy and infrastructure segments respectively with Aster Fab, the consultant for innovation division of Global Venture Capital Investor Aster, Mind the Bridge and the Milan Polytechnic.

Lastly, the XSIGHT and Offshore Drilling divisions are jointly working on projects for digital enhancement of facilities, to reduce down-times and guarantee system integrity through the adoption of smart technologies, including:
> Coherent Optics Technology for monitoring the mechanical behaviour of structures and any related fractures, in cooperation with the Milan Polytechnic;
> Industrial Analytics, for predictive maintenance and plant management applications.

XSIGHT is also developing programming code internally based on the principles of Artificial Intelligence and data analysis, for defining and controlling projects, such as the development of applications based on algorithms for developing project management and predicting the cost of systems.

HEALTH, SAFETY AND ENVIRONMENT

Health and Safety

In 2020, we continued on our path of maximum commitment to assuring elevated standards of health and safety for all Saipem personnel.
By analysing our safety statistics, Saipem is continuing to perform better than its industry peers[1].
In the first half of 2020, while the data are not yet definitive, we recorded an improvement both of TRIFR (number of recordable accidents every million hours worked) which went down from 0.54 (2019 figure) to 0.34 (figure updated to May 2020) and LTIFR (Lost Time Injury Frequency Rate) which is down from 0.22 (2019) to 0.07 (figure updated to May 2020).
Unfortunately, in the early part 2020, we recorded one fatal injury in Thailand during the construction of a pontoon for a LNG plant. This tragic episode has been thoroughly investigated, as per our international procedures and best practices. The causes and related improvement measures have been identified, implemented and shared within the Group as lessons learned.
The Company continues to invest and maintain the focus on health and safety, in the development and improvement of its HSE management system and in the dissemination of the different awareness initiatives to all operating areas of Saipem.

Some specific initiatives promoted by Saipem are:

- the development of the train the trainer training programme covering the areas of Safety Leadership, Safety Culture and also the soft skills required of trainers to perform this role effectively.
  The programme, which was partially delivered at the Schiedam Training Centre, has been accredited by the DNV certification body;
- the train the trainer programme falls within the scope of a broader programme of exchange of competencies between Saipem Mozambique and the Instituto de Formação Profissional ed Estudos Laborais Alberto Cassimo (IFPELAC). The exchange was subject to a Memorandum of Understanding (MoU) for jointly developing professional training programmes dedicated to young Mozambicans in the province of Capo Delgado. Five remote training sessions are scheduled in June;
- the analysis and presentation of the data collected on the Safety Leadership Questionnaire, a survey proposed at the target list 4,642 Saipem managers (which saw 50% participation), for developing those actions are necessary to support continuing Safety Leadership growth.
  The questionnaire, developed in collaboration with the Institute for Industrial Safety Culture (ICSI) is based on the 7 essential key elements of the Workshop Leadership in Health & Safety (LiHS) and demonstrated an extremely high level of safety commitment – greater in those who have participated in an LiHS event in the past. The analysis also brought to light the need to maintain a high focus on safety and to communicate it effectively;
- also to implement the results of these analyses, the campaign for presenting the Life-Saving Rules (LSR) - 2020 edition will be put before the senior management in June and then it will cascade down to the divisions. The first edition of the campaign, based on 18 life-saving rules of the International Association of Oil&Gas Producers (IOGP) had already been launched in 2015 and in recent years has contributed to further improvement of Health and Safety performance. In the new edition, which aims to simplify, restate and reinforce the campaign messages, there are 9 rules, and a communication kit (videos, posters, booklets, awareness materials & training, a checklist for conducting the management safety walkabout) has been developed for each one. There is also an eLearning portal for confirming and consolidating the acquired skills.
  A video has been created to launch the campaign starring Ahmed, the lead character of LiHS films;
- again with a view to maintain a high focus on safety and to respond to a need for greater Safety Leadership, especially during this period of health emergency, a new development project is in progress which has as its theme the known Leadership in Health & Safety (LiHS) programme.
  The programme, which continues to be disseminated and appreciated throughout Saipem, and even by clients, partners and contractors, is highly limited in its implementation due to the new conduct protocols which impose social distancing, digitalisation of communications and strong restrictions on travel policies. With this in mind, the LiHS Workshop is under transformation into an online experience of equal force and efficacy, supported by the most common videoconferencing tools, together with innovative elements for stimulating the engagement and interaction of participants, including remotely;
- an awareness campaign has been developed in collaboration with the Health department made up of various communication materials, including videos, posters, brochures and hopes to increase the awareness of people throughout Saipem of the risks of spreading Coronavirus and good practices for limiting infection (in terms of the respiratory etiquette and the hygiene and sanitary measures, social distancing, etc.);

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

- to support the gradual resumption of activities at Saipem sites following the lockdown period, we have developed an information pathway, which has the aim of disseminating correct information on COVID-19 via essential scientific ideas, generating awareness of Saipem personnel on new procedures of conduct to follow on returning to the office and for providing valid support for tackling stress and reinforcing mental resilience. The course, developed in three modules, was developed as an eLearning system and it is undergoing completion. Links to access the course video trailer;
- the 2020 edition of Sharing Love for Health & Safety, the annual contest in celebration of April 28 – World Day for Health and Safety at Work – was not able to be an opportunity for Saipem personnel to feel united in the fight against the pandemic, in spite of the physical distancing imposed to tackle the virus being spread. Therefore it was decided to adopt the #DistantiMaUniti [#DistantButUnited] initiative promoted by the Ministry of Health, which involves sharing a photo with an arm extended outside the frame, intended to touch someone unseen, in a symbolic gesture of union and solidarity. The contest enjoyed huge participation;
- the strengthening of the "Asset Integrity Management System", a system for the prevention of major accidents that involves the management of critical elements and the identification and timely monitoring of key performance indicators of specific projects and of the Group;
- the continuation of the numerous training activities always guaranteeing high quality standards of the training provided and the initiatives linked to the prevention of falls from a height, of "dropped objects" and to the protection of hands ("Keep Your Hand Safe");
- the improvement of IT tools to support HSE staff, to facilitate KPI reporting processes, consolidate the HSE audit process, and facilitate data analysis in order to identify areas for improvement.

As regards the HSE management system, at the end of 2019 we successfully transitioned from the standard OHSAS 18001 to ISO 45001 (Occupational Health and Safety Management Certification) for the entire Group. During 2020, in spite of the difficulties due to COVID-19 we still began the challenging activity for the renewal of the ISO 45001 and 14001 certificates, which will involve almost 100 days of auditing by the independent external body DNV-GL.

Lastly, there have been many initiatives by the Saipem LHS Foundation, whose fundamental mission is to increase the culture of health and safety within the company and the world of work.
The LHS Foundation interpreted the community's need for information and support in understanding the social, economic, employment and behavioural changes caused by the health emergency, by proposing various initiatives, all based around remote involvement.

Of these, a particular success has been FARE BENE (BE WELL), a live streamed event over 5 weekly dates in April, which culminated in marathon training event to celebrate the World Day for Health and Safety at Work. The project is part of the annual Italy Loves Safety roadshow, this year dedicated to the fight against COVID-19. Links to the first season promo.

Other initiatives: awareness campaigns on the correct use of masks, frequent hand washing and social distancing, a created project for children, to help them spend the lockdown period in a more constructive way, a programme of physical and mental well-being, to keep active and in shape.

Environment

Saipem also pursues continuous improvement in environmental performances, adopting strategies to reduce and monitoring of environmental impact and to conserve and make the most of natural resources. Achieving these objectives requires the dissemination of environmental awareness at all Saipem projects, sites and offices. During the first half of 2020 Saipem has confirmed its objective of strengthening its commitment to specific aspects, including the following:

- greenhouse gas emission: reducing emissions and accompanying clients in their energy transition is one of the Group's objectives.
  The Saipem approach is based on three cornerstones, each one representing a step in the energy industry chain of value:
  a) providing clients with technological solutions for the production of renewable energy or lower CO_2 emissions. In this area in particular, Saipem is expanding its presence in the area of offshore wind, with the assignment of recent projects off the coasts of Scotland and Taiwan, and liquefied natural gas. Saipem is also exploring new opportunities, including via partnerships, in emerging and innovative technologies such as marine renewable energies (wave motion, tidal, etc.) and the potential use of hydrogen produced from water using renewable energy;
  b) providing its clients with technological solutions to minimise CO_2 emissions and their systems, whether traditional energy sources or not;
  c) reducing Saipem's CO_2 emissions, during the phases of engineering, procurement and construction of plants for clients.

  This latter is in particular the only one of the three cornerstones representing direct Saipem emissions, and is therefore of particular interest. At the end of 2018, Saipem issued its first Four-year strategic plan for the reduction of Greenhouse Gases (GHGs).
  The plan covers the four-year scheduling of each division and Corporate for: energy analyses or equivalent studies of company assets; implementation of initiatives for GHG reduction; forecasts of GHG savings that can be obtained over the period. The Plan is updated annually, progressively extending the one-year time horizon and at the same time providing an update on the achievement of previously established goals.
  The first update was in 2019, indicating a saving

achieved over the year of 18,800 equivalent tonnes of CO_2, fully achieving what was set out in the previous plan. Accumulated savings for the period 2019-2023 is however 160,000 equivalent tonnes of CO_2.
With regard to the process of reporting emissions for 2019,the area of application was extended further, as regards indirect emissions in particular (Scope 3). The entire process, as for 2018, included third-party certification of the calculation method;

- environmental communication and awareness: also for the first half of 2020, initiatives were sponsored to motivate and make staff aware of the issue of environmental protection and correct management aspects. More specifically, the World Water Day campaign was launched in March, this year with the theme of Water and Climate Change, in order to increase awareness and promote virtuous conduct in managing water resources. In June, for the annual celebration of World Environment Day (WED), the United Nations Environmental Programme (UNEP) launched the Time for Nature initiative, focused on the protection of biodiversity. Saipem took part, sponsoring these campaigns in its own sites and projects. For each event, dedicated material was developed, shared with each Division and made available on the company intranet. The campaigns were also promoted on official social media channels in dedicated posts intended to restate, including externally, Saipem's commitment to global environmental concerns. For WED, an information video was produced and published on YouTube, LinkedIn and Instagram, for the 10-year celebration of the campaign within Saipem and for launching the initiative promoted this year. The results achieved by the divisions have been and will be reported in a dedicated section of e-News, an internal communication publication, issued every four months, which focuses on initiatives and projects carried out in the Group and that have an impact on the environment;

- spill prevention: spills are one of the most important environmental aspects for the industry in which Saipem operates. Spill prevention and response measures are an absolute priority for Saipem. Saipem operates by minimising the risk of a spill and is equipped with state-of-the-art equipment and procedures to implement mitigating measures and to manage emergencies. More specifically, Saipem identified as a critical action the mapping of potential sources of spillage at its sites, and the corresponding Spill Risk Assessment, for assessing that specific risk for each of the elements mapped. Where the Assessments highlight unacceptable levels of risk, associated mitigation measures are implemented. In 2019, the process of mapping critical elements was completed for all Offshore Vessel, Yards and the various Offshore Drilling Rigs and Logistics Bases. The Spill Risk Assessment was also completed for 50% of these sites. The process will continue into 2020 together new acquisitions and expand current coverage.

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

HUMAN RESOURCES

Organisation and Quality

In spite of the overall context of the first half of 2020, Saipem continued to pursue the objectives of alignment and simplification of the organisation and underlying operating models, with a view to reinforce its capacity to respond rapidly to developments in markets and the diversification of supply.
For this goal, organisational interventions, continual improvement and initiatives for innovation and reduction of complexity were developed to maximise operating efficacy and efficiency, always with the aim of meeting the requirements of Saipem compliance and principles of governance, as well as the expected trade-off between the corporate role and the level of autonomy of divisions.
We report the principal activities developed below:

- definition of the new organisational configuration of the Chief Financial Officer's structure and the underlying operating model, aimed at greater alignment with the Saipem divisional configuration including by identifying a role established in each division for monitoring and satisfying the requirements of those business branches' administration, finance and control needs;
- reorganisation of Strategies and M&A activities, for greater focus on defining strategic scenarios, lines and directions to support the company management, as well as optimise process synergies for evaluating and managing corporate strategic operations;
- launching the process for revisiting and adapting the company ICT/digital operating model, for optimising the specifically digital organisation, working processes and company competencies;
- planning and development of innovative digital solutions for improving the usability and dissemination of the corporate regulatory system.

At the division level, the following organisational measures were implemented:

- Onshore Engineering & Construction Division: definition of an Onshore E&C Modularisation Project, for developing, promoting and applying a modular approach in the fulfilment of projects, aimed at optimising costs and timescales and limiting the health and safety risks;
- Offshore Engineering & Construction Division: definition of a new divisional operating model aimed at greater clarity in assigning tasks and responsibilities, based on: (i) the establishment of three Business Lines with clear responsibility for P&L, (ii) integration and rationalisation of technical competencies in a single stroke to support the Business Lines, (iii) optimisation of geographical coordination;
- XSIGHT Division: reorganisation of project control, risk management, digital and ICT, ensuring the area is responsible for the fulfilment of management of projects all the necessary levers for achieving set objectives;
- Offshore Drilling and Onshore Drilling Division: fine-tuning of organisational structures, aimed at optimising the adopted operating models.

The following activities have been developed for the Quality Management System and the related development, measurement, analysis and continual improvement processes:

- Group-wide reinforcement of a culture established on the principles of Quality, promoting its awareness within the Saipem population;
- introduction of instruments for the improvement of planning and coordination of the development of initiatives for continual improvement within companies and the Group as a whole;
- launching of cross-divisional initiatives intended for the improvement of methodologies and instruments to support the Quality Functions, the Company Management and the various Saipem business units for effective adoption of the Quality Management System at Saipem; simplification of the Performance Indicators model, by identifying significant indicators and synergies:
- updating of the rules of Quality Assurance and Control processes in projects, for ensuring a more effective, efficient and systematic application of the project Quality Management System;
- management and maintenance of multisite ISO 9001 certification and ISO 3834 certifications for Pipelines Onshore and for the Arbatax Fabrication Yard and EN 1090-2 for the Arbatax Fabrication Yard.

Human Resources Management

During the first half of 2020, the Coronavirus epidemic and the consequent emergency that arose led Saipem to develop and implement specific management initiatives to align with the guidelines issued by the World Health Organisation and the governments and local authorities of the countries where the company operates, with the aim of maximising the health protection of its people.
In terms of Italy, starting from February 21, the date the so-called red zone was identified by the government authorities, the Company implemented remote working methods for employees residing within the area concerned, before then extending it gradually and increasingly over the subsequent days. In line with the development of the epidemiological situation, we covered the entirety of the workforce (around 4,000 people), with the exception of the Arbatax and Melendugno sites where the operations continued in loco under the immediately-implemented specific medical protocols.
The same approach was developed in parallel in all countries where the Company operates, over the first

10 days of March, a population of around 15,000 people.
With reference to drill ships and offshore construction and the onshore drilling and construction sites, a temporary suspension of rosters which involved operating staff was adopted to increase the level of health and safety protection. A precautionary self-quarantine procedure was implemented before embarking ships or accessing sites, together with careful and continual monitoring of the health of the staff involved. Specific hygiene interventions were implemented at all operating sites and offices, accompanied by the adoption of strict communication of conduct protocols, measures and procedures for minimising social interactions, guaranteeing social distancing between people were respected and, where necessary, the adoption of specific personal protection equipment, in line with the World Health Organisation guidelines.
As regards industrial relations in Italy, over the first half of 2020 the relationship with the Unions was maintained constant and constructive, both with the National Secretaries and with the unitary representatives (RSUs) of the various sites. Actions for managing the spread of the COVID-19 virus were defined and implemented with the involvement of and continual dialogue with the Unions, either via continual information and updating on the initiatives adopted, or by defining, on consultation with the RSUs and collection of specific representations, protocols for adopting measures for containing the spread of the virus, applied at each Italian site.
As regards Saipem SpA a definitive accord was signed for the Participation Prize 2019 which, thanks to the configuration defined, ensured close and direct correlation between the results achieved by the divisions and with the company and the associated payment of the amounts awarded to staff. The option was also confirmed for converting a proportion of the Participation Prize into Welfare services, given the high percentage of adoption found in past years.
Lastly, specific accords were signed with the RSUs of the various sites for defining the process for planning holidays and collective closures for the current year.
In terms of International Industrial Relations, the first half of 2020 saw the signing of a new collective accord in Norway for the ROV personnel of Saipem Ltd Norway Branch. While for the company Saipem Drilling AS, the consultation process was opened in April for temporary suspension of the employment of drilling staff working on the vessel Scarabeo 8.
In France, the companies Saipem SA and Sofresid signed accords with the relevant unions for the staff to benefit from accumulated holidays to observe the measures adopted by the French government.
The company Sofresid signed an accord regarding extraordinary reduction of working hours and salaries until June 30. The dialogue with the employees' representatives also related to defining plans for the return of the workforce to offices following the management of the COVID-19 virus situation.
Lastly, we report the signing of an additional accord with the unions of both French companies intended to redefine the PERCOL company pension plan.
In view of the consolidation of relations and the company's commitment to reinforce the dialogue with the employees' representatives expressed via the Saipem Group European Company Committee (CAE), the Company organised two extraordinary videoconference sessions for managing the COVID-19 emergency and for reorganising the Offshore Engineering & Construction Division, as well as the follow-up meeting scheduled according to the Committee's regulations.

Year 2019	(units)	First half Average workforce 2019	Average workforce 2020
12,935	Offshore Engineering & Construction	12,946	13,720
12,344	Onshore Engineering & Construction	12,095	12,222
1,697	Offshore Drilling	1,650	1,790
4,497	Onshore Drilling	4,575	4,168
908	Staff positions	893	941
32,381	**Total**	**32,159**	**32,841**
5,763	Italian personnel	5,693	5,881
26,618	Other nationalities	26,466	26,960
32,381	**Total**	**32,159**	**32,841**
5,497	Italian personnel under open-ended contract	5,426	5,685
266	Italian personnel under fixed-term contract	267	196
5,763	**Total**	**5,693**	**5,881**

Dec. 31, 2019	(units)	June 30, 2019	June 30, 2020
6,137	Number of engineers	5,678	6,458
32,528	Number of employees	32,172	31,745

Skills and Knowledge

The first half of 2020 saw the Human Resources department involved in the planning and fulfilment of Recruiting, Training and People Development initiatives using innovative and flexible methods.
The COVID-19 situation represented a significant shockwave that led Saipem to open a discussion on many of its processes of creation, development and monitoring of competencies, while simultaneously showing a rapid and flexible response for realising continuity in traditional processes, while in an objectively complex emergency scenario for activities that involve people at the centre. Consequently, in line with the strategies of Talent Attraction, Training, People Development, Upskilling and Re-skilling a recovery plan was immediately implemented oriented at safeguarding and enhancing strategic competencies.
The strategic personnel planning model was consolidated to ensure more effective management and development of human capital, in order especially to ensure full and prompt availability of professional competencies in line with the evolution of market requirements.
An important focus was placed on certain strategic competences for supporting the business such as project management and digital skills/mindset, and consequently actions were planned to support their development and consolidation.
To respond to the requirements of the business in terms of identifying talents the related core skills sought, a new Employer Branding plan was drafted which focuses on online communication with candidates via our social channels. By exploiting all digital potential, Saipem established continuity for the commitment to university education and professional training of young people.
Increasing attention is being paid on the attraction of young people via talent attraction strategies and policies, remuneration and target development with the aim of meeting new generations' needs and methods of interaction. The policy continued for targeting Millennials, which in terms of talent attraction ensures an optimal candidate experience thanks to an entirely digital selection pathway.
With the aim of promoting the growth of young people, a programme was also established to enable their enhancement, accompanying people along a gradual course of training and development. Saipem is adopting innovative instruments and methods for monitoring the results, conduct and growth potential of its people, to orient their development based on company requirements, including via periodic appraisal. Saipem is also providing the more brilliant people with the opportunity to access the Saipem Talent 4 programme, an accelerated development course for the growth and development of transversal competences to all areas of business.
In line with the progress of skill development methods, where the centrality of the Saipem Leadership Model is confirmed, the reference paradigm for all staff, the performance of activities for the assessment of potential Talents continued, and a new digital tool is being trialled to promote instant exchange of feedback between colleagues. The promotion of the culture of feedback allows a continual exchange between staff members regarding the activation of the conduct expected by the Leadership Model, with a view to self-development and for steering professional growth, facilitate linear and transparent communication.
Saipem's commitment for maintaining the business's strategic competences continues in order to pursue the important goal of promoting continuing growth for the more expert staff by means of initiatives that enhance intergenerational knowledge-sharing and cross-fertilisation. The Reverse Mentoring initiative continued with the aim of promoting the exchange of knowledge and skills between junior and senior staff members.
In the early months of 2020, thanks to the now consolidated partnership with educational and academic institutions, Virtual Career Fairs and education meetings were held on transversal skills with various universities, including the Politecnico di Milano and Università Bocconi. Initiatives were also organised dedicated to women, to promote and support the gender diversity objectives and to place Saipem has an equal opportunities employer.
Saipem also continued the activities of the Synergy programme with new methods with the aim of confirming and guaranteeing the usual commitment to training programmes dedicated to young talents of the technical institutions by providing virtual courses for transversal competencies and orientation for young students and providing tools for academic institutions to support the implementation of remote education.
In relation to the education activities, in line with the objectives of people strategy and enhancing competences, the planning of a new programme dedicated on project management continued, with the aim of achieving an innovative product, designed around tailoring and based on the business's requirements.
A specific e-learning training course has been developed dedicated to COVID-19 to accompany all employees of Italian sites in their gradual return to office activities in safety and to provide recommendations on how to develop resilience and crisis management abilities.
In the first half of the year, the mapping of competencies was also focused on digital skills, not only with reference to the specific professional ICT/Digital area, but also within the spheres of work in other company departments of both staff and business. Training has played a fundamental role in this phase to support the enhancement of digital skills and for the promotion of a digital mindset, placing a great deal of attention on the issues of managing work remotely and also cyber security. A Group-wide remote training programme was in fact developed, called BeDigital, intended to promote the dissemination and use of the suite of digital collaboration tools.

Compensation

The global situation, affected unexpectedly by the COVID-19 situation gave rise to a situation of general

uncertainty in the markets, with effects on Saipem that so far cannot be quantified. In spite of the market situation, Saipem is demonstrating a wealth of resilience that will set it apart as a global company, not least via the compensation systems that can ensure excellent alignment with investor expectations.
At present the already limited forecasts made at the AGM of April 29, 2020 have been kept in place.
In particular, these maintain a high level of attention on the definition of 2020 goals in line with the company's strategic plan.
A great deal of attention has been paid to defining performance indicators ever more oriented towards the issues of sustainability and ESG (Environmental, Social & Governance) and the setting of targets and parameters for assessing them, with a view to reinforcing these calls and creating value for shareholders. The targets in particular related to the reinforcement of climate policies in accordance with the objectives and ambitions defined for the possible energy scenarios and their implications for the industry, by supporting the development of clean energy technologies and promoting policies with a low environmental impact.
The connection between performance parameters and the key strategic aims, set out in reference to the business and non-financial targets, validly support the company strategy, including in the changed circumstances, and led to an increased incidence of sustainability parameters within the short-term incentive system.
The 2020 Remuneration Policy was adopted with the aim of attracting, motivating and retaining high-profile professional and management staff, incentivising the achievement of strategic targets and sustainable growth, aligning the priority objective of the creation of value for shareholders in the medium-and long-term with the interests of the management, and to promote the company mission and values. The Saipem policy aims to develop individual skills and selectively enhance the distinctive competencies held by Saipem people, in particular those with a greater effect on the business results and who are able to give a distinctive and specific contribution to the success of the company's strategy, for which retention is a priority.
The "2020 Report on Saipem's Remuneration Policy and Paid Compensation", which explains the guidelines, was drawn up in compliance with Article 123-*ter* of Italian Legislative Decree No. 58/1998 and Article 84-*quater* of Consob Issuer regulations and was approved by the Board of Directors of Saipem on March 12, 2020, and subsequently by the Shareholders' Meeting on April 29, 2020.
The Remuneration Policy Guidelines for 2020 have provided, as a principal innovation, revision of the Long-Term Variable Share-based Incentive Plan (LTI) for all management staff.
The Plan was intended to incentivise the achievement of annual targets, increasing the focus on over-performance, providing for a different incentive percentage based on achievement of the maximum level of performance, or over-performance. In addition, the Plan introduces a different mechanism of share-based bonuses, for a three-year period, with the aim of rewarding retention and the dissemination of a company culture which values involvement and participation in the creation of value for all stakeholders.
Lastly, the report of the Group's objectives and management performance assessments for 2019, the Group has awarded individual Short-Term Variable Monetary Incentives as provided for by the Remuneration Policy proposals for 2019.

Occupational Health and Medicine

The first half of 2020 saw our commitment to managing the pandemic which affected our planet, therefore overturned all those business priorities, by redesigning the original targets. Saipem maintains a high attention on the health protection of employees, in Italy and oversees, and focuses efforts on surveillance and maintenance.
The decade of experience Saipem has using the telemedicine instrument promoted the use of IT and remote telecommunication for achieving our objectives, which allow us to continue our activities for steering, controlling and monitoring and providing health support in the divisions worldwide.
As an integral part of the Workplace Health Promotion (WHP) programme, the collaboration with the Milan and region of Lombardy Health Authority to maintain the Workplace that promotes health status acquired in the recent years by achieving the goals we were assigned.
The collaboration with the Humanitas Research Hospital enabled extending the health information and promotion activity via the publication of the weekly newsletter on Science and Medicine issues of common interest, sent to employees.
As part of the more comprehensive Saipem welfare system, we have increased the availability of non-compulsory prophylactic vaccines and expanded the Posturology project for the promotion of well-being at work via Healthy workplaces: a model for action, with the publication of 12 dedicated video clips.
Lastly, the pre-travel Health & Secur system became fully operative for all Saipem personnel intended for work overseas, integrated in the period considered with more specific information on COVID-19.
The first half of 2020 saw the company's necessary proactive involvement in managing the pandemic via the adoption of operating strategies for preventing and containing the disease and sharing them with all company areas.
A Working Group was established for issuing specific documents for COVID-19 and a medical task force activated, with the continuing presence of the work medicine department within the Crisis and control committees unit of Saipem for managing the COVID-19 risk.
Rules of conduct aimed at preventing and protecting people from the risk of contagion were drafted and disseminated and programmes of health promotion were launched.
Regarding the rules relating to all employees, Italian and foreign, in Italy and overseas, continual contact was maintained with the national health ministries, WHO, the CDC and the regional health authorities with the related assessment of national and international

medical facilities for managing the COVID-19 emergency. Contact and support were also continual in institutional relations with the civil protection services with the aim of supporting national public organisations.
Particular attention was also paid to monitoring, and continuous follow-ups of staff in quarantine and suspected and confirmed cases, including internationally, with the generation of specific indices and indicators.
The Occupational Health and Medicine department also provided strategies and technical-scientific support within the sphere of company welfare for the epidemiological investigations nationally.

Cyber Security

The first half of 2020 saw the entire world's attention drawn to the Coronavirus pandemic. Saipem is committed to the health protection of the workforce, while maintaining its operational capacity.
An analysis has been carried out on the potential impact of the Coronavirus pandemic on the operating environment in the majority of the countries where Saipem operates.
While the virus was spreading globally, in recent months countries have imposed ever more severe measures to limit its further circulation.
These restrictions have essentially involved the closure of internal/external borders and entire segments of national industries. In this way it has become necessary to monitor the security conditions of countries where Saipem operates and the restrictions on movement with the aim of sharing reports and guidelines with Saipem staff.
The current phase of remote working, featuring the measures adopted in this first half-year to tackle the COVID-19 epidemic may create the conditions for a greater cyber threat, with hackers leveraging the isolation of workers and the related work stations and trying to exploit their vulnerabilities.
As early as in 2019, at Saipem the cyber risk was assigned to the company Security department, with the creation of a dedicated cyber security facility.
A new approach to Cyber Security was adopted according to the standards and regulations of the segment (initially, the National Cyber Security and Data Protection Framework), by creating a programme for profound transformation of the approach to company security, by acting in a holistic manner on the organisation and procedural system, the technical instruments for protecting infrastructure and detecting threats, the capacities/services for managing and responding to IT attacks, as well as the development of an awareness and a cyber security culture of the company population, representing an experience that can be considered as a case study of reference in an important industrial and multinational entities such as Saipem.
Saipem has a specific organisation that can plan and implement security solutions and identify, monitor and respond to cyber threats. These risks were in fact limited as Saipem has a number of technological solutions for monitoring the IT threat associated with remote working.
The following specific measures were therefore added to the ordinary security perimeter:

- creation of a specific Computer Emergency Response Team (CERT) at Saipem, to guarantee the capacity to identify cyber threats and promptly apply mitigation and remedial actions, in coordination with the IT Operations department;
- launch of an awareness campaign on phishing and monitoring the company network with the help of CERT to analyse any events;
- signing of two cooperation protocols: (i) the first, entered into with the Security Information Department (DIS). Saipem has been included in the list of critical businesses in the country as, while not being classified as critical infrastructure, it shares threat intelligence information regarding cyber attacks, under the guidance of the Chairman of the board; (ii) the second was entered into with the national computer crime centre for the protection of critical infrastructure, appointed to prevent and repress computer crimes against critical and nationally significant digital infrastructure;
- conclusion of an insurance policy to cover cyber risks, especially possible damages sustained and potential liabilities to third parties

A plan for IT Disaster Recovery is also being completed, to provide technical measures for tackling any disaster affecting critical business information systems.

DIGITAL, ICT SERVICES

The first half of 2020 was very challenging for the Digital and ICT Services area. The unexpected dual challenge of the COVID-19 pandemic and the oil market falls required some focused attention and, as a team, we were able to address it by investing in technologies (collaboration tools, for example) and people (flexibility programme) used in the past, which proved to be extremely valuable during the emergency.

From a management point of view, two directions were followed and are still in place:
- rephasing of the digital programme in order to guarantee a sustainable level of spending for 2020;
- increased level of adoption of services that could be used remotely.

On the first point, the entire programme of transformation, as approved by the Board in February 2020 was confirmed, and reviewed in terms of priority and launching the planned initiatives.
As regards the main project launched, we confirmed and maintained a continual rate of transformation for all initiatives that relate to cluster 1, EPC Integration Model, which is key for our core business. We wanted to slightly slow down the digitalisation of our assets, cluster 3, to give priority to managing variations of business which impacted the use of our vessels and rigs. In corporate terms, we maintained active the launched initiatives (e.g. O365 Adoption within the sphere of change management), and froze those at the launch stage (e.g. ERP transformation).
These decisions were also made necessary to give priority to managing the emergency and need to concentrate on priorities such as guaranteeing the safety of people and business continuity, for example.

At present, the Digital Transformation has only slowed down and will be gradually reactivated with the return from this emergency and the relaunch of better business conditions.

On the second point, the response to the emergency was prompt and effective and saw the activation of all management, technological and operating resources available at the time and, in some cases, it led to the acceleration of transformation in progress (e.g. moving from desktops to laptops), the scaling up of services (e.g. infrastructure and networking) and the introduction of new technologies (e.g. thermal scanners).

For illustration purposes, we report some data below collected at the end of March 2020, a few weeks from the start of the lockdown in Italy, to understand the readiness and capacity of reaction to the emergency demonstrated during the time of the crisis.

This scenario clearly tested the technological investment (e.g. movement to the cloud, massive introduction of collaboration tools) and the introduction of a recently introduced and continually improved outsourcing model. Essential in this scenario is the support of all technological partners, the new working methods and especially the capacity of all people involved to know how to draw on the most profound resources of adaptability, creativity and ingenuity.

It is appropriate to highlight that it is only thanks to the huge efforts of the ICT services was it possible to guarantee continuity of digital transformation and to

know and appreciate the new ways of working remotely. On this issue we provide data which represents the use of the Agile methodology used to guide the design and development of solutions in an EPC Integration and Digital Asset environment in remote-working mode: 400+ daily standups, 100+ people engaged, 10+ external providers involved.

Today these solutions are about to be tested on our more complex projects to bring the expected benefits immediately.

Full with this recent experience, in the Digital sphere we confirmed and are working on what was already set up in 2019. Digital/ICT activities were divided into four global operating areas: the Corporate Digital Transformation function, focused on maximising the level of Digitalisation in Saipem; the Corporate ICT Services Centre, to support ordinary infrastructure management and ICT applications; for each division, a Digital/ICT function for monitoring the Digital and ICT demand coming from the business; and finally, the introduction of an autonomous and independent department dedicated to the management of Cybersecurity.

It is still true that this structure places emphasis on the digital transformation initiatives of the Group which have been identified through the divisions, concentrating the Digital/ICT steering and management activities in the Digital Transformation function and the support to the internal information system maintenance in the ICT Services Centre while dedicating resources to the prevention and management of technological risk.

In strategic terms, in spite of the recent withdrawal of the Guidance, Saipem has restated the validity of a multiannual Digital Transformation programme aiming to maximise the adoption of the digital technologies required for its business processes on its assets and new service lines.

The Digital Transformation programme, let's recall, sets us three macro-objectives:
- bringing the impact of the digital initiatives defined by the business or needed to improve process effectiveness up to scale;
- enabling synergies and opportunities to be implemented throughout Saipem;
- accelerating the implementation of the initiatives.

The digital programme objectives are being pursued by: (a) exploiting digital solutions and innovative technologies, capturing industrial solutions as far as possible; (b) guaranteeing that all divisions increase their competitive advantage; (c) exploiting all the synergies and opportunities of "cross-fertilisation"; (d) offering greater value, services and benefits to its clients.

Saipem has set up a specific governance board for the Digital Transformation programme, headed by the Chief Executive Officer, with the participation of the business and corporate directors at decision-making level and supported by a Digital Control Tower body, which monitors the day-to-day development of the programme and steers the Delivery Platforms (multidisciplinary teams) in their implementation of the initiatives.

The digital programme initiatives (around 220, in addition to the conventional ICT demand), were gathered "bottom-up" and then analysed and aggregated into uniform groups (clusters) in relation to the referred functional and technological drivers.
The clusters were prioritised using value logics (business cases) and specific staffing opportunities using the best resources available. Following an in-depth decision-making process, a first wave of digital initiative implementation focused mainly on the digitalisation of the core business, and specifically, as of the date of preparation of this report, activities have started in the following fields:
- *EPC Integration Model*, designed to improve the efficiency of core processes by digitalising the whole project life cycle, from feed to the engineering, procurement and construction cycle;
- *Digital Drilling Ops & Asset Management*, focused on improving the availability of our assets, reducing down times and increasing safety;
- *Transversal Corporate*, focusing on the transformation of staff processes in HSE, HR, Supply Chain, Procurement, Finance and General Services.

In the short and medium term, in a number of waves, the other priority clusters will also be started, focusing on digital cooperation with our clients, intelligent fleet management and other initiatives concentrated on data enhancement and the digital enhancement of our innovative technologies.
In parallel, the Digital Transformation function has set out a roadmap of technological transformation, aiming to rationalise and modernise its ICT assets (e.g. applications, platforms, architectures and infrastructure); this initiative is understood as a key enabler of the Digital programme described above.

In relation to the programme challenges, it is worth remembering the most significant and the actions underway or being studied in order to manage these:
- *Capacity and capabilities*: to guarantee the success of the programme, valuable resources must be dedicated and new competences acquired. In this respect, under consideration is the opportunity to make recourse to selected partners and vendors to support the programme implementation, as well as the acquisition of new competences, balancing the future growth of the organisation consistently with the characteristic cyclical nature of the business;
- *Change Management*: in this respect the Digital Transformation function has set up a specific unit, which will act as the orchestrator of change, implementing all the actions deemed useful for increasing the level of engagement and the adoption of new technologies;
- *Digital Architecture*: in this respect the Digital Transformation function has planned the introduction of a function for the development of application, data and infrastructural architectures.

Finally, it is also worth remembering some of the results obtained in the second half of the year: (a) the Customer Relationship Management platform was successfully introduced in the XSIGHT, Offshore E&C and Onshore E&C divisions; (b) detachment from the Eni systems was completed in the payroll, attendance management, expense accounts and ancillary HR administration services fields. This programme of initiatives was also the first experience supported entirely by a change management programme involving over 6,000 people in Italy; (c) the platform supporting the HSE function was transformed to full-digital; (d) new professional figures joined the Digital Transformation team, with a 30% increase in the number of resources, confirming the recruitment trend for the coming years; (e) the agile methodology was introduced in two business clusters, involving around 50 persons full time and training around 90 persons in specific master-classes; (f) the global programme began for the adoption of productivity tools in the O365 field; (g) a tender was launched to identify the partner to support the transformation of the current ERP; (h) the re-design of the operational model and Digital/ICT processes began, aiming to strengthen the current ones and increase the probability of success of the whole Digital programme; (i) active participation was seen in several national and international events on digital transformation.

In the ICT Services field, compared to 2018, the IT Adaptive Sourcing project has entered a phase of adjustment following a fundamental revision of the IT services provided globally, with the aim of reducing unit costs and at the same time introducing new technical and architectural solutions. The project, which began in 2017, since 2018 has led to an in-depth change in the ICT sourcing structure and the services management model, and from 2019 is in the fine tuning phase, with reviews and improvements where necessary.

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

The transformation of the geographic network international connections, as well as of the local ICT services for foreign associated companies continues, as it does for current project sites and those in the process of acquisition. In this respect, consistently with the new cyber policies, new infrastructural, architectural and operational models have been identified to support the correct definition of the services required for the projects in developing or typically difficult areas.

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

The extension of the new model is being adopted on Saipem fleet vessels with particular attention to the design aspects dictated by Cyber Security and with a significant contractual discontinuity in the satellite connectivity field, aiming to improve the service, increase the bandwidth and obtain greater operational flexibility.

In 2019, the first phase of re-definition of the governance function and orchestration of the ecosystem of suppliers supporting us in the delivery of ICT services was started and completed.
This re-definition involved a partial insourcing of key responsibilities, aiming to better structure the management of end-to-end services and moving towards a data-driven model of supplier management. Currently various general performance improvements have been recorded, as well as an increased use of the service management support platforms, with a significant increase in user satisfaction indices.
This initiative was supported by intense change management activities, also involving training courses on the international standard ITIL and the revision of SLAs and KPIs.

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

New initiatives have been started in the infrastructural area as regards the tools for optimising and managing centralised infrastructures, with which numerous areas of technical analysis were covered for correct analysis, configuration and management of IT systems.

The experiments initiated with IT Adaptive Sourcing and the parallel development of methodologies and solutions to support smart working, have enabled the adoption of the Cloud e-mail service based on the Microsoft Office 365 collaboration suite. Migration was completed in 2019.

Governance activities and compliance and security processes were all carried out successfully according to schedule during the year.

RISK MANAGEMENT

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

List of risks

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

1. Financial risks

Description and impact

The volatility of market conditions and the possible deterioration of the financial position of clients can cause delays in both payments from the clients for the services provided based on the contractual provisions and acknowledgement and payment of change orders and claims relating to contracts under execution. These cash flow fluctuations may occur despite the fact that the contractor and client cooperate in the search for an agreement that satisfies both parties,

with the aim of not compromising the correct performance of works and of not delaying the completion of the project. Therefore, Saipem is exposed to the risk of deterioration of working capital, which could lead to economic and financial impacts, as well as a deterioration of the reputation in the industry and in the financial markets.
Furthermore, the Group is exposed to numerous financial risks: (i) fluctuating interest rates and exchange rates of foreign currency, as well as the volatility of prices for commodities such as copper and aluminium; (ii) the credit risk deriving from the possible default of a counterparty; (iii) the liquidity risk deriving from the lack of adequate financial resources to face short-term commitments; (iv) the risks connected with the issuance of the bank guarantees required by operating activities; (v) the risk of a downgrading of the credit rating by the main rating agencies; (vi) the loss or limitation of insurance coverage for the country risk, the risk of war and terrorist attacks on onshore assets, and the pandemic risk.
Furthermore, changes to national tax systems, tax incentives, rulings with tax authorities, international tax treaties and, in addition, risks associated with their application and interpretation in the countries where the Group's companies operate expose Saipem to tax risks, which could lead to fiscal disputes in certain countries (particularly those whose economies are most exposed to the deterioration of oil prices on the international markets).
The risks of a financial nature appear at the moment negatively affected by the COVID-19 pandemic, causing a potential worsening of the financial stress scenarios, which could be due to a deterioration of liquidity in general, delays in payments by clients, and the slowdown of operations on projects that would delay the relative invoicing to the clients.

Mitigation

The Group has equipped itself with various techniques that it implements with clients beginning from the negotiation phase with the aim of obtaining the most favourable conditions, such as contractually agreed advance payments, and of monitoring its contracts through stringent procedures to obtain the certifications necessary to proceed to invoicing, or by constant reporting to the client of all changes to the contract or to project execution, so as to maintain positive or neutral cash flows during the various phases of the project execution; in addition, the fluctuation of net working capital is constantly monitored by the Group, and the top management is actively engaged in mitigating possible situations that could have an impact on the company's net working capital.
Moreover, Saipem constantly monitors changes in tax regulations and compliance with them in order to minimise the impacts due to its operating activities in all countries of interest through internal resources and tax consultants.
Finally, the Company management is constantly engaged in monitoring the evolution of the financial and insurance markets and in strengthening and increasing business relations with partners in the financial and insurance sector, as they are key players to mitigate risks of a financial character.

(i) Market risk

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

Market risk - Exchange rates

Currency risk derives from the fact that Saipem's operations are conducted in currencies other than the euro and that revenue and/or costs from a significant portion of projects executed are potentially denominated and settled in non-euro currencies.
This impacts on:

- the profit or loss due to the different countervalue of costs and revenue denominated in foreign currency at the time of their recognition compared to the time when the price conditions were defined and as a result of the translation and subsequent measurement of trade receivables/payables or financial assets/liabilities denominated in foreign currencies;
- the Group's reported results and equity, as the income and financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro.

The risk management objective of the Saipem Group is the minimisation of the impact deriving from fluctuations in exchange rates on profit or loss for the year.
Saipem does not undertake any hedging activity for risks deriving from the translation of foreign currency denominated profits or assets and liabilities of subsidiaries that prepare financial statements in a currency other than the euro.
Saipem adopts a strategy to reduce currency risk exposure by using derivative contracts.
Hedging transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable (so-called highly probable forecast transactions). To this end, different types of derivatives (outright and swaps in particular) are used. Such derivatives are measured at fair value on the basis of standard market evaluation algorithms

and market prices/contributions provided by primary public info-providers. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the IFRS.
An exchange rate sensitivity analysis was performed for those currencies other than euro which may potentially impact exchange risk exposure in the first half of 2020 was highest in order to calculate the effect on the income statement and equity of hypothetical positive and negative variations of 10% in the exchange rates.
The sensitivity analysis was carried out in relation to the following financial assets and liabilities expressed in currencies other than the euro:

- exchange rate derivatives;
- trade receivables and other assets;
- trade payables and other liabilities;
- cash and cash equivalents;
- current and non-current financial liabilities;
- lease liabilities.

For derivative instruments on exchange rates, the sensitivity analysis on the relative fair value is carried out by comparing the term counter-value fixed in the contracts with the counter-value determined at spot exchange rates, allowing for a 10% positive or negative variation, and adjusted using interest rate curves consistent with the expiration dates of contracts on the basis of market prices at year-end.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of contract assets from work in progress assessment because they do not constitute a financial asset under IAS 32.
In light of the above, although Saipem adopts a strategy targeted at minimising exchange risk exposure through the use of various types of derivatives (outrights and swaps), it cannot be excluded that exchange rate fluctuations may significantly influence the Group's results and the comparability of results of individual years.
A depreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of -€103 million (-€32 million at December 31, 2019) and an overall effect on equity, before related tax effects, of -€235 million (-€192 million at December 31, 2019).
Appreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of €104 million (€33 million at December 31, 2019) and an effect on equity, before related tax effects, of €236 million (€193 million at December 31, 2019).
The increase/decrease with respect to the previous year is essentially due to variations in the exposed financial assets and liabilities.

Market risk - Interest rate

Interest rate fluctuations influence the market value of the group's financial assets and liabilities and the level of net financial expense. The objective of risk management is to minimise the interest rate risk when pursuing financial structure objectives defined and approved by Management.
In compliance with established risk management objectives, the Finance Department of Saipem assesses, when stipulating variable rate financing, where appropriate, to enter into Interest Rate Swap (IRS) transactions in order to manage fluctuations in interest rates. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the IFRS.
Although Saipem adopts a strategy targeted at minimising its exposure to interest rate risk through the pursuit of defined financial structure objectives, it is not to be excluded that interest rate fluctuations could significantly influence the Group's results and the comparability of the results of individual years.
Interest rate derivatives are measured by the Finance Department of Saipem at fair value on the basis of standard market evaluation algorithms and market prices/contributions provided by primary public info-providers. To measure the impact of interest rate risk a sensitivity analysis was performed. The analysis calculated the effect on the income statement and equity which would result from a positive and negative 100 basis point movement on interest rate levels.
The analysis was performed relating to all relevant financial assets and liabilities exposed to interest rate fluctuations and regarded in particular the following items:

- interest rate derivatives;
- cash and cash equivalents;
- current and non-current financial liabilities.

For derivative financial instruments on interest rates, the sensitivity analysis on fair value was conducted by discounting the contractually expected cash flows with the interest rate curves recorded on the basis of year-end market rates, with variations in excess of and less than 100 basis points. With reference to cash and cash equivalents and to variable rate financial liabilities, reference was made respectively to the stock at the closing of the year and to changes in exposure expected in the following 12 months. On this basis, a movement of interest rates has been applied in excess of and less than 100 basis points on interest rates.
A positive variation in interest rates would have produced an overall effect on pre-tax profit of €3 million (€8 million at December 31, 2019) and an overall effect on equity, before related tax effects, of €5 million (€11 million at December 31, 2019). A negative variation in interest rates would have produced an overall effect on pre-tax profit of -€5 million (-€10 million at December 31, 2019) and an overall effect on equity, before related tax effects, of -€7 million (-€13 million at December 31, 2019).
The increase/decrease with respect to the previous year is essentially due to variations in the financial assets and liabilities exposed to interest rate fluctuations.

Market risk - Commodity

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

yards and the implementation of projects and investments.
In order to reduce its commodity risk, in addition to adopting solutions at a commercial level, Saipem also trades derivatives (swaps and bullet swaps) in particular on the organised ICE, NYMEX and LME markets where the relevant physical commodity market is closely correlated to the financial market and is price efficient.
As regards commodity price risk management, derivative instruments on commodities were negotiated by Saipem to hedge underlying contractual commitments. Hedging transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable (so-called highly probable forecast transactions).
Despite the hedging instruments adopted by the parent to control and manage commodity risks, Saipem cannot guarantee that they will be either efficient or adequate or that in future it will still be able to use such instruments.
Commodity derivatives are measured at fair value by the Finance Department of Saipem on the basis of standard market evaluation algorithms and market prices/contributions provided by primary public info-providers.
With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on equity, before related tax effects, of €3 million. A 10% negative variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on equity, before related tax effects, of -€3 million.

(ii) Credit risk

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

(iii) Liquidity risk

The evolution of working capital and of financial requirements is strongly influenced by the invoicing time frames for contract assets from work in progress assessment and the collection of the relevant receivables. Consequently, and despite the fact that the Group has implemented measures targeted at ensuring that adequate levels of working capital and liquidity are maintained, possible delays in the progress of projects and/or in the definition of situations being finalised with customers, may have an impact on the capacity and/or on the time frames for the generation of cash flows.
Liquidity risk is the risk that suitable sources of funding for the Group may not be available (funding liquidity risk), or that the Group is unable to sell its assets on the market place (asset liquidity risk), making it unable to meet its short-term finance requirements and settle obligations. Such a situation would negatively impact the Group's results as it would cause the group to incur higher borrowing expenses in order to meet its obligations or, under the worst of conditions, the inability of the group to continue as a going concern.
The objective of the Group's risk management is to create a financial structure which, consistent with business objectives and prescribed limits, can guarantee a level of liquidity in terms of borrowing facilities and committed credit lines sufficient for the entire Group.
At present, through the management of flexible credit lines suitable for its business requirements, Saipem believes it has access to funding that is more than adequate to meet currently foreseeable borrowing requirements.
The liquidity management policies used have the objective of ensuring both adequate funding to meet short-term requirements and obligations and a sufficient level of operating flexibility to fund Saipem's development plans, while maintaining an adequate finance structure in terms of debt composition and maturity and an appropriate line of credit structure.
Saipem has credit lines and financing sources available to cover its overall financial requirements. Through the transactions carried out on the financial markets, the Group has structured its sources of funding mainly along medium to long term deadlines with an average duration equal to 2.6 years as at June 30, 2020, with a limited concentration of maturities in the financial years 2020 and 2021.
At June 30, 2020, Saipem had unused committed credit lines of €1,000 million, to which the availability of cash of €1,445 million can be added. Moreover – as shown in the paragraph relating to events after June 30, 2020 – on July 7, 2020, as part of the non-convertible bond issue programme known as the Euro Medium Term Note Programme, renewed on June 29, 2020, the subsidiary company Saipem Finance International BV successfully placed a bond issue expiring on July 15, 2026, for an amount of €500 million.

(iv) Downgrading risk

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

Financial liabilities, trade payables and other liabilities
The following table shows the amounts of payments due relating to financial debt and to lease liabilities – with the principal and interest amounts stated separately – and the fair value of derivative instruments.

	Maturity						
(€ million)	2021 (*)	2022	2023	2024	2025	After	Total
Non-current financial liabilities	342	667	652	101	568	74	2,404
Current financial liabilities	308	-	-	-	-	-	308
Lease liabilities	181	94	109	36	21	48	489
Fair value of derivative instruments	21	-	-	-	-	-	21
Total	**852**	**761**	**761**	**137**	**589**	**122**	**3,222**
Interest on loans and borrowings	79	53	37	16	15	-	200
Interest on lease liabilities	17	10	6	3	2	3	41

(*) Includes the second half of 2020.

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

	Maturity			
(€ million)	2021 (*)	2022-2025	After	Total
Trade payables	2,054	-	-	2,054
Other liabilities	395	-	-	395

(*) Includes the second half of 2020.

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

	Maturity
(€ million)	2021 (*)
Committed on major projects	-
Other committed projects	97
Total	**97**

(*) Includes the second half of 2020.

2. Risks related to strategic positioning

Description and impact

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

Finally, this context can lead to the risk of concentration on some clients, in some geographic areas or on some products.

Mitigation

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

3. Legal and tax risks

Description and impact

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

Mitigation

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

4. Risks related to commercial positioning

Description and impact

The market context is characterised by the persistence of volatile oil prices in international markets. The price trend of raw materials such as oil and natural gas is highly volatile and unpredictable for various reasons, which are often interconnected and/or interdependent (such as, for example, economic, political and social factors, wars, terrorist attacks, changes in demand, technological evolution, etc.). For several months, market analysts have been talking about a "peak oil demand", theorising the possible attainment of a peak in oil demand, mainly by effect of the energy transition currently ongoing.
This condition influences the investment policies of the main clients in the oil sector, exposing Saipem to: (i) delays in the negotiation process and possible non award of commercial initiatives relating to future projects; (ii) cancellation and suspension of projects already under way (whether EPCI lump sum or Drilling and value added engineering services contracts); (iii) delays and difficulties in obtaining payment of contractual penalties provided for to indemnify the Group against the cancellation and suspension of such contracts; (iv) strengthening of the level of aggression in commercial strategies by competitors; (v) delays and difficulties in obtaining change orders for the scope of work requested by the client and executed by Saipem; (vi) delays and difficulties by the clients in renewing contracts for onshore and offshore drilling fleets prior to the expiry thereof and under economically advantageous terms and conditions; (vii) claims and arbitration and international disputes in the most significant cases.
Moreover, during 2020, the COVID-19 pandemic is further destabilising many industrial sectors at the global level, including the energy sector; as a result of the pandemic, the global demand – of oil in particular – has decreased noticeably, and this has had a negative impact on the commercial positioning of Saipem on the Offshore and Onshore Engineering & Construction market of energy and infrastructures, Offshore and Onshore Drilling and engineering with high added value.
For this reason, Saipem is exposed to the risk of failing to strengthen or even weakening its commercial positioning, particularly with regard to certain specific product lines or geographical areas, with consequent economic-financial and reputational impacts.
Finally, cases of negative performance could lead to claims and even arbitration proceedings and disputes with the clients and also with suppliers and subcontractors of Saipem.

Mitigation

In order to mitigate the impact of a possible reduction in CAPEX investments above all in the oil sector by its clients, Saipem has developed a new business model

based on five divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT (dedicated to high added value engineering services). In addition, the Group has taken steps to expand its client and geographic market portfolio and to enter additional or alternative business sectors, such as: (i) maintenance and optimisation of existing rigs (MMOs) which are related to investments in OPEX in the energy sector; (ii) rigs for renewable sources (in particular, wind, solar); (iii) carbon capture projects; (iv) construction of pipelines and water networks for civil use and other industries (for example in the mining industry); (v) dismantling of oil platforms, including plug & abandonment activities; (vi) construction of high-speed railway lines; (vii) high value engineering services in the energy industry in general (including renewable energy).
Indeed, Saipem has, for some time, implemented a programme of constant updating of its skills and renewal of its assets, with a view to speeding and facilitating its entry into the field of renewable energy, a growth sector that sees all the great international players increasingly focused on the issues of sustainability, climate change and reduction of environmental impacts.
Finally, the risks of commercial positioning are mitigated through the establishment of partnerships and operations of strategic and technological value with particular concentration on energy transition.

5. Risks related to technological development

Description and impact

The Engineering & Construction, Drilling and high value engineering sectors are characterised by the continuous development of the technologies, assets, patents and licences used therein. In particular, Saipem's competitors could develop and implement technological developments of various kinds (concerning, for example, the Offshore E&C fleet and onshore and offshore drilling rigs), which would strengthen their competitive positioning. In addition, the development of patents and licences by competitors could enable them to develop innovative solutions (for example, in Onshore E&C plant projects and high value engineering services), weakening the strategic and commercial positioning of Saipem. Therefore, should Saipem be unable to upgrade the technologies, assets, patents and licences required to improve its operational performance, its competitive position could be damaged and as a result cause changes or reductions to its short or long-term objectives.

Mitigation

In order to maintain its competitive position, Saipem updates the technology, assets and licenses at its disposal, with the aim of aligning its offer of services to the current and future needs of the market.
Therefore, in addition to the extremely important experience of incremental research and development, which continues to be a key strategic point, Saipem is in the process of rolling out an initiative called the "Innovation Factory", which is an incubator of ideas to develop "disruptive" methods and technologies for dealing with the sector's challenges. An emerging area of interest for the "Innovation Factory" is linked to technologies aimed at increasing energy efficiency in operations and technologies in the decarbonisation of energy, for example renewable energy and carbon capture (more information in the specific section "Research and development").
Saipem is supported by companies specialised in analysing the technological evolution in the reference market segments and the prospective solutions that clients may require in the following years (for example, in the renewable energy sector); lastly, the Group enters into agreements of various kinds both with companies that develop technological solutions in the energy industry and also in other industries (for example, in the field of digitisation) and with universities and research centres.
In fact, Saipem is constantly engaged in studying and possibly developing agreements of a technological nature with various partners as regards technologies and licences in the energy sector, in addition to developing internally innovative technological solutions and patents through research and development projects with its own resources, and also cooperating with other organisations.

6. Risks related to health, safety and the environment

Description and impact

The activities carried out by Saipem in both operational projects and projects related to upgrades, maintenance or disposal of assets, using internal staff and/or subcontractors, expose the Group to potential accidents, that may cause negative impacts on the health and safety of people and the environment. Additionally, Saipem is subject to laws and regulations for the protection of health, safety and the environment at national and international level when conducting its operations.
Despite the maximum effort made by Saipem in the field of health, safety and the environment, it cannot be excluded that, in the course of normal group activities, events that could compromise the health of people or the environment may occur. Furthermore, the occurrence of such events could lead to civil and/or criminal sanctions against the parties responsible and, in some cases of violation of safety laws, to the application of the provisions of Italian Legislative Decree No. 231/2001, with subsequent costs linked to sanctions against Saipem and to the fulfilment of legal and regulatory obligations concerning, health, safety and the environment, as well as an impact to Saipem's reputation.
Moreover, in order to execute EPCI projects, drilling services and other services in the energy industry, the Group owns numerous assets, in particular specialised naval vessels (for example, for laying pipelines and lifting structures), offshore and onshore drilling rigs, production/treatment/storage and transport vessels commonly referred to as FPSO, Onshore equipment

(for example, for pipe laying), manufacturing yards and logistics bases. Therefore, the Group's assets are subject to the normal risks associated with ordinary operations and to catastrophic risks linked with the weather and/or natural disasters which can impact security and the safety of personnel and the environment. These risks connected with ordinary operations can be caused by: (i) mistaken or inadequate execution of manoeuvres and work sequences that lead to damage for assets or facilities; (ii) mistaken or inadequate ordinary and/or extraordinary maintenance. Despite the fact that Saipem has specific know-how and competencies constantly kept up-to-date, implements internal procedures for the execution of its operations and regularly carries out maintenance work on its assets in order to monitor their quality and level of reliability, it is not possible to exclude the occurrence of incidents on assets or facilities during the execution of works.

Mitigation

With reference to these risks, Saipem has developed an HSE (Health, Safety and Environment) management system which is in line with the requirements of laws in force and with international standards ISO 45001 for health and safety in the workplace and ISO 14001 for environmental management, and for which Saipem has obtained certification for the whole Group. Specifically, HSE risk management is based on the principles of prevention, protection, awareness, promotion, and participation; its aim is to guarantee the workers' health and safety and to protect the environment and the general well-being of the community.
Regarding the risks related to the safety and health of people, Saipem has introduced a series of specific mitigation initiatives, among which please note:

- the continuing and renewed implementation of the "Leadership in Health & Safety" (LiHS) programme, which aims to strengthen the corporate culture in the field of health and safety;
- various campaigns, for example "Life Saving Rules", aimed at promoting awareness of dangerous activities and actions that each individual can carry out to protect themselves and others;
- the development of advanced occupational health and health surveillance activities.

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

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

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

7. Risks related to profit margins

Description and impact

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

Mitigation

To align its cost and competitive profile with changes in the reference sectors, Saipem has implemented a

new business model based on five divisions.
In addition, in the current hydrocarbon price market scenario and the trend for demand in services in the reference business lines, Saipem is committed to applying the most advanced industry and project management best practices and to identifying and implementing various new initiatives and solutions to reduce its costs through more efficient processes and technologies.

8. IT risks

Description and impact

The execution and performance of Saipem's activities depend significantly on the IT system that has been developed over the years. Failure to take advantage of the opportunities linked to digitalisation and to process and operation automation, as well as inefficient use of innovative IT solutions by Saipem, could compromise the Group's technological development and as a result, the achievement of its short or long-term objectives (more information is available in the specific "Digital, ICT Services" section).
Saipem is committed to taking on the digital challenge and the resulting risks related to the exploitation and enhancement of data and digital technologies in order to maintain and strengthen its competitive position in the Engineering & Construction, Drilling and high value engineering services sectors.

Mitigation

Saipem has developed a new project of digital transformation through an agenda with several objectives, including rendering the ICT services more efficient, spreading digital awareness and adopting new technologies. To this end, Saipem has selected IT technological and service partners, launching an extensive review of the supply of IT services with the aim of introducing the concept of a supply ecosystem. This ecosystem concept is aimed at ensuring that Saipem's needs are covered thanks to the effort to cooperate made by the vendors in light of supporting necessary actions both for the single areas and for those activities that intrinsically require cooperation and integration.
In addition, Saipem established various IT initiatives for the business environment, focusing on the strategic assumption of developing a data-centric approach for the business and a progressive and complete digitalisation of the Group's work processes.
In particular, business developments have been oriented towards the automation of processes and the enhancement of internal information and data assets.

9. Risks related to political, social and economic instability

Description and impact

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

Mitigation

Saipem is committed to constantly and closely monitoring the political, social and economic developments, terrorist threats and pandemics arising in the countries of interest, both through specialised group resources and through providers of security services and information analyses.
Therefore, Saipem is able to periodically assess these political, social, economic and sanitary risks in the countries it operates in or intends to invest in based on a specific risk assessment model. Specifically, Saipem has adopted an articulate security model based on the criteria of prevention, precaution, protection, information, promotion and participation, with the objective of reducing risks deriving from the actions of physical or legal persons who expose the Group and its assets, people, goods, image and reputation to potential damage. In particular, in order to prevent these risks, Saipem also makes use of agencies that provide security services in the countries in which it operates. These agencies could expose Saipem to risks related to the violation of human rights in the execution of security services which they provide; for this reason, the mitigation actions implemented by Saipem consist of regular controls and training activities.
In cases where Saipem's ability to operate is compromised, demobilisation is planned according to the criteria of protecting personnel and, if necessary, group assets and of minimising interruptions to operations, through the adoption of solutions that render more rapid and less costly the recommencement of ordinary activities once favourable conditions are restored. These measures can increase costs and delays and have a negative impact on the profitability of projects executed in such countries.
Furthermore, Saipem constantly monitors changes in regulations of a various nature and compliance with them in order to minimise the impacts due to its operating activities in all countries of interest.
Lastly, in support of its presence in the countries and in order to mitigate the impact of its operating activities on local economies and the risks generated by relationships with subjects operating in the same areas, Saipem adopts a system of engagement with its local stakeholders, with the goal of maintaining dialogue and consolidating relationships and creating shared value, especially through active participation in the socio-economic development of the areas in which it operates.
In addition, Saipem has faced and is continuing to manage the complex adjustment of the workforce to the significant changes in the market in which it operates, on the basis of a new divisional business model taking into account the relationships with both the staff and with trade unions in the countries where it operates. In fact, in order to mitigate and prevent these risks, Saipem has configured an approach of maximum awareness to industrial relations in the countries in which it operates. Specifically, Saipem is committed to strengthening relations and communication with staff, trade unions and reaching and renewing specific agreements with the social partners involved.
In particular, with regard to the COVID-19 pandemic, Saipem has implemented a specific crisis response plan and has applied a series of measures at all levels of the organisation, at the offices, operating sites and the fleet, thanks to its constant monitoring of the developments and escalation of the viral spread, identifying solutions for protecting internal and external personnel, enacted by local multifunctional crisis units coordinated by the corporate crisis committee.

10. Risks related to the supply chain

Description and impact

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

Mitigation

With the aim of preventing and mitigating these risks, the Group has adopted a structured qualification and selection system in order to work with reliable vendors and subcontractors with a consolidated reputation.
The services of suppliers and subcontractors are, moreover, constantly controlled and subject to feedback on all the work sectors with the supplier.
With reference to the recent COVID-19 pandemic, Saipem monitors its impacts on the supply chain at the level of the individual projects, in terms of continuity and timeliness of the supplies.
To mitigate and prevent the risks associated with unethical behaviour by vendors and subcontractors, Saipem uses various tools, checks and training programmes.
Additionally, Saipem requires its vendors, subcontractors and partners to read and accept the Model 231 in its entirety, including the Code of Ethics, which is inspired by the principles of the Universal Declaration of Human Rights of the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and to the OECD Guidelines for Multinational Enterprises.

11. Business integrity risks

Description and impact

Although Saipem conducts its business with loyalty, fairness, transparency, integrity and in full compliance with laws and regulations, the Group is subject to the risk of fraud and/or illegal conduct by employees and third parties (for example, corruption, lack of transparency, leaking confidential information, non-compliance with group procedures and regulations).
Specifically, Saipem carries out its business activities together with subcontractors, vendors and partners that could commit fraudulent acts in concert with employees to the detriment of the Group.
Furthermore, the Group operates in various countries characterised by a high level of fraud and corruption, referred to in the "Corruption Perception Index" of Transparency International.
In the context of risks related to possible fraud or illegal activities by employees or third parties, Saipem is also exposed, in particular, to risks related to the protection of information and know-how, as the Group in the performance of its activities relies on information, data and know-how, of a sensitive nature, processed and contained in documents, also in electronic format, unauthorised access to which and disclosure of by employees or third parties may represent fraud or illegal activities, as well as causing damage to Saipem.
Lastly, it cannot be excluded that non-compliance issues or incorrect application of the European Data Protection Regulation (GDPR) may occur within the Group, which could result in the application of sanctions to the detriment of Saipem.

Mitigation

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

12. Cyber risks

Description and impact

In performing its activities in the offices and worksites onshore and offshore, Saipem uses a vast number of digital tools of various kinds; by effect of an increase in digitalisation and of the constant increase in cybernetic threats, the Group's IT systems are exposed to potential cyber attacks that can have a number of aims; the cyber attacks could endanger the operational continuity and damage Information Technology (IT) and Operational Technology (OT) systems, causing the loss and/or theft of data and information (even of a confidential nature), with significant impacts on corporate processes resulting in economic and financial damage, as well as damage to operations and to the company's reputation, particularly towards the clients.

Mitigation
Saipem has implemented measures of governance, response and monitoring of cyber attacks, as well as compliance processes carried out through the involvement of specialised internal and external personnel and an advanced use of IT security technologies. Saipem applies procedures and protocols based on the sector best practices and on consolidated, tested international standards, with the goal of preventing and mitigating its exposure to cyber risk.
In particular, for the prevention and mitigation of cyber risk, Saipem relies on suppliers of specialised services and uses the main prevention and defence instruments available on the market (more information is available in the specific "Digital, ICT Services" section); moreover, Saipem is constantly engaged in implementing a cyber security plan, strengthening its activities of threat detection and response to cyber incidents, in the adoption of a platform that provides external and independent assessment of the level of maturity of cyber security of the Group and, finally, in continuous collaboration with the main public and private stakeholders.

13. Risks related to human resources

Description and impact
The Saipem Group relies to a significant degree on the professional contribution of key management personnel and highly specialised individuals. By key management personnel is meant "Senior Managers with strategic responsibilities" (further information can be found in the specific detailed section in the "2019 Remuneration Report"). By highly specialised individuals, on the other hand, is meant personnel who, on the basis of their skills and experience, are vital to the execution of projects and to the growth and development of Saipem.
If this relationship between Saipem and one or more of the resources mentioned should be interrupted for any reason, there are no guarantees that the Group can restore it quickly using equally qualified individuals who can ensure the same operational and professional contribution in the short term.
The breaking off of relations with one of the key figures, the inability to attract and retain highly qualified personnel and competent management personnel, or to supplement the organisational structure with individuals capable of managing the growth of the Group, could have negative effects on Saipem's future business opportunities and projects in the execution phase.
Furthermore, working on international markets, the development of Saipem's future strategies will depend significantly on the Group's ability to attract and retain highly qualified and competent personnel with a high level of diversity in terms of age, nationality and gender. Lastly, the regulatory developments in labour law in the countries where Saipem operates exposes it to risks of various kinds in the management of human resources, which can cause internal inefficiencies and disputes.

Mitigation
With the goal of preventing and mitigating these risks, Saipem is committed to investing in gender, nationality and generational balance, encouraging the development and growth of younger resources, as well as motivating and retaining the most experienced resources, in order to ensure the protection of the distinctive and strategic skills for Saipem through several different initiatives.
In this regard, the Human Resources Development Committee was set up, with the objective of monitoring and guiding the development and career of young people, as well as assessing their professional and managerial paths in a universal manner; Saipem is also constantly committed to the promotion of diversity, with specific initiatives centred on the promotion and spread of an inclusive culture through partnership with the association "Valore D".
Furthermore, the aim of the Remuneration Policy, whose primary tools and objectives are defined in the Remuneration Report, is to attract, motivate and retain high-profile professional and managerial resources, and align management's interests aiming at value creation for shareholders in the medium-long term.
Saipem has adopted an innovative model for the management of human capital based on skills with the aim of better directing energies and professional figures to the areas in need and ensuring greater flexibility in the development of personal and professional skills at all levels.
Therefore, the continued expansion of the Group into geographic areas and business lines is accompanied by plans to employ and train management and technical personnel, both international and local, with different skills.
As defined in the Code of Ethics, in full compliance with applicable legal and contractual provisions, Saipem undertakes to offer equal opportunities to all its employees, making sure that each of them receives a fair statutory and wage treatment exclusively based on merit and expertise, without discrimination of any kind.
Additionally, the Group monitors the legislative developments relating to personnel management in all the countries in which it operates or is interested in entering, availing itself of labour law consultants.

14. Risks related to business processes

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

Mitigation
The Group has launched several initiatives aimed at recovering efficiency and effectiveness in which particular emphasis was placed on the rationalisation of business processes. The divisionalisation process occurred at the same time with the aim of leading to a

greater focus on business activities by allocating directly to the divisions many activities and processes that were previously monitored centrally in Corporate. Finally, Saipem has embarked on a path to improve the work organisation model that – through a cultural, technological and digital change – can positively contribute to the achievement of corporate results, through increases in efficiency and effectiveness.
In particular, in order to adapt quickly to these cultural changes, initiatives aimed at process dematerialisation and digitalisation are ongoing.

COVID-19 pandemic

Description and impact

The outbreak of the COVID-19 pandemic worldwide had the effect, first and foremost, of exposing internal and external personnel to the risk of infection and consequent illness with a still-unknown disease, with grave and even fatal impacts on the health of the personnel and their families, as well as the impossibility to reach the workplace (whether office or operating sites) and to travel for business. As a result, in a number of cases, this pandemic has caused slowdowns of projects in the execution phase and also of commercial tenders with clients.
The pandemic also brought about a significant reduction in oil prices on the international markets, mainly due to the abrupt drop in consumption that followed the increasingly strict provisions adopted by several governments to slow the spread of the disease. The volatility of oil prices then increased even further by effect of the "price war" between the main oil-producing countries.
Lastly, it has been seen that the COVID-19 pandemic and consequent economic effects have led to an increase in political, social and economic instability in a number of the geographical areas in which the Group has offices and operating sites. To link all this with what has been written thus far, the impacts of the COVID-19 pandemic are indicated in the sections devoted to the individual risk factors.

Mitigation

In the short term, Saipem has implemented specific treatment actions to reduce the impacts of the COVID-19 pandemic, such as: activation of the crisis response protocol, creation of a task force devoted to constant monitoring of the developments and escalation of the virus, and the identification of solutions to protect internal and external personnel and inform the entire Saipem staff in order to guarantee the maximum health and safety of the employees, clients and suppliers, in compliance with the indications provided by the Italian Ministry of Health and the Regions involved in the countries in which Saipem operates. In particular, the Group has provided to sanitise the workplaces and to draw up detailed protocols on the behavioural standards and best practices for the personnel and management.
Saipem promptly adopted the smart working method for a significant number of its employees, cancelling or reducing to a minimum the business travels to and from the zones stricken by the epidemic, and has protected all the personnel deemed at greatest risk in the countries most exposed to the pandemic, while maintaining the continuity of the business unchanged.
Within the scope of the analysis of the possible effects of the COVID-19 pandemic ("Coronavirus"), undertaken early in 2020 and still in progress due to the continuous evolution of the phenomenon, Saipem has identified, assessed and constantly monitored these effects at the level of every project currently under way.
As of June 19, 2020, more than 70% of the active risks linked to the COVID-19 pandemic had been quantified and the expected value of these risks amounts to about 8% of the total value of all risks associated with Saipem projects.
The geographical areas in which the greatest exposure to risk has been recorded, though with differentiated situations depending on the divisions, are Europe, Russia and the Caspian area, where more than 40% of the active risks directly connected with the COVID-19 pandemic are concentrated.

Transfer of risks to the insurance market

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

Corporate insurance policies

The Corporate insurance programme is structured with an initial band of risk that is self-insured through a captive reinsurance group, with amounts in excess

covered by a catastrophic insurance programme taken out on the insurance market.
The catastrophic insurance programme is composed of policies that cover damage to property, and maritime and non-maritime third party liability.
Cover can be broken down as follows:

Material damages

- "Fleet Insurance" policy: covers the entire fleet against events that cause partial or total damage to vessels;
- "Equipment" policy: covers all onshore and offshore equipment, for example site equipment, onshore drilling rigs, subsea equipment, etc.;
- "Transport" policy: covers transport, handling and storage of assets and equipment by land, sea or air;
- "Buildings and Sites" policy: covers owned or rented buildings, offices, storage facilities and shipyards.

Third-party liability

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

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

Insurance policies relating to the execution of projects

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

ADDITIONAL INFORMATION

Regulation on Markets

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

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

i. as at June 30, 2020, the regulatory provisions of Article 15 of the Regulation on Markets applied to the following 18 subsidiaries:
   - Boscongo SA;
   - ER SAI Caspian Contractor Llc;
   - Global Petroprojects Services AG;
   - Petrex SA;
   - PT Saipem Indonesia;
   - Saimexicana SA de Cv;
   - Saipem America Inc;
   - Saipem Contracting Nigeria Ltd;
   - Saipem do Brasil Serviçõs de Petroleo Ltda;
   - Saipem Drilling Norway AS;
   - Saipem India Projects Private Ltd;
   - Saipem Misr for Petroleum Services (S.A.E.);
   - Saipem Offshore Norway AS;
   - Saipem Services Mexico SA de Cv;
   - Saudi Arabian Saipem Ltd;
   - Sigurd Rück AG;
   - Snamprogetti Engineering & Contracting Co Ltd;
   - Snamprogetti Saudi Arabia Co Ltd Llc.

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

Disclosure of transactions with related parties

Transactions concluded by Saipem with related parties essentially regard the exchange of goods, the supply of services, the provision and utilisation of financial resources including entering into derivatives contracts. All transactions form part of ordinary operations, are settled at market conditions, i.e. at the conditions that would have applied between two independent parties, and are concluded in the interest of Group companies. Directors, statutory auditors, general managers and key management personnel must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party. Directors and statutory auditors release every six months and/or in the event of a change, a statement in which each potential interest is represented in relation to the parent and the Group and in any case report to the Chief Executive Officer (or the Chairman where the Chief Executive Officer is involved), who informs the other directors and the Board of Statutory Auditors of the individual transactions that the parent intends to perform, in which they have direct interests.
At June 30, 2020, Saipem SpA is not subject to the management and coordination of other parties.
Saipem SpA manages and coordinates its own subsidiaries pursuant to Article 2497 ff. of the Italian Civil Code.
The values of transactions of a trade, financial or other nature entered into with related parties are illustrated in Note 36 of the "Notes to the condensed interim consolidated financial statements".

Outlook

The market scenario remains characterised by great uncertainty about the economic and financial prospects, because of the COVID-19 pandemic, still spreading worldwide, and because of the uncertainty as regards the demand for oil and gas and related services. Consequently, during the period, the investment plans of the Oil Companies have been considerably downsized. In this context, on April 15, 2020, Saipem Board of Directors decided to withdraw the guidance announced to the market at the end of February when presenting 2019 annual results.
Despite the fact that the current year is still experiencing the impact of the COVID-19 pandemic, the backlog of orders to be carried out in the second half of the year will ensure the same volumes as in the first half.
Initiatives to reduce overhead and operating costs, estimated at about €190 million for 2020, are expected to shore up the group's adjusted EBITDA margin in the second half of the year, which could reach the levels of the first six-month period. Added to this is the rescheduling of capital expenditure, down over €200 million compared to the projections made at the beginning of the year.
This scenario does not take account of a further and possible tangible deterioration of business as a result of the intensification of the COVID-19 pandemic.

Events after the reporting period

EMTN Programme: issue of senior bonds

On July 7, 2020, as part of the non-convertible bond issue programme known as the Euro Medium Term Note ("EMTN") Programme, Saipem Finance International BV ("SFI"), successfully placed a bond issue expiring on July 15, 2026, for an amount of €500 million. The notes to be listed on the Euro MTF of the Luxembourg Stock Exchange have been purchased by institutional investors mainly in Italy, France, Germany and the United Kingdom. The resources deriving from the issue will be used for general financial needs.

New contracts

As announced on July 22, 2020, Saipem has been awarded new offshore wind farm contracts:
- on behalf of Dogger Bank Offshore Wind Farms, a joint venture between Equinor and SSE Renewables, a contract for the transport and installation of two transformer platforms at the offshore wind farm in the United Kingdom;
- on behalf of Seaway 7, a contract for the installation of foundations at the Seagreen offshore wind farm in Scotland;
- on behalf of Ailes Marines, part of the Iberdrola Group, a contract for the transport and installation of the jacket and topside of the substation for the offshore wind farm of St-Brieuc, in France.

All offshore installation projects will be carried out by the crane ship Saipem 7000.

Additional information

Pursuant to Article 20 of the Articles of Association, in conformity with Article 2365, second paragraph of the Italian Civil Code, the Board of Directors of Saipem SpA is responsible for amending the Articles of Association to comply with legislative provisions.
The Company's Board of Directors has verified that the provisions of the Articles of Association in force comply with the amendments introduced by Italian Law No. 160 of December 27, 2019 relating to gender balance, with the sole exception of Article 31 (which envisaged a transitional clause for the application of the previous legislation in force) and which has therefore been removed. The resolution of the Board of Directors and the new text of the Articles of Association have been made available to the public in accordance with the law.

Reconciliation of reclassified statement of financial position, income statement and statement of cash flows with the mandatory templates

Reclassified statement of financial position

(€ million)	Dec. 31, 2019		June 30, 2020	
Reclassified statement of financial position items (where not stated otherwise, items comply with the mandatory template)	Partial values from the mandatory statement	Values from the reclassified statement	Partial values from the mandatory statement	Values from the reclassified statement
A) Net property, plant and equipment		4,129		3,450
Note 12 - Property, plant and equipment	*4,129*		*3,450*	
B) Net intangible assets		698		698
Note 13 - Intangible assets	*698*		*698*	
C) Right-of-Use assets		584		395
Note 14 - Right-of-Use assets	*584*		*395*	
D) Equity investments		106		118
Note 15 - Equity investments	*133*		*150*	
Reclassified from F) - provisions for losses of investees	*(27)*		*(32)*	
E) Working capital		162		370
Note 7 - Other current financial assets	*180*		*202*	
Reclassified to L) - loan assets not related to operations	*(178)*		*(199)*	
Note 8 - Trade receivables and other assets	*2,601*		*2,311*	
Note 9 - Inventories and contract assets	*1,331*		*1,474*	
Note 10 - Current tax assets	*251*		*283*	
Note 10 - Other current tax assets	*167*		*215*	
Note 11 - Other current assets	*115*		*180*	
Note 11 - Other non-current assets	*55*		*46*	
Note 10 - Deferred tax assets	*24*		*23*	
Note 16 - Other deferred tax assets	*297*		*301*	
Note 17 - Trade payables, other liabilities and contract liabilities	*(4,376)*		*(4,147)*	
Note 10 - Current tax liabilities	*(87)*		*(108)*	
Note 10 - Other current tax liabilities	*(139)*		*(122)*	
Note 18 - Other current liabilities	*(45)*		*(55)*	
Note 18 - Other non-current liabilities	*(1)*		*(1)*	
Note 10 - Deferred tax liabilities	*(27)*		*(27)*	
Note 16 - Other deferred tax liabilities	*(6)*		*(6)*	
F) Provisions for risks and charges		(226)		(250)
Note 21 - Provisions for risks and charges	*(253)*		*(282)*	
Reclassified to D) - provisions for losses of investees	*27*		*32*	
G) Provisions for employee benefits		(246)		(239)
Note 22 - Employee benefits	*(246)*		*(239)*	
H) Assets held for sale		-		-
Note 24 - Assets held for sale	*-*		*-*	
EMPLOYED CAPITAL, NET		**5,207**		**4,542**
I) Equity		4,032		3,132
Note 25 - Equity attributable to the owners of the parent	*4,032*		*3,132*	
L) Non-controlling interests		93		50
Note 25 - Non-controlling interests	*93*		*50*	
M) Net financial debt pre-lease liabilities		472		901
Note 5 - Cash and cash equivalents	*(2,272)*		*(1,445)*	
Note 6 - Financial assets measured at fair value through OCI	*(87)*		*(83)*	
Note 7 - Other non-current financial assets	*(69)*		*(64)*	
Note 19 - Current financial liabilities	*164*		*308*	
Note 19 - Non-current financial liabilities	*2,670*		*2,122*	
Note 19 - Current portion of non-current financial liabilities	*244*		*262*	
Reclassified from E) - loan assets not related to operations (Note 8)	*(178)*		*(199)*	
N) Lease liabilities		610		459
Note 14 - Net lease liabilities	*610*		*459*	
O) Net financial debt		1,082		1,360
FUNDING		**5,207**		**4,542**

Reclassified income statement

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

- the items "other revenue and income" (€2 million), relating to "reimbursements for services that are not part of core operations" (€42 million), have been recorded as reductions to the corresponding cost items in the reclassified income statement;
- the items "financial income" (€142 million), "financial expense" (-€19 million) and "derivatives" (-€218 million), which are indicated separately in the mandatory template, are stated under the item "net financial expense" (-€95 million) in the reclassified income statement.

All other items are unchanged.

Items of the reclassified statement of cash flows

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

- the items "depreciation and amortisation" (€312 million), "net impairment losses on property, plant and equipment and intangible assets" (€670 million), "other changes" (-€22 million), "change in employee benefits" (-€9 million) and "effect of accounting using the equity method" (-€10 million), indicated separately and included in the net cash flows generated by operating activities in the mandatory template, are shown net under the item "depreciation/amortisation and other non-monetary items" (€941 million);
- the items "income taxes" (€74 million), "interest expense" (€75 million) and "interest income" (-€3 million), indicated separately and included in cash flows from working capital in the mandatory template, are shown net under the item "dividends, interests and taxes" (€146 million);
- the items regarding "trade receivables" (€356 million), changes in "inventories" (€9 million), "provisions for risk and charges" (€28 million), "trade payables" (-€207 million), "contract assets and liabilities" (-€346 million) and "other assets and liabilities" (-€43 million), indicated separately and included in cash flows from working capital in the mandatory template, are shown net under the item "changes in working capital related to operations" (-€203 million);
- the items "interest received" (€3 million), "income taxes paid net of refunds of tax credits" (-€79 million) and "interest paid" (-€75 million), indicated separately and included in cash flows generated by operating activities in the mandatory template, are shown net under the item "dividends received, income taxes paid and interest paid and received" (-€151 million);
- the items relating to investments in "property, plant and equipment" (-€188 million) and "intangible assets" (-€7 million), indicated separately and included in cash flows from investing activities in the mandatory template, are shown net under the item "capital expenditure" (-€195 million);
- the items "increase in non-current loans and borrowings" (€143 million), "increase (decrease) in current loans and borrowings" (€150 million) and "decrease in non-current loans and borrowings" (-€673 million), indicated separately and included in net cash flows from financing activities in the mandatory template, are shown net under the item "changes in current and non-current loans and borrowings" (-€380 million).

All other items are unchanged.

GLOSSARY

Financial terms

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

Operational terms

- **Buckle detection** system that utilises electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.
- **Bundles** bundles of cables.
- **Carbon Capture and Storage** technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating carbon dioxide emissions into the atmosphere.
- **Central Processing Facility** production unit performing the first transformation of crude oil or natural gas.
- **Cold stacked** idle plant with a significant reduction in personnel and reduced maintenance.
- **Commissioning** series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.
- **Concrete coating** reinforced concrete coating for subsea pipelines in order to ballast and protect them from damage and corrosion.
- **Conventional waters** water depths of up to 500 metres.
- **Cracking** chemical-physical process, typically employed in dedicated refinery plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
- **Debottlenecking** removal of obstacles (in rigs/fields) which leads to higher production.
- **Deck** area of a vessel or platform where process plants, equipment, accommodation modules and drilling units are located.
- **Decommissioning** process undertaken in order to end operations of a gas pipeline, associated plant and equipment. It is performed at the end of the useful life of the plant or vessel following an incident, for technical or financial reasons, for safety or environmental reasons.
- **Deep waters** water depths of over 500 metres.
- **Downstream** all operations that follow exploration and production operations in the oil sector.
- **Drillship** vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
- **Dry-tree** wellhead located above the water on a floating production platform.
- **Dynamically Positioned Heavy Lifting Vessel** vessel equipped with a heavy-lift crane, capable of

holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, currents, etc.

- **EPC** (Engineering, Procurement, Construction) a type of contract typical of the Onshore Engineering & Construction segment, comprising the provision of engineering services, procurement of materials and construction. The term "turnkey" is used to indicate that the system is delivered to the client ready for operations, i.e. already commissioned.
- **EPCI** (Engineering, Procurement, Construction, Installation) type of contract typical of the Offshore Engineering & Construction segment, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities for the start-up of operations.
- **Fabrication yard** yard at which offshore structures are fabricated.
- **Facilities** auxiliary services, structures and installations required to support the main systems.
- **Farm out** awarding of the contract by the client to another entity for a fixed period of time.
- **FDS** (Field Development Ship) dynamically-positioned multi-purpose crane and pipelay vessel.
- **FEED** (Front-End Engineering and Design) basic engineering and preliminary activities carried out before beginning a complex project to evaluate its technical aspects and enable an initial estimate of the investment required.
- **Field Engineer** on-site engineer.
- **Flare** tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilise it on site or ship it elsewhere.
- **FLNG** Floating Liquefied Natural Gas unit used for the treatment, liquefaction and storage of gas which is subsequently transferred onto vessels for transportation to end-use markets.
- **Floatover** type of module installation on offshore platforms that does not require lifting operations. A specialised vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed. Once the module is in contact with the supports, the vessel disconnects and the module is subsequently secured to the support structure.
- **Flowline** pipeline used to connect individual wells to a manifold or to gathering and processing facilities.
- **FPSO vessel** Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the subsea wellheads to the on-board processing, storage and offloading systems.
- **FPU** Floating Production Unit.
- **FSHR** (Free Standing Hybrid Risers) system consisting of a vertical steel pipe ("riser"), which is kept under tension by a floating module position near the water whose buoyancy ensures stability. A flexible pipe (jumper) connects the upper part of the riser to the Floating Production Unit (FPU), while the riser is anchored to the sea bottom by means of an anchoring system. A rigid pipe (riser base jumper) connects the lower part of the FSHR to the Pipe Line End Terminations (PLETs).
- **FSRU** (Floating Storage Regasification Unit) a floating terminal in which liquefied natural gas is stored and then regasified before being transported by pipeline.
- **Gas export line** pipeline for carrying gas from the subsea reservoirs to the mainland.
- **Grass Root Refinery** a refinery that is built from scratch with a planned capacity.
- **Hydrocracker** installation in which large hydrocarbon molecules are broken down into smaller ones.
- **Hydrotesting** operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
- **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
- **Ice Class** classification that indicates the additional level of upgrading and other criteria that make a ship sea worthy to sail in sea ice.
- **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
- **Jacket** platform underside structure fixed to the seabed using piles.
- **Jack-up** mobile self-lifting unit comprising a hull and retractable legs used for offshore drilling operations.
- **J-laying** method of pipelaying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter "J". This type of pipelaying is suitable for deep waters.
- **Lay-up** idle vessel with suspension of the period of validity of the class certificate.
- **Leased FPSO** FPSO (Floating Production, Storage and Offloading) vessel for which a lease contract is in place between a client/lessee (Oil Company) and a contractor/lessor, whereby the lessee (client/Oil Company) makes lease payments to the lessor for use of the vessel for a specific period of time. At the end of the lease term, the lessee has the option to purchase the FPSO.
- **LNG** (Liquefied Natural Gas) obtained by cooling natural gas to minus 160 °C. At normal pressure, gas is liquefied to facilitate its transportation from the place of extraction to that of processing and/or

utilisation. A tonne of LNG is equivalent to 1,500 cubic metres of gas.

- **Local Content** policy whereby a group develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.
- **LPG** (Liquefied Petroleum Gas) produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gas exists in a gaseous state at ambient temperatures and atmospheric pressure, but changes to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy-to-handle metal pressure vessels.
- **LTI** (Lost Time Injury) any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
- **Marginal fields** oil fields with scarce exploitable resources or at a stage of declining production for which extended use is attempted through low risk, cost effective technologies are used.
- **Midstream** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
- **Moon pool** opening in the hull of a drillship to allow for the passage of equipment.
- **Mooring buoy** offshore mooring system.
- **Multipipe subsea** subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deep water application).
- **National Oil Companies** State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.
- **NDT** (Non Destructive Testing) a series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** industrial sector that provides services and/or products to the National or International Oil Companies engaged in oil exploration, production, transportation and conversion.
- **Open Book Estimate** (OBE) type of contract where the lump-sum fee for the project (usually for turnkey or EPC projects) is agreed on with the client, with complete transparency, after the contract has been signed and during an advanced stage of the base engineering, on the basis of an overall project cost estimate.
- **P&ID** (Piping and Instrumentation Diagram) diagram showing all plant equipment, piping and instrumentation with associated shut-down and safety valves.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy back pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long and heavy steel pylon driven into the seabed. A system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- **Pipe-in-pipe** subsea pipeline system comprising 2 coaxial pipes, used to transport hot fluids (Oil&Gas). The internal pipe has the function of transporting the fluid. The space between the two pipes is insulated to reduce heat exchange with the external environment. The external pipe provides mechanical protection from the pressure of the water.
- **Pipe-in-pipe forged end** forged end of a coaxial double pipe.
- **Pipelayer** vessel used for subsea pipe laying.
- **Pipeline** pipes and auxiliary equipment used principally for transporting crude oil, oil products and natural gas to the point of delivery.
- **Pre Assembled Rack** (PAR) pipeline support beams.
- **Pre-commissioning** phase comprising pipeline clean-out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** geological formation present on the continental shelves offshore Brazil and Africa.
- **Pre-Travel Counselling** health and medical advice designed to take into account the health of the individual worker and ensure that he/she is furnished with adequate information on the specific risks present in his/her country of destination and the preventive measures that should be adopted.
- **PTS** (Pipe Tracking System) an electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Pulling** minor operations on oil wells due to maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit, as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.
- **ROV** (Remotely Operated Vehicle) unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- **Shale gas** unconventional gas extracted from shale deposits.
- **Shale oil** non conventional oil obtained from bituminous shale.
- **Shallow water** see Conventional waters.
- **Sick Building Syndrome** a combination of ailments associated with a person's place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites may be contributing factors.
- **S-laying** method of pipelaying that utilises the elastic properties of steel, making the pipe configuration resemble the letter "S", with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipelaying.

- **Slug catcher** equipment for the purification of gas.
- **Smart stacking** period of idleness that allows for optimising costs and the application of a rig preservation plan.
- **Sour water** water containing dissolved pollutants.
- **Spar** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
- **Spare capacity** relationship between crude oil production and production capacity, i.e. quantity of oil which is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of 2 pipelines.
- **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
- **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
- **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
- **Subsea treatment** a new process for the development of marginal fields. The system involves the injection and treatment of sea-water directly on the seabed.
- **SURF** (Subsea, Umbilicals, Risers, Flowlines) facilities, pipelines and equipment connecting the well or subsea system to a floating unit.
- **TAD** (Tender Assisted Drilling unit) an offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).
- **Tar sands** mixture of clay, sand, mud, water and bitumen. The tar is made up primarily of high molecular weight hydrocarbons and can be transformed into various petroleum products.
- **Template** rigid and modular subsea structure where the oilfield well-heads are located.
- **Tendons** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **Termination for Convenience** the right to unilaterally terminate the contract at any time without giving a reason, upon payment of a contractually negotiated settlement in order to exercise said right (so called "termination fee").
- **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
- **Tight oil** oil "trapped" in liquid form deep below the earth's surface in low permeability rock formations, which it is difficult to extract using conventional methods.
- **TLP** (Tension Leg Platform) fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
- **Topside** portion of a platform above the jacket.
- **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
- **Trenching** burying of offshore or onshore pipelines.
- **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
- **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
- **Upstream** relating to exploration and production operations.
- **Vacuum** second stage of oil distillation.
- **Warm Stacking** idle plant, but one ready to resume operations in the event that a new contract is acquired. Personnel is at full strength and ordinary maintenance is normally carried out.
- **Wellhead** fixed structure separating the well from the outside environment.
- **WHB** (Wellhead Barge) vessel equipped for drilling, workover and production (partial or total) operations, connected to process and/or storage plants.
- **Workover** major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

Other terms

- **ESMA** European Securities and Markets Authority.
- **OECD** (Organisation for Economic Co-operation and Development) composed of thirty-five developed countries having in common a democratic system of government and a free market economy.
- **OPEC** Organization of the Petroleum Exporting Countries.

SAIPEM

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

		Dec. 31, 2019		June 30, 2020	
(€ million)	Note [1]	Total	of which with related parties [2]	Total	of which with related parties [2]
ASSETS					
Current assets					
Cash and cash equivalents	(No. 5)	2,272		1,445	
Financial assets measured at fair value through OCI	(No. 6)	87		83	
Other financial assets	(No. 7)	180	148	202	169
Lease assets	(No. 14)	8		14	
Trade receivables and other assets	(No. 8)	2,601	813	2,311	736
Inventories	(No. 9)	303		295	
Contract assets	(No. 9)	1,028		1,179	
Tax assets	(No. 10)	251		283	
Other tax assets	(No. 10)	167		215	
Other assets	(No. 11 and 23)	115	-	140	10
Total current assets		**7,012**		**6,167**	
Non-current assets					
Property, plant and equipment	(No. 12)	4,129		3,450	
Intangible assets	(No. 13)	698		698	
Right-of-Use assets	(No. 14)	584		395	
Equity-accounted investments	(No. 15)	133		150	
Other equity investments	(No. 15)	-		-	
Other financial assets	(No. 7)	69		64	
Lease assets	(No. 14)	8		16	
Deferred tax assets	(No. 16)	297		301	
Tax assets	(No. 10)	24		23	
Other assets	(No. 11 and 23)	55	1	46	-
Total non-current assets		**5,997**		**5,143**	
Assets held for sale	(No. 24)	-		-	
TOTAL ASSETS		**13,009**		**11,310**	
LIABILITIES AND EQUITY					
Current liabilities					
Current financial liabilities	(No. 19)	164	1	308	1
Current portion of non-current financial liabilities	(No. 19)	244		262	
Current portion of non-current lease liabilities	(No. 14)	149		144	
Trade payables and other liabilities	(No. 17)	2,528	314	2,449	110
Contract liabilities	(No. 17)	1,848	432	1,658	582
Tax liabilities	(No. 10)	87		108	
Other tax liabilities	(No. 10)	139		122	
Other liabilities	(No. 18 and 23)	45		55	
Total current liabilities		**5,204**		**5,106**	
Non-current liabilities					
Non-current financial liabilities	(No. 19)	2,670		2,122	
Non-current lease liabilities	(No. 14)	477	3	345	3
Provisions for risks and charges	(No. 21)	253		282	
Employee benefits	(No. 22)	246		239	
Deferred tax liabilities	(No. 16)	6		6	
Tax liabilities	(No. 10)	27		27	
Other liabilities	(No. 18 and 23)	1		1	
Total non-current liabilities		**3,680**		**3,022**	
TOTAL LIABILITIES		**8,884**		**8,128**	
EQUITY					
Non-controlling interests	(No. 25)	93		50	
Equity attributable to the owners of the parent:	(No. 25)	4,032		3,132	
- share capital	(No. 25)	2,191		2,191	
- share premium	(No. 25)	553		553	
- other reserves	(No. 25)	(24)		(22)	
- retained earnings		1,395		1,406	
- profit (loss) for the period		12		(885)	
- negative reserve for treasury shares in portfolio	(No. 25)	(95)		(111)	
Total equity		**4,125**		**3,182**	
TOTAL LIABILITIES AND EQUITY		**13,009**		**11,310**	

(1) The notes are an integral part of the condensed interim consolidated financial statements.
(2) For an analysis of figures shown as "of which with related parties", see Note 36 "Related party transactions".

Income statement

(€ million)	Note [1]	First half 2019 Total	First half 2019 of which with related parties [1]	First half 2020 Total	First half 2020 of which with related parties [1]
REVENUE					
Core business revenue	(No. 28)	4,519	1,047	3,675	765
Other revenue and income	(No. 28)	8		44	
Total revenue		**4,527**		**3,719**	
Operating expenses					
Purchases, services and other costs	(No. 29)	(3,097)	(4)	(2,592)	(225)
Net reversals of impairment losses (impairment losses) on trade receivables and other assets	(No. 29)	(22)		(5)	
Personnel expenses	(No. 29)	(835)		(851)	
Depreciation, amortisation and impairment losses	(No. 29)	(312)		(982)	
Other operating income (expense)	(No. 29)	1		-	
OPERATING PROFIT (LOSS)		**262**		**(711)**	
Financial income (expense)					
Financial income		99	-	142	1
Financial expense		(154)		(218)	
Derivative financial instruments		(46)		(19)	
Net financial income (expense)	(No. 30)	**(101)**		**(95)**	
Gains (losses) on equity investments					
Share of profit (loss) of equity-accounted investees		(38)		10	
Other gains (losses) from equity investments		-		-	
Net gains (losses) on equity investments	(No. 31)	**(38)**		**10**	
PRE-TAX PROFIT (LOSS)		**123**		**(796)**	
Income taxes	(No. 32)	(77)		(74)	
PROFIT (LOSS) FOR THE PERIOD		**46**		**(870)**	
Attributable to:					
- owners of the parent		14		(885)	
- non-controlling interests	(No. 33)	32		15	
Earnings (loss) per share for the period profit (loss) attributable to owners of the parent (€ per share)					
Basic earnings (loss) per share	(No. 34)	0.01		(0.89)	
Diluted earnings (loss) per share	(No. 34)	0.01		(0.88)	

(1) For an analysis of figures shown as "of which with related parties", see Note 36 "Related party transactions".

Statement of comprehensive income

(€ million)	First half 2019	First half 2020
Profit (loss) for the period	**46**	**(870)**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plans for employees	-	(2)
Change in fair value of equity investments measured at fair value through OCI	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement 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	21	20
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	1	-
Exchange differences arising from the translation into euro of financial statements in currencies other than euro	9	(6)
Share of other comprehensive income of equity-accounted investees	-	-
Income tax relating to items that will be reclassified	(4)	(4)
Total other comprehensive income (expense) net of taxation	**27**	**8**
Comprehensive income (expense) for the period	**73**	**(862)**
Attributable to:		
- owners of the parent	40	(878)
- non-controlling interests	33	16

Statement of changes in equity

	Saipem shareholders' equity															
(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Fair value reserve (equity instruments)	Hedging reserve, net of tax	Fair value reserve (AFS financial assets (net of tax))	Translation reserve	Actuarial reserve, net of tax	Retained earnings (losses) carried forward	Profit (loss) for the period	Negative reserve for treasury shares in portfolio	Total	Non-controlling interests	Total equity
Balance at December 31, 2018	**2,191**	**553**	**(39)**	**88**	**-**	**-**	**(40)**	**(3)**	**(107)**	**(21)**	**1,907**	**(472)**	**(95)**	**3,962**	**74**	**4,036**
Profit (loss) for the first half of 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**-**	**14**	**32**	**46**
Other items of comprehensive income																
Items that will not be reclassified subsequently to profit or loss																
Remeasurements of defined benefit plans for employees net of the tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Items that may be reclassified subsequently to profit or loss																
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	-	17	-	-	-	-	-	-	17	-	17
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	-	-	-	-	-	-	-	1	-	-	-	-	-	1	-	1
Exchange differences of financial statements in currencies other than euro	-	-	-	-	-	-	-	-	54	-	(46)	-	-	8	1	9
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**1**	**54**	**-**	**(46)**	**-**	**-**	**26**	**1**	**27**
Total comprehensive income (expense) for the first half of 2019	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**1**	**54**	**-**	**(46)**	**14**	**-**	**40**	**33**	**73**
Owner transactions																
Dividend distribution first half of 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(62)	(62)
Retained earnings (losses)	-	-	-	-	-	-	-	-	-	-	(472)	472	-	-	-	-
Increase (reduction) of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	(7)	-	-	-	-	-	(1)	-	-	-	-	(8)	(7)	(15)
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**(7)**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(472)**	**472**	**-**	**(8)**	**(69)**	**(77)**
Other changes in equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Other changes	-	-	-	-	-	-	-	-	1	-	(1)	-	-	-	-	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**(4)**	**-**	**-**	**(3)**	**-**	**(3)**
Balance at June 30, 2019	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**(23)**	**(2)**	**(53)**	**(21)**	**1,385**	**14**	**(95)**	**3,991**	**38**	**4,029**
Profit (loss) for the second half of 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**	**54**	**52**
Other items of comprehensive income																
Items that will not be reclassified subsequently to profit or loss																
Remeasurements of defined benefit plans for employees net of the tax effect	-	-	-	-	-	-	-	-	-	(13)	-	-	-	(13)	-	(13)
Change in fair value of equity investments measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax effect	-	-	-	-	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**-**	**-**	**-**	**(14)**	**-**	**(14)**
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	-	-	-	-	-	-	13	-	-	-	-	-	-	13	-	13

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

	Saipem shareholders' equity															
(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Fair value reserve (equity instruments)	Hedging reserve, net of tax	Fair value reserve (AFS financial assets (net of tax))	Translation reserve	Actuarial reserve, net of tax	Retained earnings (losses) carried forward	Profit (loss) for the period	Negative reserve for treasury shares in portfolio	Total	Non-controlling interests	Total equity
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	-	-	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)
Exchange differences of financial statements in currencies other than euro	-	-	-	-	-	-	-	-	32	-	8	-	-	40	1	41
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**(1)**	**32**	**-**	**8**	**-**	**-**	**52**	**1**	**53**
Total comprehensive income (expense) for the second half of 2019	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**(1)**	**32**	**(14)**	**8**	**(2)**	**-**	**36**	**55**	**91**
Owner transactions																
Dividend distribution second half of 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total																
Other changes in equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	5	-	-	5	-	5
Other changes	-	-	-	-	-	-	-	4	-	(1)	(3)	-	-	-	-	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**(1)**	**2**	**-**	**-**	**5**	**-**	**5**
Balance at December 31, 2019	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**(10)**	**1**	**(21)**	**(36)**	**1,395**	**12**	**(95)**	**4,032**	**93**	**4,125**
Profit (loss) for the first half of 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(885)**	**-**	**(885)**	**15**	**(870)**
Other items of comprehensive income																
Items that will not be reclassified subsequently to profit or loss																
Remeasurements of defined benefit plans for employees net of the tax effect	-	-	-	-	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Change in fair value of equity investments measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**(2)**	**-**	**(2)**
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	-	-	-	-	-	-	16	-	-	-	-	-	-	16	-	16
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences of financial statements in currencies other than euro	-	-	-	-	-	-	-	-	(11)	-	4	-	-	(7)	1	(6)
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**(11)**	**-**	**4**	**-**	**-**	**9**	**1**	**10**
Total comprehensive income (expense) for the first half of 2020	**-**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**(11)**	**(2)**	**4**	**(885)**	**-**	**(878)**	**16**	**(862)**
Owner transactions																
Dividend distribution first half of 2020	-	-	-	-	-	-	-	-	-	-	-	(10)	-	(10)	(59)	(69)
Retained earnings (losses)	-	-	-	-	-	-	-	-	-	-	2	(2)	-	-	-	-
Increase (reduction) of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**(12)**	**-**	**(10)**	**(59)**	**(69)**
Other changes in equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	2	-	(16)	(14)	-	(14)
Other changes	-	-	-	-	-	-	(1)	-	-	-	3	-	-	2	-	2
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**5**	**-**	**(16)**	**(12)**	**-**	**(12)**
Balance at June 30, 2020	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**5**	**1**	**(32)**	**(38)**	**1,406**	**(885)**	**(111)**	**3,132**	**50**	**3,182**

Statement of cash flows

(€ million)	Note	First half 2019	First half 2020
Profit (loss) for the period		14	(885)
Non-controlling interests		32	15
Adjustments to reconcile profit (loss) to cash flows from operating activities:			
- depreciation and amortisation	(No. 29)	298	313
- net impairment losses (reversals of impairment losses) on property, plant and equipment and intangible assets	(No. 29)	14	669
- share of profit (loss) of equity-accounted investees	(No. 31)	38	(10)
- net (gains) losses on disposal of assets		(5)	1
- interest income		(3)	(3)
- interest expense		58	75
- income taxes	(No. 32)	77	74
- other changes		8	(22)
Changes in working capital:			
- inventories		(1)	9
- trade receivables		247	356
- trade payables		6	(207)
- provisions for risks and charges		(18)	28
- contract assets and contract liabilities		(139)	(346)
- other assets and liabilities		(116)	(43)
Cash flows from working capital		*(21)*	*(203)*
Change in the provision for employee benefits		17	(9)
Dividends received		1	-
Interest received		3	3
Interest paid		(62)	(75)
Income taxes paid net of refunds of tax credits		(50)	(79)
Net cash flows from operating activities		**419**	**(136)**
of which with related parties (1)	(No. 36)	**812**	**564**
Investments:			
- property, plant and equipment	(No. 12)	(132)	(188)
- intangible assets	(No. 13)	(3)	(7)
- equity investments	(No. 15)	(35)	-
- securities for operating purposes		-	-
- loan assets for operating purposes		-	-
Cash flows from investments		*(170)*	*(195)*
Disposals:			
- property, plant and equipment		8	1
- out-of-scope entities and business units		-	-
- equity investments		2	-
- securities for operating purposes		-	-
- loan assets for operating purposes		-	-
Cash flows from disposals		*10*	*1*
Net variation of securities and loan assets not related to operations (2)		*9*	*(14)*

(1) For an analysis of figures shown as "of which with related parties", see Note 36 "Related party transactions".

(2) From December 2019 Saipem has included a specific item in the statement of cash flows referring to net investment (investments minus disposals) in assets representing temporary surplus liquidity commitments and short-term loan assets, both deducted from the financial liabilities for the purpose of determining the Group's net financial position pursuant to the Consob model. Previously the flows relating to these assets were represented respectively in the investment/disposal flows under securities and loan assets. A specific item was identified to facilitate the reconciliation of the statutory and reclassified statements of cash flows, which explains the variation in the net financial position in the Interim Directors' Report, as the difference between the two statement models is given by the net investment in these assets (considered in the cash flows from financing activities in the reclassified one). To ensure uniform comparison, the statement of cash flows for the comparative periods was consistently reclassified.

cont'd Statement of cash flows

(€ million)	Note	First half 2019	First half 2020
Net cash flows from investing activities		**(151)**	**(208)**
of which with related parties [(1)]	(No. 36)	**-**	**(21)**
Increase in non-current loans and borrowings		61	143
Decrease in non-current loans and borrowings		(83)	(673)
Decrease in lease liabilities		(62)	(78)
Increase (decrease) in current loans and borrowings		25	150
		(59)	**(458)**
Net capital contributions by non-controlling interests		-	-
Sale (repurchase) of additional interests in consolidated subsidiaries		(15)	-
Dividend distribution		(62)	(10)
Sale (repurchase) of treasury shares		-	(16)
Net cash flows from financing activities		**(136)**	**(484)**
of which with related parties [(1)]	(No. 36)	**-**	**-**
Effect of changes in consolidation scope		-	-
Effect of exchange differences and other changes on cash and cash equivalents		(69)	1
Net variation in cash and cash equivalents		**63**	**(827)**
Cash and cash equivalents - opening balance	(No. 5)	**1,674**	**2,272**
Cash and cash equivalents - closing balance	(No. 5)	**1,737**	**1,445**

(1) For an analysis of figures shown as "of which with related parties", see Note 36 "Related party transactions".

For reporting required by IAS 7, please refer to Note 19 "Financial liabilities".

Index of Notes to the condensed interim consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have to be read jointly with last annual Group financial statements closed as of December 31, 2019. Specific notes are included to explain events and transactions which are relevant to understand variations to the equity and financial position and to the Group performance from last Annual Report.

The condensed interim consolidated financial statements as at June 30, 2020 have been prepared in accordance with the same principles of the consolidation and accounting policies described in the 2019 Annual Report, to which reference should be made, with the exception of the amendments to the international accounting standards which entered into force on January 1, 2020, illustrated in the section "Recent issued international standards" in this Report.

Despite the COVID-19 crisis and the change in market conditions due to the volatility of crude oil prices, the going concern assumption, on the basis of which the condensed interim consolidated financial statements as of June 30, 2020 is prepared, is guaranteed by the management and containment measures promptly adopted by the Group. These include the financial and asset strengthening, the repositioning of the business in different energy sectors, the increased size and diversification of the backlog following the record acquisitions in 2019 and the suitability of the assets held. The measures adopted and the solid liquidity, strengthened by the lack of significant debt repayments before 2022 and the renewal, for another year, of the non-convertible bond issue programme, guarantee flexibility for tackling the deterioration of the general context, laying down solid foundations for coping with the expected complexities and starting an appropriate cost containment programme.

For further details, please refer to the following paragraph "The effects of COVID-19 on evaluation criteria including business going concern".

The condensed interim consolidated financial statements as of June 30, 2020, approved by Saipem's Board of Directors on July 28, 2020, were subjected to a limited review by the independent auditors KPMG SpA, main auditor, fully responsible for auditing the Group's consolidated financial statements. A limited review is substantially less in scope than an audit performed in accordance with generally accepted auditing standards.

Amounts stated in condensed interim financial statements and the notes thereto are in millions of euros.

The effects of COVID-19 on evaluation criteria including business going concern

The outbreak of the COVID-19 ("Coronavirus") pandemic has significantly impacted the global economy and, as a result, the Saipem Group, also considering the drastic reduction in the prices of the main energy raw materials (primarily gas and oil) in the first half of 2020. Specifically, in the first and second quarters of the year, oil prices collapsed largely due to a sudden drop in consumption following the restrictions on production and on people's mobility imposed by governments to contain the epidemic, plus the effect of the "price war" between the main producing countries. The fact that production in the world's major economies is gradually resuming, along with the agreements between OPEC and Russia to limit production, has resulted in both supply and demand being partially rebalanced, and oil prices rose again towards the end of the first half of the year; however, these prices are still far below the levels reached at the beginning of 2020 and below the projections made back then.

As soon as the pandemic struck, Saipem began a detailed analysis of the possible effects of COVID-19, which is still ongoing as the situation continues to evolve in terms of: (i) evolution of regulatory frameworks and, in particular, monitoring the measures taken by the countries in which Saipem operates; (ii) management of relations with customers and partners; (iii) management of both active and passive contracts, by introducing and/or activating, where possible, specific contractual clauses; (iv) impact on project execution, particularly on operations at worksites and on vessels, due to changes in the availability of internal and external resources and/or other circumstances resulting, directly or indirectly, from the pandemic; (v) levels of performance and continuity of service by suppliers, subcontractors and partners.

Saipem has implemented specific mitigation measures to contain the impact of the pandemic from the outset, activating a crisis response protocol by setting up a specific task force in charge of constantly monitoring the spread of the virus and finding solutions to inform and protect internal and external staff (employees, customers and suppliers) in the offices and work sites in Italy and in the countries where the Group operates, in accordance with the instructions of the Ministry of Health. The Saipem Crisis Unit in Milan is open 24/7 and is constantly in contact, providing coordination with Local Crisis Units worldwide; it periodically reviews the situation and adjusts the status of the action plan with the Corporate Crisis Committee chaired by the Chief Executive Officer.

Consistently with the guidelines provided by ESMA (European Securities and Markets Authority) in its Public Statement of May 20, 2020, which highlights the need for issuers to provide updated information that can be useful to investors so as to adequately reflect the impact of COVID-19 (on the financial position, performance, cash flows and identification of the main risks and uncertainties to which issuers are exposed when preparing interim financial reports), Saipem's considerations on the impacts observed and the mitigation measures put in place are detailed below.

With regard to potential situations of financial stress, the Finance Department of Saipem SpA is constantly monitoring the Group's current and prospective liquidity. For the control and efficient use of its liquidity, the Saipem Group avails itself, among other things, of a central cash pooling system and automatic reporting tools.

Saipem Group's financial debt is structured over a medium-long term horizon, with a limited concentration of maturities in the financial years 2020 and 2021.
As of June 30, 2020, the maturities of the three bonds amounting to €500 million each are expected in the financial years 2022, 2023 and 2025.
An additional safety margin is represented by the availability of a €1 billion Revolving Credit Facility ("RCF") line, maturing in 2023, which has not yet been used.
On April 22, 2020, the Board of Directors of Saipem SpA approved the renewal for one year of the Euro Medium Term Note Programme (the "EMTN Programme"), established by the resolution of April 27, 2016 for a maximum amount of €2,000 million and then increased to a maximum amount of €3,000 million. The outstanding total amount of bonds issued under the EMTN Programme by Saipem Finance International BV ("SFI") amounts to €2 billion, including €500 million for the bond loan issued on July 15, 2020 and maturing in July 15, 2026.
Considering the negative economic and financial trends resulting from the pandemic and the reduction in crude oil prices, special emphasis is placed on reviewing the expected losses of financial assets, especially with regard to: (i) trade receivables, (ii) hedging derivatives and (iii) financial assets measured at fair value.
For Saipem, the most potentially significant impact is linked to the risk of insolvency with regard to trade receivables; this risk is constantly and centrally monitored and evaluated by the Finance Department of Saipem SpA by monitoring the risk indicators and the customer's Probability of default from third-party info providers.
The procedures centrally implemented by Saipem's Finance Department are structured to manage the risks associated with the transactions put in place by constantly monitoring the effects caused by uncertainty surrounding future variables and the risk of the market counterparties with whom contracts are entered into.
As regards the determination of the recoverable value of the non-financial assets used by the Group for implementing projects, as required by the impairment methodology approved by the Board of Directors of Saipem SpA, the prospective cash flows for estimating the recoverable value of each Cash Generating Unit (CGU) are determined on the basis of the best information available and of the expectations at the time of the estimate, also taking into account the future expectations of the Management of the divisions in relation to their respective target markets, also based on actual results.
The method adopted by the Group is also suitable in emergency situations such as this one, and entails a reassessment of the assumptions underlying the test.
The cash flows used for the impairment test are those of the 2020-2023 Strategic Plan approved by the Board of Directors in February 2020, which were updated using the best estimates available to date and approved by the Board of Directors on July 16, 2020. Due to the changes in the market caused by the COVID-19 pandemic, the EBITDA and Capex values of the divisions were updated, as well as the other parameters necessary to define flows such as exchange rates, assumptions on the evolution of working capital, tax rate and financial charges. In this respect, the updating of the EBITDA and Capex values, as well as of the other relevant parameters, is due to a review of the estimates of the prospective trend in the performance of the divisions, mainly resulting from the pandemic situation which, as mentioned above, has negatively affected the main phenomena influencing the profitability of Saipem's activities, as more specifically detailed below.
With regard to revenues from contracts with customers as a result of the COVID-19 crisis and changing market conditions, the circumstances relating to the possible (i) collection of payments that may no longer be highly probable and (ii) agreements between the parties that could modify certain aspects of the contract related to the performance obligation or to the price of transactions, were assessed.
The enforceability of contractual rights and obligations and the likelihood of collecting consideration are prerequisites for identifying a contract with customers for accounting purposes. In fact, according to IFRS 15, if these conditions are not met, the contract should not exist from an accounting point of view and revenues could not be recognised. Given the current uncertainty, it is therefore necessary to check whether such conditions are met when entering into a contract, and whenever substantial changes in the relevant facts and circumstances are likely to occur.
Moreover, the estimate of the variable component of the payments has been revised since, because of the uncertain situation, it is complex and requires a high degree of judgement due to the constraint envisaged by the principle that allows revenues to be recognised only for amounts that are very likely not to be reversed in the future.
With reference to the contract assets to be evaluated in long-term job orders, for which revenues are recorded "over the time" according to input methods such as "cost to cost", the estimate of the final charges and the timing for fulfiling the performance obligations made it necessary to consider whether the costs linked to COVID-19 should be excluded from project progress.
For this purpose, Saipem has identified three "clusters" in which the costs linked to COVID-19 have been allocated:

1. Costs directly related to COVID-19: these are costs directly related to COVID-19 as they were incurred, or will be incurred, to manage the emergency within the companies of the Group and at the project sites; these costs are to be borne by Saipem, since they cannot be contractually reimbursed by the customer. These costs are recognised on specific contracts separate from operating contracts, and are recognised as costs in the income statement without generating contract progress (and therefore without recognising any contract assets) and without recognising any margin. In the first six months, these costs amounted to approximately €44 million in total.
2. Costs indirectly related to COVID-19: these are costs incurred, or that will be incurred, for which it is impossible to tell with reasonable certainty whether they are due to the pandemic or to inefficiencies or other causes which, for instance, are related to changing market conditions linked to fluctuations in crude oil prices. By way of example, these are delay costs arising from the reduction or postponement of project or construction site activities. These types of costs are included in the full-life estimates of job orders.
3. Costs "to be evaluated case by case": these are direct project costs for which the Company has declared that "force majeure causes", or which were incurred for staff kept on stand-by due to lockdown, and whose allocation must be assessed on a

case-by-case basis because of the peculiarity of the situation, of the customer, of the contract, etc. No specific and quantifiable cases of this type have been identified.

To offset the types of costs linked to COVID-19 as described above, the Company has implemented an opex and capex cost containment plan for 2020 for a total amount of about €400 million.

As for the possible future outlooks for the markets, there is evidence that the COVID-19 pandemic is continuing to destabilise many industrial sectors globally, since the virus has continued to spread in some developed regions (including the United States) and has spread to less affluent regions, which had initially been less affected. The energy sector has been one of the sectors most affected by the pandemic, largely due to the fall in global demand. Leading analysts forecast medium-term oil price scenarios at lower levels than previously anticipated, which is bound to have a negative effect on the entire Oil&Gas sector in the next few years and, to a greater extent, on contractors and service companies operating in the Upstream sector (Onshore and Offshore Drilling and Offshore E&C).

It should be noted that Saipem designs and constructs systems commissioned by clients on the basis of long-term investment assessments, whose realisation from the initial concept phase of the initiative, through development and construction, takes on average between four and seven years, depending on the complexity of the project.

Due to the nature of the business and its diversification in various segments, there is no direct correlation between the trend in oil prices and Saipem's financial results: as of June 2020, more than 70% of its E&C backlog was made up of non-oil projects, including LNG and renewables (energy efficiency).

The worldwide spread and duration of the contagion could have considerable and unquantifiable effects on sales and operating activities, and consequently on the Group's economic, equity and financial results, also in the light of the following:

> construction sites and logistics bases: limited productivity and delays in engineering activities due to restrictions on travel and presence at operating sites;
> ongoing projects: reduction in the scopes of work, interruption of projects due to the calling of the "force majeure" clause, the slowing down of activities following a reduction in project personnel, discount requests from clients on rental rates for drilling rigs, difficulties relating to the rotation of personnel abroad and team changes;
> current commercial tenders: lengthening of contract award timeframes over the year and postponement of contract awards from 2020 to 2021 with an increase in assets being idle.

In conclusion, at the beginning of July 2020, more than 78% of the active risks associated with the COVID-19 pandemic were quantified and the expected value of these risks is approximately less than 8% of the total expected value of all risks associated with Saipem projects. The geographical areas most exposed to this risk, although with different situations in the various divisions, are Europe, Russia and the Caspian Sea, with a concentration of more than 40% of COVID-19 related risk.

Despite the crisis caused by the COVID-19 pandemic and the changing market conditions resulting from the current and prospective price fluctuations of crude oil, the going concern assumption used in the preparation of the condensed interim consolidated financial statements as of June 30, 2020 may, based on the information available as of today, be considered adequate also as a result of the management and containment measures implemented, as described above.

Translation criteria

The financial statements of companies having a functional currency other than euro, which is the functional currency of the Group, are converted into euro applying: (i) closing spot rates for assets and liabilities; (ii) historical exchange rates to equity; (iii) the average rates for the period to the income statement and the cash flow statement (source: Banca d'Italia).

Exchange differences resulting from the translation of the financial statements of investees having a functional currency other than euro, and deriving from the application of different exchange rates for assets and liabilities, equity and the income statement, are recognised in equity under the item "Translation reserve" (included in "Other reserves") for the portion attributable to the owners of the parent[1].

Cumulative exchange differences are charged to the income statement when an investment is fully disposed of, i.e. when control, joint control or significant influence on the investee is lost. In such circumstances, the differences are taken to profit or loss under the item "Other gains (losses) from equity investments". In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under non-controlling interests in equity. In the event of a partial disposal that does not result in the loss of joint control or significant influence, the portion of exchange differences relating to the interest disposed of is taken to the income statement. The repayment of the capital, carried out by a subsidiary having a functional currency other than euro, that does not result in a change in the equity investment held, entails charging the corresponding portion of the exchange rate differences to the income statement.

The financial statements translated into euros are those denominated in the functional currency, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.

(1) The share of non-controlling interests in the cumulate exchange rate differences resulting from the translation of subsidiaries' financial statements having a functional currency other than the euro is recognised under "Non-controlling interests" in equity.

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, 2019	Exchange rate at June 30, 2020	2020 average exchange rate
US Dollar	1.1234	1.1198	1.102
British Pound Sterling	0.8508	0.91243	0.87463
Algerian Dinar	133.8916	144.5298	136.9953
Angolan Kwanza	540.037	646.933	586.63
Saudi Arabian Riyal	4.2128	4.1993	4.1327
Argentine Peso	67.2749	78.7859	71.0544
Australian Dollar	1.5995	1.6344	1.6775
Brazilian Real	4.5157	6.1118	5.4104
Canadian Dollar	1.4598	1.5324	1.5033
Croatian Kuna	7.4395	7.5708	7.5336
Egyptian Pound	18.0192	18.1012	17.4524
Ghanaian New Cedi	6.4157	6.4829	6.2413
Indian Rupee	80.187	84.6235	81.7046
Indonesian Rupee	15,595.6	16,184.41	16,078.02
Kazakhstan Tenghè	429.51	453.24	445.99
Malaysian Ringgit	4.5953	4.7989	4.6836
Nigerian Naira	344.3221	403.6879	369.8363
Norwegian Kroner	9.8638	10.912	10.7324
Peruvian New Sol	3.7255	3.9526	3.7653
Qatari Riyal	4.0892	4.0761	4.0114
Romanian New Leu	4.783	4.8397	4.8173
Russian Rouble	69.9563	79.63	76.6692
Singapore Dollar	1.5111	1.5648	1.5411
Swiss Franc	1.0854	1.0651	1.0642

2 Accounting estimates and significant judgements

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires Management to make accounting estimates based on complex and/or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time of the estimate. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Accounting estimates are a critical factor in the preparation of 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 and complex. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results. In particular, the intensification of the economic and financial crisis caused by the COVID-19 emergency, combined with the volatility of crude oil prices, has led to general uncertainty, which in turn is causing a significant review of future investment plans, also by some of our clients. As detailed in the previous paragraph "The effects of COVID-19 on evaluation criteria including business going concern", consequently, the Management has had to exercise significant judgement, particularly in assessing the items in the financial statements which are determined according to the assumption of estimates and which may require the recognition of losses due to actual or expected reductions in value and of the total lifetime costs of long-term projects evaluation (in particular with reference to the impacts of the pandemic in terms of extension of time and related costs).
As to the details of the accounting estimates and significant judgements adopted by the Management, reference should be made to the contents of the 2019 Annual Report.

3 Changes to standards

Compared to the 2019 Annual Report, to which reference should be made, there have been no changes in the standards implemented by Saipem. As regards the adoption of the new international accounting standards, refer to the details reported below.

Recent issued international standards

The following are the amendments to the International Financial Reporting Standards endorsed by the European Commission, already reported in the 2019 Annual Report, which are effective from January 1, 2020. The amendments made in the first half of the year which are not yet approved are also reported.

Accounting standards and interpretations issued by the IASB/IFRIC and endorsed by the European Union

With Regulation No. 2019/2075, issued by the European Commission on November 29, 2019, the document "Amendments to References to the Conceptual Framework in IFRS Standards" was approved. It essentially consists of changes of a technical and presentation nature to some international accounting standards aimed at incorporating the new IFRS reference framework (the Conceptual Framework for Financial Reporting), published by the IASB on March 29, 2019.

With Regulation No. 2019/2104, issued by the European Commission on November 29, 2019, the amendments to IAS 1 and IAS 8 regarding "Definition of Material" were approved, aimed to clarify and render uniform within the IFRS and other publications the definition of materiality, in order to support the entities in the formulation of opinions on the subject. In particular, information should be considered material if its omission, erroneous presentation or concealment could presumably influence the main users of the financial statements in making decisions on the basis of those statements.

With Regulation No. 2020/34, issued by the European Commission on January 15, 2020, approved the amendments to IAS 39 "Financial Instruments: recognition and measurement", to IFRS 9 "Financial Instruments" and to IFRS 7 "Financial Instruments: disclosures" were approved to implement the effects of the interbank rate reforms. The aforementioned amendments mainly concern interest rate swap transactions in cases of uncertainty concerning: (i) the reference index for calculation of interest rates designated as the hedged risk; and/or (ii) the timing or amount of the cash flows related to the reference indices for calculation of the interest rates of the hedged item or hedging instrument.

With Regulation No. 2020/551, issued by the European Commission on April 21, 2020, the amendments to IFRS 3 "Business Combinations" were approved, aimed at providing clarification on the definition of business. Specifically, if the contract provides for the acquisition of one (or more than one) input and of a substantial process that, together, contribute significantly to the ability to create an output, this can be defined as a business acquisition. On the contrary, in case of the conditions described above are not met, than the acquisition is an acquisition of a group assets which determines the capitalisation of the acquisition costs and their depreciation according to IAS 16.

At present Saipem believes that the amendments described above have no significant impact on the Group.

Accounting standards and interpretations issued by the IASB/IFRIC and not yet endorsed by the European Commission

On May 14, 2020, the IASB issued the document "Annual Improvements to IFRS Standards 2018-2020 Cycle" and published the amendments to IAS 16 "Property, plant and equipment", IAS 37 "Provisions, contingent liabilities and contingent assets", and IFRS 3 "Business combinations". The amendments are effective from January 1, 2022 or thereafter.

On May 28, 2020, the IASB issued the amendments to IFRS 16 "Leases" - "COVID-19 – Related Rent Concessions – Amendment to IFRS 16", introducing a practical expedient by which lessees are permitted to account for rent concessions deriving from the COVID-19 pandemic as negative variable lease payments without having to remeasure the assets and liabilities for the lease, in compliance with the following requirements: (i) the concessions refer to the reduction of only the payments due by June 30, 2021; (ii) the total contract payments, after the rent concessions, are equal to or less than the payments originally laid down in the contracts; and (iii) no substantial amendments have been agreed with the lessor. The above amendments are applicable from June 1, 2020.

On June 25, 2020, the IASB issued the amendments to IFRS 17 "Insurance Contracts", defining the accounting treatment of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17, which exceed those currently laid down in IFRS 4 "Insurance contracts", aim to help businesses to implement the standard and to (i) reduce costs, simplifying the requirements laid down in the standard; (ii) make it easier to enter the disclosures in the financial statements; (iii) facilitate the transition to the new standard, postponing its entry into force. The amendments are effective for annual periods beginning on or after January 1, 2023.

On July 15, 2020, the IASB issued the document "Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)" which effective date, due to COVID-19 pandemic, was postponed to January 1, 2023.

Saipem is currently assessing the possible impacts on the Group of the amendments described above.

4 Consolidation scope at June 30, 2020

Parent company

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
Saipem SpA	San Donato Milanese	EUR	2,191,384,693	Eni SpA CDP Industria SpA Saipem SpA Third parties	30.54 12.55 2.24 54.67		

Subsidiaries

Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
Denuke Scarl	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	55.00 45.00	55.00	F.C.
International Energy Services SpA	San Donato Milanese	EUR	50,000	Saipem SpA	100.00	100.00	F.C.
Saipem Offshore Construction SpA	San Donato Milanese	EUR	20,000,000	Saipem SpA	100.00	100.00	F.C.
Servizi Energia Italia SpA	San Donato Milanese	EUR	20,000,000	Saipem SpA	100.00	100.00	F.C.
Smacemex Scarl (**)	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	60.00 40.00	60.00	Co.
SnamprogettiChiyoda sas di Saipem SpA	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	99.90 0.10	99.90	F.C.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	20,494,210	Saipem SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Boscongo SA	Pointe-Noire (Congo)	XAF	1,597,805,000	Saipem SA	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
European Maritime Construction sas	Montigny le Bretonneux (France)	EUR	1,000	Saipem SA	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
North Caspian Service Co	Almaty (Kazakhstan)	KZT	1,910,000,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Lima (Peru)	PEN	992,519,045	Saipem International BV	100.00	100.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	372,778,100	Saipem International BV Third parties	99.99 0.01	99.99	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	5,341,669,200	Saipem SA	100.00	100.00	F.C.
Saipem (Beijing) Technical Services Co Ltd	Beijing (China)	USD	1,750,000	Saipem International BV	100.00	100.00	F.C.
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	61,033,500	Saipem International BV Third parties	41.94 58.06 (a)	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	Caniçal (Portugal)	EUR	299,278,738	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	1,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina de Perforaciones, Montajes y Proyectos Sociedad Anónima, Minera, Industrial, Comercial y Financiera (**) (***)	Buenos Aires (Argentina)	ARS	1,805,300	Saipem International BV Third parties	99.90 0.10	99.90	E.M.
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd	West Perth (Australia)	AUD	566,800,001	Saipem International BV	100.00	100.00	F.C.
Saipem Canada Inc	Montreal (Canada)	CAD	100,100	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Algérie SpA	Algiers (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Nigeria Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem do Brasil Serviçõs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	2,030,796,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Llc	Moscow (Russia)	RUB	10,000	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	110,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	3,791,000,000	Saipem International BV Snamprogetti Netherlands BV	51.00 49.00	100.00	F.C.
Saipem Finance International BV	Amsterdam (Netherlands)	EUR	1,000,000	Saipem International BV Saipem SpA	75.00 25.00	100.00	F.C.
Saipem Guyana Inc	Georgetown (Guyana)	GYD	200,000	Saipem Ltd	100.00	100.00	F.C.
Saipem India Projects Private Ltd	Chennai (India)	INR	526,902,060	Saipem SA	100.00	100.00	F.C.
Saipem Ingenieria Y Construcciones SLU	Madrid (Spain)	EUR	80,000	Saipem International BV	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Ltd	Kingston upon Thames Surrey (United Kingdom)	EUR	7,500,000	Saipem International BV	100.00	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Moçambique Lda	Maputo (Mozambique)	MZN	535,075,000	Saipem SA Saipem International BV	99.98 0.02	100.00	F.C.
Saipem Norge AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	998,259,500	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem Romania Srl	Bucharest (Romania)	RON	29,004,600	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Saipem SA	Montigny le Bretonneux (France)	EUR	25,050,000	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	36,090,000	Saipem SA	100.00	100.00	F.C.
Saiwest Ltd	Accra (Ghana)	GHS	937,500	Saipem SA Third parties	49.00 51.00	49.00	F.C.
Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV	100.00	100.00	F.C.
Saudi International Energy Services Ltd Co	Dhahran (Saudi Arabia)	SAR	1,000,000	International Energy Services SpA	100.00	100.00	F.C.
Sigurd Rück AG	Zurich (Switzerland)	CHF	25,000,000	Saipem International BV	100.00	100.00	F.C.
Snamprogetti Engineering & Contracting Co Ltd	Dhahran (Saudi Arabia)	SAR	10,000,000	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Engineering BV	Schiedam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	203,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,217,783	Sofresid SA Third parties	99.99 0.01	100.00	F.C.
Sofresid SA	Montigny le Bretonneux (France)	EUR	26,454,765	Saipem SA	100.00	100.00	F.C.
Sonsub International Pty Ltd	West Perth (Australia)	AUD	13,157,570	Saipem Australia Pty Ltd	100.00	100.00	F.C.

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

Associates and jointly controlled companies

Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
ASG Scarl	San Donato Milanese	EUR	50,864	Saipem SpA Third parties	55.41 44.59	55.41	E.M.
CCS JV Scarl ∆	San Donato Milanese	EUR	150,000	Servizi Energia Italia SpA Third parties	74.95 25.05	75.00	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	59.09 40.91	59.09	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	E.M.
Consorzio F.S.B. ∆	Venice - Marghera	EUR	15,000	Saipem SpA Third parties	29.10 70.90	29.10	Co.
Consorzio Sapro ∆	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.
SCD JV Scarl ∆	San Donato Milanese	EUR	100,000	Servizi Energia Italia SpA Third parties	59.32 40.68	60.00	E.M.
Ship Recycling Scarl (**) ∆	Genoa	EUR	10,000	Saipem SpA Third parties	51.00 49.00	51.00	J.O.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
CCS LNG Mozambique Lda (***) ∆	Maputo (Mozambique)	MZN	150,000	Saipem International BV Third parties	33.33 66.67	33.33	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.
Gydan Lng Snc	Courbevoie (France)	EUR	9,000	Sofresid SA Third parties	15.00 85.00	15.00	E.M.
Gydan Yard Management Services (Shanghai) Co Ltd	Shanghai (China)	CNY	1,600,000	Saipem (Beijing) Technical Services Co Ltd Third parties	15.15 84.85	15.15	E.M.
Gygaz Snc	Courbevoie (France)	EUR	10,000	Sofresid SA third parties	15.15 84.85	15.15	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.
Mangrove Gas Netherlands BV ∆	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Novarctic Snc	Courbevoie (France)	EUR	9,000	Sofresid SA Soci terzi	33.33 66.67	33.33	E.M.
Petromar Lda ∆	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	E.M.
PSS Netherlands BV ∆	Leiden (Netherlands)	EUR	30,000	Saipem SpA Third parties	36.00 64.00	36.00	E.M.
Sabella SA	Quimper (France)	EUR	10,955,789	Sofresid Engineering SA Third parties	10.59 89.41	10.59	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.

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

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principles (*)
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	E.M.
Saren BV ∆	Amsterdam (Netherlands)	EUR	20,000	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	E.M.
Saren Llc ∆	Murmansk (Russia)	RUB	10,000	Saren BV	100.00	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.
Sud-Soyo Urban Development Lda (***) ∆	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
TMBYS SAS ∆	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
TSGI Mühendislik İnşaat Ltd Şirketi ∆	Istanbul (Turkey)	TRY	1,651,099,950	Saipem Ingenieria Y Construcciones SLU Third parties	33.33 66.67	33.33	E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Servições 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 - Servições de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Xodus Subsea Ltd ∆	London (United Kingdom)	GBP	1,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.

At June 30, 2020, the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and jointly controlled companies		
	Italy	Outside Italy	Total	Italy	Outside Italy	Total
Subsidiaries/Joint operations and their participating interests	**5**	**55**	**60**	**1**	**-**	**1**
Consolidated companies	5	55	60	-	-	-
Companies consolidated as a joint operation	-	-	-	1	-	1
Participating interests held by consolidated companies (1)	**1**	**1**	**2**	**8**	**29**	**37**
Accounted for using the equity method	-	1	1	6	29	35
Accounted for using the cost method	1	-	1	2	-	2
Total companies	**6**	**56**	**62**	**9**	**29**	**38**

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

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

Changes in the consolidation scope

There were no significant changes in the consolidation scope of the Group during the first six months of 2020 with respect to the 2019 Annual Report. Changes are shown below by order of occurrence.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Gydan Yard Management Services (Shanghai) Co Ltd** was established in China and accounted for using the equity method;
- **Rodano Consortile Scarl**, previously placed into liquidation and accounted for using the equity method, was removed from the Register of Companies;
- **Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Ltda**, previously placed into liquidation and accounted for using the equity method, was removed from the Register of Companies;
- **Saren Llc**, with registered offices in Russia, was incorporated and accounted for using the equity method;
- following a capital increase, the ownership of **Sabella SA**, is as follows: 10.59% held by Sofresid Engineering SA and 89.41% by third parties. The company is still accounted for using the equity method.

5 Cash and cash equivalents

Cash and cash equivalents amounted to €1,445 million, a decrease of €827 million compared with December 31, 2019 (€2,272 million), the decrease is mainly attributable to the early repayment of the bond "€500,000,000 3.000% notes due 8 March 2021" made on March 3, 2020.
Cash and cash equivalents at the end of the period, denominated in euros for 51%, US dollars for 28% and other currencies for 21%, were found to be remunerated at an average rate of 0.20%. Cash and cash equivalents included cash and cash on hand of €2 million (€2 million at December 31, 2019).
Cash of the first half of the year included for a total of €604 million: (i) cash and cash equivalents of €425 million in current accounts of projects executed in partnership; (ii) cash and cash equivalents of €175 million in current accounts denominated in currencies subject to movement and/or convertibility restrictions; (iii) cash and cash equivalents amounting to €4 million in current accounts frozen or subject to restrictions.
The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2020 by geographical segment (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Italy	1,194	674
Rest of Europe	205	161
CIS	16	71
Middle East	242	106
Far East	207	127
North Africa	2	3
Sub-Saharan Africa	36	40
Americas	370	263
Total	**2,272**	**1,445**

6 Financial assets measured at fair value through OCI

Financial assets measured at fair value through OCI amounted to €83 million (€87 million at December 31, 2019) and were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Securities for non-operating purposes		
Listed bonds issued by sovereign states/supranational institutions	19	19
Listed bonds issued by industrial companies	68	64
Total	**87**	**83**

Listed bonds issued by sovereign states/supranational institutions at June 30, 2020 of €19 million were as follows:

(€ million)	Notional amount	Fair value	Nominal rate of return (%)	Maturity	Standard & Poor's rating classification
Fixed rate bonds					
France	3	3	2.50	2020	AA
Ireland	4	4	5.00	2020	AA-
Poland	6	7	3.75-4.50	2022-2023	A
Other	5	5	2.50	2020	A
Total	**18**	**19**			

Listed bonds issued by industrial companies at June 30, 2020 of €64 million were as follows:

(€ million)	Notional amount	Fair value	Nominal rate of return (%)	Maturity	Standard & Poor's rating classification
Fixed rate bonds					
Listed bonds issued by industrial companies	62	64	0.25-6.25	2021-2028	AA/BBB+
Total	**62**	**64**			

The fair value of bonds is determined on the basis of market prices. The fair value hierarchy is level 1. The bonds measured at fair value through OCI are held both to collect contractual cash flows and for future sale.
Listed bonds issued by sovereign states/supranational institutions and by industrial companies held by the Group fall within the scope of analysis for the determination of expected losses.
Given the high creditworthiness of the issuers (investment grade) the impact of expected losses on the bonds in question at June 30, 2020 is irrelevant.

7 Other financial assets

Other current financial assets

Other current financial assets of €202 million (€180 million at December 31, 2019) consist of the following:

(€ million)	Dec. 31, 2019	June 30, 2020
Loan assets for operating purposes	2	3
Loan assets for non-operating purposes	178	199
Total	**180**	**202**

Loan assets for operating purposes of €3 million (€2 million at December 31, 2019) were mainly related to receivables held by Saipem SpA from Serfactoring SpA.
Loan assets for non-operating purposes of €199 million (€178 million at December 31, 2019) were related for €30 million to Saipem SpA's opening of an escrow account with an Italian credit institution to guarantee an amount collected by an associate in the form of a contractual advance, for €167 million to the portion of cash and cash equivalents recognised in the financial statements of the CCS JV Scarl as of June 30, 2020, allocated to Servizi Energia Italia SpA, and for €2 million to two subsidiaries.
Other current financial assets from related parties are shown in Note 36 "Related party transactions".

Other non-current financial assets

The other non-current financial assets that are not instrumental to operations equal to €64 million, refer to the amount of two frozen bank accounts belonging to Saipem Contracting Algérie SpA (€67 million before discounting).

8 Trade receivables and other assets

Trade receivables and other assets of €2,311 million (€2,601 million at December 31, 2019) were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Trade receivables	2,244	1,874
Prepayments for services	220	214
Other receivables	137	223
Total	**2,601**	**2,311**

Receivables are stated net of a loss allowance of €758 million, whose movement is shown below:

(€ million)	Dec. 31, 2019	Accruals	Utilisations	Exchange differences	Other changes	June 30, 2020
Trade receivables	724	32	(30)	2	-	728
Other receivables	30	-	-	-	-	30
Total	**754**	**32**	**(30)**	**2**	**-**	**758**

Trade receivables amounted to €1,874 million, representing a decrease of €370 million compared to 2019 due to the receipts of the semester.
The credit exposure to the top five clients is in line with the Group's operations and represents around 54% of total trade receivables.
The recoverability of trade receivables is checked using the so-called "expected credit loss model". The business model adopted by Saipem uses the simplified approach envisaged by standard IFRS 9, which requires the measurement of the loss allowance at an amount equal to the expected whole life credit losses of the trade receivable and uses the probability of client default for the quantification of expected credit losses, based on observable market data and on assessments collected by info-providers. Alongside the allocations made to the loss allowance after reviewing each past due trade receivable, which effectively already discounts a prospective view of the projects, an assessment is made of the creditworthiness of the clients. This assessment is performed at Corporate level on the portfolio of trade receivables.

At June 30, 2020, the effect of expected losses on trade receivables, determined on the basis of the assessment of the creditworthiness of the client, amounted to €120 million (€116 million at December 31, 2019) on the total loss allowance of €728 million (€724 million at December 31, 2019).
At June 30, 2020, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including performing trade receivables, amounting to €81 million (€18 million at December 31, 2019). Saipem SpA is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factors.
Trade receivables included retentions guaranteeing contracts of €212 million (€207 million at December 31, 2019), of which €125 million were due within twelve months and €87 million due after twelve months.
At June 30, 2020, there were no trade receivables relating to projects in dispute already as at December 31, 2019.
Other receivables of €223 million were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Receivables from:		
- employees	36	47
Guarantee deposits	13	14
Other	88	162
Total	**137**	**223**

Trade receivables and other assets from related parties are detailed in Note 36 “Related party transactions”.
The fair value of trade receivables and other assets 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.

9 Inventories and contract assets

Inventories

Inventories amounted to €295 million (€303 million at December 31, 2019) and were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Raw and auxiliary materials and consumables	303	295
Total	**303**	**295**

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 provision for impairment of €159 million.

(€ million)	Dec. 31, 2019	Accruals	Utilisations	Other changes	June 30, 2020
Raw and auxiliary materials and consumables allowance	133	34	(7)	(1)	159
Total	**133**	**34**	**(7)**	**(1)**	**159**

Contract assets

Contract assets for €1,179 million (€1,028 million at December 31, 2019) consisted of the following:

(€ million)	Dec. 31, 2019	June 30, 2020
Contract assets (from work in progress)	1,034	1,187
Allowance for impairment on contract assets (from work in progress)	(6)	(8)
Total	**1,028**	**1,179**

Contract assets (from the appraisal of long-term orders), for a total €1,187 million, were up by €153 million by effect of the recognition of revenues on the basis of the operating progress status of projects to be billed during 2020 for €392 million, this amount is offset to a great extent by €224 million deriving from the recognition of milestones by client to which the effect of the impairment deriving from the constant legal and financial monitoring of claims and change orders, considered over the entire contract duration for purposes of contract assessment, for €15 million, has been added.

10 Tax assets and liabilities

Current income tax assets and liabilities

Current income tax assets and liabilities consisted of the following:

	Dec. 31, 2019		June 30, 2020	
(€ million)	Assets	Liabilities	Assets	Liabilities
Italian tax authorities	57	-	57	2
Foreign tax authorities	194	87	226	106
Total current income taxes	**251**	**87**	**283**	**108**

The increase of current income tax assets and liabilities pertained principally to relations with foreign financial administrations.

Other current tax assets and liabilities

Other current tax assets and liabilities consisted of the following:

	Dec. 31, 2019		June 30, 2020	
(€ million)	Assets	Liabilities	Assets	Liabilities
Italian tax authorities	6	13	2	7
Foreign tax authorities	161	126	213	115
Total other current taxes	**167**	**139**	**215**	**122**

Other current tax assets from Italian tax authorities amounting to €2 million (€6 million at December 31, 2019), relate exclusively to VAT assets (€3 million at December 31, 2019).
Other current tax assets from foreign tax authorities amounting to €213 million (€161 million at December 31, 2019), relate to indirect tax assets for €171 million (€122 million at December 31, 2019) and other transactions for €42 million (€39 million at December 31, 2019).
Other current tax liabilities to Italian tax authorities amounting to €7 million (€13 million at December 31, 2019), relate exclusively to other transactions (€13 million at December 31, 2019).
Other current tax liabilities to foreign tax authorities amounting to €115 million (€126 million at December 31, 2019), relate to indirect tax liabilities for €56 million (€63 million at December 31, 2019) and other transactions for €59 million (€63 million at December 31, 2019).

Non-current income tax assets and liabilities

Non-current income tax assets and liabilities consisted of the following:

	Dec. 31, 2019		June 30, 2020	
(€ million)	Assets	Liabilities	Assets	Liabilities
Italian tax authorities	-	-	-	-
Foreign tax authorities	24	27	23	27
Total non-current income taxes	**24**	**27**	**23**	**27**

Non-current income tax assets relate to income tax assets expected to be due in more than twelve months. Non-current income tax liabilities relate to situations of fiscal uncertainty. The Saipem Group operates in numerous countries with complex tax laws to which it also adheres thanks to the support of local tax consultants, adopting a conduct which ensures the maximum compliance with the fiscal legislation in force and established practice. It is felt, therefore, that no significant additional liabilities will arise with respect to those already recognised.

11 Other assets

Other current assets

Other current assets amounted to €140 million (€115 million at December 31, 2019) and were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Fair value of derivative financial instruments	23	46
Other assets	92	94
Total	**115**	**140**

The fair value of derivative financial instruments is commented in Note 23 "Derivative financial instruments".
Other assets at June 30, 2020 amounted to €94 million, representing an increase of €2 million compared with December 31, 2019, and consisted mainly of prepayments related mostly to the preparation of vessels to be used on contracts and insurance costs.

Other non-current assets

Other non-current assets of €46 million (€55 million at December 31, 2019) were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Fair value of derivative financial instruments	2	-
Other receivables	9	7
Other non-current assets	44	39
Total	**55**	**46**

The fair value of derivative financial instruments is commented in Note 23 “Derivative financial instruments”.
Other non-current assets at June 30, 2020 amount to €39 million, down €5 million from December 31, 2019, and refer mainly to prepayments, for the preparation of equipments to be used in completing existing contracts, as well as insurance costs.
Other non-current assets from related parties are shown in Note 36 “Related party transactions”.

12 Property, plant and equipment

Property, plant and equipment amounted to €3,450 million (€4,129 million at December 31, 2019) and consisted of the following:

(€ million)	Property, plant and equipment
Gross amount at December 31, 2019	13,761
Depreciation and impairment losses at December 31, 2019	9,632
Carrying amount at December 31, 2019	**4,129**
Capital expenditure	188
Depreciation and impairment losses [1]	(855)
Disposals	(2)
Change in the consolidation scope	-
Business unit transactions	-
Exchange differences	(10)
Other changes	-
Carrying amount at June 30, 2020	**3,450**
Gross amount at June 30, 2020	13,883
Depreciation and impairment losses at June 30, 2020	10,433

(1) For the breakdown between depreciation and impairment losses, see note 29 “ Operating expenses”.

Capital expenditure in the first half of 2020 amounted to €188 million (€327 million at December 31, 2019) and mainly related to:

> €120 million in the Offshore Engineering & Construction sector: purchase of the lay barge vessel Norce Endeavour and maintenance and upgrading of the existing assets;
> €2 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;
> €33 million in the Offshore Drilling sector: upgrading of the drillship Saipem 10000, in addition to maintenance and upgrading of the existing assets;
> €33 million for Onshore Drilling: upgrading of rigs for operations in Saudi Arabia and South America, as well as the maintenance and upgrading of the existing assets.

No financial expenses were capitalised during the first half of the year.
Net exchange gains due to the translation of financial statements prepared in currencies other than euro, are negative for €10 million.
During the year, no government grants were recorded as a decrease of the carrying amount of property, plant and equipment.
At June 30, 2020, all property, plant and equipment was uncumbered by collateral.
The total commitment on current items of capital expenditure at June 30, 2020 is indicated in the “Risk management” section of the “Interim Directors’ Report”.
During the first half, following the deterioration of the market scenario, the divisions assessed the need to proceed with the impairment of certain assets without market prospects, for a total of €40 million. In particular, two rigs of the Offshore Drilling Division were impaired for €13 million, a logistics base of the Onshore Engineering & Construction Division for €20 million, and other rigs of the Onshore Drilling Division for €7 million.
The impairment test carried out on June 30, 2020 identified impairment losses as detailed in the following paragraph.

Impairment

In monitoring impairment indicators, the Group has considered, among other factors, the relationship between its market capitalisation and the Group’s equity.
In particular, at June 30, 2020, the Group’s market capitalisation was lower than its net assets as of the last reporting period at March 31, 2020 by about €1,600 million; this situation indicates a potential impairment of goodwill and/or of other assets.
Therefore the impairment test provided for ascertaining the recoverable amount of all the “CGUs”.

The impairment test was carried out on 15 CGUs and they were: one FPSO unit (leased FPSO Cidade de Vitoria), the Offshore Engineering & Construction Division, the Onshore Engineering & Construction Division excluding the leased FPSO Cidade de Vitoria, the XSIGHT Division, the Onshore Drilling Division, and the individual rigs of the Offshore Drilling Division (10 individual offshore rigs, 2 less than December 31, 2019, following the foreseen scrap of two rigs).
The CGUs were tested for impairment by comparing the carrying amount with the relative recoverable amount which is determined on the basis of the value in use obtained by discounting future cash flows generated by each CGU at the weighted average cost of capital ("WACC") specific to each business segment in which the individual CGU operates. In fact, considering the nature of Saipem's assets, the fair value of the CGUs cannot be determined from information directly observable on the market, and its estimate based on alternative techniques, such as market multiples, would be of limited reliability in general and, in many cases, not readily applicable.
The expected future cash flows used to estimate the recoverable amount of the individual Cash Generating Units (CGUs) are based on the best information available at the date of the review. These forecasts take account of the future expectations of the division managements in relation to the respective reference markets and also of the actual results.
The cash flows employed for purposes of the impairment test were those of the 2020-2023 Strategic Plan, approved by the Board of Directors in February 2020 (hereafter "Strategic Plan"), updated using the most accurate estimates currently available and approved by the Board of Directors on July 16, 2020. Following the variations in the market context due to the COVID-19 pandemic, the EBITDA and Capex values of the divisions were updated, in addition to the other parameters necessary for the definition of cash flows such as the exchange rates, the envisaged variations in working capital, the tax rate and the financial expense.
The updated flow estimates related to the cash flows of the 2020-2023 Strategic Plan for all divisions. It should be specified that the long-term lease rates of the Offshore Drilling CGUs were redefined using the new updated reports from outside sources, normally used by the Division as reference benchmarks.
These estimates, in accordance with the provisions of IAS 36, do not consider cash inflows or outflows deriving from: (i) a future restructuring still to be approved or to which the Group is not committed yet, or (ii) the improvement or optimisation of business performance on the basis of initiatives still to be undertaken or approved, or for which there is still no commitment towards third parties for the increase of production capacity with respect to current capacity.
For the following years after Plan horizon, the cash flows are calculated on the basis of a terminal value, determined: (a) for the Offshore Engineering & Construction, Onshore Engineering & Construction excluding the leased FPSO Cidade de Vitoria, XSIGHT and Onshore Drilling CGUs using the perpetuity model, applying to the terminal free cash flow "normalised" (to take into consideration the dynamics of the business and/or the cyclical nature of the sector) a long term growth rate of 2% (not exceeding nominal growth rates expected in the long term for relevant energy sectors which consider market expectations in terms of real growth and inflation); (b) for the leased FPSO Cidade de Vitoria CGU and for the Offshore Drilling rigs, considering beyond the plan horizon (on the basis of the residual economic and technical life of the individual assets, or, if earlier the expected expiry date of the last cyclical maintenance): (i) long-term lease rates defined as part of the planning process, by the related division, through an estimate procedure based on managerial assessments taking into consideration the collected information (both internal and external), inflated by 2% over the period of projection; (ii) "normalised" idle days; (iii) operating costs based on figures of the last year of the plan, inflated by 2% (in line with revenue); (iv) investments and related plant down times for cyclical maintenance and replacements estimated by the divisions on the basis of the planned schedule for cyclical and intermediate maintenance.
Value in use at June 30, 2020 was calculated by discounting post-tax cash flows with a discount rate, specific to each business segment as shown in the table below:

(%)	WACC Dec. 31, 2019	WACC June 30, 2020
Offshore E&C	8.2	8.6
Onshore E&C	7.6	8.3
XSIGHT	7.6	8.3
Leased FPSO	5.7	7.2
Offshore Drilling	8.2	9.8
Onshore Drilling	7.9	8.9

The discount rates used (WACC) reflect market assessments of the time value of money and the systematic risks specific to the activities of the individual CGUs that are not reflected in the estimate of future cash flows and have been estimated for each business segment taking into account: (i) a cost of debt consistent with the average estimated in the four-year period of the Plan adjusted in light of the credit spread, observed on the market, relating to a panel of operators assembled to take into consideration the specific business segment; (ii) median leverage of the same panel of operators (based on the latest data regarding debt and market capitalisation of the last 6 months); (iii) the median beta of the securities of companies belonging to the same panel estimated on a long-term historical horizon. Post-tax cash flows and discount rates used, produce outcomes which are equivalent to those resulting from a valuation using pre-tax cash flows and discount rates.
The assumptions adopted take account of the level of interest rates in the last six months, the risks of the individual activities already included in the cash flows, and the expectations of long-term growth in the business.
The impairment test carried out on June 30, 2020 identified impairment losses for a total of €333 million other than €257 million following the impairment test carried out on March 2020.

The following table summarises the overall results of the test carried out on the individual CGUs:

(€ million)	Offshore	Onshore	Offshore Drilling	Onshore Drilling	Leased FPSO	XSIGHT
Headroom/impairment loss	1,535	3,780	(333)	105	21	27

Sensitivity analysis can be found below for the 15 CGUs, with reference to 10 Offshore Drilling rigs, the leased FPSO Cidade de Vitoria vessel and the Onshore Drilling CGU, while the sensitivity analysis for the Offshore Engineering & Construction, Onshore Engineering & Construction excluding the leased FPSO Cidade de Vitoria and XSIGHT CGUs can be found in Note 13 "Intangible assets".

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

The key assumptions adopted in assessing the recoverable amounts of the 11 CGUs representing the Group's offshore vessels (10 from Offshore Drilling and the leased FPSO Cidade de Vitoria) related mainly to the operating result of the CGUs (based on a combination of various factors, including charter rates and exchange rates) and the discount rate applied to the cash flows. The effects of the sensitivity analysis on the parameters used for the estimate will be analysed below on the recoverable amount of these CGUs:

- an increase in the discount rate of 1% would produce an increase in impairment loss equal to €55 million;
- decreases in the discount rate of 1% would produce a decrease in impairment loss equal to €61 million;
- decreases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce an increase in impairment loss of €200 million;
- an increase in long-term day rates of 10% compared with the rates assumed in the plan projections would produce a decrease in impairment loss of €192 million;
- decreases in long-term day rates of 20% compared with the rates assumed in the plan projections would produce an increase in impairment loss of €425 million;
- an increase in long-term day rates of 20% compared with the rates assumed in the plan projections would produce a decrease in impairment loss of €270 million;
- an increase in long-term euro/dollar exchange rate of 0.1 compared to the scenario assumed in plan projections amounting to 1.3, would produce an increase in impairment loss of €139 million;
- a decrease in long-term euro/dollar exchange rate of 0.1 compared to the scenario assumed in plan projections amounting to 1.3, would produce a decrease in impairment loss of €159 million.

Sensitivity analysis on the Onshore Drilling CGU

The excess of the recoverable amount of the Onshore Drilling CGU over the corresponding value of the net capital employed in the cash generating unit is reduced to zero under the following circumstances:

- decrease by 18.2% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 10.1%;
- use of a negative terminal growth rate of cash flows equal to 0.5%.

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

13 Intangible assets

Intangible assets of €698 million (€698 million at December 31, 2019) consisted of the following:

(€ million)	Intangible assets with finite useful lives	Other intangible assets with indefinite useful lives	Total
Gross amount at December 31, 2019	254	-	-
Depreciation and impairment losses at December 31, 2019	223	-	-
Carrying amount at December 31, 2019	**31**	**667**	**698**
Capital expenditure	7	-	-
Depreciation and impairment losses	(6)	-	-
Exchange differences and other changes	-	(1)	-
Carrying amount at June 30, 2020	**32**	**666**	**698**
Gross amount at June 30, 2020	260	-	-
Depreciation and impairment losses at June 30, 2020	228	-	-

Goodwill of €666 million related mainly to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€631 million), Sofresid SA (€21 million) and the Moss Maritime Group (€11 million) on the date that control was acquired.
For impairment purposes, goodwill has been allocated to the following CGUs:

(€ million)	Dec. 31, 2019	June 30, 2020
Offshore E&C	403	403
Onshore E&C	231	231
XSIGHT	33	32
Total	**667**	**666**

The recoverable amount of the three CGUs was determined based on value in use, calculated by discounting the future cash flows expected to be generated by each CGU.
The basis of the cash flow estimate, the discount rate used and the terminal growth rate for the estimate of the recoverable amount of the CGUs to which goodwill is allocated are described in the "Impairment" section of Note 12 "Property, plant and equipment".
The table below shows, at June 30, 2020, the amounts by which the recoverable amounts of the Offshore Engineering & Construction, Onshore Engineering & Construction and XSIGHT CGUs exceed their carrying amounts, including allocated goodwill.

(€ million)	Offshore	Onshore	XSIGHT	Total
Goodwill	403	231	32	666
Amount by which recoverable amount exceeds carrying amount	1,535	3,780	27	5,342

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

Sensitivity analysis on the Offshore Engineering & Construction CGU

The excess of the recoverable amount of the Offshore Engineering & Construction CGU over its carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstance:

- decrease by 37.1% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 12%;
- use of a negative terminal growth rate.

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

Sensitivity analysis on the Onshore Engineering & Construction CGU

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

Sensitivity analysis on the XSIGHT CGU

The excess of the recoverable amount of the XSIGHT CGU over its carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstances:

- decrease by 36.2% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 11.4%;
- use of a negative terminal growth rate.

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

14 Right-of-Use assets, lease assets and lease liabilities

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

		Lease assets		Lease liabilities	
(€ million)	Right-of-Use asset	Current	Non-current	Current	Non-current
Opening balance	**584**	**8**	**8**	**149**	**477**
Increases	85	-	3	-	88
Decreases and cancellations	(154)	(6)	-	(97)	(137)
Depreciation and impairment losses	(121)	-	-	-	-
Exchange differences	-	-	-	-	-
Interest	-	1	-	15	-
Other changes	1	11	5	77	(83)
Final value at June 30, 2020	**395**	**14**	**16**	**144**	**345**

As at June 30, 2020, no Right-of-Use asset is a stand-alone CGU. For the purposes of determining the recoverable amount, the Right-of-Use assets have been allocated to the relevant CGUs and tested as described in the paragraph "Impairment" of Note 12 "Property, plant and equipment". During the period the Right-of-Use of third party asset of Offshore Engineering & Construction Division was impaired.
On the basis of business assessments, renewal options relating to properties totalling €108 million (€315 million at December 31, 2019) are not considered in the determination of the total duration of the contracts and lease liability as at June 30, 2020.
Lease assets refer to subleases of vessels.
The analysis by maturity of net lease liabilities at June 30, 2020 is as follows:

		Non-current portion					
(€ million)	Current portion 2020	2021	2022	2023	2024	After	Total
Lease liabilities	144	37	94	109	36	69	489
Lease assets	14	6	10	-	-	-	30
Total	**130**	**31**	**84**	**109**	**36**	**69**	**459**

15 Equity investments

Equity investments accounted for using the equity method

Equity investments accounted for using the equity method of €150 million (€133 million at December 31, 2019) were as follows:

(€ million)	Opening carrying amount	Acquisitions and subscriptions	Sales and reimbursements	Share of profit of equity-accounted investees	Share of loss of equity-accounted investees	Deduction for dividends	Change in the consolidation scope	Exchange differences	Movements in reserves	Other changes	Closing carrying amount	Loss allowance
Dec. 31, 2019												
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	43	45	-	25	(5)	(1)	-	1	(1)	(40)	67	-
Investments in associates	76	-	-	4	(14)	(1)	-	1	-	-	66	-
Total	**119**	**45**	**-**	**29**	**(19)**	**(2)**	**-**	**2**	**(1)**	**(40)**	**133**	**-**
June 30, 2020												
Investments in subsidiaries												
Investments in joint ventures	67	-	-	17	(8)	-	-	(1)	-	-	75	-
Investments in associates	66	-	-	9	-	-	-	-	-	-	75	-
Total	**133**	**-**	**-**	**26**	**(8)**	**-**	**-**	**(1)**	**-**	**-**	**150**	**-**

Equity investments accounted for using the equity method are detailed in Note 4 "Consolidation scope at June 30, 2020".
The share of profit of equity-accounted investees of €26 million included profits for the period of €17 million recorded by the joint ventures and €9 million for the period recorded by associates.

The share of loss of equity-accounted investees of €8 million recorded by the joint ventures for the period.
The carrying amount of equity investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Carrying amount at Dec. 31, 2019	Carrying amount at June 30, 2020
Rosetti Marino SpA	20.00	31	43
Petromar Lda	70.00	51	31
Saipem Taqa Al Rushaid Fabricators Co Ltd	40.00	32	35
Other		19	41
Total equity investments accounted for using the equity method		**133**	**150**

The total of equity investments accounted for using the equity method does not include the allocation of the provision to cover losses, commented on in Note 21 "Provisions for risks and charges".

Other equity investments

Other equity investments are not individually significant as of June 30, 2020.

16 Deferred tax assets and liabilities

Deferred tax assets of €301 million (€297 million at December 31, 2019) are shown net of offsettable deferred tax liabilities.
Deferred tax liabilities of €6 million (€6 million at December 31, 2019) are shown net of offsettable deferred tax assets of €86 million.
The movements of deferred tax assets and deferred tax liabilities were as follows:

(€ million)	Dec. 31, 2019	Accruals	Utilisations	Exchange differences	Other changes	June 30, 2020
Deferred tax assets	297	40	(23)	-	(13)	301
Deferred tax liabilities	(6)	(8)	8	-	-	(6)
Total	**291**	**32**	**(15)**	**-**	**(13)**	**295**

Deferred tax asset accruals and utilisations mainly refer to temporary differences.
The item "Other changes" in deferred tax assets, down €13 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (down €3 million); (ii) the tax effects (down €4 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) other changes (down €6 million).
The item "Other changes" in deferred tax liabilities included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (down €3 million); (ii) other changes (up €3 million).
Net deferred tax assets consisted of the following:

(€ million)	Dec. 31, 2019	June 30, 2020
Deferred tax liabilities	(89)	(92)
Offsettable deferred tax assets	83	86
Net deferred tax liabilities	**(6)**	**(6)**
Non-offsettable deferred tax assets	297	301
Net deferred tax assets (liabilities)	**291**	**295**

Tax losses

Tax losses amounted to €3,745 million (€3,640 million at December 31, 2019), of which €2,730 million can be carried forward without limit. Tax recovery corresponds to a tax rate of 24% for Italian companies and to an average tax rate of 24.60% for foreign companies.

Tax losses related mainly to foreign companies and can be used in the following periods:

(€ million)	Italy	Outside Italy
2020	-	35
2021	-	44
2022	-	28
2023	-	30
2024	-	100
After 2024	-	778
Without limit	1,227	1,503
Total	**1,227**	**2,518**

Tax losses for which deferred tax assets have not been accounted for, in accordance with the provisions of IAS 12, amounted to €3,118 million.
Deferred tax assets recognised in the financial statements as at June 30, 2020 relating to tax losses amounted to €147 million and are considered recoverable in the next 4 years.
Taxes are shown in Note 32 "Income taxes".

17 Trade payables, other liabilities and contract liabilities

Trade payables and other liabilities

Trade payables and other liabilities of €2,449 million (€2,528 million at December 31, 2019) consisted of the following:

(€ million)	Dec. 31, 2019	June 30, 2020
Trade payables	2,262	2,054
Other liabilities	266	395
Total	**2,528**	**2,449**

Trade payables amounted to €2,054 million, representing a decrease of €208 million compared with December 31, 2019.
Trade payables and other liabilities to related parties are shown in Note 36 "Related party transactions".
Other liabilities of €395 million were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Liabilities to:		
- employees	143	173
- national insurance/social security contributions	61	38
- insurance companies	3	3
- consultants and professionals	8	8
- Directors and Statutory Auditors	1	1
- shareholders	-	58
Other	50	114
Total	**266**	**395**

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

Contract liabilities

Contract liabilities of €1,658 million (€1,848 million at December 31, 2019) consisted of the following:

(€ million)	Dec. 31, 2019	June 30, 2020
Contract liabilities (from work in progress)	1,139	979
Advances from clients	709	679
Total	**1,848**	**1,658**

Contract liabilities (from work in progress) of €979 million (€1,139 million at December 31, 2019) relate to adjustments in revenue invoiced on long-term contracts, in order to comply with the principle of accruals, in application of the accounting policies based on the contractual amounts accrued.
In particular, contract liabilities (from work in progress) decreased by €160 million due to adjustments in revenues invoiced during the year following the evaluation on the basis of the operational progress of the projects for €313 million, partially offset by the recognition of revenues of the current year for €473 million adjusted at the end of the previous year.

Advances from clients of €679 million (€709 million at December 31, 2019) refer to amounts received, in the previous years and during the period, on contracts in execution eroded on the basis of contractual milestone.
Contract liabilities to related parties are shown in Note 36"Related party transactions".

18 Other liabilities

Other current liabilities

Other current liabilities amounted to €55 million (€45 million at December 31, 2019) and were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Fair value of derivative financial instruments	38	21
Other liabilities	7	34
Total	**45**	**55**

The fair value of derivative financial instruments is commented in Note 23 "Derivative financial instruments".
Other liabilities amounted to €34 million (€7 million at December 31, 2019); the change mainly relates to the registration of insurance premium reserve.
Other liabilities to related parties are shown in Note 36 "Related party transactions".

Other non-current liabilities

Other non-current liabilities of €1 million (€1 million at December 31, 2019) were as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Fair value of derivative financial instruments	-	-
Other liabilities	1	1
Total	**1**	**1**

The fair value of derivative financial instruments is commented in Note 23 "Derivative financial instruments".

19 Financial liabilities

Financial liabilities were as follows:

	Dec. 31, 2019				June 30, 2020			
(€ million)	Current financial liabilities	Current portion of non-current	Non-current	Total	Current financial liabilities	Current portion of non-current	Non-current	Total
Banks	153	206	676	1,035	301	239	627	1,167
Ordinary bonds	-	38	1,994	2,032	-	23	1,495	1,518
Other financial institutions	11	-	-	11	7	-	-	7
Total	**164**	**244**	**2,670**	**3,078**	**308**	**262**	**2,122**	**2,692**

Some loans are subject to compliance with financial covenants which as at December 31, 2019 were complied with.
As of today, there are no elements to believe that such covenants will not be complied with on the next measurement date.
It should be noted that there are "change of control" clauses for which reference is made to the "Corporate Governance and Shareholding Structure Report 2019".
The analysis by maturity of non-current financial liabilities at June 30, 2020 is as follows:

(€ million)

Type	Maturity range	2021	2022	2023	2024	After	Total non-current financial liabilities
Banks	2021-2027	72	165	150	99	141	627
Ordinary bonds	2021-2025	-	498	499	-	498	1,495
Total		**72**	**663**	**649**	**99**	**639**	**2,122**

With reference to future contractual payments due, the maturities of non-current financial liabilities were analysed as follows:

(€ million)	Carrying amount at June 30, 2020	Short-term maturity at June 30, 2021	Long-term maturity: Second half of 2021	2022	2023	2024	2025	After	Total future payments as at June 30, 2020
Banks	867	242	75	167	152	101	68	74	879
Ordinary bonds	1,518	25	-	500	500	-	500	-	1,525
Other financial institutions	-	-	-	-	-	-	-	-	-
Total	**2,385**	**267**	**75**	**667**	**652**	**101**	**568**	**74**	**2,404**

The difference of €19 million between the carrying amount of the non-current financial liabilities recognised in the financial statements at June 30, 2020 and the total of future payments is due to the measurement using the amortised cost method.
With reference to the bond named "€500,000,000 3.000% Notes Due 8 March 2021", Saipem Finance International BV decided to exercise its pre-payment option on January 31, 2020. The bond was pre-paid on March 3, 2020.
The analysis of financial liabilities by currency with an indication of the interest rate is as follows:

(€ million)

	Dec. 31, 2019						June 30, 2020					
		Interest rate %			Interest rate %			Interest rate %			Interest rate %	
Currency	Current financial liabilities	from	to	Non-current (including current portion	from	to	Current financial liabilities	from	to	Non-current (including current portion	from	to
Euro	4	0.00	0.00	2,914	0.90	3.75	155	0.00	0.50	2,384	0.90	3.75
US Dollar	7	0.00	0.00	-			-			-		
Other	153	variable		-			153	variable		-		
Total	**164**			**2,914**			**308**			**2,384**		

Non-current financial liabilities, including the current portion, mature between 2021 and 2027.
At June 30, 2020, Saipem had unused uncommitted short-term credit lines amounting to €114 million (€235 million at December 31, 2019) and unused committed long-term credit lines amounting to €1,000 million (€1,000 million at December 31, 2019).
Commission fees on unused lines of credit were not significant.
There were no financial liabilities secured by mortgages or liens on real estate of consolidated companies and by pledges on securities.
The fair value of non-current financial liabilities, including the current portion, amounted to €2,400 million (€3,085 million at December 31, 2019) and was calculated by discounting the actual future cash flows in the main currencies of the loan at the following, approximate rates:

(%)	2019	2020
Euro	0.00-1.52	0.50-2.94

The market value of listed financial instruments was calculated using the closing stock price at the last available date of the year. The difference between the market value of non-current financial liabilities and their nominal amount is mainly related to bond issues outstanding at the reporting date.
Based on the provisions of the "Disclosure Initiative" (amendments to IAS 7) the following is a reconciliation between the initial and final values of finance debt and the net financial position:

(€ million)	Dec. 31, 2019	Changes in cash flows	Non-cash changes: Exchange differences	Change in the fair value	Other non-monetary changes	June 30, 2020
Current financial liabilities	164	150	(6)	-	-	308
Non-current financial liabilities and current portion thereof	2,914	(530)	-	-	-	2,384
Net lease liabilities (assets)	610	(78)	(2)	-	(71)	459
Total net liabilities from financing activities	**3,688**	**(458)**	**(8)**	**-**	**(71)**	**3,151**

Long-term debt to related parties are shown in Note 36 "Related party transactions".

20 Analyses of net financial debt

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

	Dec. 31, 2019			June 30, 2020		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	2,272	-	2,272	1,445	-	1,445
B. Financial assets measured at fair value through OCI	87	-	87	83	-	83
C. Liquidity (A+B)	**2,359**	**-**	**2,359**	**1,528**	**-**	**1,528**
D. Lease assets	**8**	**-**	**8**	**14**	**-**	**14**
E. Loan assets (*)	**178**	**-**	**178**	**199**	**-**	**199**
F. Current bank loans and borrowings	153	-	153	301	-	301
G. Non-current bank loans and borrowings	206	676	882	239	627	866
H. Current financial liabilities - related parties	-	-	-	-	-	-
I. Ordinary bonds	38	1,994	2,032	23	1,495	1,518
L. Non-current financial liabilities - related parties	-	-	-	-	-	-
M. Other current financial liabilities	11	-	11	7	-	7
N. Other non-current financial liabilities	-	-	-	-	-	-
O. Lease liabilities	149	477	626	144	345	489
P. Gross financial debt (F+G+H+I+L+M+N+O)	**557**	**3,147**	**3,704**	**714**	**2,467**	**3,181**
Q. Net financial position pursuant to Consob Communication No. DEM/6064293/2006 (P-C-D-E)	**(1,988)**	**3,147**	**1,159**	**(1,027)**	**2,467**	**1,440**
R. Non-current loan assets	**-**	**69**	**69**	**-**	**64**	**64**
S. Lease assets	**-**	**8**	**8**	**-**	**16**	**16**
T. Net financial debt (Q-R-S)	**(1,988)**	**3,070**	**1,082**	**(1,027)**	**2,387**	**1,360**

(*) This item includes the liquidity which had been allocated to a subsidiary deriving from a limited liability consortium company reversed through the charge back of costs.

Net financial debt includes a financial liability relating to the interest rate swap, equal to €2 million, but does not include the fair value of derivatives indicated in Note 11 "Other assets" and Note 18 "Other liabilities".
The change in net financial debt pre-net lease liabilities, equal to €459 million (€610 million at December 31, 2019), compared to the balance at December 31, 2019, registered an increase of €429 million, mainly due to the cash flows from operations absorbed during the half year net of investments for the period.
Loan assets are explained in Note 7 "Other financial assets".

21 Provisions for risks and charges

Provisions for risks and charges of €282 million (€253 million at December 31, 2019) consisted of the following:

(€ million)	Opening balance	First application of IFRIC 23	Accruals	Utilisations	Other changes	Closing balance
Dec. 31, 2019						
Provisions for taxes	65	(26)	6	(31)	1	15
Provisions for disputes	126	-	72	(79)	1	120
Provisions for losses on investments	41	-	28	-	(42)	27
Provision for contractual expenses and losses on long-term contracts	57	-	17	(23)	(2)	49
Provisions for redundancy incentives	7	-	3	(6)	(3)	1
Other provisions	34	-	15	(8)	-	41
Total	**330**	**(26)**	**141**	**(147)**	**(45)**	**253**
June 30, 2020						
Provisions for taxes	15	-	-	(1)	-	14
Provisions for disputes	120	-	7	(19)	(5)	103
Provisions for losses on investments	27	-	8	-	(3)	32
Provision for contractual expenses and losses on long-term contracts	49	-	52	(12)	(1)	88
Provisions for redundancy incentives	1	-	2	(2)	(1)	-
Other provisions	41	-	2	(2)	4	45
Total	**253**	**-**	**71**	**(36)**	**(6)**	**282**

The **provisions for taxes** amounted to €14 million and related principally to disputes concerning indirect taxes with foreign tax authorities that are ongoing and take into account the results of recent assessments.
The Group operates in numerous countries with complex tax laws to which it adheres thanks also to the support of local tax consultants. In some of these jurisdictions, the Group is handling, through appeals, some requests made by the tax authorities, from which the Directors believe that no further significant charges will arise with respect to what has already been set aside.
The **provisions for disputes** amounted to €103 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes. The main amounts are related to the dispute with Husky - Sunrise Energy Project in Canada and to a lawsuit with a supplier for a project in Saudi Arabia.
The **provisions for losses on investments** amounted to €32 million and related to provisions for losses of investees accounted for using the equity method. The other changes mainly refer to the covering of previous losses.
The **provision for contractual expenses and losses on long-term contracts** amounted to €88 million and included the estimate of losses of the Offshore and Onshore Engineering & Construction divisions for €58 million and the provision for final project costs for the amount of €30 million.
Other provisions amounted to €45 million and are for other contingencies.
For further information, see Note 27 “Guarantees, commitments and risks”.

22 Employee benefits

Employee benefits amounted to €239 million (€246 million at December 31, 2019).

23 Derivative financial instruments

(€ million)	Dec. 31, 2019 Fair value gains	Dec. 31, 2019 Fair value losses	June 30, 2020 Fair value gains	June 30, 2020 Fair value losses
Derivatives qualified for hedge accounting				
Interest rate contracts (Spot component)				
- purchases	-	2	-	2
- sales	-	-	-	-
Currency forwards (Spot component)				
- purchases	8	(2)	6	-
- sales	12	3	19	(2)
Currency forwards (Forward component)				
- purchases	(1)	6	-	9
- sales	(4)	12	(5)	7
Commodity forwards (Forward component)				
- purchases	2	-	2	-
- sales	-	-	-	-
Total derivatives qualified for hedge accounting	**17**	**21**	**22**	**16**
Derivatives not qualified for hedge accounting				
Currency forwards (Spot component)				
- purchases	3	3	10	2
- sales	6	8	15	-
Currency forwards (Forward component)				
- purchases	-	2	1	-
- sales	(1)	6	(2)	5
Commodity forwards (Forward component)				
- purchases	-	-	-	-
- sales	-	-	-	-
Total derivatives not qualified for hedge accounting	**8**	**19**	**24**	**7**
Total derivatives	**25**	**40**	**46**	**23**
Of which:				
- current	23	38	46	21
- non-current (includes IRS, Note 20 "Analyses of net financial debt")	2	2	-	2

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

(€ million)	Dec. 31, 2019 Assets	Dec. 31, 2019 Liabilities	June 30, 2020 Assets	June 30, 2020 Liabilities
Purchase commitments				
Derivatives qualified for hedge accounting:				
- interest rate contracts	-	150	-	150
- currency contracts	452	1,391	547	771
- commodity contracts	-	23	-	31
Derivatives not qualified for hedge accounting:				
- currency contracts	354	388	503	463
	806	**1,952**	**1,050**	**1,415**
Sale commitments				
Derivatives qualified for hedge accounting:				
- currency contracts	707	596	722	386
Derivatives not qualified for hedge accounting:				
- currency contracts	524	875	601	1,299
	1,231	**1,471**	**1,323**	**1,685**

The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on year-end market data (exchange and interest rates).

The fair value of forward contracts (forwards, outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2020, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the year-end exchange rate and the respective forward interest rate curves.
A liability of €2 million (€2 million at December 31, 2019) relating to the fair value of an interest rate swap has been recorded under Note 19 "Financial liabilities". The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at June 30, 2020 with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.
Cash flow hedging transactions related to forward purchase and sale transactions (forwards, outrights and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions at June 30, 2020 are expected to occur up until 2021.
During the first half of 2020, 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, 2020 totalled €22 million (€17 million at December 31, 2019). For these derivatives, the spot component, amounting to €25 million (€20 million at December 31, 2019), was suspended in the hedging reserve for an amount of €20 million (€15 million at December 31, 2019) and recorded as financial income and expense for €5 million (€5 million at December 31, 2019), while the forward component, not designated as a hedging instrument, was recorded as financial income and expense for -€5 million (-€5 million at December 31, 2019).
The negative fair value on derivative hedging contracts at June 30, 2020, amounts to €16 million (€21 million at December 31, 2019). For these derivatives, the spot component, amounting to -€2 million (€1 million at December 31, 2019), was suspended in the hedging reserve for an amount of -€10 million (€0 million at December 31, 2019) and recorded as financial income and expense for €8 million (€1 million at December 31, 2019), while the forward component was recorded as financial income and expense for €16 million (€18 million at December 31, 2019).
With regard to commodities contracts, the fair value of €2 million was suspended in the hedging reserve.
During the first half of 2020, core business revenue and expenses were adjusted by a net negative amount of €28 million to reflect the effects of hedging.

24 Assets held for sale

As of June 30, 2020 there were no assets held for sale.

25 Equity

Non-controlling interests

Non-controlling interests at June 30, 2020 amounted to €50 million (€93 million at December 31, 2019).

Equity attributable to the owners of the parent

Equity attributable to the owners of the parent at June 30, 2020 amounted to €3,132 million (€4,032 million at December 31, 2019) and was as follows:

(€ million)	Dec. 31, 2019	June 30, 2020
Share capital	2,191	2,191
Share premium	553	553
Legal reserve	88	88
Hedging reserve	(10)	5
Fair value reserve	1	1
Translation reserve	(21)	(32)
Actuarial reserve	(36)	(38)
Other	(46)	(46)
Retained earnings	1,395	1,406
Profit (loss) for the year	12	(885)
Negative reserve for treasury shares in portfolio	(95)	(111)
Total	**4,032**	**3,132**

Equity attributable to the owners of the parent at June 30, 2020 included distributable reserves of €1,675 million.
Some of these reserves 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 (€22 million).

Share capital

At June 30, 2020, the share capital of Saipem SpA, fully paid-up, amounted to €2,191,384,693, corresponding to 1,010,977,439 shares, none with a nominal amount, of which 1,010,966,841 are ordinary shares and 10,598 savings shares.

On April 29, 2020, the Ordinary Shareholders' Meeting of Saipem SpA resolved to distribute the dividend of €0.01 per ordinary share and €0.01 per savings share, excluding the treasury shares held on the dividend date, for a total of €9,962,532.31.

Share premium

This interim amounts to €553 million at June 30, 2020 (€553 million at December 31, 2019).

Other reserves

At June 30, 2020, "Other reserves" amounted to a negative €22 million (negative €24 million at December 31, 2019) and consisted of the following items:

(€ million)	Dec. 31, 2019	June 30, 2020
Legal reserve	88	88
Hedging reserve	(10)	5
Fair value reserve	1	1
Translation reserve	(21)	(32)
Actuarial reserve	(36)	(38)
Other	(46)	(46)
Total	**(24)**	**(22)**

Legal reserve

At June 30, 2020, the legal reserve stood at €88 million. This represents the portion of profits of the parent Saipem SpA, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends.

Hedging reserve

This reserve showed a positive balance of €5 million (negative balance of €10 million at December 31, 2019), which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges at June 30, 2020. The hedging reserve is shown net of tax effects of €2 million (€3 million at December 31, 2019).

Fair value reserve

The positive reserve of €1 million includes the fair value of available-for-sale financial instruments.

Translation reserve

This reserve amounted to -€32 million (-€21 million at December 31, 2019) and related to exchange differences arising from the translation into euro of financial statements denominated in currencies other than euro (mainly the US dollar). The change is mainly due to the change in the functional currency of a subsidiary.

Actuarial reserve

This reserve has a negative balance of €38 million (-€36 million at December 31, 2019), net of the tax effect of €2 million.
This reserve, in accordance with the provisions of IAS 19, includes the actuarial gains and losses relative to the employee defined benefit plans. These remeasurements are not allocated to the income statement.

Other

Other with a negative balance of €46 million (negative for €46 million at December 31, 2019), consisted of the following items:

- positive for €2 million with regard to the revaluation reserve consisting of the positive revaluation balance following the application of Article 26 of Law No. 413 of December 30, 1991 (in the case of distribution, 5% of the reserves contribute to forming the taxable profit of the Company and are subject to the tax rate of 24%);
- negative for €48 million for the effect recognised as a reserve following the acquisition of a non-controlling interest in consolidated subsidiaries.

Negative reserve for treasury shares in portfolio

The negative reserve amounts to €111 million (€95 million at December 31, 2019) and it includes the value of treasury shares for the implementation of long-term incentive plans for the Group's Senior Managers.
The breakdown of treasury shares is as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares held at January 1, 2020	14,724,205	6.446	95	1.46
Purchases in 2020	7,934,080	2.079	16	0.78
Allocation	12,135	2.310	-	-
Treasury shares held at June 30, 2020	**22,646,150**	**4.9171**	**111**	**2.24**

As at June 30, 2020, the number of shares in circulation was 988,331,289.

26 Additional information

Disclosure on the statement of cash flows

(€ million)	Dec. 31, 2019	June 30, 2020
Analysis of disposals of entities no longer included in the consolidation scope and businesses units		
Current assets	1	-
Non-current assets	-	-
Net liquid funds (net financial debt)	-	-
Current and non-current liabilities	(1)	-
Net effect of disposals	**-**	**-**
Fair value of interest after loss of control	-	-
Gain (loss) on disposals	-	-
Non-controlling interests	-	-
Total sale price	**-**	**-**
less:		
Cash and cash equivalents	-	-
Cash flows from disposals	**-**	**-**

No disposals of entities no longer included in the consolidation scope and businesses units were reported during the first half of 2020. (Disposals in 2019 concern the sale of a business unit by Sofresid Engineering SA).

27 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,243 million (€7,234 million at December 31, 2019), and were as follows:

	Dec. 31, 2019			June 30, 2020		
(€ million)	Unsecured	Other personal guarantees	Total	Unsecured	Other personal guarantees	Total
Joint ventures and associates	164	148	312	174	178	352
Consolidated companies	60	373	433	56	389	445
Own	-	6,489	6,489	-	6,446	6,446
Total	**224**	**7,010**	**7,234**	**230**	**7,013**	**7,243**

Other personal guarantees issued for consolidated companies amounted to €389 million (€373 million at December 31, 2019) 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 36 "Related party transactions".

Commitments

Saipem SpA has commitments with clients and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries or associates in the event of non-performance and payment of any damages arising from non-performance.
These commitments, which are performance obligations, guarantee contracts whose overall value amounted to €69,034 million (€62,105 million at December 31, 2019), including both work already performed and the relevant portion of the backlog of orders at June 30, 2020.
The repayment obligations of bank loans granted to Saipem Group companies are generally supported by guarantees issued by the parent company Saipem SpA and other Group companies. The repayment obligations of the Group's bond issues are covered by guarantees issued by the parent company Saipem SpA, and other Group companies.

Risk management

The policies for managing and monitoring the main risks that the Group faces are described in the "Risk management" section included in the "Interim Directors' Report".

Additional information on financial instruments

INFORMATION ON FAIR VALUE

The classification of financial assets and liabilities is given below; these are measured at fair value in the statement of financial position, according to the fair value hierarchy defined according to the significance of the inputs used in the assessment process. In particular, depending on the characteristics of the inputs used for assessment, the fair value hierarchy has the following levels:

a) level 1: prices (not subject to variations) listed on active markets for the same financial assets or liabilities;
b) level 2: assessments made on the basis of inputs, other than the listed prices referred to in the preceding point, which, for the measured asset/liability, can be observed directly (prices) or indirectly (derived from prices); and
c) level 3: inputs not based on observable market data.

In relation to the above, the financial instruments measured at fair value at June 30, 2020 were as follows:

	June 30, 2020			
(€ million)	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) held for trading:				
- non-hedging derivatives	-	17	-	17
Financial assets available for disposal:				
- financial assets measured at fair value through OCI	83	-	-	83
Net hedging derivative assets (liabilities)	-	6	-	6
Total	**83**	**23**	**-**	**106**

During the first half of 2020 there are no transfers between the different levels of the fair value hierarchy.

Legal proceedings

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

ALGERIA

Investigations in Italy: on February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Code of Criminal Procedure. This related to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of "international corruption" specified in the request is one of the offences punishable under Legislative Decree No. 231 of June 8, 2001 in connection with the direct responsibility of collective entities for certain crimes committed by their own employees.

The collection of documentation was commenced in prompt compliance with the request, and on February 16, 2011, Saipem filed the material requested.

On November 22, 2012, Saipem received a notification of inquiry from the Milan Public Prosecutor's office related to alleged unlawful administrative acts arising from the crime of international corruption pursuant to Article 25, paragraphs 2 and 3 of Legislative Decree No. 231/2001, together with a request to provide documentation regarding a number of contracts connected with activities in Algeria. This request was followed by notification of a seizure order on November 30, 2012, two further requests for documentation on December 18, 2012 and February 25, 2013 and the issue of a search warrant on January 16, 2013.

On February 7, 2013, a search was conducted, including at offices belonging to Eni SpA, to obtain additional documentation relating to intermediary agreements and subcontracts entered into by Saipem in connection with its Algerian projects. The subject of the investigations are allegations of corruption which, according to the Milan Public Prosecutor, occurred up until and after March 2010 in relation to a number of contracts the Company was awarded in Algeria.

Several former employees of the Company were involved in the proceedings, including the former Deputy Chairman and CEO, the former Chief Operating Officer of the Engineering & Construction Business Unit and the former Chief Financial Officer. The Company collaborated fully with the Prosecutor's Office and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that might result in the course of the proceedings. In agreement with the Board of Statutory Auditors and the Internal Control Bodies, and having duly informed the Prosecutor's Office, Saipem looked into the contracts that are subject to investigation, and to this end appointed an external legal firm. On July 17, 2013, the Board of Directors analysed the conclusions reached by the external consultants following an internal investigation carried out in relation to a number of brokerage contracts and subcontracts regarding projects in Algeria. The internal investigation was based on the examination of documents and interviews of personnel from the Company and other companies in the Group, excluding those, that to the best knowledge of the Company, would be directly involved in the criminal investigation so as not to interfere in the investigative activities of the Prosecutor.

In July 2013, the Board of Directors, confirming its full cooperation with the investigative authorities, decided to convey the findings of the external consultants to the Public Prosecutor of Milan, for any appropriate assessment and initiatives under its responsibility in the wider context of the ongoing investigation. The consultants reported to the Board: (i) that they found no evidence of payments to Algerian public officials through the brokerage contracts or subcontracts examined; (ii) that they found violations, deemed detrimental to the interests of the Company, of internal rules and procedures – in force at the time – in relation to the approval and management of brokerage contracts and subcontracts examined and a number of activities in Algeria.

The Board decided to initiate legal action against certain former employees and suppliers in order to protect the interests of the Company, reserving the right to take any further action necessary should additional information emerge.

On June 14, 2013, January 8, 2013 and July 23, 2014 the Milan Public Prosecutor's office submitted requests for extensions to the preliminary investigations. On October 24, 2014, notice was received of a request from the Milan Public Prosecutor to gather evidence before trial by way of questioning the former Chief Operating Officer of the Saipem Engineering & Construction Business Unit and another former manager of Saipem, who are both under investigation in the criminal proceedings. After the request was granted, the Judge for the Preliminary Hearing in Milan set hearings for December 1 and 2, 2014. On January 15, 2015, Saipem SpA defence counsel received notice from the Milan Public Prosecutor's office of the conclusion of preliminary investigations, pursuant to Article 415-*bis* of the Italian code of criminal procedure. Notice was also received by eight physical persons and the legal person of Eni SpA. In addition to the crime of "international corruption" specified in the request from the Milan Public Prosecutor's office, the notice also contained an allegation against seven physical persons of a violation of Article 3 of Legislative Decree No. 74 of March 10, 2000 concerning the filing of fraudulent tax returns, in connection with the recording in the books of Saipem SpA of *"brokerage costs deriving from the agency agreement with Pearl Partners signed on October 17, 2007, as well as Addendum No. 1 to the agency agreement entered into August 12, 2009"*, which is alleged to have led subsequently *"to the inclusion in the consolidated tax return of Saipem SpA of profits that were lower than the real total by the following amounts: 2008: -€85,935,000; 2009: -€54,385,926"*.

Criminal proceedings in Italy: on February 26, 2015, Saipem SpA defence counsel received notice from the Judge for the Preliminary Hearing of the scheduling of a preliminary hearing, together with a request for committal for trial filed by the Milan Public Prosecutor's office on February 11, 2015. Notice was also received by eight physical persons and the legal person of Eni SpA. The hearing was scheduled by the Judge for the Preliminary Hearing for May 13, 2015. During the hearing, the Revenue Office appeared as plaintiff in the proceedings whereas other requests to be admitted as plaintiff were rejected.

On October 2, 2015, the Judge for the Preliminary Hearing rejected the questions of unconstitutionality and those relating to the statute of limitations presented by the defence attorneys and determined as follows:

(i) ruling not to proceed for lack of jurisdiction in regard to one of the accused;
(ii) ruling of dismissal in regard to all of the accused in relation to the allegation that the payment of the commissions for the MLE project by Saipem (approximately €41 million) may have served to enable Eni to acquire the Algerian ministerial approvals for the acquisition of First Calgary and for the expansion of a field in Algeria (CAFC). This measure also contains the decision to acquit Eni, the former CEO of Eni and an Eni executive in regard to any other charge;
(iii) a decree that orders trial, among others, for Saipem and three former Saipem employees (the former Deputy Chairman and CEO, the former Chief Operating Officer of the Engineering & Construction Business Unit and the former Chief Financial Officer) with reference to the charge of international corruption formulated by the Public Prosecutor's office according to which the accused were complicit in enabling Saipem to win seven contracts in Algeria on the basis of criteria of mere favouritism. For the physical persons only (not for Saipem) the committal for trial was pronounced also with reference to the allegation of fraudulent statements (tax offences) brought by the Public Prosecutor's office.

On the same date, at the end of the hearing relating to a section of the main proceedings, the Judge for the Preliminary Hearing of Milan issued a plea bargaining sentence in accordance with Article 444 of the code of criminal procedure for a former executive of Saipem SpA.

On November 17, 2015, the Public Prosecutor of Milan and the Prosecutor General at the Milan Court of Appeal filed an appeal with the Court of Cassation against the first two measures. On February 24, 2016 the Court of Cassation upheld the appeal lodged by the Public Prosecutor of Milan and ordered the transmission of the trial documents to a new Judge for the Preliminary Hearing at the Court of Milan.

With reference to this branch of the proceedings (the so-called "Eni branch"), on July 27, 2016, the new Judge for the Preliminary Hearing ordered the committal for trial of all the accused parties.

On November 11, 2015, on the occasion of publication of the 2015 corporate liability report of the office of the Public Prosecutor in Milan, it was affirmed that: *"a ruling was recently issued by the Judge for the Preliminary Investigation for the preventive seizure of assets belonging to the accused parties for the sum of €250 million. The ruling confirms the freezing previously decided upon by the foreign authorities of monies deposited in bank accounts in Singapore, Hong Kong, Switzerland and Luxembourg, totalling in excess of €100 million"*. While Saipem is not the target of any such measures, it has come to its attention that the seizure in question involves the personal assets of the Company's former Chief Operating Officer and two other persons accused.

At the same time, following the decree ordering the trial pronounced on October 2, 2015 by the Judge for the Preliminary Hearing, the first hearing before the Court of Milan in the proceedings of the so-called "Saipem branch" was held on December 2, 2015. During said hearing, Sonatrach asked to be admitted as plaintiff only against the physical persons charged. The Movimento cittadini algerini d'Italia e d'Europa likewise put forward a request to be admitted as plaintiff. The Revenue Office confirmed the request for admission as plaintiffs only against the physical persons accused of having made fraudulent tax returns. At the hearing of January 25, 2016, the Court of Milan rejected the request put forward by Sonatrach and the Movimento cittadini algerini d'Italia e di Europa to be admitted as plaintiff. The Court adjourned to February 29, 2016, reserving the right to pass judgement on the claims put forward by the accused of invalidity of the committals to trial.

At the hearing of February 29, 2016, the Court combined the proceedings with another pending case against a sole defendant (a physical person against whom Sonatrach had appeared as a plaintiff) and rejected the claims of invalidity of the committal to trial, calling on the Public Prosecutor to reformulate the charges against a sole defendant and adjourning the hearing to March 21, 2016. The Court then adjourned the proceedings to the hearing of December 5, 2016 in order to assess whether to combine it with the proceedings described earlier (the so-called Eni branch) for which the Judge for the Preliminary Hearing ordered the committal for trial of all the accused parties on July 27, 2016.

With the order of December 28, 2016 the President of the Court of Milan authorised the abstention request of the Chairman of the Panel of judges.

At the hearing on January 16, 2017, the two proceedings (the so-called Saipem branch and the so-called Eni branch) were combined before a new panel appointed on December 30, 2016.

Once the hearings on evidence finished with the hearing of February 12, 2018, in the subsequent hearings of February 19, 2018 and February 26, 2018, the Public Prosecutor proceeded with the indictment.
Generic extenuating circumstances were not considered to be initially attributable to the defendants and, conversely, that the aggravating circumstance of the transnational crime allegedly subsisted, the Public Prosecutor formulated sentencing requests for the accused individuals.
With regard to Saipem SpA and Eni SpA the Public Prosecutor requested a fine of €900,000 as the sentence for each company. Furthermore, the Public Prosecutor requested a "seizure of assets", equal to currently seized assets, relating to some seizures previously carried out against certain natural persons accused. Therefore, the request for seizure of assets did not concern Saipem SpA.
At the hearing of March 5, 2018:

(i) the Italian Revenue Agency has requested the conviction of only the physical persons indicted as was requested by the Public Prosecutor with the conviction of only the physical persons charged for compensation of the pecuniary and non-pecuniary damage in favour of the Italian Revenue Agency to be liquidated on an equitable basis and with a provisional amount of €10 million;
(ii) Sonatrach has requested the conviction of the accused Samyr Ourayed and sentencing of the latter to the compensation of the damage to be liquidated in equitable way.

On September 19, 2018, the hearings dedicated to arguments by the defence and to the replies by the Public Prosecutor and the defence ended.
The first instance ruling of the Court of Milan: on September 19, 2018, the Court of Milan pronounced the first instance ruling. The Court of Milan convicted, among others, some former managers of Saipem SpA for international corruption offences and also sentenced Saipem SpA to pay the pecuniary fine of €400,000, considering it to be allegedly responsible for offences pursuant to Legislative Decree No. 231/2001 with reference to the crime of international corruption.
The former managers of Saipem SpA who were convicted by the Court of Milan had all left the Company between 2008 and 2012. The Court also ordered the confiscation of, as alleged profit from the crime, the total sum of approximately €197 million from all the individuals who were convicted (and among them some of the former managers of the Company).
The Court also ordered the confiscation of, as alleged price from the crime, the total sum of approximately €197 million from Saipem pursuant to Article 19 of Legislative Decree No. 231/2001.
From what emerged during the proceedings and the requests of the Public Prosecutor, at the date of the preparation of this report, a preventive seizure has already been in place in order to confiscate an amount totalling approximately €160 million from certain individuals – other than the Company – all convicted in the first instance ruling.
The first instance ruling of the Court is not enforceable. The reasons for the first instance ruling were filed by the Court of Milan on December 18, 2018.
The judgement before the Court of Appeal of Milan: on February 1, 2019, Saipem SpA challenged the first instance ruling before the Court of Appeal of Milan. Even the individuals convicted in the first instance have appealed the first instance ruling. The Public Prosecutor's Office of Milan also appealed the first instance ruling requesting, in a reversal of that ruling, that the conviction of Eni SpA, of the former Chief Executive Officer of Eni and of one of its managers "*be imposed by the Court of Appeal, as well as financial penalties and interdictory sanctions deemed lawful*". The Public Prosecutor's Office of Milan has also requested a reversal of the contested ruling to "*condemn the company Saipem to financial penalties and interdictory sanctions deemed lawful*". On February 14, 2019, Saipem's lawyers lodged a defence brief in which they pleaded: (i) the inadmissibility of the appeal by the Public Prosecutor of the Court's decision not to consider interdictory sanctions applicable to Saipem SpA; and/or (ii) the inapplicability of the interdictory sanctions requested by the Public Prosecutor's Office against Saipem SpA.
The beginning of the second instance proceedings was notified to Saipem's lawyers on June 18, 2019, through a writ of summons before the Court of Appeal of Milan. The hearings before the Court of Appeal were held on October 30, November 13 and 27, December 18 and 23, 2019 and January 15, 2020.
On January 15, 2020, the Court of Appeal of Milan fully upheld the appeal of Saipem SpA and of the individuals charged (including some former managers of Saipem who all left the Company between 2008 and 2012), stating, among other things, the absence of the administrative offence of Saipem SpA because of the inexistence of the alleged facts, revoking the confiscation of the price of the offence that was pronounced in the First Instance by the Court of Milan, pursuant to Article 19 of Legislative Decree No. 231/2001.
The Court has filed the reasons of the second instance ruling on April 15, 2020.
The judgement before the Court of Cassation: on June 12, 2020, the General Public Prosecutor General at the Milan Court of Appeal filed an appeal before the Court of Cassation against the Milan Court of Appeal judgment issued on January 15, 2020, asking for the annulment of that decision and for the review of the case by another section of the Court of Appeal.
Request for documents from the US Department of Justice: at the request of the US Department of Justice ("DoJ"), in 2013 Saipem SpA entered into a "tolling agreement" which extended by 6 months the limitation period applicable to any possible violations of federal laws of the United States in relation to previous activities of Saipem and its subsidiaries. The tolling agreement, which has been renewed until November 29, 2015, does not constitute an admission by Saipem SpA of having committed any unlawful act, nor does it imply any recognition on the Company's part of United States jurisdiction in relation to any investigation or proceedings. Saipem therefore offered its complete cooperation in relation to investigations by the Department of Justice, which on April 10, 2014 made a request for documentation relating to past activities of the Saipem Group in Algeria, with which Saipem has complied. On November 29, 2015, the tolling agreement expired and, at the date of the preparation of this report, almost five years have passed since the deadline, no request has been received from the Department of Justice.
Proceedings in Algeria: in 2010, proceedings were initiated in Algeria regarding various matters and involving 19 parties investigated for various reasons (so-called "Sonatrach 1 investigation"). The Société nationale pour la recherche, la production, le

transport, la transformation et la commercialisation des hydrocarbures SpA ("Sonatrach") appeared as plaintiff in these proceedings and the Algerian Trésor Public also applied to appear as a plaintiff.
The Algerian company Saipem Contracting Algérie SpA ("Saipem Contracting Algérie") is also part of these proceedings regarding the manner in which the GK3 contract was awarded by Sonatrach. In the course of these proceedings, some bank accounts denominated in local currency of Saipem Contracting Algérie were frozen.
In particular, in 2012 Saipem Contracting Algérie received formal notice of the referral to the Chambre d'accusation at the Court of Algiers of an investigation underway into the company regarding allegations that it took advantage of the authority or influence of representatives of a government-owned industrial and trading company in order to inflate prices in relation to contracts awarded by that company. The GK3 contract was awarded in June 2009 and had an equivalent value of €433.5 million (at the exchange rate in effect when the contract was awarded).
At the beginning of 2013, the "Chambre d'accusation" ordered Saipem Contracting Algérie to stand trial and further ordered that the aforementioned bank accounts remain frozen. According to the prosecution, the price offered was 60% over the market price. The prosecution also claimed that, following a discount negotiated between the parties subsequent to the offer, this alleged increase was reduced by up to 45% of the price of the contract awarded. In April 2013 and in October 2014, the Algerian Supreme Court rejected a request to unfreeze the bank accounts that had been made by Saipem Contracting Algérie in 2010. The documentation was then transmitted to the Court of Algiers which, in the hearing of March 15, 2015, adjourned the proceedings to the hearing of June 7, 2015, during which, in the absence of certain witnesses, the Court officially handed over the case to a criminal court. The trial commenced with the hearing fixed for December 27, 2015. In the hearing of January 20, 2016, the Algiers Public Prosecutor requested the conviction of all 19 defendants accused in the "Sonatrach 1" trial.
The Algiers Public Prosecutor requested that Saipem Contracting Algérie be fined 5 million Algerian dinars (approximately €40,000 at the current rate of exchange).
The Algiers Public Prosecutor also requested the confiscation of the alleged profit, that will be ascertained by the Court, of all 19 parties whose conviction has been requested (including Saipem Contracting Algérie).
For the offence with which Saipem Contracting Algérie is charged, local regulations prescribe a fine as the main punishment (up to a maximum of about €40,000) and allow, in the case of the alleged offence, additional sanctions such as the confiscation of the profit arising from the alleged offence (which would be the equivalent of the amount allegedly over the market price of the GK3 contract as far as the profit is ascertained by the judicial authority) and/or disqualification sanctions.
On February 2, 2016, the Court of Algiers issued the first instance ruling. Amongst other things, this ruling ordered Saipem Contracting Algérie to pay a fine of about 4 million Algerian Dinars (corresponding to about €30,000). In particular Saipem Contracting Algérie was held to be responsible, in relation to the call for bids for the construction of the GK3 gas pipeline, of "an increase in price during the awarding of contracts signed with a public company of an industrial and commercial character in a way that causes benefit to be derived from the authority or influence of representatives of said company", an act punishable under Algerian law. The ruling also returned two bank accounts denominated in local currency to Saipem Contracting Algérie. These held a total of about €67 million (amount calculated at the exchange rate as at June 30, 2020), which were frozen in 2010.
The client Sonatrach, which appeared as plaintiff in the proceedings, reserved the right to pursue its claims in the civil courts. The request by the Algerian Trésor Civil to appear as plaintiff was rejected.
Pending the filing of the reasons thereof, the ruling of February 2, 2016 of the Court of Algiers was challenged in the Court of Cassation: by Saipem Contracting Algérie (which requested acquittal and had announced that it would challenge the decision); by the Prosecutor General (who had requested the imposition of a fine of 5 million Algerian dinars and the confiscation, requests that were rejected by the Court, which, as said, fined Saipem Contracting Algérie the lesser amount of about 4 million Algerian dinars); by the Trésor Civil (whose request to be admitted as plaintiff against Saipem Contracting Algérie had been – as already stated – rejected by the Court); by all the other parties sentenced, in relation to the cases concerning them.
Owing to these challenges, the decision of the Court of Algiers was fully suspended and pending the ruling of the Court of Cassation:

- the payment is suspended of the fine of approximately €30,000; and
- the unfreezing of the two banks accounts is suspended containing a total of about €67 million (amount calculated at the exchange rate as at June 30, 2020). Sonatrach has not challenged the decision of the Court, consistently with its request, accepted by the Court, to be allowed to claim compensation subsequently in civil proceedings. This civil action was not initiated by Sonatrach.

With the judgement handed down on July 17, 2019, the Algerian Court of Cassation has fully overruled the decision of the Tribunal of Algiers of February 2, 2016, meaning that the Tribunal of Appeal of Algiers will have to rule on the matter following a new trial. The future Tribunal of Appeal's decision can be challenged before the Algerian Court of Cassation.
The reasons for the judgement of the Algerian Court of Cassation were made available on October 7, 2019. The sentence of the Algerian Court of Cassation decrees the total annulment of the decision of the Court of Algiers of 2016, following the acceptance of the appeals filed by all applicants (including the appeal by Saipem Contracting Algérie). The beginning of the new proceedings before the Tribunal of Appeal is neither known nor predictable at the date of the preparation of this report.
In March 2013, the legal representative of Saipem Contracting Algérie was summoned to appear at the Court of Algiers, where he received verbal notification from the local investigating judge of the commencement of an investigation ("Sonatrach 2") underway "into Saipem for charges pursuant to Articles 25a, 32 and 53 of Anti-Corruption Law No. 01/2006". The investigating judge also requested documentation (Articles of Association) and other information concerning Saipem Contracting Algérie, Saipem and Saipem SA. After this summons, no further activities or requests followed.
On October 16 and 21, 2019, Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA have been summoned by the investigating judge at the Supreme Court.
This investigation is in its initial phase, despite concerning events dating back to 2008 (award of the GNL3 Arzew contract). Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA were further summoned on November 18, 2019 by the

General Public Prosecutor at the Supreme Court of Algiers to provide information and documents relating to the GNL3 Arzew contract awarded by Sonatrach in 2008.
A further hearing of the representative of Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA took place on November 18, 2019, at which the General Public Prosecutor of Algiers was provided with the information and documentation he had requested and asked to provide further documentation by December 4, 2019. Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA promptly filed the documentation requested by the deadline of December 4, 2019.
The Algiers General Public Prosecutor also summoned a representative of Saipem SpA. On November 20, 2019, the General Public Prosecutor of Algiers informed Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA that the Algerian Trésor Public has been admitted as plaintiff in the case under initial investigations.
Amicable Settlement of Mutual Differences - Saipem Sonatrach agreement - Press Release of February 14, 2018: on February 14, 2018, the following joint press release was issued.
Sonatrach and Saipem announce the Amicable Settlement of Mutual Differences.
Sonatrach and Saipem have decided to settle their mutual differences amicably and have signed an agreement to put an end to litigations in course concerning the contract for the construction of a gas liquefaction plant in Arzew (Arzew); the contract for the realisation of three trains of LPG, of an oil separation unit (LDPH) and of installations for the production of condensates in Hassi Messaoud (LPG); the contract for the realisation of the LZ2 24" LPG pipeline (line and station) in Hassi R'Mel (LZ2); and the contract for the construction of a gas and production unit in the Menzel Ledjmet field on behalf of the association Sonatrach/FCP (MLE).
This agreement is the result of constructive dialogue and represents an important step forward in relations between the two companies. Sonatrach and Saipem have expressed their satisfaction at having reached a definitive agreement that puts an end to litigations that were detrimental to both parties.

ONGOING INVESTIGATIONS - PUBLIC PROSECUTOR'S OFFICE OF MILAN - BRAZIL

On August 12, 2015, the Public Prosecutor's office of Milan served Saipem SpA with a notice of investigation and a request for documentation in the framework of new criminal proceedings, for the alleged crime of international corruption, initiated by the Court of Milan in relation to a contract awarded in 2011 by the Brazilian company Petrobras to Saipem SA (France) and Saipem do Brasil (Brazil). Investigations are still underway.
According to what was learned only through the press, this contract is being looked into by the Brazilian judicial authorities in relation to a number of Brazilian citizens, including a former associate of Saipem do Brasil.
In particular, on June 19, 2015, Saipem do Brasil learned through the media of the arrest (in regard to allegations of money laundering, corruption and fraud) of a former associate, as a result of a measure taken by the Brazilian Public Prosecutor's office of Curitiba, in the framework of a judicial investigation in progress in Brazil since March 2014 ("Lava Jato" investigation). On July 29, 2015, Saipem do Brasil then learned through the press that, in the framework of the conduct alleged against the former associate of Saipem do Brasil, the Brazilian Public Prosecutor's office also alleges that Petrobras was unduly influenced in 2011 to award Saipem do Brasil a contract called "Cernambi" (for a value, at the current exchange rate, of approximately €56 million). This has been purportedly deduced from the circumstance that in 2011, in the vicinity of the Petrobras headquarters, said former associate of Saipem do Brasil claims to have been the target of a robbery in which approximately 100,000 reals (approximately €26,000) just withdrawn from a credit institution were stolen from him. According to the Brazilian prosecutor, the robbery allegedly took place in a time period prior to the award of the aforesaid "Cernambi" contract.
Saipem SpA has cooperated fully with the investigations and has started an audit with the assistance of a third-party consultant. The audit examined the names of numerous companies and persons reported by the media as being under investigation by the Brazilian judicial authorities. The audit report, issued on July 14, 2016, recognised the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.
The witnesses heard in the criminal proceedings underway in Brazil against this former associate, as well as in the framework of the works of the parliamentary investigative committee set up in Brazil on the "Lava Jato" case, have stated that they were unaware of any irregularities regarding Saipem's activities.
Petrobras appeared as a plaintiff ("Assistente do Ministerio Publico") in the proceedings against the three individuals charged. The proceedings were then resumed on June 9, 2017 as the Brazilian Attorney General considered that the conditions for keeping confidential an agreement signed in October 2015 by the former associate of Saipem do Brasil – who, with such agreement committed himself to substantiating with evidence some of the statements made – had ceased. The Attorney General noted in particular that attempts to substantiate such statements had not been successful, the reason why the content of the statements contained in the additional agreement had not been maintained confidential. At the hearing on June 9, 2017, the depositions of the three defendants were obtained, among them the former associate of Saipem do Brasil and a former Petrobras official.
Saipem do Brasil's former associate, with regard to the theft of 100,000 Brazilian reals (approximately €26,000) in October 2011, said that money was needed to pay the costs of real estate for a company he was managing on behalf of a third party vis-à-vis Saipem (that is, the former Petrobras official charged in the same proceeding who confirmed that statement).
The former Saipem do Brasil associate also stated that the Saipem Group did not pay any bribes because Saipem's compliance system prevented this from happening. That statement was confirmed by the former Petrobras official charged in the same proceeding. The former associate of Saipem do Brasil and the former Petrobras official charged in the same proceeding, while offering a reconstruction of the facts which was partially different, reported, that the possibility of some inappropriate payments was discussed with reference to certain contracts of Saipem do Brasil but in any case no payment was made by the Saipem Group. The former Saipem do Brasil associate and the former Petrobras official charged in the same proceeding stated that the contracts awarded by the client to the Saipem Group were won through regular bidding procedures. The proceedings in Brazil against the former associate of Saipem do Brasil and another two defendants has not yet ended with a final ruling. During the proceedings against the former associate of Saipem do Brasil, no evidence of irregularities emerged in the management of tenders assigned by Petrobras to Saipem Group and/or evidence of illegal payments by Saipem Group in relation to tenders

assigned by Petrobras to Saipem Group and/or evidence of damages suffered by Petrobras in relation to tenders assigned to Saipem Group. Saipem Group has not been involved in this proceeding.
The audit that was concluded in 2016 was relaunched with the support of the same third-party consultant used earlier and with the same methodology in order to analyse some of the information mentioned during the depositions of June 9, 2017.
The audit report, issued on July 18, 2018, confirmed the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.
With the press release dated May 30, 2019, Saipem SpA has informed as follows:
"Saipem: notification of administrative proceedings in Brazil to the subsidiaries Saipem SA and Saipem do Brasil in relation to a contract awarded in 2011.
San Donato Milanese (Milan), May 30, 2019 - Saipem SpA informs that today its French subsidiary Saipem SA and its Brazilian subsidiary Saipem do Brasil were notified by the competent Brazilian administrative authority (Controladoria-Geral da União through the Corregedoria-Geral da União) about the opening of administrative proceedings with respect to alleged irregularities in relation to the award by the Brazilian oil company Petrobras, as leader of the "Consortium BMS 11", in December 2011, of the contract (whose value was equal to about Brazilian Real 249 million, currently equivalent to about €56 million) for the installation of the underwater gas pipeline connecting the Lula and Cernambi fields in Santos Basin.
Saipem SA and Saipem do Brasil will cooperate in the administrative proceedings by providing all the clarifications requested by the competent administrative authority and have confidence in the correctness of the award of the above mentioned contract and in the absence of circumstances to affirm the administrative liability of the companies".
As part of the aforementioned administrative proceedings, on June 21, 2019, Saipem do Brasil and Saipem SA presented their initial defence statements before the competent administrative authority (Controladoria-Geral da União through Corregedoria-Geral da União).
With a communication dated August 21, 2019, the competent administrative authority (Controladoria-Geral da União through Corregedoria-Geral da União) informed Saipem do Brasil and Saipem SA that, following the preliminary investigation carried out up to that moment, the administrative procedure has not been closed and invited Saipem do Brasil and Saipem SA to present further defence statements by September 20, 2019.
Saipem do Brasil and Saipem SA submitted their defence statements by the set deadline. On April 24, 2020, the competent Brazilian Administrative Authority (Controladoria-Geral da União through the Corregedoria-Geral da União) ordered a 180-day postponement for the conclusion of the administrative procedure.
The administrative proceeding is still ongoing.
On June 8, 2020, the Brazilian Federal Prosecutor's Office issued a press release informing of a new charge against a former president of Saipem do Brasil, who left the Saipem Group on December 30, 2009. The charge concerns alleged episodes of corruption and money laundering that allegedly occurred between 2006 and 2011 in relation to two contracts awarded by Petrobras Group companies to Saipem Group companies (the Mexilhao contract signed in 2006 and the Uruguà-Mexilhao contract signed in 2008).
The new charge was made only against individuals (not Saipem Group companies) and involves, in addition to the former president of Saipem do Brasil, some former Petrobras officials.
On July 6, 2020, the Brazilian Federal Court of Curitiba accepted the charge filed by the Brazilian Federal Prosecutor against the former president of Saipem do Brasil (who left the company on December 30, 2009) and a former official of Petrobras. This decision shall be notified to the aforementioned individuals natural persons and a criminal proceeding will be started against them in Brazil. Petrobras was admitted as plaintiff ("Assistente do Ministerio Publico") in the same proceeding against the two accused persons.

PRELIMINARY INVESTIGATIONS IN PROGRESS - PUBLIC PROSECUTOR'S OFFICE AT THE COURT OF MILAN - IRAQ

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

ENIPOWER

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

former employees of the above companies, as well as against employees and managers of a number of their suppliers, pursuant to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA presented themselves as plaintiffs in the preliminary hearing. In the preliminary hearing related to the main proceeding of April 27, 2009, the judge for the preliminary hearing requested that all parties that did not request the application of plea agreements stand trial, with the exception of several parties for whom the statute of limitations now applied. In the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. Subsequently, at the hearing of September 20, 2011, sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums ordered. The Court likewise rejected the admission as plaintiffs of the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001. The convicted parties challenged the above ruling within the set deadline. On October 24, 2013, the Milan Court of Appeal essentially confirmed the first instance ruling, which it modified only partially in relation to a number of physical persons, against whom it dismissed the charges, ruling that they had expired under the statute of limitations. The accused parties have filed an appeal with the Court of Cassation. On November 10, 2015, Criminal Section VI of the Supreme Court, in its ruling on the appeals lodged by the parties against the ruling of the Milan Court of Appeal, set aside the challenged ruling regarding legal persons, and the civil law rulings regarding physical persons and deferred a new ruling to another section of the Milan Court of Appeal which set the court date for November 28, 2017. At the hearing of November 28, 2017, the Court of Appeal, ruling at the time of postponement by the Court of Cassation, upheld the first instance judgement, partially modifying it, excluding the liability of two legal persons and declaring that it would not proceed against a defendant who had, the meantime, died, confirming the rest of the sentence by the Court of Appeal which was not subject to annulment by the Court of Cassation.
On July 17, 2018, the Court of Appeal of Milan file the second degree ruling essentially leaving the decision-making apparatus of the contested sentence unchanged, thus confirming the decisions of the Milan Court of Appeal of October 24, 2013, also in relation to the plaintiffs. The Court of Appeal of Milan has reversed the decision of the sentence under appeal limited to only two legal persons for whom liability has been excluded and to one natural person for whom the offence was extinguished.
Some parts of the trial were appealed to the Court of Cassation.
On November 6, 2019, the Court of Cassation ruled on the appeal lodged by some parties in the trial, partially upholding the appeal in relation to only one legal person, and simultaneously transferring the relevant decision to the Court of Appeal of Milan.
The Court of Cassation rejected the appeal filed by the other applicants, leaving the sentence of the Milan Court of Appeal of July 17, 2018 unchanged. The ruling of the Court of Cassation was filed on December 16, 2019.

FOS CAVAOU

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

Fosmax filed its Mémoire en demande in which it detailed its demands at €35,926,872 in addition to interest for late payments of approximately €4.2 million. STS filed its brief and response on July 13, 2018, with which it has made the counter-claim that Fosmax be ordered to pay €2,155,239 in addition to interest for loss of profit and €5,000,000 for non-material damage.
Hearings were held from February 25 to February 27, 2019 and the award was communicated to the lawyers of the parties on July 3, 2020. The Arbitration Tribunal fully rejected the counterclaims made by the STS members and sentenced them, jointly and severally, to pay Fosmax: (i) €31,966,704 for "en règie" works made by Fosmax; (ii) default interest on the aforementioned amount at the annual rate EURIBOR 1 month plus two basis points, starting from the 45th day from the issue of the accepted invoices and up to complete payment; (iii) USD 204,400 as a partial refund of the advance paid by Fosmax for the costs of the arbitration procedure; and (iv) €1,343,657 as compensation for legal defence costs.

COURT OF CASSATION - CONSOB RESOLUTION NO. 18949 OF JUNE 18, 2014 - ACTIONS FOR DAMAGES

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

(i) offence pursuant to Article 185 of Legislative Decree No. 58/1998 (in conjunction with Article 114 of Legislative Decree No. 58/1998 and Article 68, paragraph 2, of the Issuers Regulation), allegedly committed on October 24, 2012, with reference to the press release published for the approval of the quarterly report as at September 30, 2012 by Saipem SpA and the related conference call of October 24, 2012 with external analysts;
(ii) offence pursuant to Article 2622 of the civil code (continuing illegal offence with Article 2622, paragraphs 1, 3 and 4, old civil code formulation was in force at the time of the facts), allegedly committed on April 30, 2013, with reference to the 2012 consolidated and statutory financial statements of Saipem SpA approved by the Board of Directors on March 13, 2013 and by the Shareholders' Meeting on April 30, 2014;
(iii) offence pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from March 13, 2013 to April 30, 2013, with reference to press releases issued to the public regarding the approval of the 2012 consolidated and statutory financial statements of Saipem SpA.

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

- for the alleged crime under (i): the two Chief Executive Officers and the Chief Operating Officer of the Engineering & Construction Business Unit of Saipem SpA in office at the date of the press release of October 24, 2012, as they "*through the press release dated October 24, 2012 issued on the occasion of the approval by the Board of Directors of the quarterly report as at September 30, 2012 and during the related conference call ..., they spread false news – which was incomplete and reticent – concerning the economic and financial situation of Saipem SpA, ..., capable of causing a significant alteration of the price of its ordinary shares*"; and
- for the alleged crimes under (ii) and (iii): the Chief Executive Officer and the Officer responsible for financial reporting, who was in office at the date of approval of the 2012 consolidated and statutory financial statements of Saipem SpA as they:
  in relation to the alleged offence (ii), they would have "*disclosed in the consolidated and statutory financial statements of Saipem SpA, approved by the Board of Directors and by the Shareholders' Meeting on March 13, 2013 and April 30, 2013, material facts that do not correspond to the truth, although subject to evaluation, as well as the omission of information on the economic, asset and financial situation of Saipem SpA, the reporting of which is required by law, ..., and, in particular:*
  - *in contrast to the provisions of paragraphs 14, 16, 17, 21, 23, 25, 26 and 28 of IAS 11, no extra costs related to delays in the execution of activities and late penalties were recorded in the costs for the entire lifespan of the project, ... for a total of €245 million:*

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

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

On April 11, 2018, Saipem SpA received the notice of hearing set for October 16, 2018, together with the request for indictment against Saipem SpA formulated on April 6, 2018 by the Public Prosecutor.
On October 16, 2018, the trial began before the Judge for the Preliminary Hearing in Milan during which two individuals were presented as plaintiffs.
At the hearing of January 8, 2019, the Judge for the Preliminary Hearing granted the establishment of a civil suit against the accused individuals and rejected the second request for the constitution of a civil suit against all the defendants. No civil suit has been granted against Saipem SpA.

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

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

The Judge for the Preliminary Hearing ruled in favour of Saipem SpA, because the statute of limitations had passed regarding the charge of an administrative offence pursuant to Articles 5, 6, 7, 8, 25-*ter*, letter b) and 25-*sexies* of Legislative Decree No. 231/2001, *"for failing to provide a suitable organisational model to prevent criminal acts"* with regard to the following alleged crime: (iii) offence pursuant to Article 185 of Legislative Decree No. 58/1998 ("manipulation of the market"), allegedly committed on October 24, 2012, with reference to the press release published for the approval of the quarterly report as at September 30, 2012 by Saipem SpA and the related conference call of October 24, 2012.

The Judge for the Preliminary Hearing ordered the committal for trial of the following individuals: (a) for the alleged crimes under (i) and (ii): the Chief Executive Officer and the Officer responsible for financial reporting who was in office at the date of approval of the 2012 consolidated and statutory financial statements of Saipem SpA; (b) for the alleged crime under (iii): the Chief Executive Officer and the Chief Operating Officer of the Engineering & Construction Business Unit of Saipem SpA in office at the date of the press release of October 24, 2012.

All individuals committed for trial by the Judge of the Preliminary Hearing of Milan have long since left the Company.

On May 23, 2019, the first instance proceedings began before the Criminal Court of Milan (R.G.N.R. 5951/2019). The hearing was postponed on June 4, 2019 as the first instance proceedings were assigned to a new section of the Criminal Court of Milan. On June 4, 2019, after the formalities of the first hearing including the filing of the requests for the admission as plaintiffs by some parties, the Court adjourned the proceedings to the September 26, 2019 hearing, in order to allow the parties to better understand the terms and the conditions of the requests for the admission as plaintiffs and the requests to summon Saipem SpA as the civilly liable party (responsabile civile). At the hearing scheduled on September 26, 2019, the Court has merely postponed the ruling on the requests for the admission as plaintiffs and on the requests to summon Saipem SpA as the civilly liable party ("responsabile civile") to a hearing on October 17, 2019. The requests for the admission as plaintiffs have been proposed by more than 700 private investors. The overall amount referred to in the requests has not been determined.

At the hearing of October 17, 2019, the Court of Milan issued an order rejecting almost all the requests for the admission as plaintiffs submitted by individuals and by 4 entities representing the interest of the community (so called "enti esponenziali", i.e. Confconsumatori, SITI, Codacons and Onlus Codes).

Therefore, only 49 plaintiffs (individuals, not the aforementioned entities) were admitted against the individuals under investigation (not against Saipem SpA).

At the hearing of October 17, 2019, at the request of the plaintiffs, the Court ordered the summons of Saipem SpA as the civilly liable party at the hearing of December 12, 2019.

At the hearing of December 12, 2019, Saipem SpA was admitted as the civilly liable party in the proceedings. The Court also invited the parties to formulate their preliminary statements.

The Public Prosecutor and the lawyers of the other parties and of Saipem SpA have requested the admission of witnesses indicated in their lists.

A hearing was held on July 9, 2020, at which some witnesses of the Public Prosecutor were heard. The next hearing is scheduled to take place on September 8, 2020 for the hearing of some of the Public Prosecutor's witnesses. The Court has scheduled the next hearings up to December 2020.

On July 28, 2014, Saipem SpA lodged an appeal at the Court of Appeal of Milan against the above mentioned Consob Resolution No. 18949 dated June 18, 2014 to impose a monetary fine. By decree filed on December 11, 2014, the Court of Appeal of Milan rejected the opposition made by Saipem SpA which then appealed to the Court of Cassation against the Decree issued by the Court of Appeal of Milan. The appeal was discussed on November 7, 2017. On February 14, 2018, the Court of Cassation filed its decision rejecting Saipem's petition on the grounds of the "*absolute uniqueness of the situation... concerning the interpretation of the phrase "without delay" in the text of the paragraph 1 of Article 114 TUF*" and condemning each party to bear its legal costs for the proceedings.

Current legal proceedings: on April 28, 2015, a number of foreign institutional investors initiated legal action against Saipem SpA before the Court of Milan, seeking judgement against the Company for the compensation of alleged loss and damage (quantified in about €174 million), in relation to investments in Saipem shares which the claimants alleged that they had made on the secondary market. In particular, the claimants sought judgement against Saipem requiring the latter to pay compensation for alleged loss and damage which purportedly derived from the following: (i) with regard to the main claim, from the communication of information alleged to be "imprecise" over the period from February 13, 2012 and June 14, 2013; or (ii) alternatively, from the allegedly "delayed" notice, only made on January 29, 2013, with the first "profit warning" (the so-called "First Notice") of privileged information which would have been in the Company's possession from July 31, 2012 (or such other date to be established during the proceedings, identified by the claimants, as a further alternative, on October 24, 2012, December 5, 2012, December 19, 2012 or January 14, 2013), together with information which was allegedly "incomplete and imprecise" disclosed to the public over the period from January 30, 2013 to June 14, 2013, the date of the second "profit warning" (the so-called "Second Notice"). Saipem SpA appeared in court, case number R.G. 28789/2015, fully disputing the adverse party's requests, challenging their admissibility and, in any case, their lack of grounds.

As per the order made by the Judge at the hearing of May 31, 2017, the parties proceeded to deposit the briefs referred to in Article 183, paragraph 6, c.p.c. (Civil Procedure Code). With the same order, the Court set a hearing for February 1, 2018 for the possible admission of the evidence.
With the same order of May 31, 2017, the Court ordered the separation of the judgement for five of the parties involved in the proceedings and this separate proceeding – number R.G. 28177/2017 – was discontinued pursuant to Article 181 of the Italian Civil Procedure Code on November 7, 2017.
At the hearing on February 1, 2018, the Judge, by order dated February 2, 2018, postponed the proceeding to the hearing of July 19, 2018. pursuant to Article 187, paragraph 2, c.p.c. During the hearing, after the parties clarified the conclusions, the judge assigned said parties the deadline for filing the final briefs and the replies.
On October 2, 2018, Saipem filed the final brief and on October 22, 2018 Saipem filed the reply.
On November 9, 2018, the Court filed the first instance ruling No. 11357, rejecting the merit of the request by the parties. The Court has indeed ruled that there is lack of evidence of ownership of Saipem shares by said actors in the period indicated above and has condemned them to pay €100,000 in favour of Saipem, by way of reimbursement of legal expenses.
On December 31, 2018, the institutional investors challenged the aforementioned sentence before the Court of Appeal of Milan, requesting that Saipem be ordered to pay approximately €169 million. The first hearing before the Court of Appeal of Milan was held on May 22, 2019. The Appeal's Judge adjourned the hearing to July 15, 2020, for the parties to file their final conclusions.
At the hearing of July 15, 2020, the parties clarified their respective conclusions and the Court of Appeal fixed the terms of October 14, 2020 for filing their final conclusions and of November 3, 2020 for filing their replies.
With a writ of summons dated December 4, 2017, twenty-seven corporate investors took legal action before the Court of Milan – section specialised in the field of corporate law, against Saipem SpA. and two former Chief Executive Officers of said company, requesting that they are jointly condemned to pay compensation (with respect to the two former members of the company, limited to their periods of stay in office) for compensation for damages, material and non-material, allegedly suffered due to an alleged manipulation of information released to the market during the period between January 2007 and June 2013.
Saipem SpA's liability was calculated pursuant to Article 1218 of the Civil Code (contractual liability) or pursuant to Article 2043 of the Civil Code (non-contractual liability) or, pursuant to Article 2049 of the Civil Code (owner and client liability) for the illegal conduct committed by the two former company representatives.
Damages were not initially quantified by the investors, who reserved the right to quantify damages during the trial.
The Company appeared in court to contest the claims in full, pleading inadmissibility and in any case the groundlessness in fact and in law.
On June 5, 2018, the first hearing was held. In this hearing the judge assigned terms for evidence pleadings, reserving judgement until said pleadings could be examined.
The parties proceeded to deposit the pleadings referred to in Article 183, paragraph 6, c.p.c. In the evidence pleading pursuant to Article 183, paragraph 6, No. 1, c.p.c., the plaintiffs provided for the quantification of damages allegedly suffered in the amount of approximately €139 million. In its evidence pleading, Saipem and the other defendants remarked, in particular, on the lack of evidence regarding the acquisition of Saipem shares on the secondary markets by the plaintiffs. Therefore, due to this lack of evidence from the plaintiffs, all the defendants asked the Court to set a hearing to clarify the conclusions pursuant to Article 187 c.p.c.
On November 9, 2018, the Company filed sentence No. 11357 issued by the Court of Milan on November 9, 2018 at the outcome of case R.G. No. 28789/2015, as this provision decided the same preliminary issues of merit raised by Saipem and the other defendants in the case under consideration, in particular with reference to the failed proof of purchase of Saipem shares.
On November 9, 2019, Saipem SpA produced in the proceedings the order of the Criminal Court of Milan dated October 17, 2019, with reference to the pending criminal judgment R.G.N.R. 5951/2019, which declared inadmissible in this case the civil suit brought by approximately 700 civil parties.
In a note dated October 23, 2019, the plaintiffs filed an application with the judge to authorise the filing of a pro veritate opinion in relation to Saipem's filing of November 9, 2018.
With note dated October 25, 2019, Saipem SpA has challenged the inadmissibility of the filing of the aforementioned opinion brought by the plaintiffs.
The Court set the hearing for the parties clarification of their conclusions on November 3, 2020, having deemed it necessary to remit the decision on the all questions and exceptions made by the parties to the Court.
Demands for out-of-court settlement and mediation proceedings: with regard to the alleged delays in providing information to the markets, over 2015, 2016, 2017, 2018, 2019 and in the first months of 2020, Saipem SpA received a number of out-of-court demands and mediation applications.
As far as the out-of-court claims are concerned, the following have been made: (i) in April 2015 by 48 institutional investors acting on their own behalf and/or on behalf of the funds managed by them respectively amounting to about €291.9 million, without specifying the value of the claims made by each investor/fund (subsequently, 21 of these institutional investors, together with a further 8 presented applications for mediation for a total amount of about €159 million; 5 of these institutional investors together with another 5, presented applications for mediation in relation to the total amount of about €21.9 million); (ii) in September 2015 by 9 institutional investors acting on their own behalf and/or for the funds managed by them respectively for a total amount of about €21.5 million, without specifying the value of the claims for compensation made by each investor/fund (subsequently 5 of these institutional investors together with another 5, made an application for mediation for a total amount of about €21.9 million); (iii) over 2015 by two private investors amounting respectively to about €37,000 and €87,500; (iv) during the month of July 2017 from some institutional investors for approximately €30 million; (v) on December 4, 2017, from 141 institutional investors for an unspecified amount (136 of these investors on June 12, 2018 renewed their out-of-court request, again for an unspecified amount); (vi) on April 12, 2018 for about €150-200 thousand from a private investor; (vii) on July 3, 2018 from a private investor for about €330 thousand; (viii) on October 25, 2018 for about €8,800 from a private investor; (ix) on November 2 for about €48,000 from a private investor; (x) on May 22, 2019 for about €53,000 from a private investor; (xi) on June 3, 2019 for an unspecified

amount from a private investor; (xii) on June 5, 2019, for an unspecified amount from two private investors; (xiii) in February 2020 from a private investor for damages of €1,538,580; (xiv) in March 2020 from two private investors who did not indicate the value of their claims for compensation; (xv) in April 2020 from two private investors who have not indicated the value of their claims for compensation and from a private investor claiming alleged damages of approximately €40,000; (xvi) in May 2020 from a private investor who did not indicate the value of the claimed compensation; (xvii) in June 2020 from a private investor who did not indicate the value of the claimed compensation; (xviii) in June 2020 from twenty-three private investors who did not indicate the value of their claim for compensation; (xix) in July 2020 from seventeen investors claiming damages of approximately €22.4 million; (xx) in July 2020 from thirty private investors who did not indicate the value of their claim for compensation.

Those applications where mediation has been attempted, but with no positive outcome, involve six main demands: (a) in April 2015 by 7 institutional investors acting on their own behalf and/or for the funds managed by them, in relation to about €34 million; (b) in September 2015 by 29 institutional investors on their own behalf and/or for the funds managed by them respectively, for a total amount of about €159 million (21 of these investors, together with another 27, submitted out-of-court demands in April 2015, complaining that they had suffered loss and damage for a total amount of about €291 million without specifying the value of the claims for compensation for each investor/fund); (c) in December 2015 by a private investor in the amount of about €200,000; (d) in March 2016 by 10 institutional investors on their own behalf and/or for the funds managed by each respectively, for a total amount of about €21.9 million (5 of these investors together with another 4 had presented out-of-court applications in September 2015, complaining they had suffered loss and damage for a total amount of about €21.5 million without specifying the value of the compensation sought by each investor/fund. Another 5 of these investors, together with a further 43, had presented out-of-court applications in April 2015 alleging they had suffered loss and damage for an amount of about €159 million without specifying the value of the compensation sought by each investor/fund); (e) from a private investor in April 2017 for approximately €40,000; (f) in 2018-2019 by a private investor for approximately €48,000.

Saipem SpA verified the aforementioned requests for out-of-court claims and mediation and found them to be groundless and denying all liability. At the date of approval of the Consolidated Interim Financial Report as of June 30, 2020 by the Board of Directors, the aforementioned demands for out-of-court settlements and/or mediation were not subject to legal action, except for the matters specified above in relation to the two cases pending before the Court of Milan and the Court of Appeal of Milan, for another case with a value of €3 million in which Saipem was summoned in the course of 2018 by the defendant in court and (for which the claim against Saipem has been rejected by the Court in the first instance and is currently awaiting judgment before the Court of Appeal), and for another case that has just started with a claim value of approximately €40,000 and for another case just notified to Saipem with a claim value of € 200,000.

DISPUTE WITH HUSKY - SUNRISE ENERGY PROJECT IN CANADA

On November 15, 2010, Saipem Canada Inc ("Saipem") and Husky Oil Operations Ltd ("Husky") (the latter on behalf of the Sunrise Oil Sands Partnership formed by BP Canada Energy Group ULC and Husky Oil Sands Partnership, in turn formed by Husky Oil Operations Ltd and HOI Resources Ltd), signed an Engineering, Procurement and Construction contract No. SR-071 (the "Contract"), prevalently on a reimbursable basis, relating to the project called Sunrise Energy (the "Project").

During the execution of the works, the parties agreed several times to modify the contractual payment formula. Specifically: (i) in October 2012, the parties established that the works were to be paid for on a lump-sum basis, agreeing the amount of CAD 1,300,000,000 as contract price; (ii) subsequently, in early 2013, an incentive system was agreed that provided for Saipem's right to receive additional payments upon achieving certain objectives; (iii) starting from April 2014, the parties entered into numerous written agreements whereby Husky accepted to reimburse Saipem for the costs incurred in excess of the lump sum amount previously agreed, thus determining, according to Saipem, a contract change from lump sum to reimbursable. As the end of the works approached, however, Husky stopped paying what it owed as reimbursement and, in March 2015, finally terminated the Contract, claiming that Saipem had not complied with the contractual deadline for conclusion of the works.

In light of the above, on March 16, 2015 Saipem took legal action citing Husky, the aforesaid partnerships and the related members before the Court of Queen's Bench of Alberta, requesting, among other things, that the court declare the illegitimacy of the termination of the Contract by Husky and sentence it to the payment of: (i) more than CAD 800 million for damages that include the payments not made on a reimbursable basis, damages resulting from the termination of the contract, lost profits and the unjustified enrichment of Husky at the expense of Saipem; or, alternatively, (ii) the market value of the services, materials and financing rendered.

In September 2015, Husky notified Saipem of a Request for Arbitration (Alberta Arbitration Act), affirming that, as a result of the reduction of the scope of work requested by Husky, the contractual lump sum price agreed with Saipem should be reduced proportionally on the basis of a specific contractual provision in this sense. On the basis of this, Husky asked that Saipem be ordered to pay the related value, quantifying this claim as CAD 45,684,000.

On October 6, 2015, Husky sued Saipem in the Court of Queen's Bench of Alberta, claiming, among other things: (i) that the payments it had made to Saipem, which were in excess of the lump sum amount agreed between the parties, were justified by Saipem's alleged threats to abandon the works if such additional payments were not made (economic duress); and (ii) that even after the execution of such payments, the performances of Saipem did not improve, forcing Husky to terminate the contract and complete the works on its own. As a result, Husky asked the Canadian court to order Saipem to pay CAD 1.325 billion for alleged damages, an amount that includes, among other things: (i) payments in excess with respect to the agreed lump sum price; (ii) costs to complete the works following termination of the contract; (iii) damages for lost profits and the penalty for alleged delay in completion of the Project.

In the hearing of January 14, 2016, Saipem requested that the pending proceedings be heard jointly before the Queen's Bench Court of Alberta and that arbitration be suspended in order to include the relative claims in the proceedings to be heard jointly. On May 27, 2016 Saipem filed a short reply requesting that the Court declare invalid the arbitration proceedings commenced by Husky. At the hearing for the discussion of this petition, held on July 4, 2016, the judge rejected the request to declare the arbitration procedure invalid initiated by Husky which is ongoing.

In March 2018, the parties entered into an arbitration agreement by which they agreed to unite all the disputes pending between them, as described above, in a single "ad hoc" arbitration proceeding based in Canada.
In the Statement of Claim filed by Saipem on April 30, 2018 in the new arbitration procedure, Saipem requested: (i) damages for over CAD 508 million; (ii) damages to be calculated by the court following adjustments to the contract price due to additional work resulting from the contractual breaches by Husky, or on a quantum meruit basis; (iii) punitive damages to be determined; (iv) interest in the amount of CAD 90 million (or to be calculated by the court); (v) legal expenses; (vi) any other damages awarded by the court. In the Statement of Claim filed on April 30, 2018, Husky asked: (i) compensation for approximately CAD 1.37 billion as compensation for alleged damages (this amount includes, inter alia, payments allegedly in excess of the agreed lump-sum price; the costs for completing the work after the termination of the contract; the loss of profit and the liquidated damages for delay for the alleged delayed completion of the Project); (ii) interest to be calculated by the court; (iii) legal expenses; (iv) any other damages awarded by the court. On June 8, 2018, the parties filed their respective Statements of Defence. On September 13, 2019, the parties exchanged their respective witness statements, expert reports and memorials. In particular, in their respective memorials: (i) Saipem reduced its claims to CAD 166 million, these claims relate to the costs incurred up to the termination of the contract and associated damages; while (ii) Husky introduced an application for the repayment of alleged overstated payments, initially quantifying them in a range from CAD 75 million to CAD 125 million. Upon the exchange of supplemental memorials, which took place on January 31, 2020, Husky specified its latest request in approximately CAD 122.5 million.
During subsequent exchanges, the parties clarified their claims, also submitting reports by their technical consultants. In particular: (i) Saipem's claim is now CAD 129,562,216 (net of CAD 15,790,266, part of Husky's claim which Saipem recognised limited to this amount, to be offset against the greater amount that Saipem claims it is due from Husky); while (ii) Husky's claim amounts to CAD 954,269,226.
The parties are currently involved in the collection of the documentary evidences. Hearings are due to be held in February 2021. The award is therefore expected to be issued by the end of 2021.

ARBITRATION WITH GLNG - GLADSTONE PROJECT (AUSTRALIA)

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

- a quantum meruit claim based on the alleged invalidity of the Contract (a claim that was rejected during the arbitration procedure on the basis of a partial award);
- claims based on the contract.

On November 6, 2015, GLNG filed its counterclaim requesting the rejection of the claims made by Saipem and requesting in turn compensation for damages for alleged defective works with particular reference to the coating of the entire line and to the cathodic protection system.
At present, Saipem claims in the arbitration amount to approximately AUD 254 million, while the GLNG counterclaim amounts to approximately AUD 1.1 billion, corresponding to the GLNG assessment of the pipeline replacement costs; and AUD 24 million corresponding to the GLNG assessment of the costs for the adoption of temporary adjustment measures.
The last hearings were held in August 2018.
On June 27, 2019, the Arbitral Tribunal pronounced its decision on all controversial issues except for the costs (including legal and experts' costs) of the arbitration procedure, the applicable interest on the claims recognised to Saipem, a Saipem fiscal claim and other minor claims submitted by Saipem.
On June 27, 2019, the Arbitral Tribunal completely rejected the GLNG counterclaims: (i) for an amount of approximately AUD 1.1 billion, corresponding to the assessment made by GLNG of the pipeline replacement costs; and (ii) for an amount of approximately AUD 24 million, corresponding to the GLNG assessment of the costs for the adoption of temporary adjustment measures.
The Arbitral Tribunal therefore acknowledged claims: (a) submitted by Saipem for approximately AUD 102 million; and (b) submitted by GLNG for approximately AUD 1 million.
The Arbitral Tribunal therefore set Saipem's credit at approximately AUD 101 million (net of interests) on the items covered by the decision of June 27, 2019. On October 25, 2019, the Arbitral Tribunal set the amount of interest on items recognised to Saipem in the award of June 27, 2019 at around €22 million; this amount was paid by GLNG to Saipem on November 17, 2019. The award of October 25, 2019 had also recognised that Saipem was due the reimbursement of legal fees.
In February 2020, the parties have found a settlement also in relation to the reimbursement of legal fees; under this agreement GLNG paid Saipem AUD 39 million. The arbitration is closed.

ARBITRATION WITH KHARAFI NATIONAL CLOSED KSC ("KHARAFI") - JURASSIC PROJECT

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

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

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

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

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

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

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

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

On March 1, 2019, Kharafi appealed against the decision of the Arbitral Tribunal which stated that the aforementioned report was inadmissible before the High Court of Justice in London. At the hearing on July 6, 2019, the High Court of Justice in London ruled in favour of Saipem, fully rejecting the request of Kharafi and ordering Kharafi to pay, within 14 days from the ruling, GBP 79,000 as legal expenses.

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

Hearings were held in London from February 18 to March 1, 2019. The award was issued on November 8, 2019 and notified to the parties in the following days.

In the award, the Arbitral Tribunal sentenced Kharafi to pay Saipem the amount of the guarantee deemed unfairly enforced by Kharafi, namely KWD 25,018,228, in addition to interest at 7%, rejecting all Kharafi's claims and sharing among the parties the legal costs. At present, Kharafi has not paid Saipem the amount referred to in the award.

ARBITRATION WITH CPB CONTRACTORS PTY LTD (FORMERLY LEIGHTON CONTRACTORS PTY LTD) ("CPB") GORGON LNG JETTY PROJECT

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

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

CPB based on alleged contractual breaches by Saipem SA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda has requested that Saipem be ordered to pay approximately AUD 1.39 billion. Saipem believes that the CPB claims are totally unfounded and has filed its statement in which it has requested the rejection of all the claims made by CPB and filed a counterclaim for AUD 37,820,023, subsequently increased to approximately AUD 50,000,000, for payments related to the consortium agreement, extra costs related to non-compliance and delays by CPB in the execution of the works and backcharges.

Subsequently, the parties specified their claims. In particular: (i) CPB clarified its demands by making a claim of approximately AUD 1 billion for alleged violations of the consortium agreement between the parties and another alternative claim of approximately AUD 1.46 billion based on the assumption that CPB would not have entered into the Jetty Contract (and would not have suffered the related damages), if Saipem had not violated the consortium contract; (ii) Saipem quantified its claims in a total amount of approximately AUD 140 million. The parties are considering postponing the hearings in this proceeding, which should have started in November 2020. Barring postponements, the arbitration should end in 2021.

It is noted that, with reference to the same project, in 2016 Chevron initiated a separate arbitration proceeding against the consortium between CPB and Saipem, requesting payment of liquidated damages and back-charges for an amount currently equal to about AUD 54 million. In this arbitration, both CPB and Saipem filed separate counterclaims against Chevron, currently quantified, respectively, at AUD 1.9 billion (it is noted that the items of damages proposed by CPB against Chevron appear, in large part, superimposable to those proposed by CPB against Saipem in the arbitration between the latter two, referred to in the first part of this paragraph) and AUD 23 million. The hearings of these proceedings were held in November 2019 and the parties are now awaiting the award, which is expected soon.

ARBITRATION WITH NATIONAL COMPANY FOR INFRASTRUCTURE PROJECTS DEVELOPMENT CONSTRUCTION AND SERVICES KSC (CLOSED), FORMERLY KHARAFI NATIONAL KSC (CLOSED) - BOOSTER STATION 171 (KUWAIT) PROJECT ("BS171")

On March 18, 2019, the International Chamber of Commerce of Paris, at the request of the National Company for Infrastructure Projects Development Construction and Services KSC (Closed) (formerly Kharafi National KSC, for convenience, hereinafter "Kharafi") notified Saipem SpA of a request for arbitration, in which Kharafi requested that Saipem be ordered to pay sums of at least KWD 38,470,431 as extra-costs deriving from alleged breaches of contract, in addition to KWD 8,400,000 by way of refund of the amount collected by Saipem in 2016 following the enforcement (illegitimate according to Kharafi) of the bond issued by Kharafi to guarantee project performance.

The dispute pertains to subcontract No. 526786 signed by Saipem and Kharafi on August 27, 2010, relating to the BS171 project (final client KOC) terminated by Saipem on July 30, 2016 for serious breaches and delays by Kharafi in the execution of the works, with consequent enforcement of the aforementioned performance guarantee.

Appearing in court, on May 17, 2019 Saipem filed its response to the request for arbitration, contesting the requests by Kharafi and making a counterclaim, which involves: (i) a payment of KWD 14,964,522; and (ii) the recognition of Saipem's enforcement of

the performance bond and the consequent rejection of the reimbursement claim for the same amount (KWD 8,400,000) made by Kharafi.
In the Schedule of Loss filed by Kharafi in March 2020, the claim was reduced to KWD 31,824,929 + interests + costs, including KWD 8,400,000 by way of return of the performance bond. Saipem should have filed its Statement of Defence and Counterclaim on April 9, 2020. However, the deadline was postponed due to the COVID-19 emergency.
At the date of the preparation of this report, the hearings are expected to begin on July 5, 2021, lasting three weeks. However, they are likely to be postponed to March 2022.

CONSOB RESOLUTION OF MARCH 2, 2018

With reference to Consob Resolution No. 20324 of March 2, 2018 ("the Resolution") the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018", the Board of Directors of Saipem resolved on March 5, 2018 to appeal the Resolution in the competent courts.
The appeal to the TAR-Lazio was filed on April 27, 2018. Following access to the administrative proceedings, on May 24, 2018 Saipem filed with the TAR-Lazio additional grounds for appeal against the aforementioned Resolution. The date for the hearing before TAR-Lazio has not yet been scheduled.

CONSOB RESOLUTION OF FEBRUARY 21, 2019

With reference to Consob Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 ("the Resolution") the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018", the Board of Directors of Saipem resolved on April 2, 2019 to appeal the Resolution No. 20828 before the Court of Appeals of Milan. On April 12, 2019, Saipem SpA appealed, pursuant to Article 195 TUF, against the Resolution before the Milan Court of Appeal, requesting its cancellation. A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Manager responsible for Financial Reporting in office at the time of the events. The first hearing before the Milan Court of Appeal was held on November 13, 2019.
On that day, the Milan Court of Appeal postponed the discussion on November 4, 2020.

ONGOING INVESTIGATIONS. PUBLIC PROSECUTOR'S OFFICE OF MILAN - 2015 AND 2016 FINANCIAL STATEMENTS. PROSPECTUS OF THE JANUARY 2016 CAPITAL INCREASE

On January 22, 2019, the Public Prosecutor's Office of Milan notified Saipem SpA of a *"local search warrant and seize notice of investigation*", in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's Office of Milan notified the Chief Executive Officer of the Company, as well as, for various reasons, two of its managers (including the former Manager responsible for the preparation of financial reports appointed on June 7, 2016 and in charge up to the May 16, 2019) and a former manager of an investigation concerning the following offences: (i) false accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the Prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.
Preliminary investigations are currently under way.

28 Revenue

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

Core business revenue

Core business revenue was as follows:

	First half	
(€ million)	2019	2020
Revenue from sales and E&C services	3,990	3,254
Revenue from sales and Drilling services	529	421
Total	**4,519**	**3,675**

Net sales by geographical segment were as follows:

	First half	
(€ million)	2019	2020
Italy	184	236
Rest of Europe	32	189
CIS	594	291
Middle East	1,577	1,389
Far East	338	413
North Africa	754	259
Sub-Saharan Africa	720	691
Americas	320	207
Total	**4,519**	**3,675**

As described in the in the paragraph "Contract assets and contract liabilities", to which we refer, in consideration of the nature of the contracts and the type of works performed by Saipem, the individual obligations contractually identified are mainly satisfied over time. The revenue that measure the progress of the work is determined, in line with the provisions of IFRS 15, by using an input method based on the percentage of costs incurred with respect to the total contractually estimated costs ("cost-to-cost" method).
Contract revenue includes the amount agreed in the initial contract, plus revenue from change orders and claims.
The change orders consist of additional fees deriving from changes to the contractually agreed works requested by the client; price revisions (claims) consist of requests for additional fees deriving from higher charges incurred for reasons attributable to the client. Change orders and claims are included in the amount of revenue when the changes to the agreed works and/or price have been approved, even if their definition has not yet been agreed on and in any case for a total amount not exceeding €30 million; any pending revenue reported for a period longer than one year, in the absence of developments in negotiations with the client, is impaired, despite the confidence in recovery of the business. Amounts in excess of €30 million are entered only if supported by external technical-legal appraisals.
The cumulative amount of additional consideration for change orders and claims, including amounts pertaining to previous years, based on project progress at June 30, 2020, totalled €157 million (€57 million at June 30, 2019). There are no additional consideration relative to legal disputes in progress.
The contractual obligations to be fulfiled by the Saipem Group (order backlog), which at June 30, 2020 amounted to €22,245 million, are expected to generate revenue of €3,306 million in 2020 while the remainder will be realised in subsequent years.
The amount of revenues for leasing services included in the item "Core business revenue" does not have significant impacts on the total amount of core business revenue, as it comes to less than 3% and refers to the Drilling and Leased FPSO sectors.
Revenue from related parties are shown in Note 36 "Related party transactions".

Other revenue and income

Other revenue and income were as follows:

	First half	
(€ million)	2019	2020
Gains on disposal of assets	5	-
Indemnities	-	-
Other income	3	44
Total	**8**	**44**

The amount of €44 million refers mainly to consensual settlement of a contractual dispute with a client.

29 Operating expenses

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

Purchases, services and other costs

Purchases, services and other costs included the following:

	First half	
(€ million)	2019	2020
Raw, ancillary and consumable materials and goods	883	754
Services	1,972	1,601
Use of third party assets	243	198
Net accruals to (utilisation of) the provisions for risks and charges	(7)	28
Other expenses	9	11
less:		
- internal work capitalised	(2)	(9)
- changes in inventories of raw, ancillary and consumable materials and goods	(1)	9
Total	**3,097**	**2,592**

During the first half of 2020 no brokerage fees were incurred.
Costs for research and development that do not meet the requirements for capitalisation amounted to €15 million (€0 million in the first half of 2019).
"Use of third party assets" equal to €198 million, refer to €186 million for lease contracts, of which €167 million relate mainly to "Short-term leases" with a term of less than or equal to 12 months, €18 million relate to "Intangible leasing software" and the remaining part relates to "Low value" and "Variable payments".
Net accruals to/utilisations of the provisions for risks and charges are detailed in Note 21 "Provisions for risks and charges".
Purchases, services and other costs to related parties are shown in Note 36 "Related party transactions".

Net reversals of impairment losses (impairment losses) on trade receivables and other assets

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

(€ million)	June 30, 2019	June 30, 2020
Trade receivables	(18)	(2)
Other receivables	-	-
Contract assets	(4)	(3)
Total	**(22)**	**(5)**

Personnel expenses

Personnel expenses were as follows:

	First half	
(€ million)	2019	2020
Personnel expenses	838	856
less:		
- internal work capitalised	(3)	(5)
Total	**835**	**851**

Personnel expenses include, if any, net accruals to/utilisation of provisions for redundancy incentive, as commented in Note 21 "Provisions for risks and charges".

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

In order to create a system of incentives and loyalty among Group's Senior Managers, Saipem SpA, defined a long-term incentive plan starting from 2016, through the free allocation of Saipem SpA ordinary shares which was implemented in three-year cycles. For more information about the characteristics of the two plans, reference is made to the information documents made available to the public on the Company's website (www.saipem.com), implementing the legislation currently in force (Article 114-*bis* of Legislative Decree No. 58/1998 and the Consob regulations implementing it).

The cost is determined with reference to the fair value of the option assigned to the senior manager, while the portion for the year is determined pro-rata temporis throughout the period to which the incentive refers (so-called vesting period and co-investment period/retention premium).
The fair value for the period, related to all implementations made, amounted approximately to €5 million.
The composition of the fair value at June 30, 2020 is represented as follows:

(€)	Fair value of payroll costs
Implementation 2017	2,268,280
Implementation 2018	(412,068)
Implementation 2019	2,843,530
	4,699,742

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

Implementation for 2018

	No. of managers	No. of shares (1)	Share portion (%)	Unit fair value TSR (weight 50%)	Unit fair value NFP (weight 50%)	Total fair value	Fair value at June 30, 2019 (2)	Fair value at June 30, 2020 (2)
Strategic senior managers (vesting period)	98	3,559,900	75	2.73	4.11	15,205,280	1,990,098	(216,331)
Strategic senior managers (co-investment period)			25	5.44	8.22			
Non-strategic senior managers	263	2,357,000	100	2.73	4.11	8,057,871	1,319,751	(144,215)
Chief Executive Officer (March 2018)	1	205,820	100	2.06	3.28	549,590	91,515	(25,266)
Chief Executive Officer (July 2018)	1	413,610	100	2.73	4.11	1,414,009	235,453	(26,256)
Total	**363**	**6,536,330**				**25,226,750**	**3,636,817**	**(412,068)**

(1) The number of shares shown in the table corresponds to the number assigned at the assignment date. The number of shares used for the fair value calculation at June 30, 2020 amounts to 3,268,166 and reflects the achievement of the non market conditions at the end of the plan.
(2) The fair value for the period is measured as of the observation date and includes the reversal of costs recorded in previous years, subsequent to the new hypotheses of achievement of the non-market conditions.

Implementation for 2019

	No. of managers	No. of shares (1)	Share portion (%)	Unit fair value TSR E&C (weight 35%)	Unit fair value TSR Drilling (weight 15%)	Unit fair value NFP (weight 25%)	Unit fair value ROAIC (weight 25%)	Total fair value	Fair value at June 30, 2019 (2)	Fair value at June 30, 2020 (2)
Strategic senior managers (vesting period)	93	2,306,100	75	4.11	5.46	4.03	4.03	12,224,552	-	1,594,055
Strategic senior managers (co-investment period)			25	8.28	10.80	4.03	4.03			
Non-strategic senior managers	274	1,642,500	100	4.11	5.46	4.03	4.03	6,964,481	-	1,080,896
Chief Executive Officer (vesting period)	1	243,900	100	4.11	5.46	4.03	4.03	1,292,905	-	168,579
Total	**368**	**4,192,500**						**20,481,938**	**-**	**2,843,530**

(1) The number of shares shown in the table corresponds to the number assigned at the assignment date. The number of shares used for the fair value calculation at June 30, 2020 amounts to 4,176,410 and reflects the achievement of the non market conditions at the end of the plan.
(2) The fair value for the period is measured as of the observation date and includes the reversal of costs recorded in previous years, subsequent to the new hypotheses of achievement of the non-market conditions.

The evolution of the share plan is as follows:

	2019			2020		
	Number of shares	Average strike price [a] (€ thousand)	Market price [b] (€ thousand)	Number of shares	Average strike price [a] (€ thousand)	Market price [b] (€ thousand)
Options outstanding at the beginning of the period	**18,097,117**	**-**	**59,087**	**16,530,530**	**-**	**72,005**
New options granted	4,192,500	-	16,892		-	
(Options exercised during the period - consensual termination) [c]	(32,130)	-	135	(12,135)	-	29
(Options expiring during the period)	(5,726,957)	-	26,975	(68,765)	-	154
Options outstanding at the end of the period	**16,530,530**	**-**	**72,005**	**16,449,630**	**-**	**36,502**
Of which:						
- exercisable at June 30, 2020	-	-	-		-	-
- exercisable at the end of the vesting period	14,197,105	-	-	14,133,780	-	-
- exercisable at the end of the co-investment period	2,333,425	-	-	2,315,850	-	-

(a) Since these are grants, the strike price is zero.
(b) 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 the grants outstanding at the beginning and end of the period is the price recorded at January 1 and December 31 for 2019 and at January 1 and June 30 for 2020.
(c) The share plan envisages, inter alia, that in cases of consensual termination of the employment relationship, the beneficiary retains the right to the incentive to a reduced extent, in relation to the period elapsed between the allocation of shares and the occurrence of such event (Article 4.8 of the plan regulations).

The long-term incentive plans for Saipem SpA employees are shown in the item "Personnel expenses" and as a counter-item to "Other reserves" of equity.
The fair value of allocated options for employees of subsidiaries is shown at the date of option grant in the item "Personnel expenses" and as a counter-item to "Other reserves" of equity. In the same year the corresponding amount is charged to affiliated companies, as a counter-item to the item "Personnel expenses".
In the ease of Saipem SpA personnel who provides service to other Group companies, the cost is charged pro-rata temporis to the company where the beneficiaries are in service.

Average number of employees

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

	First half	
(number)	**2019**	**2020**
Senior managers	391	400
Junior managers	4,065	4,258
White collars	15,466	16,763
Blue collars	11,974	11,171
Seamen	263	249
Total	**32,159**	**32,841**

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

Depreciation and impairment losses

Depreciation and impairment losses are detailed below:

	First half	
(€ million)	**2019**	**2020**
Depreciation and amortisation:		
- property, plant and equipment	225	225
- intangible assets	6	6
- Right-of-Use assets	67	82
Total depreciation and amortisation	**298**	**313**
Impairment losses:		
- property, plant and equipment	14	630
- intangible assets	-	-
- Right-of-Use assets	-	39
Total impairment losses	**14**	**669**
Total	**312**	**982**

Other operating income (expense)

There was no operating income (expense) during the half year (income of €1 million in the first half of 2019).

30 Financial income (expense)

This item includes:

	First half	
(€ million)	2019	2020
Financial income (expense)		
Financial income	99	142
Financial expense	(154)	(218)
Total	**(55)**	**(76)**
Derivative financial instruments	(46)	(19)
Total	**(101)**	**(95)**

Net financial income (expense) was as follows:

	First half	
(€ million)	2019	2020
Net exchange gains (losses)	**9**	**-**
Exchange gains	96	138
Exchange losses	(87)	(138)
Financial income (expense) related to net financial debt	**(61)**	**(73)**
Interest income from banks and other financial institutions	3	2
Interest income on leases	-	1
Interest and other expense due to banks and other financial institutions	(51)	(61)
Interest expense on leases	(13)	(15)
Other financial income (expense)	**(3)**	**(3)**
Other financial income from third parties	-	1
Other financial expense to third parties	(1)	(3)
Financial income (expense) on defined benefit plans	(2)	(1)
Net financial income (expense)	**(55)**	**(76)**

Net gains (losses) on derivatives consisted of the following:

	First half	
(€ million)	2019	2020
Exchange rate derivatives	(46)	(19)
Interest rate derivatives	-	-
Total	**(46)**	**(19)**

Net losses on derivatives of €19 million (losses of €46 million in the first half of 2019) mainly related to the recognition in profit or loss of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.
Financial income (expense) with related parties are shown in Note 36 “Related party transactions”.

31 Gains (losses) on equity investments

Effect of accounting using the equity method

The share of profit (loss) of equity-accounted investees consisted of the following:

(€ million)	First half 2019	2020
Share of profit of equity-accounted investees	4	26
Share of loss of equity-accounted investees	(10)	(8)
Net utilisations of (accruals to) the provisions for losses on equity-accounted investments	(32)	(8)
Total	**(38)**	**10**

The share of profits (losses) of equity-accounted investees is commented in Note 15 "Equity investments".

Other gains (losses) from equity investments

There were no other gains (losses) on equity in the reporting period.

32 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2019	2020
Current taxes:		
- Italian subsidiaries	11	33
- foreign subsidiaries	74	58
Net deferred taxes:		
- Italian subsidiaries	(16)	(21)
- foreign subsidiaries	8	4
Total	**77**	**74**

(€ million)	First half 2019	2020
Income taxes recognised in income statement	77	74
Income tax related to items of other comprehensive income that may be reclassified to profit or loss	4	4
Income tax related to items of other comprehensive income that will not be reclassified to profit or loss	-	-
Tax on comprehensive income (loss)	**81**	**78**

33 Non-controlling interests

The share of profits of non-controlling interests amounted to €15 million (€32 million in the first half of 2019).

34 Earnings (loss) per share

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

		June 30, 2019	June 30, 2020
Weighted average number of outstanding shares used for the calculation of the basic earnings (loss) per share		**996,210,506**	**989,956,700**
Number of potential shares following long-term incentive plans		12,496,130	16,449,630
Number of savings shares convertible into ordinary shares		10,598	10,598
Weighted average number of outstanding shares used for the calculation of the diluted earnings (loss) per share		**1,008,717,234**	**1,006,416,928**
Earnings (loss) attributable to the owners of the parent	(€ million)	14	(885)
Basic earnings (loss) per share	(€ per share)	0.0141	(0.8939)
Diluted earnings (loss) per share	(€ per share)	0.0139	(0.8794)

35 Segment reporting

Reporting by business segment

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Floaters	Unallocated	Total
First half 2019							
Core business revenue	2,596	1,755	437	321	527	-	5,636
less: intra-group sales	606	93	181	48	189	-	1,117
Net revenue	**1,990**	**1,662**	**256**	**273**	**338**	**-**	**4,519**
Operating profit (loss)	174	(65)	24	2	127	-	262
Depreciation and impairment losses	148	31	67	61	5	-	312
Net gains (losses) on equity investments	(9)	(29)	-	-	-	-	(38)
Capital expenditure	78	6	18	33	-	-	135
Property, plant and equipment and intangible assets	2,660	395	1,209	556	101	-	4,921
Right-of-Use assets	378	130	9	11	3	-	531
Equity investments [(a)]	104	(29)	-	2	-	-	77
Current assets	1,581	1,877	294	209	172	2,215	6,348
Current liabilities	1,585	2,094	113	136	127	649	4,704
Provisions for risks and charges [(a)]	82	100	2	6	17	65	272
First half 2020							
Core business revenue	1,926	1,687	319	286	261	-	4,479
less: intra-group sales	441	112	134	50	67	-	804
Net revenue	**1,485**	**1,575**	**185**	**236**	**194**	**-**	**3,675**
Operating profit (loss)	(38)	(97)	(610)	(26)	60	-	(711)
Amortisation and impairment losses	195	55	653	73	6	-	982
Net gains (losses) on equity investments	(4)	14	-	-	-	-	10
Capital expenditure	124	5	33	33	-	-	195
Property, plant and equipment and intangible assets	2,621	363	558	514	92	-	4,148
Right-of-Use assets	249	96	36	11	3	-	395
Equity investments [(a)]	108	(8)	-	2	16	-	118
Current assets	1,377	1,927	230	174	232	2,227	6,167
Current liabilities	1,489	2,449	132	140	96	800	5,106
Provisions for risks and charges [(a)]	87	124	2	7	11	19	250

(a) See the section "Reconciliation of reclassified statement of financial position, income statement and statement of cash flows with the mandatory templates" on page 72

For further information by business segment see the "Interim Directors' Report".

Reporting by geographical segment

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 segment. As a result, certain assets have been deemed not directly attributable.

The unallocated part of property, plant and equipment and intangible assets and capital expenditure relates to vessels and their related equipment and goodwill.

The unallocated part of current assets pertained to inventories related to vessels.

A breakdown of revenue by geographical segment is provided in Note 28 "Revenue".

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	Sub-Saharan Africa	Americas	Unallocated	Total
December 31, 2019									
Capital expenditure	24	6	3	51	-	2	40	210	336
Property, plant and equipment and intangible assets	72	37	62	534	-	39	263	3,820	4,827
Right-of-Use assets	82	102	1	93	4	23	11	268	584
Identifiable assets (current)	1,536	475	177	2,388	309	837	686	604	7,012
First half 2020									
Capital expenditure	11	2	-	15	-	-	-	167	195
Property, plant and equipment and intangible assets	70	31	37	512	-	37	235	3,226	4.148
Right-of-Use assets	88	88	2	81	4	20	11	101	395
Identifiable assets (current)	1,053	449	183	2,158	210	938	483	693	6,167

Current assets were allocated by geographical segment using the following criteria: (i) cash and cash equivalents and loan assets were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventories were allocated on the basis of the country in which onshore storage facilities were situated (i.e. excluding inventories in storage facilities situated on vessels); (iii) trade receivables and other assets were allocated to the geographical segment 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".

36 Related party transactions

On January 22, 2016, following the entry into force of the transfer of 12.5% of Saipem SpA's share capital from Eni SpA to CDP Equity SpA (formerly Fondo Strategico Italiano SpA), Eni SpA no longer has sole control over Saipem SpA, which has been replaced by the joint control exercised by Eni SpA and CDP Equity SpA (taken over on December 13, 2019 by CDP Industria SpA), on the basis of the shareholders' agreement, with a resulting variation in the scope of related parties. Transactions with related parties entered into by Saipem SpA and/or companies within the consolidation scope concern mainly the supply of services, the exchange of goods with joint ventures, associates and unconsolidated subsidiaries, with subsidiaries, jointly-controlled entities and associates of Eni SpA, with several jointly-controlled entities and associates of CDP Equity SpA (from December 13, 2019, of CDP Industria SpA), and with entities controlled by the Italian State, in particular companies of the Snam Group. These transactions are an integral part of ordinary day-to-day business and are carried out under market conditions which would be applied between independent parties. All transactions were carried out for the mutual benefit of the Saipem SpA companies involved.
Directors, auditors, general managers and key management personnel must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party. Directors and Statutory Auditors release every six months and/or in the event of a change, a statement in which each potential interest is represented in relation to the parent and the Group and in any case report to the Chief Executive Officer (or the Chairman where the Chief Executive Officer is involved), who informs the other directors and the Board of Statutory Auditors of the individual transactions that the parent intends to perform, in which they have direct interests.
Saipem SpA is not under the management or coordination of any other company. Saipem SpA manages and coordinates its subsidiaries pursuant to Article 2497 of the Civil Code.
Within the framework of related party transactions and pursuant to disclosure requirements of Consob Regulation No. 17221 of March 12, 2010, during the first half of 2020 no transactions were carried out which exceeded the relevance threshold in compliance with the aforementioned Regulation in the Saipem SpA procedure "Transactions involving interests held by board directors and statutory auditors and transactions with related parties" Management System Guideline for Transactions of Greater Importance.
The tables below show the value of transactions of a trade, financial or other nature entered into with related parties. The analysis by company is based on the principle of relevance in relation to the total amount of transactions. Transactions not itemised because they are immaterial are aggregated under the following captions:
> unconsolidated subsidiaries;
> joint ventures and associates;
> companies controlled by Eni and CDP Industria SpA;
> associates and jointly-controlled companies of Eni and CDP Industria SpA;
> companies controlled by the State and other related parties.

Trade and other transactions

Trade and other transactions consisted of the following:

(€ million)

	Dec. 31, 2019			First half 2019			
				Expenses		Revenue	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services [1]	Goods and services	Other
Unconsolidated subsidiaries							
Smacemex Scarl	5	4	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total unconsolidated subsidiaries	**5**	**4**	**-**	**-**	**-**	**-**	**-**
Joint ventures and associates							
ASG Scarl	1	(3)	-	-	-	-	-
CCS JV Scarl	211	334	-	-	-	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	56	185	242	-	8	19	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	(1)	4	70	-	-	-	-
Gydan Lng Snc	2	-	-	-	-	-	-
KWANDA Suporte Logistico Lda	1	5	-	-	-	3	-
Petromar Lda	8	1	-	-	-	4	-
PSS Netherlands BV	33	-	-	-	-	25	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	12	15	-	-	7	1	-
Saren BV	40	-	-	-	-	-	-
Société pour la Réalisation du Port de Tanger Méditerranée	-	-	-	-	-	18	-
TSGI Mühendislik İnşaat Ltd Şirketi	15	-	-	-	-	-	-
Xodus Subsea Ltd	-	-	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	1	-	-
Total joint ventures and associates	**379**	**541**	**312**	**-**	**16**	**70**	**-**
Companies controlled by Eni/CDP Equity SpA (from December 13, 2019 CDP Industria SpA)							
Eni SpA	5	3	11	-	-	6	-
Eni SpA Divisione Exploration & Production	1	1	-	-	1	8	-
Eni SpA Divisione Gas & Power	-	-	-	-	(1)	-	-
Eni SpA Divisione Refining & Marketing	1	-	11	-	-	1	-
Eni Angola SpA	28	-	44	-	-	137	-
Eni Congo SA	11	4	2	-	1	24	-
Eni Corporate University SpA	-	1	-	-	-	-	-
Eni East Sepinggan Ltd	20	4	11	-	-	6	-
Eni Ghana E&P	4	15	7	(28)	-	16	-
Eni Iraq BV	-	-	2	-	-	-	-
Eni México, S. de R.L. de Cv	13	2	-	-	-	14	-
Eni Muara Bakau BV	-	-	19	-	-	28	-
Eni North Africa BV	-	-	-	-	-	6	-
Eni Pakistan Ltd	-	-	-	-	-	31	-
EniPower SpA	1	-	-	-	-	-	-
EniProgetti SpA	3	-	-	-	-	3	-
EniServizi SpA	-	9	-	-	14	-	-
Floaters SpA	1	-	-	-	-	5	-
Ieoc Exploration BV	-	-	2	-	-	-	-
Ieoc Production BV	15	-	-	-	-	44	-
Naoc - Nigerian Agip Oil Co Ltd	76	69	-	-	-	88	-
Nigerian Agip Exploration Ltd	-	2	-	-	-	6	-
Versalis France SAS	-	-	-	-	-	2	-
Versalis SpA	3	-	23	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	1	1	-
Total companies controlled by Eni/CDP Equity SpA (from December 13, 2019 CDP Industria SpA)	**182**	**110**	**132**	**(28)**	**16**	**426**	**-**

Trade and other transactions:

(€ million)

	Dec. 31, 2019			First half 2019			
				Expenses		Revenue	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services [1]	Goods and services	Other
Associates and jointly-controlled companies of Eni and CDP Equity SpA (from December 13, 2019 CDP Industria SpA)							
Greenstream BV	1	-	-	-	-	1	-
Mellitah Oil&Gas BV	9	-	32	-	-	8	-
Mozambique Rovuma Venture SpA (former Eni East Africa SpA)	25	-	-	-	-	-	-
Petrobel Belayim Petroleum Co	190	66	394	-	-	555	-
PetroJunìn SA	-	-	2	-	-	-	-
Raffineria di Milazzo	1	3	-	-	-	(4)	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total associates and jointly-controlled companies of Eni and CDP Equity SpA (from December 13, 2019 CDP Industria SpA)	**226**	**69**	**428**	**-**	**-**	**560**	**-**
Total Eni and CDP Industria SpA companies (former CDP Equity SpA)	**408**	**179**	**560**	**(28)**	**16**	**986**	**-**
Companies controlled or owned by the State	**21**	**22**	**70**	**-**	**-**	**(9)**	**-**
Total related party transactions	**813**	**746**	**942**	**(28)**	**32**	**1,047**	**-**
Overall total	**2,601**	**4,376**	**7,234**	**883**	**2,224**	**4,519**	**8**
Incidence (%)	**31.26**	**17.05**	**13.02**	**(3.17)**	**1.44**	**23.17**	**-**

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.

Trade and other transactions as at June 30, 2020 consisted of the following:

(€ million)

	June 30, 2020			First half 2020			
				Expenses		Revenue	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services [1]	Goods and services	Other
Unconsolidated subsidiaries							
Smacemex Scarl	5	4	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total unconsolidated subsidiaries	**5**	**4**	**-**	**-**	**-**	**-**	**-**
Joint ventures and associates	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ASG Scarl	1	(1)	-	-	2	-	-
CCS JV Scarl	190	329	-	-	175	235	-
CCS LNG Mozambique Lda	-	-	-	-	-	2	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	33	190	282		33	38	
CEPAV (Consorzio Eni per l'Alta velocità) Uno	(1)	3	70	-	2	-	-
Gydan LNG Snc	7	-	-	-	-	7	-
Gygaz Snc	1	-	-	-	-	1	-
KWANDA Suporte Logistico Lda	2	6	-	-	-	2	
Novartic Snc	5	-	-	-	-	5	-
Petromar Lda	11	1	-	-	1	4	
PSS Netherlands BV	7	25	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	13	11	-	-	(4)	1	-
Saren BV	35	-	-	-	-	-	-
SCD JV Scarl	25	-	-	-	-	-	-
TSGI Mühendislik İnşaat Ltd Şirketi	16	-	-	-	-	1	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	-	-
Total joint ventures and associates	**346**	**564**	**352**	**-**	**209**	**296**	**-**

Trade and other transactions:

(€ million)

	June 30, 2020			First half 2020			
				Expenses		Revenue	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services [1]	Goods and services	Other
Companies controlled by Eni/CDP Industria SpA							
Eni SpA	1	-	12	-	-	1	-
Eni SpA Divisione Exploration & Production	8	1	-	-	-	9	-
Eni SpA Divisione Refining & Marketing	-	-	7	3	-	2	-
Eni Angola SpA	32	-	57	-	-	88	-
Eni Congo SA	19	6	2	-	-	19	-
Eni Cyprus Ltd	-	-	-	-	-	-	-
Eni East Sepinggan Ltd	6	-	11	-	-	22	-
Eni Ghana E&P	8	2	8	-	-	9	-
Eni Insurance Ltd	-	-	-	-	-	-	-
Eni Iraq BV	-	-	2	-	-	-	-
Eni México, S. de R.L. de Cv	12	1	-	-	-	19	-
Eni Muara Bakau BV	1	-	18	-	-	1	-
Eni North Africa BV	1	-	-	-	-	1	
EniProgetti SpA	1	-	-	-	-	2	-
EniServizi SpA	-	3	-	-	11	-	-
Floaters SpA	1	-	-	-	-	3	-
Ieoc Exploration BV	-	-	2	-	-	-	-
Ieoc Production BV	9	-	-	-	-	11	-
Naoc - Nigerian Agip Oil Co Ltd	68	66	-	-	-	5	-
Nigerian Agip Exploration Ltd	-	3	-	-	-	(1)	-
Versalis SpA	2	-	11	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	1	1	-	-
Total companies controlled by Eni/CDP Industria SpA	**169**	**82**	**130**	**4**	**12**	**191**	**-**
Eni and CDP Industria SpA associates and jointly-controlled companies							
Greenstream BV	-	-	-	-	-	1	-
Mellitah Oil&Gas BV	2	-	2	-	-	-	-
Mozambique Rovuma Venture SpA (ex Eni East Africa SpA)	5	-	-	-	-	35	-
Petrobel Belayim Petroleum Co	187	24	308	-	-	202	-
PetroJunìn SA	-	-	2	-	-	-	-
Raffineria di Milazzo	1	2	1	-	-	2	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	-	1	-
Total Eni/CDP Industria SpA associates and jointly-controlled companies	**195**	**26**	**313**	**-**	**-**	**241**	**-**
Total Eni/CDP Industria SpA companies	**364**	**108**	**443**	**4**	**12**	**432**	**-**
Companies controlled or owned by the State	**21**	**16**	**51**	**-**	**-**	**37**	**-**
Total related party transactions	**736**	**692**	**846**	**4**	**221**	**765**	**-**
Overall total	**2,311**	**2,449**	**7,243**	**754**	**1,810**	**3,675**	**44**
Incidence (%)	**31.85**	**28.26**	**11.68**	**0.53**	**12.21**	**20.82**	**-**

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.

The figures shown in the tables refer to Note 8 “Trade receivables and other assets”, Note 17 “Trade payables, other liabilities and contract liabilities”, Note 27 “Guarantees, commitments and risks”, Note 28 “Revenue (core business revenue and other revenue and income)”, and Note 29 “Operating expenses (purchases, services and other costs)”.
The Saipem Group provides services to Eni Group companies in all sectors in which it operates, both in Italy and abroad.
Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group.
Other transactions consisted of the following:

	Dec. 31, 2019		June 30, 2020	
(€ million)	Other assets	Other liabilities	Other assets	Other liabilities
CCS JV Scarl	-	-	10	-
CEPAV (Consorzio Eni per l’Alta Velocità) Uno	1	-	-	-
Total related party transactions	**1**	**-**	**10**	**-**
Overall total	**170**	**46**	**186**	**56**
Incidence (%)	**0.59**	**-**	**5.38**	**-**

Financial transactions

Financial transactions, excluding net lease liabilities, for 2019 consisted of the following:

(€ million)

	Dec. 31, 2019				First half 2019		
Name	Cash and cash equivalents	Loan assets (1)	Payables	Commitments	Expenses	Income	Derivative financial instruments
CCS JV Scarl	-	146	-	-	-	-	-
Serfactoring SpA	-	2	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	1	-	-	-	-
Total related party transactions	**-**	**148**	**1**	**-**	**-**	**-**	**-**

(1) Shown in the statement of financial position under “Other current financial assets”.

Financial transactions, excluding net lease liabilities, as at June 30, 2020 consisted of the following:

(€ million)

	June 30, 2020				First half 2020		
Name	Cash and cash equivalents	Loan assets (1)	Payables	Commitments	Expenses	Income	Derivative financial instruments
CCS JV Scarl	167	-	-	-	-	1	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	-	-	-	-	-	-	-
Serfactoring SpA	2	-	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	-	1	-	-	-	-	-
Total related party transactions	**169**	**1**	**-**	**-**	**-**	**1**	**-**

(1) Shown in the statement of financial position under “Other current financial assets”.

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

	Dec. 31, 2019			June 30, 2020		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Current financial liabilities	164	1	0.61	308	1	0.32
Non-current financial liabilities (including current portion)	2,914	-	-	2,384	-	-
Total	**3,078**	**1**	**-**	**2,692**	**1**	**-**

	First half 2019			First half 2020		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Financial income	99	-	-	142	1	-
Financial expense	(154)	-	-	(218)	-	-
Derivative financial instruments	(46)	-	-	(19)	-	-
Other operating income (expense)	1	-	-	-	-	-
Total	**(100)**	**-**	**-**	**(95)**	**1**	**-**

Financial lease transactions

Financial lease transactions for 2019 were as follows:

(€ million)

	Dec. 31, 2019			First half 2019		
Name	Cash and cash equivalents	Receivables	Payables	Commitments	Expenses	Income
Eni SpA	-	-	1	-	-	-
Consorzio F.S.B.	-	-	2	-	-	-
Total related party transactions	**-**	**-**	**3**	**-**	**-**	**-**

Financial lease transactions at June 30, 2020 consisted of the following:

(€ million)

	June 30, 2020			First half 2020		
Name	Cash and cash equivalents	Receivables	Payables	Commitments	Expenses	Income
Eni SpA	-	-	1	-	-	-
Consorzio F.S.B.	-	-	2	-	-	-
Total related party transactions	**-**	**-**	**3**	**-**	**-**	**-**

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

	Dec. 31, 2019			June 30, 2020		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Long-term leases (including current portion of short-term leases)	626	3	0.48	489	3	0.61
Total	**626**	**3**		**489**	**3**	

The main cash flows with related parties were as follows:

(€ million)	June 30, 2019	June 30, 2020
Revenue and income	1,047	765
Costs and other expenses	(4)	(225)
Financial income (expenses) and derivatives	-	1
Change in trade receivables and payables	(231)	23
Net cash flows from operating activities	**812**	**564**
Change in loan assets	-	(21)
Net cash flows from investing activities	**-**	**(21)**
Change in loans and borrowings	-	-
Net cash flows from financing activities	**-**	**-**
Total cash flows with related parties	**812**	**541**

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

	June 30, 2019			June 30, 2020		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Cash flows from operating activities	419	812	193.80	(136)	564	414.71
Cash flows from investing activities	(151)	-	-	(208)	(21)	10.10
Cash flows from financing activities (*)	(59)	-	-	(458)	-	0.00

(*) Cash flows from financing activities do not include dividends distributed, net repurchases of treasury shares or capital contributions by non-controlling interests.

Information on jointly controlled entities

Jointly-controlled companies classified as joint operations do not have a significant value.

37 Significant non-recurring events and operations

Significant non recurring events or operations took place in the first half of 2020 as reported in Note 1 "Basis of presentation" in the paragraph "The effects of COVID-19 on evaluation criteria including business going concern".

38 Transactions deriving from atypical or unusual transactions

No atypical or unusual transactions were reported in the first half of 2019 and in the first half of 2020.

39 Outlook and events after the reporting period

The market scenario remains characterised by great uncertainty about the economic and financial prospects, because of the COVID-19 pandemic, still spreading worldwide, and because of the uncertainty as regards the demand for oil and gas and related services. Consequently, during the period, the investment plans of the Oil Companies have been considerably downsized. In this context, on April 15, 2020, Saipem Board of Directors decided to withdraw the guidance announced to the market at the end of February when presenting 2019 annual results. Despite the fact that the current year is still experiencing the impact of the COVID-19 pandemic, the backlog of orders to be carried out in the second half of the year will ensure the same volumes as in the first half.

Initiatives to reduce overhead and operating costs, estimated at about €190 million for 2020, are expected to shore up the group's adjusted EBITDA margin in the second half of the year, which could reach the levels of the first six-month period. Added to this is the rescheduling of capital expenditure, down over €200 million compared to the projections made at the beginning of the year.

This scenario does not take account of a further and possible tangible deterioration of business as a result of the intensification of the COVID-19 pandemic.

EMTN Programme: issue of senior bonds

On July 7, 2020, as part of the non-convertible bond issue programme known as the Euro Medium Term Note ("EMTN") Programme, Saipem Finance International BV ("SFI"), successfully placed a bond issue expiring on July 15, 2026, for an amount of €500 million. The notes to be listed on the Euro MTF of the Luxembourg Stock Exchange have been purchased by institutional investors mainly in Italy, France, Germany and the United Kingdom. The resources deriving from the issue will be used for general financial needs.

New contracts

As announced on July 22, 2020, Saipem has been awarded new offshore wind farm contracts:

- on behalf of Dogger Bank Offshore Wind Farms, a joint venture between Equinor and SSE Renewables, a contract for the transport and installation of two transformer platforms at the offshore wind farm in the United Kingdom;
- on behalf of Seaway 7, a contract for the installation of foundations at the Seagreen offshore wind farm in Scotland;
- on behalf of Ailes Marines, part of the Iberdrola Group, a contract for the transport and installation of the jacket and topside of the substation for the offshore wind farm of St-Brieuc, in France.

All offshore installation projects will be carried out by the crane ship Saipem 7000.

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

On January 30, 2018, Consob, having concluded its inspection commenced on November 7, 2016 (which ended on October 23, 2017) and about which Saipem gave information in the Annual Report 2016, has informed Saipem that it has detected non compliances in "the Annual Report 2016, as well as in the Interim Consolidated Report as of June, 30 2017" with the applicable international accounting standards (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 Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998".
With notes of February 13 and 15, 2018, the Company transmitted to Consob its own considerations in relation to the remarks formulated by the offices of Consob, highlighting the reasons for which it does not share such remarks.
On March 2, 2018, the Commission of Consob, partially accepting the remarks of the offices of Consob, informed Saipem of its own Resolution No. 20324 (the "Resolution"), with which it ascertained the "non-compliance of Saipem's Annual Report 2016 with the regulations governing their preparation", without censuring the correctness of the Interim Consolidated Report as of June 30, 2017.
According to the Resolution, the non-compliance of Saipem's Annual Report 2016 with the regulations which govern its preparation, concerns in particular: (i) the incorrect application of the accrual basis of accounting affirmed by IAS 1; (ii) the non-application of 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 IAS 36.
Consob has therefore asked the Company, pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58 of 1998, to disclose the following elements of information to the markets:
(A) the weaknesses and non-compliance identified by Consob in relation to the accounting correctness of the financial statements mentioned above;
(B) the applicable international accounting standards and the violations detected in relation thereto;
(C) the illustration, in an appropriate pro forma consolidated income statements and balance sheet – with comparative data – of the effects that accounting in compliance with the regulations would have produced on 2016 balance sheet, income statement and shareholders' equity, for which incorrect information was supplied.

A. Weaknesses and non-compliance identified by Consob regarding the correctness of accounting in the consolidated and statutory financial statements of 2016.
The weaknesses and non-compliance identified 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 2015";
(b) non-compliance of the process of estimation of the discount rate underpinning the 2016 impairment test with 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 shall correct the material prior period errors retrospectively in the first financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the year/years prior to the one in which the error occurred [...]".
In substance, in Consob's opinion, the circumstances at the basis of some of the impairment losses recognised in the 2016 financial statements already existed, wholly or in part, when preparing 2015 financial statements. Indeed, Consob alleges that the Company approved 2016 consolidated and statutory financial statements without having corrected the "material errors" contained in the consolidated and statutory financial statements of the previous administrative period, in relation to the following items:
> "property, plant and equipment";
> "inventories";
> "tax assets".
With regard to point sub (b), Consob alleges that the Company, for the purposes of the impairment test: (i) used a single rate to discount 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 changes in the 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 standards: IAS 1, IAS 8 and IAS 36.

Specifically, Consob has observed that the Company approved the 2016 consolidated and statutory financial statements without having corrected the "material errors" contained in the consolidated and statutory financial statements of the previous period, in relation to the following items:
- "property, plant and equipment";
- "inventories";
- "tax assets".

With reference to the item "property, plant and equipment" at December 31, 2015, Consob alleges the incorrect application of IAS 16 "Property, plant and equipment" and of IAS 36.
Specifically, Consob alleges that some impairment losses carried out by the Company on "property, plant and equipment" in the 2016 consolidated financial statements should have been accounted for, at least in part, in the previous year.
In particular Consob alleges:
(i) the incorrect application of IAS 36 with reference to the impairment test of some assets recognised as "property, plant and equipment" of the Offshore Drilling business unit and with respect to the assets recognised in the Offshore and Onshore Engineering & Construction business units. Consob's remarks refers to the methods used to estimate cash flows expected from the use of said assets for the purposes of the application of the impairment test with respect to 2015 and specifically to the incorrect application of IAS 36: (a) par. 33, lett. a), according to which "in measuring value in use an entity shall: a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence"; (b) par. 34 in the part that requires that management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past cash flow projections and actual cash flows. Management shall ensure that the assumptions on which its current cash flow projections are based are consistent with past actual outcomes, provided the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated make this appropriate; (c) par. 35 in the part that refers to the approach to be followed when use is made of cash flow projections over a period longer than 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 incorrect application of IAS 16, paragraphs 51, 56 and 57 with reference to the residual useful life of some assets registered as "property, plant and equipment" of the Onshore Drilling business unit, of the Offshore Engineering & Construction business unit and of the Onshore Engineering & Construction business unit. Consob's remarks concern the circumstances that the review of the estimation of the residual useful 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 agree with the recognition of the impairment losses included in the 2016 consolidated and statutory financial statements with reference to some inventories and to a deferred tax asset related to the items criticised by Consob for which the items of the impairment loss according to Consob should have been accounted for in 2015.
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 carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised" and that "to the extent that it is not probable that taxable profit will be available against which unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised".

Furthermore, Consob criticises the process of estimating the discount rate at the base of the impairment test for 2016 in so far as it is characterised by an approach that is not compliant with IAS 36 which requires that the Company "shall apply the appropriate discount rate to the future cash flows". More precisely, with respect to 2016 Consob does not agree with the approach taken by the Company, i.e., with reference to the execution of the impairment test it: (i) has used a single rate to discount cash flows of different business units which are characterised by different risk profiles; (ii) has not considered the country risk in relation to some assets operating in specific geographical areas over a long period of time.
In relation to the above, Consob also alleges the violation of the principle of correct representation of the company's situation which would not guarantee the observance of fundamental assumptions and qualitative characteristics of information.
Consob believes, in fact, that the importance of the errors and the significance of the shortcomings can likewise determine the non-compliance of the aforementioned financial statements with the requirements of reliability, prudence and completeness, pursuant to IAS 1.

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

On April 27, 2018, Saipem lodged an appeal with the Regional Administrative Court ("TAR") of Lazio requesting the annulment of the Resolution and of any other presumed or related act and/or provision.
On May 24, 2018, Saipem filed with the TAR-Lazio additional grounds for appeal against the aforementioned Resolution.
The date for the hearing before the TAR-Lazio has not yet been scheduled.
On April 16, 2018, Saipem issued a press release regarding the pro forma consolidated income statements and statement of financial position as at December 31, 2016 for the sole purpose of complying with the Resolution.

On April 6, 2018, after the closure of the market, the Offices of the Italian securities market regulator Consob (Divisione Informazione Emittenti - Issuer Information Division) announced with their communication No. 0100385/18 (the "Communication"), that they started an administrative sanctioning procedure, claiming some violations pursuant to Articles 191 and 195 of Italian Legislative Decree No. 58/1998 (the "Financial Law"), relating to the offer documentation (Prospectus and Supplement to the Prospectus) made available to the public by Saipem on the occasion of its capital increase operation, which took place in January and February 2016. The alleged violations were exclusively addressed to the members of the Board of Directors and the Chief Financial Officer/Officer Responsible for Financial Reporting in office at that time.
The Offices of Consob, in communicating their allegations to the interested parties also pointed out that, if the alleged violations were ascertained by the Commission of Consob at the outcome of the procedure, said violations *"would be punishable by an administrative fine between €5,000 and €500,000"*.
Saipem received notice of the communication solely as guarantor ex lege for the payment *"of any economic fines that may eventually be charged to the company executives at the outcome of the administrative procedure"*.
The allegations follow Consob Resolution No. 20324 of March 2, 2018 (the "Resolution"), the content of which was communicated to the market by the Company with its press release of March 5, 2018. The Resolution – with which, as also communicated to the market, the Company disagreed and that it will appeal before the Regional Administrative Tribunal (TAR) of Lazio – alleged, among other things, *"the inconsistency of the assumptions and elements underlying the Strategic Plan for 2016-2019 with respect to the evidence at the disposal of the administrative bodies"*, as the indicators of possible impairment of value of the assets, later impaired by Saipem in its nine-month interim report as of September 30, 2016 would already have existed, in the opinion of Consob, at the time of approval of the consolidated financial statements of 2015.
With its Communication, the Offices of Consob have charged the company executives who, at the time of the capital increase, performed management functions, with the violations that are the subject of the Resolution and have already been communicated to the market, as stated above. The Offices of Consob further claim certain *"elements relative to the incorrect drafting of the declaration on the net working capital"* required by the standards in force applicable to the prospectus.
The foregoing would imply, according to the Offices of Consob, *"the inability of the offer documentation to ensure that the investors would be able to formulate a well-grounded opinion about the equity and financial position of the issuer, its economic results and prospects, pursuant to Article 94, sections 2 and 7, of the Financial Law, with regard to the information concerning: a) estimates of the Group's results for 2015 (Guidance 2015 and underlying assumptions)"; "b) forecast of the Group results drawn from the Strategic Plan for 2016-2019 and underlying assumptions"; "c) the declaration on the Net Working Capital"*.
Also according to the Offices of Consob, Saipem would have additionally omitted, in violation of Article 97, section 1 and Article 115, section 1, letter a), of the Financial Law, to report to Consob *"information pertaining to: (i) the assumptions underlying the declaration on its Net Working Capital; (ii) the availability of an updated 'Eni Scenario' on the price of oil; and (iii) the existence of significant amendments to the assumptions underlying the Strategic Plan for 2016-2019"*. On July 4, 2018, Saipem, as guarantor ex lege for the payment "*of any fines that may eventually be charged to the company executives at the outcome of the administrative procedure*", submitted its defence to Consob.
Saipem and all the company executives who have received the Communication have proceeded to file their defences with the Consob Offices.
Consob, with its Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 and adopted at the outcome of the procedure for application of a fine initiated on April 6, 2018, applied the following fines: a) €200,000 on the company CEO; b) €150,000 on the Officer responsible for financial reporting in office at the time of the capital increase in 2016.
Consob also sentenced Saipem SpA to a payment of €350,000, as the party jointly liable for payment of the aforementioned administrative fines with the two persons fined pursuant to Article 195, section 9, of the Finance Law (in force at the time of the alleged violations), with obligation to recourse against the authors of the alleged breaches.

Consob ordered the filing of the procedure launched on April 6, 2018, against the non-executive Directors in office at the time of the facts alleged.
The Board of Directors of Saipem resolved on April 2, 2019 to appeal Resolution No. 20828 before the Court of Appeal.
A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Officer responsible for Financial Reporting in office at the time of the events. The first hearing before the Milan Court of Appeal was held on November 13, 2019. On that day, the Milan Court of Appeal postponed the discussion on November 4, 2020.

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

On January 22, 2019, the Public Prosecutor's Office of Milan notified Saipem SpA of a "local search warrant and seizure notice of investigation", in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's Office of Milan notified the Chief Executive Officer of the Company, as well as, for various reasons, two of its managers (including the former Manager responsible for the preparation of financial reporting appointed on June 7, 2016 and in charge up to the May 16, 2019) and a former manager of an investigation concerning the following offences: (i) accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the Prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.
Preliminary investigations are currently still under way.

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

1. The undersigned Stefano Cao and Stefano Cavacini in their capacity as CEO and manager responsible for the preparation of financial reports of Saipem SpA, respectively, pursuant to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998, certify that the internal controls over financial reporting in place for the preparation of the condensed interim consolidated financial statements as of June 30, 20120 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 interim consolidated financial statements as of June 30, 2020 have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Saipem in accordance with the Internal Control - Integrated Framework Model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:
   3.1 the condensed interim consolidated financial statements as of June 30, 2020:
      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 position, results of operations and cash flows of the Parent Company and the Group consolidated companies as of, and for, the period presented in this report;
   3.2 the interim operating and financial review includes a reliable analysis of the material events occurred during the first half of 2020 and their impact on condensed 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, 2020

/signed/ Stefano Cao
Stefano Cao
CEO

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

INDEPENDENT AUDITORS' REPORT

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
Saipem S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Saipem Group comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2020. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Saipem Group as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 6 August 2020

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit

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

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

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

Making change possible - Sustainability Report 2019
(in English)

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