

INTERIM CONSOLIDATED REPORT
AS OF JUNE 30, 2016



Mission

We approach each challenge with innovative, reliable and secure solutions to meet the needs of our clients. Through multicultural working groups we are able to provide sustainable development for our company and for the communities in which we operate.

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 Company's control. These include, but are not limited to: monetary 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), 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.

The forward-looking statements given herein are not intended to constitute an invitation to invest or to provide legal, accounting, tax or investment advice and should not be relied upon in that regard.

Countries in which Saipem operates

EUROPE

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

AMERICAS

Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Ecuador, Mexico, Panama, Peru, Suriname, United States, Venezuela

CIS

Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan, Ukraine

AFRICA

Algeria, Angola, Congo, Egypt, Gabon, Libya, Morocco, Mozambique, Namibia, Nigeria, Uganda

MIDDLE EAST

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

FAR EAST AND OCEANIA

Australia, China, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Thailand

Board of Directors and auditors of Saipem SpA

BOARD OF DIRECTORS

Chairman

Paolo Andrea Colombo

Chief Executive Officer (CEO)

Stefano Cao

Directors

Maria Elena Cappello, Federico Ferro-Luzzi,
Francesco Antonio Ferrucci, Guido Guzzetti, Flavia Mazzarella,
Nicla Picchi, Leone Pattofatto¹

BOARD OF STATUTORY AUDITORS

Chairman

Mario Busso

Statutory Auditors

Giulia De Martino

Massimo Invernizzi

Alternate Auditors

Paolo Sfameni

Maria Francesca Talamonti

⁽¹⁾ Appointed as Director by the Board of Directors with a resolution of the Board on January 21, 2016 and confirmed with a resolution of the Ordinary Shareholders' Meeting on April 29, 2016.

Independent Auditors

EY SpA

Saipem was until January 22, 2016 subject to the direction and coordination of Eni SpA*

(* As indicated in the Shareholders' Agreement between Eni and FSI (now CDP Equity SpA), as of the effective date of the sale (January 22, 2016), neither Eni nor CDP Equity SpA will carry out the 'sole control of Saipem pursuant to Article 93 of TUF'. Furthermore, according to the information contained in the document prepared by Eni pursuant to Article 5 of the Regulation 'Related parties' regarding the sale of the investment held by Eni in Saipem, the set-up in relation to the governance agreed upon are directed towards establishing joint control of Saipem by Eni and CDP Equity SpA.

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INTERIM RESULTS

In the first half year of 2016, Saipem achieved positive results despite a market context that continues to be challenging.

Revenues amounted to €5,275 million (€5,373 million in the same period of 2015), hence substantially stable compared to the same period last year.

Adjusted operating result (EBIT)¹ for the period amounted to €324 million, thanks to the excellent operational performances of Offshore Engineering & Construction and to the solidity of Offshore Drilling, which still benefits from rates negotiated in more favourable market periods.

The operating result (EBIT) amounts to €237 million, due to the effect of the write-off of overdue receivables deemed no longer recoverable of the Onshore Drilling Business Unit for €87 million. The adjusted net income for the first half of 2016 amounts to €140 million, while the net result is €53 million.

The Offshore Engineering & Construction sector accounted for 58.2% of revenues; the Onshore Engineering & Construction sector contributed 27.1% of revenues; the Offshore Drilling sector 9.2% of revenues and the Onshore Drilling sector generated 5.5% of revenues.

Net borrowings at June 30, 2016, stood at €1,940 million. The reduction compared to December 31, 2015 (€5,390 million) is due substantially to the share capital increase carried out during the first quarter of 2016. The cash flow for the first half year was offset by the increase in working capital and by capital expenditure in the period.

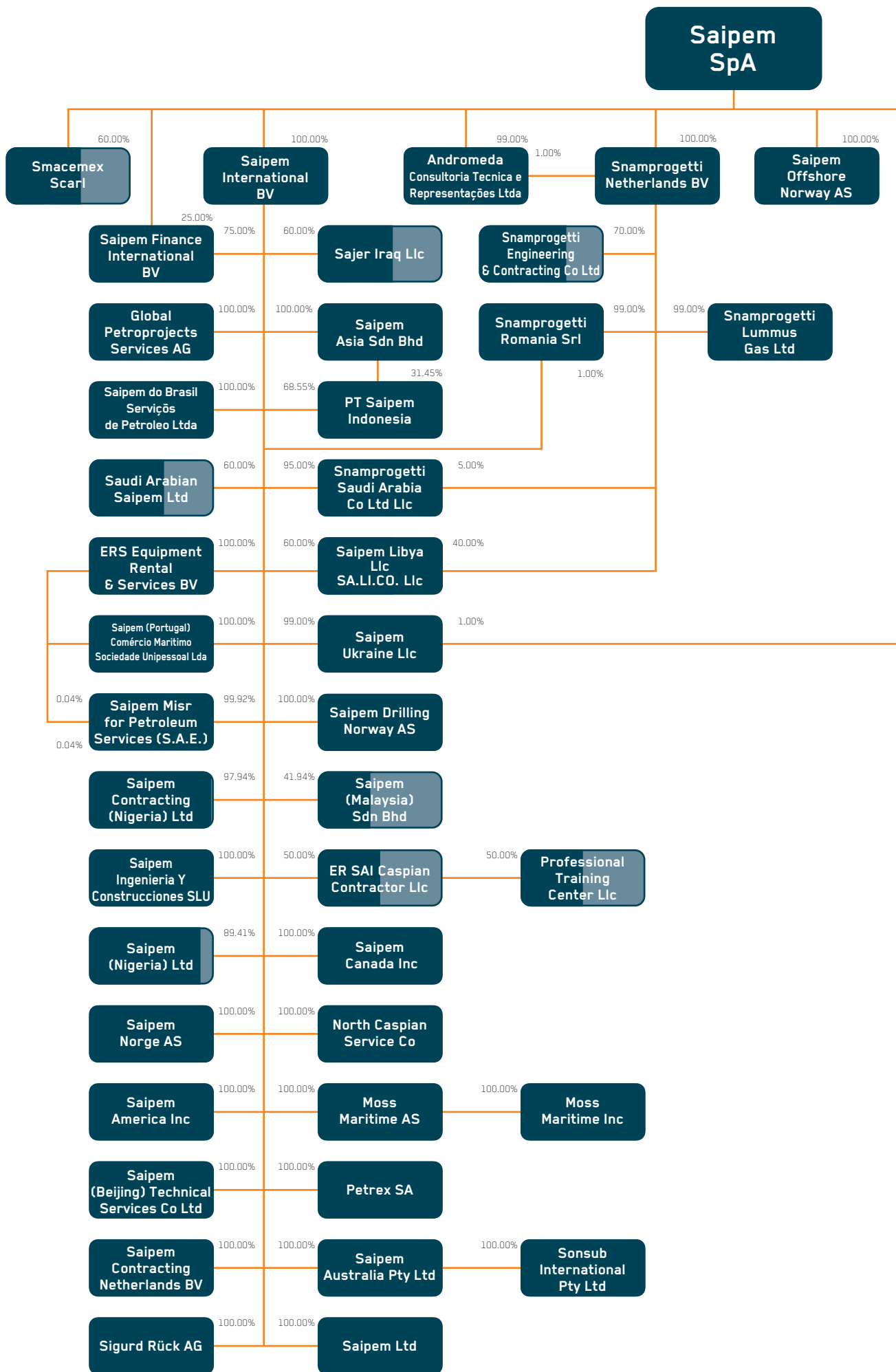
Capital expenditure in the first half of 2016 amounted to €97 million (€268 million in the first half of 2015).

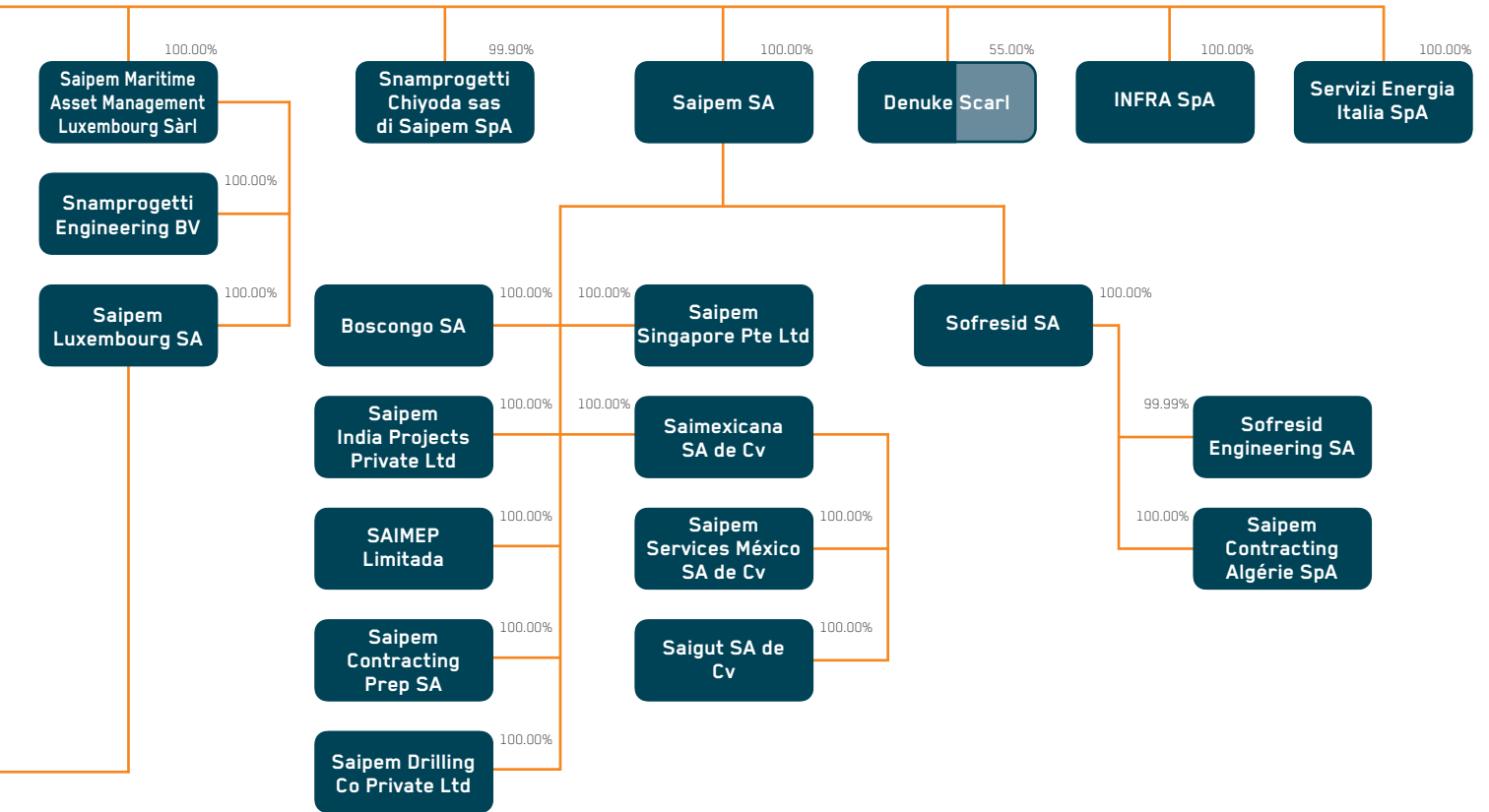
In the first half of 2016, Saipem was awarded new contracts amounting to a total of €3,328 million (€3,500 million in the first half of 2015). The backlog at June 30, 2016 stood at €13,899 million (€6,605 million in the Offshore Engineering & Construction sector, €4,864 million in the Onshore Engineering & Construction sector and €2,430 million in Drilling).

(1) Adjusted EBIT and the adjusted net profit do not include the write-down of overdue receivables of the Onshore Drilling Business Unit.

SHAREHOLDER STRUCTURE OF THE SAIPEM GROUP

(subsidiary companies)





The chart only shows subsidiaries

Operating and Financial Review

SAIPEM SPA SHARE PERFORMANCE

During the first half of the year, the price of ordinary Saipem shares on the Italian Stock Exchange fell by 61%. In the same period, the FTSE MIB index, which records the performance of the main Italian stocks, reported a decrease of 22%.

The share performance in the early days of the year had been conditioned negatively by the sharp fall in the price of oil, which in turn followed the downward trend begun the previous year. By January 20, Brent had fallen to below USD 28 per barrel, reaching its lowest level in 12 years. On January 4, the Saipem share opened the year at €7.28 and on January 20 stood at €5.78.

In this difficult context, on January 21 the Board of Directors set the terms and conditions for a share capital increase voted upon by the Shareholders Meeting of December 2, 2015. The issue price was €0.362 per share, for a total book value of €3,499,947,586.

The share capital increase transaction concluded on February 18, with 8,489,181,690 ordinary shares having been subscribed. This amounted to 87.8% of newly-issued ordinary shares. The remaining 1,179,181,806 shares were subscribed by the guarantor banks.

The share capital was therefore subscribed for a total book value of €3,499,947,586 (of which €1,749,973,793 as capital and €1,749,973,793 as share premium).

Following the share capital increase, the new Saipem share capital amounts to €2,191,384,693, divided into 10,109,665,070 ordinary shares and 109,326 savings shares with no nominal value.

During the subscription period, the sharp fall in the price of oil led to strong turbulence on the stock markets, striking in particular energy sector shares. On February 12, the share reached its minimum for the half year, namely €0.302. It rose again to €0.417 in early March,

driven by a gradual recovery in the price of crude and supported by the posting of the 2015 results, received positively by the financial community.

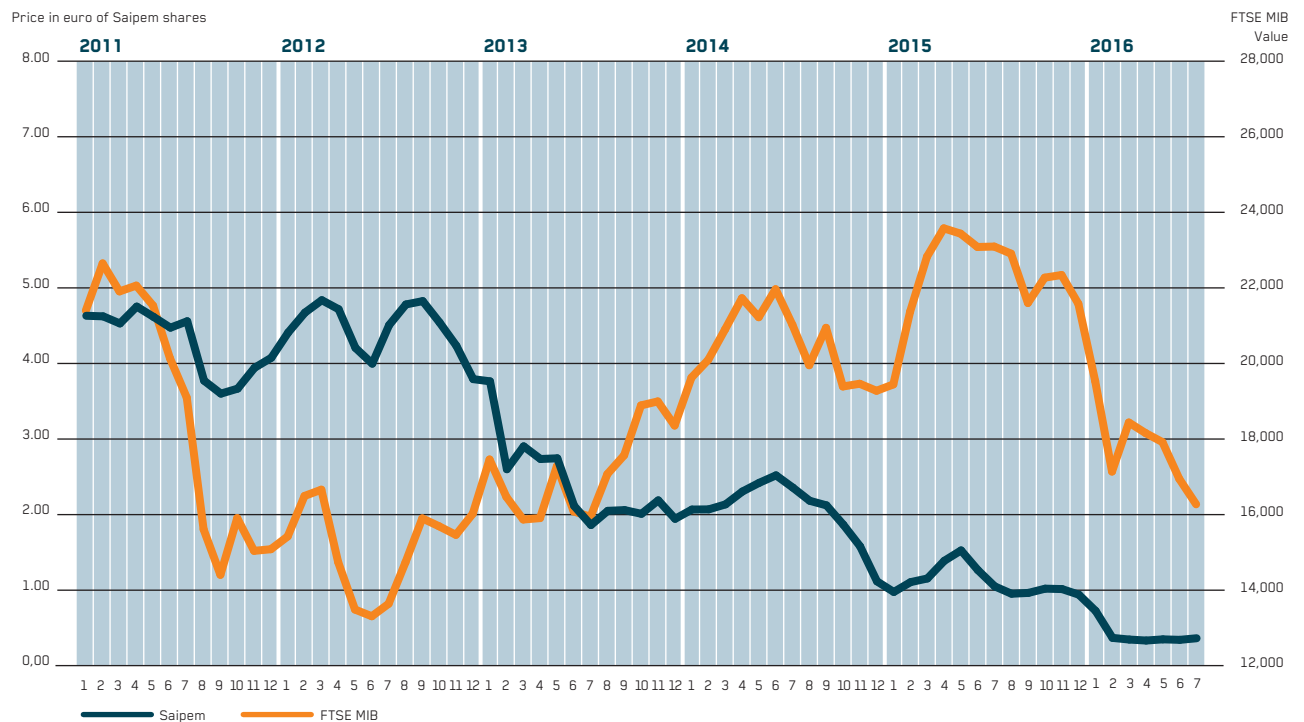
In subsequent months, the share performance fluctuated, conditioned by an uncertain and volatile market environment and by the caution of the financial markets as regards the outlook of oil industry companies, despite the recovery of oil prices towards USD 50 per barrel. In March, the negative effects on the share price of the purchase of most of the unsubscribed shares in a single day by the guarantor banks, coupled with the Unaoil scandal, dragged oil industry shares downwards. Contrarily, in April the awarding of new contracts to Saipem and the posting of the results for the first quarter were received positively by the financial community, driving the share price to €0.433 on April 29.

Caution returned in May, following the lowering by a notch of Saipem's long-term credit rating by Standard & Poor's and Moody's. In June, the share price was particularly volatile, in line with the fluctuations in the price of oil. The Saipem share closed the half year at €0.360, penalised by the turbulence caused by the results of the Brexit referendum in the United Kingdom.

In July, the share price showed signs of recovery, reaching €0.440 on July 20, 2016. Saipem's market capitalisation at June 30, 2016 was approximately €3.6 billion. In terms of share liquidity, 11.7 billion shares were traded during the half year, with a daily average in the period of 92 million shares exchanged. The value of shares traded amounted to €4.6 billion, while in the first half of 2015 it was around €10.6 billion.

As regards savings shares, which are convertible at par with ordinary shares and are of limited number, these were 106,126 at June 30, 2016. Their value decreased by 2% during the first half of the year, closing at €5.70 at the end of June 2016.

Listings on the Milan Stock Exchange	(€)	2012	2013	2014	2015	First half 2016
Ordinary shares:						
- maximum		4.974	4.051	2.629	1.606	0.917
- minimum		3.774	1.586	1.951	0.918	0.302
- average		4.467	2.883	2.268	1.257	0.435
- period end		4.317	1.586	2.483	1.198	0.360
Savings shares:						
- maximum		20.40	21.47	12.87	11.07	6.20
- minimum		18.40	15.33	9.95	9.38	3.90
- average		18.83	16.92	11.17	10.78	5.58
- period end		19.99	16.56	12.27	9.38	5.70

Saipem and FTSE MIB - Average monthly prices January 2011-July 2016


GLOSSARY

Financial terms

- **Adjusted EBIT** operating result net of special items.
- **EBIT** (earnings before interest and tax).
- **EBITDA** (earnings before interest, taxes, depreciation and amortisation).
- **IFRS** International Financial Reporting Standards. Accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Commission. 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. The standards issued previously continue to be under the IAS name.
- **Leverage** measures a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity including non-controlling interest.
- **OECD** Organisation for Economic Cooperation and Development.
- **ROACE** (Return On Average Capital Employed) calculated as the ratio between the net result before non-controlling interest, plus net finance charges on net borrowings less the related tax effect and net average capital employed.
- **Special items** items of income arising from events or transactions that are non-recurring or that are not considered to be representative of the ordinary course of business.
- **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.
- **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.
- **Dynamic Positioned Heavy Lifting Vessel** vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, current, etc.
- **EPC** (Engineering, Procurement, Construction) a type of contract typical of the Onshore 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.
 - **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 specific vessel transports the module, positions itself in the area within the support points, changes its balance by acting on the ballast caissons and while lowering positions the module onto the supports. 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** (Floating Production, Storage and Offloading) vessel 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.
 - **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.
 - **Hydrocracker** installation in which large hydrocarbon molecules are broken down into smaller ones.
 - **Hydrotesting** operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
 - **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
 - **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
 - **Jacket** platform underside structure fixed to the seabed using piles.
 - **Jack-up** mobile self-lifting unit comprising a hull and retractable legs used for offshore drilling operations.
 - **J-laying** method of pipelaying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter 'J'. This 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 vessel for which a lease contract is in place between a client/lessee (i.e. an oil company) and a contractor/lessor, whereby the lessee makes lease payments to the lessor for use of the vessel for a specific period of time. The lessee has the option to purchase the FPSO on the expiry of the agreement.
 - **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 company develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.
 - **LPG** (Liquefied Petroleum Gas) produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gas exists in a gaseous state at ambient temperatures and atmospheric pressure, but changes to a liquid state

- under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy-to-handle metal pressure vessels.
- **LTI** (Lost Time Injury) any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
 - **Midstream** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
 - **Moon pool** opening in the hull of a drillship to allow for the passage of equipment.
 - **Mooring buoy** offshore mooring system.
 - **Multipipe subsea** subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deep water application).
 - **National Oil Companies** State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.
 - **NDT** (Non Destructive Testing) 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.
 - **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-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.
 - **Shallow** waters see Conventional waters.
 - **Sick Building Syndrome** a combination of ailments associated with a person's place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites may be contributing factors.
 - **S-laying** method of pipelaying that utilises the elastic properties of steel, making the pipe configuration resemble the letter 'S', with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipelaying.
 - **Slug catcher** equipment for the purification of gas.
 - **Sour water** water containing dissolved pollutants.
 - **Spar** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
 - **Spare capacity** relationship between crude

- oil production and production capacity, i.e. quantity of oil which is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of two pipelines.
 - **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
 - **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
 - **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
 - **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
 - **Subsea treatment** a new process for the development of marginal fields. The system involves the injection and treatment of seawater 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.
 - **Tendon** pulling cables used on tension leg platforms to ensure platform stability during operations.
 - **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
 - **Tight oil** oil 'trapped' in liquid form deep below the earth's surface in low permeability rock formations, which it is difficult to extract using conventional methods.
 - **TLP** (Tension Leg Platform) fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
 - **Topside** portion of a platform above the jacket.
 - **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
 - **Trenching** burying of offshore or onshore pipelines.
 - **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
 - **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
 - **Upstream** relating to oil 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.

OPERATING REVIEW

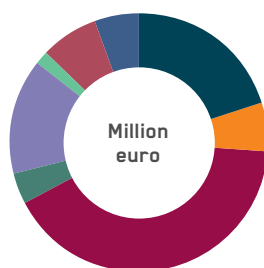
Market context

2016 saw a slight worsening in the economic downturn with world GDP still growing by under 3% compared to 2015, thereby highlighting a slow-down in both the advanced and emerging markets. The phase of depreciation of the euro compared to the dollar also stopped in light of the uncertainties in the US economy. During 2016, the average price of Brent, which fell in 2015 on account of weak global demand and the huge

production of crude on the part of OPEC, with Iran's exit from international isolation after the embargo also contributing, showed signs of recovery at the end of the first half year. Lowering crude oil prices have seen the Oil Companies further reduce the volume of global investments in the short to medium term. The fall in investments compared to the predictions of previous years is due to the delay in the awarding of projects underway, to cancellations of high risk projects, and to the cost reduction policies implemented by the Oil Companies in the recent period. In this context, contractors find themselves having to face ever more challenging situations and the experience, reliability, technological know-how and project management capabilities, including complex and/or large-scale ones, have become indispensable elements to remain competitive in the Engineering & Construction and Drilling sectors.

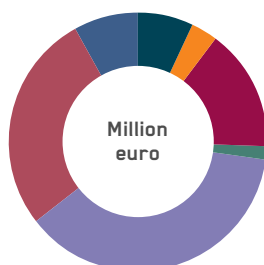
New contracts by geographical area
(€3,328 million)

- €674 Italy
- €196 Rest of Europe
- €1,371 CIS
- €133 Far East
- €479 Middle East
- €54 North Africa
- €239 West Africa and rest of Africa
- €182 Americas



Order backlog by geographical area
(€13,899 million)

- €996 Italy
- €463 Rest of Europe
- €2,105 CIS
- €220 Far East
- €5,195 Middle East
- €8 North Africa
- €3,811 West Africa and rest of Africa
- €1,101 Americas



New contracts and backlog

New contracts awarded to the Saipem Group during the first half of 2016 amounted to €3,328 million (€3,500 million in the first half of 2015). 65% of all contracts awarded were in the Offshore Engineering & Construction sector, 30% in the Onshore Engineering & Construction sector, 3% in the Offshore Drilling sector and 2% in the Onshore Drilling sector.

New contracts to be carried out abroad make

Saipem Group - New contracts awarded during the first half of 2016						
2015			First half 2015		First half 2016	
Amount	%		Amount	%	Amount	%
2,243	34	Saipem SpA	659	19	554	17
4,272	66	Group companies	2,841	81	2,774	83
6,515	100	Total	3,500	100	3,328	100
4,479	69	Offshore Engineering & Construction	2,742	78	2,158	65
1,386	21	Onshore Engineering & Construction	431	12	990	30
234	4	Offshore Drilling	189	6	117	3
416	6	Onshore Drilling	138	4	63	2
6,515	100	Total	3,500	100	3,328	100
279	4	Italy	136	4	674	20
6,236	96	Outside Italy	3,364	96	2,654	80
6,515	100	Total	3,500	100	3,328	100
507	8	Eni Group	214	6	155	5
6,008	92	Third parties	3,286	94	3,173	95
6,515	100	Total	3,500	100	3,328	100

up 80% of the total, showing a lower incidence compared to the same period of 2015; contracts awarded by Eni Group companies were 5% of the overall figure. Acquisitions of the parent company Saipem SpA amounted to 17% of the total. The backlog as at June 30, 2016 amounts to €13,899 million. The breakdown of the backlog by sector is as

follows: 48% in the Offshore Engineering & Construction sector, 35% in the Onshore Engineering & Construction sector, 11% in Offshore Drilling and 6% in Onshore Drilling. 93% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 10% of the overall backlog. The parent company Saipem SpA accounted for 37% of the total order backlog.

Saipem Group - Backlog as at June 30, 2016								
Dec. 31, 2015			(€ million)		June 30, 2015		June 30, 2016	
Amount	%		Amount	%	Amount	%		
5,386	34	Saipem SpA	5,176	27	5,144	37		
10,460	66	Group companies	13,842	73	8,755	63		
15,846	100	Total	19,018	100	13,899	100		
7,518	47	Offshore Engineering & Construction	9,283	49	6,605	48		
5,301	34	Onshore Engineering & Construction	6,086	32	4,864	35		
2,010	13	Offshore Drilling	2,547	13	1,586	11		
1,017	6	Onshore Drilling	1,102	6	844	6		
15,846	100	Total	19,018	100	13,899	100		
496	3	Italy	613	3	996	7		
15,350	97	Outside Italy	18,405	97	12,903	93		
15,846	100	Total	19,018	100	13,899	100		
1,736	11	Eni Group	2,067	11	1,358	10		
14,110	89	Third parties	16,951	89	12,541	90		
15,846	100	Total	19,018	100	13,899	100		

Capital expenditure

Capital expenditure in the first half of 2016 amounted to €97 million (€268 million in the first half of 2015) and mainly related to:

- €51 million in the Offshore Engineering & Construction sector: for maintenance and upgrading of the existing asset base;
- €4 million in the Onshore Engineering & Construction sector: purchase of equipment;
- €18 million in the Offshore Drilling sector:

class reinstatement works on the semi-submersible platform Scarabeo 6 and on the drilling jack-up Perro Negro 5, as well as maintenance and upgrading of the existing asset base;

- €24 million in the Onshore Drilling sector: upgrading of two rigs for operations in Kuwait in the framework of two contracts in the backlog, as well as the upgrading of other assets.

In summary, the following table provides a breakdown of capital expenditure in the first half of 2016:

Capital expenditure					
2015		(€ million)		First half	
				2015	2016
102	Saipem SpA			24	23
459	Group companies			244	74
561	Total			268	97
168	Offshore Engineering & Construction			82	51
36	Onshore Engineering & Construction			17	4
247	Offshore Drilling			107	18
110	Onshore Drilling			62	24
561	Total			268	97

OFFSHORE ENGINEERING & CONSTRUCTION

General overview

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

The latest addition to the fleet is the Castorone – a 330-metre long, 39-metre wide mono-hull pipelay vessel equipped with a class 3 dynamic positioning (DP) system, an S-lay system and features allowing for the installation of a J-lay tower.

The Castorone has been designed for challenging large-diameter, deep-water pipelay projects, but it also possesses the flexibility and productivity necessary for effective deployment on less complex projects. The vessel's distinctive features include a class 3 DP system, the capacity to fabricate and lay triple joint pipes of up to 48" in diameter (60" including coating) with a tensioning capacity of up to 900 tonnes (up to 1,500 tonnes in conditions of pipe flooding using a special patented clamp), a highly automated firing line made up of 7 workstations (3 welding and 4 completion/inspection stations), an articulated stinger for pipelaying in shallow and deep-water with an advanced control system, and the capacity to operate in extreme environments (Ice Class A0).

The current trend for deep-water field developments continues to drive the success of the FDS 2.

The FDS 2 is a 183-metre long, 32-metre wide mono-hull equipped with a cutting-edge class 3 DP system and a pipeline fabrication system. It has a vertical J-lay tower with a holding capacity of 2,000 tonnes capable of laying quad joint sealines of up to 36" in diameter and also possesses the capability to operate in S-lay mode.

With its 1,000 tonne crane and two 750 and 500 tonne capstan winches (both featuring a heave compensation system), the FDS 2 is suited to even the most challenging of deep-water projects.

Saipem's fleet of technologically advanced vessels also includes the Saipem 7000, which is equipped with a dynamic positioning system, has a 14,000-tonne lifting capacity, is capable of laying subsea pipelines in ultra-deep waters using the J-lay system and can handle a

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

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

Saipem also enjoys a strong position in the subsea market, thanks to its use of highly sophisticated technologies, such as subsea ROVs and specially equipped robots capable of carrying out complex deep-water pipeline operations.

Finally, the Company is also active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitoria, and the Gimboa, operating in Brazil and Angola, respectively.

Market conditions

In an uncertain economic environment, where clients are looking to optimise and reduce development costs, investments in the Offshore Engineering & Construction sector have shown a general decline compared to 2015, which has affected the areas of West Africa and 'the Asia-Pacific in particular. Several significant projects have been blocked, such as Bonga North West (Shell) and Etan (Eni) both in Nigeria, Cameia (Cobalt International) and Chissonga (Maersk Oil) in Angola. In Australia, Woodside Petroleum has decided to postpone the Browse project, while in North America, which was affected in particular by the current context, in the Gulf of Mexico the development of the Buckskin and Moccasin fields (Chevron) has been cancelled and the Thunder Bird project (Murphy Oil) has been suspended.

Subsea developments decreased in the first half of 2016 compared to the figures recorded in 2015. This decline is fairly widespread geographically but applies in particular to the Asia-Pacific region: installations remain driven by activities in South America and the North Sea, where important projects, such as Goliat (Eni) in Norway and Parque das Conchas III (Shell) in Brazil, were started. As far as water depth is concerned, a weakening of the submarine units installed in deep water has been noted for the period.

The demand for pipelines is planned to drop sharply in 2016, with the Russia/Caspian and South America areas as the only ones in slight contrast in terms of kilometres laid. The highest levels of operations were concentrated in the Asia-Pacific area, especially through the award of the Vashista deep water project in late 2015, and Mumbai High North, both operated by the Oil and Natural Gas Corporation (ONGC) in India.

As part of large diameter pipelines, we wish to highlight the Rota II deep water project by Petrobras for the transport of natural gas from an offshore field to the Brazilian coast. In the Mediterranean, Trans Adriatic Pipeline (TAP) has awarded the construction contract of the offshore part of the Trans Adriatic Pipeline designed to transport gas between Albania and Italy across the Adriatic Sea. Among the projects cancelled, it is worth noting the expansion of the Umm Shaifield (Adma-Opco) field in the UAE.

As for the installation of fixed platforms, it is estimated for the current year a decline in activity level. No fixed platform of large size was installed in the first part of 2016. In February, Shell confirmed that the final investment decision of the Bonga Southwest Project will be moved to 2017, and Chevron has postponed the Gehem and Gendalo project in Indonesia. Most installations of the first half of 2016 involved mainly smaller sized platforms in the Asia-Pacific, including Zawtika I (PTTEP) in Myanmar and Weizhou (CNOOC) in China.

As for the FPSO segment, demand is expected to remain weak for the entirety of 2016 as the oil price volatility has forced operators to postpone several investment decisions, resulting in no FPSO orders in the first six months of 2016. It is estimated that two will be awarded by the end of the year, both

in the Asia-Pacific: we are awaiting awarding of the Husky CNOOC for the development of MDA/MBH gas fields in Indonesia, while Repsol is finalising the final investment decision for the Ca Rong project in Vietnam which will include both a leased FPSO and a Tension Leg Platform.

No new contract awards are expected in the FLNG segment for 2016, and many initiatives are still in the feasibility/FEED stage. It is estimated that only two projects will be approved by 2020: Eni is negotiating with suppliers for the Coral FLNG after the approval of the development plan by the government of Mozambique, while Delfin FLNG, the first FLNG development in the US, has already secured preliminary LNG sales agreements. In Equatorial Guinea, Ophir Energy is considering the possibility of reaching a final investment decision by 2016 regarding the Fortuna FLNG project.

New contracts

The most significant acquisitions of the first half of 2016 concern the following projects:

- for BP, the call-off 007 in the framework agreement for activities relating to the T&I Shah Deniz 2 project, involving the transportation and installation of jackets, topsides, subsea production systems and subsea structures for stage 2 of the Shah Deniz field development project;
- for Trans Adriatic Pipeline AG, an EPCI contract within the Trans Adriatic Pipeline project, encompassing the installation of a pipeline for the transportation of gas between Albania and Italy through the Adriatic Sea;
- for Hywind Scotland, in the framework of the Hywind Scotland project, a contract for the lifting and installation of floating offshore wind turbines;
- additional works related to the installation in the Caspian Sea of pipelines for the transportation of multiphase fluids.

Capital expenditure

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

Work performed

The biggest and most important projects underway or completed during the first half of 2016 were as follows.

In Saudi Arabia, for Saudi Aramco:

- installation work has been completed on the **Al Wasit Gas Program** for the development of the Arabiyah and Hasbah offshore fields. The contract encompasses the engineering, procurement, fabrication and installation of fifteen fixed platforms in addition to an export pipeline, offshore pipeline, subsea and control cables. Operations are also completed under the same contract supplementing the scope of work with the engineering, procurement, transport, installation and commissioning of 2 trunklines in the Arabiyah and Hasbah fields;
- operations are nearing completion on the **Marjan Zuluf** contract for the engineering, procurement, fabrication, transport and installation of new offshore facilities, including three platforms, three jackets and associated pipelines and subsea cables;
- on behalf of Saudi Aramco, in the framework of the **Karan** project, work is underway involving the engineering, procurement, transportation and installation of offshore facilities including an observation platform, a wellhead production deck module, auxiliary platforms and a pipeline;
- engineering and procurement activities have begun on the **Abu Safah** for the EPCI contract for the construction of two jackets, two decks, flexible lines and composite cables in the field.

Engineering, procurement and fabrication works have been completed for Eni Muara in Indonesia and fabrication activities continue on the **Jangrik** EPCI project. The scope of work includes engineering, procurement, fabrication of the FPU and the installation of a mooring system, as well as hook-up, commissioning and assistance to the start-up.

Pipelaying work has been completed in Australia for Inpex on the **Ichthys LNG** project, which consisted of the engineering, procurement, construction and installation of a subsea pipeline connecting the offshore central processing facility to the onshore processing facility in Darwin.

In West Africa:

- work is almost completed for Total Exploration and Production on the **GirRI (Girassol Resources Initiatives)** contract, in Block 17 in Angola, which encompasses engineering, procurement, fabrication, installation and commissioning of changes to the topside of the pumping system on the FPSOs Girassol and Dalia;

- work has been completed for Cabinda Gulf Oil Co (CABGOC) on the fourth and fifth installation campaigns of the **Congo River Crossing Pipeline** project in Angola, which comprises engineering, procurement, fabrication and the installation of three subsea pipelines and subsea spools, as well as trenching and crossing works. The project was carried out off the coasts of Angola and the Democratic Republic of the Congo;
- for Total, in Angola, engineering and procurement activities are completed, and work on the conversion of the hulls and fabrication of topsides modules is underway on the **Kaombo** EPCI project, which encompasses engineering, procurement and commissioning of two FPSO vessels;
- fabrication work is underway for Total Upstream Nigeria on the EPCI contract for the subsea development of the **Egina** field. The scope of work includes engineering, procurement, fabrication, installation and pre-commissioning of subsea oil production and gas export pipelines, flexible jumpers, and umbilicals;
- work has been completed for Cabinda Gulf Oil Co Ltd (CABGOC), in Angola, on installation and pre-commissioning activities on the **Mafumeira 2** project. The contract comprised services of engineering, procurement, fabrication, installation and pre-commissioning of URF (umbilical, riser and flowline) facilities and export pipelines;
- work is nearing completion for Cabinda Gulf Oil Co Ltd (CABGOC), in Angola, on the EPCI 3 contract encompassing the engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-ins on the existing **Mafumeira Norte** platform and the future **Mafumeira Sul** production platforms;
- on behalf of Eni Angola, work continues on the **East Hub Development** project, which encompasses the provision of 5 flexible risers and 20 km of rigid flowlines, as well as the installation of SURF facilities which include umbilical sections, rigid spools, well jumpers and 14 PLETs.

In Kuwait for the Kuwait National Petroleum Corp (KNPC), work is underway in the framework of the construction of the new **Al-Zour** refinery, Package 5, in joint venture with Hyundai Engineering & Construction and SK Engineering & Construction. The project encompasses the design, procurement, construction, pre-commissioning and assistance during commissioning tests, start-up and performance check for solid object management pier, pelletisation and transportation of sulphur, subsea discharge lines, a construction port zone, an offshore island and a small naval port.

In the North Sea:

- work is almost complete for Det Norske Oljeselskap ASA on a contract encompassing the transportation and installation of the **Ivar Aasen** jacket and the **topside** in the Norwegian sector of the North Sea;
- on behalf of Statoil, activities continue on the **Johan Sverdrup Export Pipeline** project, which encompasses the installation of a gas pipeline and an oil pipeline for the Mongstad refinery;
- for Dong Energy, the client halted work early on the **Dong Hejre** project for convenience.

In Azerbaijan, work continued for BP on the **T&I Shah Deniz 2** contract involving the transportation and installation of jackets, topsides, subsea production systems and subsea structures for stage 2 of the Shah Deniz field development project. Within the Framework Agreement for Phase 2 of the project, work commenced on the call-off 007 contract 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, support for the vessel and, from 2017, management of a maritime base.

In China, work continued for Husky Oil China Ltd on the **Liwan 3-1** project encompassing engineering, procurement and installation services for two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform;

In Kazakhstan:

- for the North Caspian Operating Co (NCOC), work continued for the construction of two pipelines, which will connect D island in the Caspian Sea to the Karabatan onshore plant. The scope of work includes the engineering, the procurement of the welding materials, the conversion and the preparation of vessels, the dredging, the installation, the burial and the pre-commissioning of the two pipelines;
- work continued for Agip Kazakhstan North Caspian Operating Co NV on the contract for the **EP Clusters 2 and 3** project in the framework of the Kashagan field development. The contract includes services of engineering, procurement, fabrication, and transportation of three topside production manifold modules;
- work continued for North Caspian Production Operations Co BV on the **Major Maintenance Services** project. The contract encompasses the provision of maintenance and services for offshore and onshore rigs and should terminate in 2018.

In the Gulf of Mexico for Pemex, in the framework of the project for the development of the **Lakach** field, during the first half of the year work continued on engineering and procurement, despite the fact that, in April, the client suspended the project for four months for convenience. Activities, which include services of engineering, procurement, construction and installation of the system connecting the offshore field with the onshore gas conditioning plant, should recommence in August 2016.

In Brazil, for Petrobras:

- work has been completed on the **Sapinhoà Norte and Cernambi Sul** project, encompassing services of engineering, procurement, fabrication, installation and pre-commissioning of the SLWR (Steel Lazy Wave Riser) for the collection system at the Sapinhoà Norte field, and of the FSHR (Free Standing Hybrid Risers) for the gas export systems at the Sapinhoà Norte and Cernambi Sul fields. Work also continued on the **Iracema Sul** project;
- work has concluded on the contract for the construction of the **Rota Cabiúnas** gas export trunkline, situated in the Santos Basin Pre-Salt Region. The development comprised the engineering and procurement of subsea equipment and the installation of a gas pipeline in a maximum water depth of 2,200 metres. The pipeline will connect the Central Gathering Manifold in the Lula field, in the Santos Basin, to the onshore Processing Plant of Cabiúnas, located in the Macaé district, in the State of Rio de Janeiro;
- work continued on the **Lula Norte, Lula Sul and Lula Estremo Sul** project, which includes services of engineering, procurement fabrication and installation of three subsea pipelines and two gas export manifolds.

In Venezuela, work is temporarily suspended for PDVSA in Venezuela while awaiting payment on the part of the client for work on the construction of the **Dragon-CIGMA** project involving the transportation and installation of a gas pipeline which will connect the Dragon gas platform to the CIGMA complex.

In Italy:

- for Trans Adriatic Pipeline AG, engineering work began for the installation of a pipeline for the transportation of gas between Albania and Italy via the Adriatic Sea;
- for Eni Exploration & Production, in the framework of the **Campagna Mare 2015**, work was completed on the Clara North West platform which had been postponed in accordance with the client until 2016.

In the Leased FPSO segment, the following vessels carried out operations during the period:

- for Petrobras, the **FPSO Cidade de Vitoria:**
 - (i) carried out operations as part of an eleven-year contract with Petrobras on the second phase of development of the Golfinho field, situated off the coast of Brazil at a water depth of 1,400 metres; (ii) in the
- the **FPSO Gimboa** carried out operations on behalf of Sonangol P&P under a contract for the provision and operation of an FPSO unit for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.

Offshore fleet at June 30, 2016

Saipem 7000	Self-propelled, semi-submersible, dynamically positioned crane and pipelay vessel capable of lifting structures of up to 14,000 tonnes and J-laying pipelines at depths of up to 3,000 metres.
Saipem FDS	Dynamically positioned vessel utilised for the development of deep-water fields at depths of over 2,000 metres. Capable of launching 22" diameter pipes in J-lay configuration with a holding capacity of up to 750 tonnes (upgrade to 750 tonnes currently underway) and a lifting capacity of up to 600 tonnes.
Saipem FDS 2	Dynamically positioned vessel utilised for the development of deep-water fields, capable of launching pipes with a maximum diameter of 36" in J-lay mode with a holding capacity of up to 2,000 tonnes. Also capable of operating in S-lay mode with a lifting capacity of up to 1,000 tonnes.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipe at depths of up to 1,000 metres.
Castorone	Self-propelled, dynamically positioned pipe-laying vessel operating in S-lay mode with a 120-metre long S-lay stern ramp composed of 3 articulated and adjustable stinger sections for shallow and deep-water operation, a holding capacity of up to 750 tonnes (expandable to 1,000 tonnes), pipelay capability of up to 60 inches, onboard fabrication facilities for triple and double joints and large pipe storage capacity in cargo holds.
Castoro Otto	Derrick pipelay ship capable of laying pipes of up to 60" diameter and lifting structures weighing up to 2,200 tonnes.
Saipem 3000	Mono-hull, self-propelled D.P. derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and lifting structures of up to 2,200 tonnes.
Bar Protector	Dynamically positioned, multi-purpose support vessel used for deep-water diving operations and offshore works.
Castoro II	Derrick lay barge capable of laying pipe of up to 60" diameter and lifting structures of up to 1,000 tonnes.
Castoro 10	Trench/pipelay barge capable of burying pipes of up to 60" diameter and of laying pipes in shallow waters.
Castoro 12	Pipelay barge capable of laying pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Castoro 16	Post-trenching and back-filling barge for pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Ersai 1	Heavy lifting barge equipped with 2 crawler cranes, capable of carrying out installations whilst grounded on the seabed. The lifting capacities of the 2 crawler cranes are 300 and 1,800 tonnes, respectively.
Ersai 2	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Ersai 3	Support barge with storage space, workshop and offices for 50 people.
Ersai 4	Support barge with workshop and offices for 150 people.
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 ₂ S 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.
FPSO - Cidade de Vitoria	FPSO unit with a production capacity of 100,000 barrels a day.
FPSO - Gimboa	FPSO unit with a production capacity of 60,000 barrels a day.

The vessel Saibos 230 was divested on February 29, 2016.

ONSHORE ENGINEERING & CONSTRUCTION

General overview

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

Saipem enjoys a worldwide leading position in the Onshore sector, providing a complete range of integrated basic and detailed engineering, procurement, project management and construction services, principally to the Oil & Gas, complex civil and marine infrastructure and environmental markets. The company places great emphasis on maximising local content during project execution phase in a large number of the areas in which it operates.

Market conditions

The Onshore Engineering & Construction market, and the upstream segment in particular, is influenced by different factors, such as the impact that the fall in the price of Brent crude had on National and International Oil Company investments, and that was generated by the imbalance, in the process of re-balancing between the supply and demand for oil.

In a highly competitive market scenario, the EPC contracts awarded in the Onshore Engineering & Construction sector (upstream, midstream and downstream) were in line with the levels reached in same period of 2015. On a global level, there was a consistent share of EPC projects awarded in the Middle East (Kuwait, Saudi Arabia, Iraq, Oman, Qatar and Bahrain), distributed throughout almost all segments of Onshore Engineering & Construction (pipelines, LNG, refining, upstream and to a lesser degree, also in petrochemicals). In the Asia-Pacific (Cambodia, India and China), in the refining, LNG and pipeline segments. In North America (United States and Mexico), in the fertilizer, refining and to a lesser degree also in the petrochemical segments. In the CIS (Russia and Azerbaijan), in the pipeline and refining segments. In Europe (the Netherlands and Greece), in refining and pipelines. In South America (Chile), with the award of a large pipeline project. There were a number of minor projects also in North Africa. In the short to medium term, the overall volume of investments in the Onshore Engineering

& Construction sector remained consistent despite showing a decrease compared to the previous years' forecasts. This decrease mostly hit the North American and Asia-Pacific areas, which were still important areas of investment (more than 50% of overall investments).

The Upstream segment (and in particular the North American area), is preparing for a period of further reductions in investments due to the protraction of the largest oil supply. Despite that market conditions are not favourable to the segment, projects with a good probability of achieving success, because they are more economically and/or politically cost effective, have been announced. Although the first half of 2016 saw a significant reduction in the EPC contracts awarded, almost exclusively located in the Middle East (Saudi Arabia, Kuwait and Oman), the area retains a strategic importance in a global context where the awarded projects are few and small in size. The Upstream segment continued to show good short to medium term growth potential driven by gas and oil field discoveries and developments, but there is an increasingly pressing need for massive investments to maintain and replace the production levels of existing fields, which are in gradual decline. The greatest opportunities for new projects are located in the Middle East, North America and North Africa.

The Pipeline segment shows a level of EPC contracts awarded in the first half of 2016 in line with awards in the previous three years. The downturn in the price of oil has not had much influence on the new pipeline awards but still interferes with that part of the segment related to the development of new fields, such as collection systems (Oil/Gas Gathering), that could be subject to delays further ahead. Important projects were awarded in the first half of 2016 in Russia, the Middle East (Saudi Arabia and Oman), Asia-Pacific (India) and Europe (Greece). There were minor awards for gas pipelines in North Africa (Algeria) and Europe (UK). The pipeline segment is constantly driven by the abundance of available gas and, consequently, by the need to transport the gas from the production fields to the end user markets. This is why, in recent years, projects to build new gas pipelines or to expand existing ones outnumber oil pipeline projects. This is expected to continue in the short to medium term, particularly in countries opting to develop non-conventional fields, which will need to upgrade their

distribution infrastructure. Projects are planned in the short to medium term in all geographical areas of interest. Major investments are forecast in the North American and Middle East areas. There will still be interesting opportunities in other geographical regions.

The value of the EPC contracts awarded in the LNG segment is comparable with the level reached in the first six months of last year. Contracts for liquefaction plants have stalled following many award rich years, while the segment is supported by the acquisition of contracts for regasification plants, located mainly in the Middle East (Kuwait) and Asia-Pacific (India and China). Worldwide production capacity will grow in 2016 with the commissioning of three new LNG facilities in North America and Australia. Production capacity is even expected to grow in the coming six months. After years of growth forecasts, the volume of investments in North America decreased as a result of overcapacity created in this market and the slowdown in global economic growth. Although the segment is supported by continuous and constant abundance of gas from unconventional fields, which is enabling natural gas to be produced at a low cost, from the price of Henry Hub, which is currently lower than the price of gas in the other world markets, the growth of gas production is expected to decrease. The segment remains one of the main engines to support investments in the Engineering & Construction sector. In addition to North America, major investments are planned also in Africa (north, central and south), the Asia-Pacific and CIS areas, and to a lesser extent, in the remaining geographic regions.

In the general context of reduction in investments in the first half of 2016, the Refining segment will keep a role of primary importance in terms of total value of contracts awarded. The segment has always been one of the major drivers sectors of the Onshore Engineering & Construction market in terms of EPC contract awards. Despite the decline, compared with the 2014 peak year, but up compared to the same period of 2015, the first half of 2016 has seen important awards in the Asia-Pacific (Cambodia), in the Middle East (Iraq, and smaller awards also in Bahrain, Kuwait and Oman), North America (Mexico), Europe (the Netherlands), CIS (Azerbaijan) and North Africa (minor contract in Egypt). Demand for oil products is growing, just as quantity and quality, and is mainly supported by the increase in

consumption in the transport and petrochemicals sector, especially in non-OECD countries. But there has been a slowdown in demand growth as a result of a steady increase in efficiency and the use of alternative fuels. While there was a decline in investment in the short to medium term, caused by a shift forward of the projects, the volume is still considerable and involves the totality of the geographic areas monitored.

Major investments are planned for the Asia-Pacific, America (North and South), Africa, Middle East and CIS. Increasingly stringent environmental regulations, particularly in OECD countries (in Europe in particular), and the reduction of the sulphur content in fuel oils, forced the refining segment to constantly revamp in terms of efficiency, also favouring medium and small investments by unit conversion, the closure of outdated refineries and the construction of mega export refineries in crude oil producing countries, especially in the Middle East.

The Petrochemicals segment, after an award rich 2014 and a 2015 downturn, but with major acquisitions especially in the second half of the year, saw a significant downturn in the first months of 2016 with the awarding of minor contracts in Saudi Arabia, the United States, Egypt and Azerbaijan. The overall capacity of petrochemical plants is expected to increase in the short to medium term with numerous projects planned in different geographical areas such as Asia (China and India in particular), the Middle East (Iran, but not only), North America (United States) and CIS (Russia). In the United States, the abundance of resources from shale oil and gas fields, obtained through the crushing of deep rocks, has improved the profitability of basic chemical plants, such as ethylene and methanol, which after years of a reduction in capacity, is starting to grow again. Investments in the segment are supported by an increase in global demand for petrochemical products (among the main ones ethylene, methanol, and propylene) and will involve both the construction of new complexes, both expansion and/or modernisation of existing ones. The segment was positively influenced by the continuous research in both conventional, i.e. propane dehydrogenation (PDH), and non-conventional technologies, from gas to propylene (GTP), from the gas to olefines (GTO), from coal to olefines (CTO), and from methanol to olefines (MTO). Investments are also stimulated by the continuous search for economies of scale and integration with refinery complexes.

Acquisitions of new projects in the Fertilizer segment are stable. The value of the contracts awarded is comparable to the market performance of the first half of the last three years, and is supported by EPC contracts awarded primarily in North America (United States). The area shows a growth in investment expectations even in the short to medium term, in contrast with the rest of the world.

The volume of investments and the growth forecasts of global demand decrease, and production capacity in the short term, is still significantly higher than demand, especially in China. The decrease in the price of urea at current values is not enough to cover the high production costs of many plants in China, so it is expected to rebalance capacity by closing down of various plants in the area with old and inefficient systems and replacing them with new, more profitable plants. The Fertiliser segment also features small-medium scale investment for expansion and upgrading of already existing complexes. New initiatives have been identified in all areas of interest. As regards investment volumes, North America, the Middle East and North Africa, the CIS, Asia-Pacific, Central Africa and South America are the most interesting.

Finally, the rapid economic development occurring in the emerging countries is creating an important new market for large-scale civil and port Infrastructures which Saipem is targeting, especially in strategic regions.

New contracts

The most significant new contract awarded in the first half of 2016 is the EPC project for Ital Gas Storage (IGS), which encompasses the development of natural gas storage plants in Cornegliano Laudense, in the province of Lodi. The plants will be connected to the Italian gas network, and in turn connected to the large national and European high pressure gas pipelines.

Capital expenditure

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

Work performed

The largest/most important projects underway or completed during the first half of 2016 were:

In Saudi Arabia:

- work continues for Saudi Aramco on two

EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project for the generation of electricity to be undertaken at approximately 80 km from the city of Jazan, in south-western Saudi Arabia. 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 six Sulphur Recovery Unit (SRU) trains and the associated storage systems. The scopes of work of both packages include engineering, procurement, construction, pre-commissioning, assistance to commissioning and performance tests of the concerned facilities;

- work continued for Petrorabigh (a joint venture between Saudi Aramco and Sumitomo Chemical) on the contract for the Naphtha and Aromatics Package of the **Rabigh II** project, which encompasses the engineering, procurement and construction of two processing units: a naphtha reformer unit and an aromatics complex. Again for the Rabigh II project, in the first half of 2016 Saipem was awarded additional works;
- for Saudi Aramco, work continues on the **Complete Shedgum - Yanbu Pipeline Loop 4&5** project, which includes detailed engineering, procurement of all materials, excluding the line pipe supplied by the client, construction, pre-commissioning and assistance with commissioning;
- for Saudi Aramco, work commenced on the **Khurais** EPC project that encompasses the extension of onshore production facilities in the Khurais, Mazajili, Adu Jifan, Ain Dar, Shedgum and Qurayyah fields.

In the United Arab Emirates:

- construction work for the three product lines (shale gas, natural gas liquids and condensate) has been completed on the contract for Abu Dhabi Gas Development Co Ltd forming part of the development of the high sulphur content **Shah** sour gas field. The development project encompasses the treatment of 28 million cubic metres of gas a day from the Shah field, the separation of the sulphur from the gas, and the transportation of the gas product lines by pipeline to the national gas network in Habshan and Ruwais, in the north of the Emirate. The guarantee period is underway, and negotiations are still ongoing for the recognition of change orders and claims which emerged during project execution;
- work has been completed on a project for the Etihad Rail Co in Abu Dhabi encompassing the engineering and construction of a **railway line** for the transportation of granulated sulphur, linking the natural gas production fields of Shah and Habshan (located inland) to the port of

Ruwais. Change orders and claims which emerged during project execution were recognised during the half year.

In Kuwait:

- activities continued on the **BS 171** contract for Kuwait Oil Co (KOC), which encompasses the engineering, procurement and construction of a new booster station comprising 3 high- and low-pressure gas trains for the production of dry gas and condensate. Negotiations are still underway for the recognition of change orders and claims which emerged during project execution. It should be noted that during 2015 the client approved and paid a part of the total under negotiation;
- work continued for the Kuwait National Petroleum Corp (KNPC) on the **Al-Zour Refinery**, Package 4, in joint venture with Essar Projects Ltd. The project 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.

In Iraq:

- work has been completed for Shell Iraq Petroleum Development on the **Majnoon** project, which encompassed the installation of two gas treatment trains, turbocompressors and auxiliary equipment, as well as tie-ins to existing facilities. The first compression and treatment train is already supplying gas to the North Rumaila power station;
- work continued for Fluor Transworld Services Inc and MorningStar for General Services Llc (ExxonMobil) on the **West Qurna** project. The contract comprises engineering, procurement, construction, pre-commissioning and commissioning of water treatment and conveyance infrastructure, a pipeline and a water injection system;
- for Basrah Gas Co (BGC) work on the recovery of the **Terminal Import & Storage LPG of Umm Qasr**, which encompassed inspection, engineering and construction targeted at securing the plant and increasing its production capacity, is heading towards closure.

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

In Nigeria:

- work continued for Dangote Fertilizer on the **Dangote** project for a new ammonia and urea production complex. Originally situated in Edo State, the plant was relocated by the

client to the Lekki Free Trade Zone, Lagos State. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities and off-site facilities;

- complex work is underway for Southern Swamp Associated Gas Solution (SSAGS) on the **Southern Swamp** contract, comprising engineering, procurement, construction and commissioning of compression facilities at four sites and of new gas central production facilities at one of the sites, which will treat the routed associated gas. Negotiations are underway for the recognition of change orders and claims which emerged during project execution;
- work continued for Total Exploration and Production Nigeria (TEPNG) on the **Northern Option Pipeline** project, comprising engineering, procurement, construction and commissioning of a pipeline that will connect Rumuji to Imo River.

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

In Italy:

- for Ital Gas Storage (IGS), work is underway on engineering and procurement for the **EPC Gas Storage Surface Facilities** project encompassing the development of natural gas storage plants in Cornegliano Laudense, in the province of Lodi;
- for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group), work is nearing completion on the contract for the detailed engineering, project management and construction of a 39 km section of **high-speed railway line** and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation;
- for Versalis, activities have commenced in relation to the **Versalis-Ferrara IT** EPC contract for the construction of a fourth production line to operate alongside three existing lines, in addition to increasing production capacity and upgrading the plant's outside battery limit auxiliary systems.

In Poland, engineering work was completed for Polskie LNG on the **Polskie** contract for a re-gasification terminal on the northwest

coast of the country, and delivered to the client during the reporting period. The contract encompassed the engineering, procurement and construction of the regasification facilities, including two liquid gas storage tanks.

Work continued for Canadian Natural Resources (CNR) on the **Hydrotreater Fase 3** and **SRU-SWC** project, which encompasses additional units for the Horizon refining complex.

In Mexico:

- work is underway for Transcanada (Transportadora de Gas Natural Norte - Noroeste) on the **El Encino** project, comprising engineering, procurement and construction of a pipeline from El Encino (Chihuahua State) to Topolobampo (Sinaloa State). The project includes two compressor stations and three metering stations;
- work continued for Pemex on the **Tula and Salamanca** contract for the construction of two desulphurisation units and two amine regeneration units to be built at two of the client's refineries. The facilities will be built at the Miguel Hidalgo refinery, located 2,000 metres above sea level near the town of Tula and at the Antonio M. Amor refinery, located 1,700 metres above sea level near

the town of Salamanca. Specifically, during the reporting period the certificate of mechanical completion was obtained for the two plants and the completion of commissioning-start up;

- for Fermaca Pipeline El Encino, in Mexico, work is underway on the EPC **Fermaca Compressor Station** project that encompasses engineering, procurement, construction and support with commissioning of a new compression station in El Encino.

In Azerbaijan and Georgia, for the Shah Deniz consortium, activities related to the **SPCX Pipeline** contract are underway, encompassing the construction of two pipelines and above ground installations. Both worksites are in full operational phase.

In Australia, work has been completed for Gladstone LNG Operations Pty Ltd on the **Gladstone LNG** contract which involved the engineering, procurement and construction of a gas pipeline, with the aim of connecting the Bowen and Surat fields to the Gladstone State Development Area (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built. Legal proceedings have commenced for the recognition of change orders and claims which emerged during project execution.

OFFSHORE DRILLING

General overview

At June 2016, the Saipem offshore drilling fleet consisted of fourteen vessels, divided as follows: seven deepwater units for operations at depths in excess of 1,000 metres (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 6, Scarabeo 7, Scarabeo 8 and Scarabeo 9), two high specification jack-ups for operations at depths of up to 375 feet (Perro Negro 7 and Perro Negro 8), four standard jack-ups for activities at depths up to 300 feet (Perro Negro 2, Perro Negro 3, Perro Negro 4 and Perro Negro 5) and one barge tender rig (TAD). The fleet is completed by other minor units active offshore Peru. All units are the property of Saipem. During the half year it was also decided to proceed with the sale of the mid water semi-submersible Scarabeo 3 due to the lack of prospects for its use in the short to medium term.

During the half year Saipem's offshore drilling fleet operated offshore Norway, in the Mediterranean (Egypt), in the Red Sea, in the Persian Gulf, in West Africa, in Indonesia and offshore Peru.

Market conditions

The downturn in the market that commenced in 2014 affected the first half of 2016. The price of oil, which went below 30 dollars per barrel in the first weeks of the year, later rising to about 50 dollars per barrel at the end of the second quarter, remained weak overall, consequently impacting the entire segment in a negative manner.

The difficult moment for the market is reflected principally in the investments of the Oil & Gas companies: reductions in investments for the acquisition of drilling services has in fact continued, with a fall-off in the order of 20% compared with the first half of 2015.

Use trends have generally been downward, averaging around 70%; only the most technically modern units have managed to record higher use levels of the fleet, which, however, are only slightly higher than the general market average. As already happened in 2015, the phase of difficulty has seen various oil & gas companies decide to terminate in advance the contractual commitments undertaken in preceding years with various drilling contractors. The negative cycle in the Oil & Gas sector has pushed various contractors into opting for the retirement and

dismantling of their oldest vessels: to the 54 units returned in 2015 due to lack of activities and prospects in the medium term, in the first six months of 2016 a further 25 units can be added, bringing the offer of drilling rigs down by 12% since the beginning of the crisis. Even the short-term trends in the rates for contracts assigned in the period has been conditioned by a general weakness. Ultra deep water is below \$300 thousand per day and the high spec jack-ups are below \$100 thousand per day.

The combined effect of the expected increase in oil prices, the re-equilibrium between supply and demand for rigs and the need for cutting-edge vessels, will lead to a recovered in the daily rates over the medium term.

Saipem management is convinced that the speed of the recovery in daily rates will be in line with the historical trend recorded. These expectations are even more legitimate with regard to countries such as Norway, where the limited supply of offshore drilling vessels will lead to a stronger recovery in the rates compared to other geographical areas.

Following the significant number of orders awarded in previous years, new offshore drilling rig construction levels remained healthy, with 168 new rigs under construction (117 jack-ups, 18 semi-submersibles and 33 drillships), 73 of which are slated for delivery by year end 2016. No fewer than 134 units under construction have not yet secured contracts and in the medium term will contribute to a significant increase in global drilling rig services.

The negative market phase has also led, in several cases, to the postponement of the time frames for the delivery of plants under construction, ostensibly to 2017 and beyond, while awaiting better market conditions.

The significant number of units that will be delivered in the short to medium term, and the already mentioned retirement that has affected a part of the existing fleet, represent structural changes in the offshore drilling that will have significant effects in the medium to long term.

New contracts

The most significant contracts awarded to the Group during the first half of 2016 were:

- for Eni, a contract for the construction of a well offshore Portugal beginning from the third quarter of the financial year;
- for Eni Norge, the extension until October 2017 of the contract for the use of the ultra deep water semi-submersible rig Scarabeo 8 for operations in the sub-Arctic area of the Barents Sea.

Capital expenditure

Investments during the reporting period concerned class reinstatement and work to ensure the compliance of vessels with international regulations and client requirements. The facilities which received investments were mainly the semi-submersible rig **Scarabeo 6** and the jack-up **Perro Negro 5** (in this latter case work for class reinstatement commenced near the end of last year and were concluded in the first quarter of 2016).

Work performed

In the first half of 2016, Saipem's offshore units drilled 32 wells (of which 23 workovers), totalling 50,232 metres.

The fleet was used in the following way:

- deep-water units: the drillship **Saipem 12000** has continued its idle period in Namibia which began following the decision in October 2015 taken by Total, the previous client, to interrupt works underway till that time in Angola; the period of idleness has been used to optimise the asset; in June, preparation for work on behalf of Eni, which will be carried out in Portugal beginning from the third quarter, also commenced; the drillship **Saipem 10000** continued operations in Egypt in the framework of a multi-year contract for Eni; the semi-submersible **Scarabeo 9** operated in Angola for Eni in the framework of a multi-year contract; the semi-submersible **Scarabeo 8** continued drilling activities in the Norwegian sector of the Barents Sea for Eni Norge; the semi-submersible

Scarabeo 7 continued operations in Indonesia for Eni Muara Bakau in the framework of a multi-year contract; the semi-submersible **Scarabeo 6**, having concluded operations in Egypt for Burullus and maintenance activities, was cold stacked while awaiting the acquisition of further work; the semi-submersible

Scarabeo 5 continued its idle period in Norway following the decision taken by the client, Statoil, to suspend operations in September 2015; the period of idleness, remunerated at the suspension rate, was used for the completion of rig optimisation in view of the recovery of operations in the second half of the year;

- mid water units: the semi-submersible **Scarabeo 3** was transferred from Nigeria to Almeria (Spain) for divestment;
- high specification jack-ups: the **Perro Negro 8** continued activities for the National Drilling Co (NDC) in the Arab Emirates; the **Perro Negro 7** continued to operate for Saudi Aramco offshore Saudi Arabia;
- standard jack-ups: the **Perro Negro 2** continued activities in the Arab Emirates for the National Drilling Co (NDC); the **Perro Negro 3** completed activities in the Arab Emirates again for the National Drilling Co (NDC) and was laid up at the Saipem base in Sharjah; the **Perro Negro 5** continued activities in Saudi Arabia on behalf of Saudi Aramco; the **Perro Negro 4** continued to operate in the Red Sea for Petrobel;
- other activities: in the Congo, the tender assisted drilling unit **TAD** continued work for Eni Congo SA; offshore Peru, work was carried out for Pacific Offshore Energy and Savia.

Utilisation of vessels

Vessel utilisation in the first half of 2016 was as follows:

Vessel	(days)	First half 2016	
		under contract	Idle
Semi-submersible platform Scarabeo 3 ⁽¹⁾		-	182 ⁽²⁾
Semi-submersible platform Scarabeo 5		182	-
Semi-submersible platform Scarabeo 6		14	168 ^{(3) (4)}
Semi-submersible platform Scarabeo 7		182	-
Semi-submersible platform Scarabeo 8		182	-
Semi-submersible platform Scarabeo 9		182	-
Drillship Saipem 10000		182	-
Drillship Saipem 12000		182	-
Jack-up Perro Negro 2		182	-
Jack-up Perro Negro 3		119	63 ⁽²⁾
Jack-up Perro Negro 4		180	2 ⁽³⁾
Jack-up Perro Negro 5		131	51 ⁽⁴⁾
Jack-up Perro Negro 7		182	-
Jack-up Perro Negro 8		182	-
Tender Assisted Drilling Barge		182	-

(1) Vessel slated for scrapping.

(2) The vessel was not under contract.

(3) The vessel underwent maintenance works to address technical problems.

(4) The vessel underwent class reinstatement works and/or preparation works for a new contract.

ONSHORE DRILLING

General overview

At June 2016, Saipem's onshore drilling fleet consists of one hundred proprietary units. The areas of operations were Latin America (Peru, Bolivia, Colombia, Ecuador, Chile and Venezuela), Saudi Arabia, the Caspian Sea region (Kazakhstan), Africa (Congo and Morocco).

Market conditions

During the first half of the year, the overall volume of investments by oil companies saw a downward trend, with a fall-off of 18% in the markets in which Saipem operates compared to the second half of 2015, which in turn was conditioned by a significant slowdown in activities. The downturn is witnessed by the weakness of oil prices (which fell below \$30 per barrel in the first weeks of 2016), while the lack of significant prospects for recovery in the short and medium term conditioned the first six months of the financial year.

The United States is among the areas that have seen the most significant fall-off in activities, with a reduction in investments of 40% compared with the previous half year. In this area, alongside the weak price of oil and gas, record levels of stocks have further contributed to creating the conditions for depressing the demand for drilling services. Latin America, historically an oil price sensitive area, has also seen one of the most noteworthy fall-offs in activity, quantifiable as 35% down compared to the previous half year. The reductions recorded in other regions were more contained. The only exception, as in the previous financial year, is the Middle East, an area which, despite the pressure on leasing rates, has in fact continued to show substantial stability in the level of activities, thanks to Saudi Arabia (confirmed as the market of reference in the region) and to countries with significant programmes for growth, such as Kuwait.

New contracts

Among the most significant contracts awarded during the first half of the year are those with various clients for the use of rigs in South America, Saudi Arabia, Kazakhstan and Morocco.

Capital expenditure

The main investments made during the year related to work to ready rigs for operations in Kuwait under previously acquired multi-year contracts. Improvement and integration interventions were also carried out for maintaining the operating efficiency of the fleet and meeting the specific requirements of client companies.

Work performed

92 wells (of which 9 were workovers) were drilled during 2015, with a total of 301,761 metres drilled.

In Latin America, Saipem operated in a variety of countries: in **Peru**, work was carried out for various clients, including Cepsa, CNPC, Pacific Rubiales and Repsol; Saipem has been present in the country with 18 of its own rigs; a further unit is in the United States for maintenance; in **Bolivia**, four rigs were deployed for YPFB Andina, Pluspetrol and Repsol; in **Chile** activities were carried out for ENAP and Enerco using two rigs; the unit under contract with Enerco was also used in a farm-out agreement for works for MRP, at the end of which it was placed on stand-by due to the unfavourable market conditions and remunerated by the client; in **Colombia** Saipem was present with six rigs of which only two were operative in activities conducted for Equion; there were four rigs in **Ecuador**; the only one under contract for Agip Oil was placed on stand-by due to the unfavourable market conditions and remunerated by the client; finally, in **Venezuela**, where there are twenty-seven units, work continued for PDVSA; while awaiting the outcome of matters pertaining to outstanding back payments and new methods of collaboration with the client in future activities, operations were progressively reduced during the half year up to the shut-down of 26 of the 27 rigs present in the country; in proximity to the end of the previous financial year, a unit operating in the country was also sent to the United States for maintenance in view of possible uses outside Venezuela.

In **Saudi Arabia**, Saipem deployed twenty-eight rigs which carried out operations for Saudi Aramco under previously acquired multi-year contracts. Preparation continued on 2 rigs that will operate in **Kuwait** on several contracts acquired from KOC.

In the Caspian Sea region, Saipem operated in **Kazakhstan** for various clients, including Agip

KCO and Zhaikmunai, using 4 owned rigs. In Africa, Saipem operated in the **Congo** and in **Morocco**, in the former case for Eni Congo SA with the management of a unit owned by the client, and in the latter with a proprietary rig which arrived from the Mauritania and which began activities in April for Sound Energy.

In **Italy**, work continued on preparation of a rig destined for use on behalf of Eni; the works, initially expected to commence in the first half of 2016, were postponed to the first half of 2017; the period is, however, remunerated at the stand-by rate.

Utilisation of rigs

Average utilisation of rigs was 70.4% (93.5% in the first half of 2015). At June 30, 2016, Company-owned rigs amounted to 100, located as follows: 28 in Saudi Arabia, 28 in Venezuela, 19 in Peru, 6 in Colombia, 5 in Kazakhstan, 4 in Ecuador, 3 in Bolivia, 2 in Chile, 1 in Italy, 1 in the Congo, 1 in Morocco, 1 in Kuwait and 1 in Tunisia. In addition, 2 units owned by third parties were used in Peru, 1 third-party unit was used in Congo and 1 in Chile.

FINANCIAL AND ECONOMIC RESULTS

As previously stated, revenues and associated profit levels are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules in Engineering & Construction, as well as to deadlines and renegotiation of contracts in Drilling.

In the oil price scenario described above, the prospects for the oil services sector continue to be bleak. The clients' focus on reducing costs translates into a hardening of their negotiation strategies, a push for greater efficiency on the projects assigned, delays in the awarding of new projects and, in some cases, the cancellation of projects already awarded.

Results of operations

Saipem Group - Income statement

Year 2015	(€ million)	First half		% Ch.
		2015	2016	
11,507	Net sales from operations	5,373	5,275	(1.8)
5	Other income and revenues	-	2	
(8,782)	Purchases, services and other costs	(4,349)	(3,746)	
(2,222)	Payroll and related costs	(1,221)	(949)	
508	Gross operating result (EBITDA)	(197)	582	..
(960)	Depreciation, amortisation and impairment	(593)	(345)	
(452)	Operating result (EBIT)	(790)	237	..
(244)	Net finance expense	(110)	(70)	
34	Net income from investments	7	9	
(662)	Result before income taxes	(893)	176	..
(127)	Income taxes	(13)	(120)	
(789)	Result before non-controlling interests	(906)	56	..
(17)	Net profit attributable to non-controlling interests	(14)	(3)	
(806)	Net result	(920)	53	..

Net sales from operations in the first half of 2016 amounted to €5,275 million.

Gross operating result (EBITDA) amounted to €582 million. Depreciation and amortisation of tangible and intangible assets amounted to €345 million.

The **operating result (EBIT)** for the first half of 2016 amounted to €237 million. The main discrepancies are detailed below in the analysis by segment of operations.

Net finance charges stood at €70 million, the

reduction of which, compared to the same period in 2015, can be ascribed mainly to lower net borrowings following the share capital increase and the lower cost of debt maintenance.

Net income from investments amounted to €9 million, more or less in line with the previous half year.

The **result before income taxes** amounted to €176 million. Income taxes were €120 million. The **net result** was €53 million.

Year 2015	(€ million)	First half	
		2015	2016
508	EBITDA	(197)	582
100	Impairment	100	87
608	Adjusted EBITDA	(97)	669

Year 2015		(€ million)	First half	
			2015	2016
(452)	Operating result (EBIT)		(790)	237
298	Impairment		311	87
(154)	Adjusted operating result (EBIT)		(479)	324

The write-down at June 30, 2016 of €87 million concerns overdue receivables of the Onshore Drilling Business Unit. In the same period of 2015, the write-downs were €211

million in capital assets and overdue receivables of the Onshore Drilling Business Unit totalling €100 million.

Saipem Group - Adjusted income statement

Year 2015		(€ million)	First half		% Ch.
			2015	2016	
11,507	Net sales from operations		5,373	5,275	(1.8)
5	Other income and revenues		-	2	
(8,682)	Purchases, services and other costs		(4,249)	(3,659)	
(2,222)	Payroll and related costs		(1,221)	(949)	
608	Adjusted gross operating profit (EBITDA)		(97)	669	..
(762)	Depreciation, amortisation and impairment		(382)	(345)	
(154)	Adjusted operating result (EBIT)		(479)	324	..
(244)	Net finance expense		(110)	(70)	
34	Net income from investments		7	9	
(364)	Adjusted result before income taxes		(582)	263	..
(127)	Income taxes		(13)	(120)	
(491)	Adjusted result before non-controlling interests		(595)	143	..
(17)	Net profit attributable to non-controlling interests		(14)	(3)	
(508)	Adjusted net result		(609)	140	..

Operating result and costs by function

Year 2015		(€ million)	First half		% Ch.
			2015	2016	
11,507	Net sales from operations		5,373	5,275	(1.8)
(11,110)	Production costs		(5,590)	(4,620)	
(198)	Idle costs		(86)	(153)	
(118)	Selling expenses		(63)	(58)	
(14)	Research and development costs		(6)	(7)	
(22)	Other operating income (expenses)		(8)	(18)	
(199)	General and administrative expenses		(99)	(95)	
(154)	Adjusted operating result (EBIT)		(479)	324	..

In the first half of 2016, the Saipem Group reported **net sales from operations** of €5,275 million, a decrease of €98 million compared to the same period of the previous year.

Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €4,620 million, representing a decrease of €970 million compared with the first half of 2015, which

included the effects of the write-down of working capital of €572 million. Idle costs increased by €67 million, due to the idleness of several vessels of the Offshore Engineering & Construction Business Unit on account of delayed awarding of new contracts, of vessels in the South America area of the Onshore Drilling Business Unit and of the semi-submersible drilling rig Scarabeo 6 belonging to the Offshore Drilling Business

Unit, which was idle during the first half of 2016. Selling expenses of €58 million show a decrease of €5 million due to the cost reduction programme.
The costs of research recognised among operating costs were €7 million, more or less in

line with the figure for the same period in 2015. General expenses of €95 million show a decrease of €4 million due to the cost reduction programme.
The breakdown by business sector is as follows:

Offshore Engineering & Construction

Year	2015	(€ million)	First half	
			2015	2016
	6,890	Net sales from operations	3,388	3,071
	(6,401)	Cost of sales	(3,192)	(2,742)
	489	Gross operating result (EBITDA)	196	329
	(297)	Depreciation, amortisation and impairment	(160)	(125)
	192	Adjusted operating result (EBIT)	36	204
	(138)	Impairment	(150)	-
	54	Operating result (EBIT)	(114)	204

Revenues for the first half of 2016 amounted to €3,071 million, down 9.4% compared to the same period in 2015. This was mainly attributable to lower volumes recorded in the Middle East, Australia and Russia, which were largely offset by higher volumes recorded in Azerbaijan and Kazakhstan. The cost of sales of €2,742 million decreased compared with the first half of 2015, in line with the lower volumes. Depreciation and amortisation were down €35 million compared to the same period in 2015, due to the lower contribution of a vessel, whose useful life reviewed at the end of 2014 came to an end in June 2015. Adjusted operating result (EBIT) for the first

half of 2016 amounted to €204 million, equal to 6.6% of revenues, versus €36 million, equal to 1.1% of revenues, in the first half of 2015. The increase is due mainly to higher profitability from projects under execution in Kazakhstan and Azerbaijan. EBITDA margin stood at 10.7% compared to 5.8% for the same period of 2015. Operating result (EBIT) for the first half of 2016 amounted to €204 million, versus a loss of €114 million in the first half of 2015 which includes the write-off of certain vessels and of a fabrication yard amounting to a total of €150 million.

Onshore Engineering & Construction

Year	2015	(€ million)	First half	
			2015	2016
	2,788	Net sales from operations	1,048	1,427
	(3,442)	Cost of sales	(1,735)	(1,407)
	(654)	Gross operating result (EBITDA)	(687)	20
	(39)	Depreciation, amortisation and impairment	(21)	(19)
	(693)	Adjusted operating result (EBIT)	(708)	1
	(49)	Impairment	(50)	-
	(742)	Operating result (EBIT)	(758)	1

Revenues for the first half of 2016 amounted to €1,427 million, a 36.2% increase compared to the same period of 2015, characterised by the impairment of pending revenues from various contracts in North America, Australia and West Africa of €572 million. Greater volumes of activities were recorded in the Middle East. The cost of sales of €1,407 million also decreased compared with the first half of 2015, in line with the lower volumes. Depreciation and amortisation of €19 million was more or less in line with the figure for the same period in 2015.

Adjusted operating result (EBIT) for the first half of 2016 amounted to €1 million, versus a loss of -€708 million recorded in the first half of 2015, including the aforementioned write-down. The near-break-even result achieved in the first half of 2016 was affected by provisions made for a legal dispute in North Africa, amounting to approximately €15 million. The operating result (EBIT) for the first half of 2016 amounts to €1 million compared to a loss of €758 million, inclusive also of the write-down of a fabrication yard for €50 million.

Offshore Drilling

Year		(€ million)	First half	
			2015	2016
2015				
1,067	Net sales from operations		538	487
(531)	Cost of sales		(274)	(250)
536	Gross operating result (EBITDA)		264	237
(241)	Depreciation, amortisation and impairment		(113)	(111)
295	Adjusted operating result (EBIT)		151	126
(11)	Impairment		(11)	-
284	Operating result (EBIT)		140	126

Revenues for the first half of 2016 amounted to €487 million, down 9.5% compared to the same period in 2015. Revenues for the first half of 2016 amounted to €487 million, representing a 9.5% decrease compared to the same period of 2015, mainly attributable to reduced revenues from the drillship Saipem 12000, due to the early closure of a contract, and reduced revenues from the semi-submersible rig Scarabeo 6, which underwent class reinstatement works in the first quarter and was not under contract in the second quarter. In addition, the semi-submersible rigs Scarabeo 3 and Scarabeo 4, which had both been in operation for most of the first half of 2015, did not contribute, as the former was not under contract in the first half 2016 and the latter was scrapped at the end of 2015.

The decrease in revenues was slightly offset by increased revenues from the full-scale operations of the drillship Saipem 10000 and the jack-ups Perro Negro 2 and Perro Negro 8, which had undergone upgrading works in the first half of 2015.

The cost of sales, which amounted to €250 million, was down €24 million, in line with the decrease in volumes compared to the same period of 2015.

Depreciation and amortisation decreased by €2 million compared to the same period in 2015.

Adjusted operating result (EBIT) for the first half of 2016 amounted to €126 million, compared to €151 million in the first half of 2015, with a margin on revenues of 25.9%, 2% lower than in the same period of 2015, due to reduced revenues from the rigs that had not been under contract or were undergoing maintenance works during the semester. The decrease was partly offset by the increased operational efficiency achieved by the semi-submersible rigs Scarabeo 7 and Scarabeo 8. The EBITDA margin stood at 48.7%, in line with the 49.1% achieved in the first half of 2015.

The operating result (EBIT) for the first half of 2016 amounted to €126 million, compared to €140 million recorded in the first half of 2015, which included the write down of the semi-submersible drilling rig Scarabeo 4.

Onshore Drilling

Year		(€ million)	First half	
			2015	2016
2015				
762	Net sales from operations		399	290
(625)	Cost of sales		(269)	(207)
137	Adjusted gross operating result (EBITDA)		130	83
(185)	Depreciation, amortisation and impairment		(88)	(90)
(48)	Adjusted operating result (EBIT)		42	(7)
(100)	Impairment		(100)	(87)
(148)	Operating result (EBIT)		(58)	(94)

Revenues for the first half of 2016 amounted to €290 million, a 27.3% decrease on the first half of 2015, due mainly to reduced volumes recorded in South America on account of the oil market crisis having greatly affected the local economies.

The cost of sales decreased by €62 million compared to the first half of 2015, in line with revenues.

Depreciation and amortisation of €90 million was up €2 million compared to the same period in 2015, attributable to the full

operability in the current half year of new rigs in Saudi Arabia.

Adjusted operating result (EBIT) for the first half of 2016 amounted to a loss of €7 million, compared to €42 million in the first half of 2015, due to rigs not under contract in South America. Adjusted EBITDA was 28.6%.

The operating result (EBIT) for the first half of 2016 amounted to a loss of €94 million, as it was affected by the write-down of pending revenues amounting to €87 million (€100 million in the first half of 2015).

Financial position

Saipem Group - Reclassified consolidated balance sheet ⁽¹⁾

The reclassified consolidated balance sheet aggregates asset and liability amounts from the statutory balance sheet according to function, under three basic areas: operating, investing and financing.

Management believes that the reclassified

consolidated balance sheet provides useful information that helps investors to assess Saipem's capital structure and to analyse its sources of funds and investments in fixed assets and working capital.

June 30, 2015	(€ million)	Dec. 31, 2015	June 30, 2016
7,383	Net tangible assets	7,287	7,016
758	Net intangible assets	758	759
8,141		8,045	7,775
3,462	- Offshore Engineering & Construction	3,392	3,317
544	- Onshore Engineering & Construction	536	519
3,031	- Offshore Drilling	3,050	2,955
1,104	- Onshore Drilling	1,067	984
107	Investments	134	141
8,248	Non-current assets	8,179	7,916
869	Net current assets	941	1,332
(240)	Provision for employee benefits	(211)	(208)
-	Assets (liabilities) available for sale	-	-
8,877	Net capital employed	8,909	9,040
3,288	Shareholders' equity	3,474	7,052
58	Non-controlling interests	45	48
5,531	Net debt	5,390	1,940
8,877	Funding	8,909	9,040
1,63	Leverage (net borrowings/shareholders' equity including non-controlling interests)	1,53	0,27
441,410,900	Number of shares issued and outstanding	441,410,900	10,109,774,396

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 70.

Management uses the reclassified consolidated balance sheet to calculate key ratios such as the Return On Average Capital Employed (ROACE) and leverage (used to indicate the robustness of the company's capital structure).

Non-current assets at June 30, 2016 stood at €7,916 million, a decrease of €263 million compared to December 31, 2015.

The decrease derives from depreciation and amortisation of €345 million, partially offset by capital expenditure of €97 million, positive changes in investments accounted for using the equity method of €9 million, and the negative effect of €24 million deriving mainly from the translation of financial statements in foreign currencies and other changes.

Net current assets increased by €391 million, from €941 million at December 31, 2015 to €1,332 million at June 30, 2016.

The **provision for employee benefits** amounted to €208 million, representing a decrease of €3 million compared with December 31, 2015.

As a result of the above, **net capital employed** increased by €131 million, reaching €9,040 million at June 30, 2016, compared with €8,909 million at December 31, 2015.

Shareholders' equity, including non-controlling interest, increased by €3,581 million, to €7,100 million at June 30, 2016, compared with €3,519 million at December 31, 2015. This increase is mainly due to the share capital increase of €3,435 million carried out in the first quarter, as well as to the positive effect of the net result for the period of €56 million, the negative effect of changes in the fair value of exchange rate and commodity hedging instruments of €110 million and the positive effect on equity of translation into euro of financial statements expressed in foreign currencies, as well as other variations amounting to €20 million.

Net financial debt at June 30, 2016 following the above-mentioned share capital increase amounts to €1,940 million.

Analysis of net borrowings

June 30, 2015	(€ million)	Dec. 31, 2015	June 30, 2016
(1)	Financing receivables due after one year	(1)	(1)
-	Payables to banks due after one year	252	3,426
3,477	Payables to other financial institutions due after one year	2,589	13
3,476	Net medium/long-term borrowings	2,840	3,438
(1,424)	Accounts c/o bank, post and Group finance companies	(1,065)	(1,653)
(8)	Available-for-sale securities	(26)	(26)
(5)	Cash and cash on hand	(1)	(3)
(32)	Financing receivables due within one year	(30)	(3)
465	Payables to banks due within one year	180	113
3,059	Payables to other financial institutions due within one year	3,492	74
2,055	Net short-term debt (liquid funds)	2,550	(1,498)
5,531	Net borrowings (liquid funds)	5,390	1,940

The fair value of derivative assets (liabilities) is detailed in the 'Notes to the condensed consolidated interim financial statements', Note 7 'Other current assets' and Note 18 'Other current liabilities'.

For the allocation of gross borrowings of €3,626 million by currency, please refer to Note 14 'Short-term financial liabilities' and

Note 19 'Long-term financial liabilities and short-term proportion of long-term liabilities'.

Statement of comprehensive income

(€ million)	First half	
	2015	2016
Net profit (loss) for the period	(906)	56
Other comprehensive income:		
- change in the fair value of cash flow hedges	(68)	148
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	86	(22)
- share of other comprehensive income of investments accounted for using the equity method	-	-
- income tax relating to other items of comprehensive income	53	(38)
Other items of comprehensive income	71	88
Total comprehensive income (loss) for the period	(835)	144
Attributable to:		
- Saipem Group	(852)	139
- non-controlling interests	17	5

Shareholders' equity including non-controlling interests

(€ million)	
Shareholders' equity including non-controlling interest at December 31, 2015	3,519
Total comprehensive income for the period	144
Dividend distribution	-
Share capital increase net of charges	3,435
Other changes	2
Total changes	3,581
Shareholders' equity including non-controlling interest at June 30, 2016	7,100
Attributable to:	
- Saipem Group	7,052
- non-controlling interests	48

Reclassified cash flow statement ⁽¹⁾

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

cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of treasury shares, capital issuance) and the effect of changes in consolidation and of exchange differences; (ii) changes in net borrowings for the year by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Year		(€ million)	First half	
			2015	2016
2015				
(806)	Net result for the period		(920)	53
17	Non-controlling interests		14	3
	<i>Adjustments to reconcile cash generated from operating profit before changes in working capital:</i>			
905	Depreciation, amortisation and other non-monetary items		487	309
(18)	Net (gains) losses on disposal and write-off of assets		(17)	2
318	Dividends, interests and income taxes		106	160
416	Net cash generated from operating profit before changes in working capital		(330)	527
(498)	Changes in working capital related to operations		(334)	(202)
(455)	Dividends received, income taxes paid, interest paid and received		(188)	(138)
(507)	Net cash flow from operations		(852)	187
(561)	Capital expenditure		(268)	(97)
(1)	Investments and purchase of consolidated subsidiaries and businesses		(1)	-
155	Disposals		97	4
-	Other cash flow related to capital expenditures, investments and disposals		-	-
(914)	Free cash flow		(1,024)	94
12	Borrowings (repayment) of debt related to financing activities		28	27
370	Changes in short and long-term financial debt		817	(2,953)
-	Sale of treasury shares		-	-
(16)	Cash flow from capital and reserves		1	-
-	Share capital increase net of charges		-	3,435
12	Effect of changes in consolidation and exchange differences		5	(13)
(536)	NET CASH FLOW FOR THE PERIOD		(173)	590
510	Free cash flow		(1,024)	94
-	Sale of treasury shares		-	-
(45)	Cash flow from capital and reserves		1	3,435
(129)	Exchange differences on net borrowings and other changes		(84)	(79)
336	CHANGE IN NET BORROWINGS		(1,107)	3,450

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 70.

The **net cash flow from operations** of positive €187 million, net of the negative flow of fully funded capital expenditures of €97 million and the disposals of non-strategic assets amounting to €4 million, generated a positive free cash flow of €94 million.

The **cash flow from capital and reserves** amounted to €3,435 million, generated by the share capital increase of €3,500 million in the first quarter of 2016 net of transaction fees of €65 million. Exchange differences on net borrowings and other changes produced a

net negative effect of €79 million.

Net borrowings therefore decreased by €3,450 million.

Specifically

Net cash generated from operating profit before changes in working capital of €527 million related to:

- the net result for the half year of positive €56 million;
- depreciation and amortisation of tangible and intangible assets of €345 million offset in part by the negative effect of investments

accounted for using the equity method of €9 million, from changes in provisions and exchange rate differences of €27 million;

- net loss on the write-off of assets, which had a negative effect of €2 million;
- net finance expense of €40 million and income taxes of €120 million.

The negative change in working capital related to operations of €202 million was due to financial flows of projects underway. Dividends received, income taxes paid, interest paid and received during the first half of 2016 of €138 million were mainly related to

taxes paid and refunded and to the purchase and sale of tax credits. Capital expenditure during the year amounted to €97 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€51 million), Onshore Drilling (€24 million), Offshore Drilling (€18 million) and Onshore Engineering & Construction (€4 million). Additional information concerning capital expenditure during the first half of 2016 can be found in the 'Operating and Financial Review' section. Cash flow generated by disposals of non-strategic assets amounted to €4 million.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

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

Return On Average Operating Capital

To calculate the Return On Average Operating Capital, the average capital employed is netted of investments in progress that did not contribute to net profit for the reporting period. The only period ever impacted by investments in progress was June 30, 2014 (€295 million).

		Dec. 31, 2015	June 30, 2015	June 30, 2016
Net result	(€ million)	(789)	(1,280)	173
Exclusion of finance costs on borrowings (net of tax effect)	(€ million)	177	144	(150)
Unlevered net result	(€ million)	(612)	(1,136)	328
Capital employed, net:	(€ million)			
- at the beginning of the period		8,602	9,925	8,877
- at the end of the period		8,909	8,877	9,040
Average capital employed, net	(€ million)	8,756	9,401	8,959
ROACE	(%)	(6.99)	(12.1)	3.66
Return On Average Operating Capital	(%)	(6.99)	(12.3)	3.66

Net borrowings and leverage

Leverage is a measure of a Company's level of indebtedness, calculated as the ratio between

net borrowings and shareholders' equity, including non-controlling interests.

	June 30, 2015	June 30, 2016
Leverage	1.63	0.27

SUSTAINABILITY

Saipem is committed to managing operations in a sustainable and responsible way, promoting dialogue and consolidating relationships with its stakeholders. The Company's presence in local communities enables it to build shared values that contribute – particularly through the deployment of a strategy of Local Content – to the socio-economic development of the areas in which we operate.

Measuring value creation in local communities

The identification and involvement of all bearers of legitimate interests are fundamental features of the Company's sustainability strategy. Dialogue and sharing of objectives with all stakeholders are the tools through which mutual values can be engendered. This general approach was defined to ensure open and transparent relations with all interested parties, aimed at promoting positive and mutually advantageous results, allowing Saipem to be a solid presence on the market, and to effectively carry out activities across its entire theatre of operations.

At the local level, Saipem relies upon a decentralised structure in order to respond better to specific local sustainability needs and features. Saipem is very active in every community in which it operates, providing each one with its social and financial contribution. Since 2009, Saipem has been applying an internally developed corporate model called SELCE (Saipem Externalities Local Content Evaluation), based upon a methodology permitting value analysis and quantification (i.e. direct, indirect and induced effects measured in terms of financial value, employment and human capital development) generated by a Local Content strategy implemented over a given time frame and in a specific geographical location. In 2016, model results have been updated as they pertain to Nigeria, with reference to the 2013-2015 time period. Particularly significant are the results of the multiplying effect of investment in human capital and in jobs creation.

Since its inception, Saipem has entertained open dialogue with all stakeholders, both in areas where it consistently operates and in those where its presence is more recent, and the Company is committed to developing relations with local stakeholders. In the first half of 2016, in support of local relations, Saipem issued grievance management guidelines. The document

defines methodological tools to structure a system capable of managing possible complaints from local communities arising from Saipem's activities. The goal is to further strengthen relations with local stakeholders and reduce operational risks. Likewise, the Company issued an update to the 'Sustainability Initiatives for Local Communities' procedure. This document reaffirms guidelines for designing initiatives for local communities, detailing priority intervention areas and responsibilities of primary actors involved, including surveillance and inspection processes in order to ensure the Company's compliance with local anti-corruption regulations.

Sustainability reporting

Saipem's Sustainability reporting system consists of numerous complementary documents covering the main stakeholders' disclosure requirements.

In the first half year 2016, the Company made available on its internet site the document 'Saipem Sustainability 2015', which reports the main results for the year, objectives of future years, and Company strategies and approaches concerning specific themes; and, the 'Sustainability Consolidated Report 2015', which reports corporate results in terms of indicators and trend analysis.

Furthermore, the Company published the following complementary documents:

- 'Saipem Sustainability 2015 in Brief', a document summarising in just a few pages the content and primary issues discussed in the Sustainability Report ('Saipem Sustainability 2015');
- 'Saipem Biodiversity', which describes Saipem's approach to biodiversity protection, and contains an overview of the primary best practices in this field;
- 'Local Content for Sustainable Development', which describes Saipem's approach to the promotion of Local Content, while at the same time offering numerous focuses on individual countries.

Finally, the Company published the 'Saipem Guide to Business Integrity' for internal use, with the intent of further strengthening knowledge and understanding of Saipem's Code of Ethics and of the Saipem document system dealing with Integrity issues. The Guide was developed using a straightforward and succinct language, and describes practical scenarios applicable to Saipem companies.

RESEARCH AND DEVELOPMENT

Technology innovation, one of the five pillars of Saipem's new Strategic Plan, is an essential asset because it allows the future needs of the Oil & Gas industry to be anticipated, and, at the same time, provides clients with cutting-edge solutions, reducing costs, exploiting new and challenging opportunities, achieving improved operating performances and reducing the environmental impact of construction activities.

In this context, Saipem has recently structured its own technological innovation activities in accordance with three main lines:

- technological development (generally known as 'R&D');
- process innovation to improve how Saipem operates, and to leverage digital technologies;
- intelligence technology to investigate new technologies inside and outside the Oil & Gas industry, for the purpose of identifying new and striking emerging technologies offering major opportunities for the Company's business.

Technology innovation in Saipem is developed either in steps starting from idea to application or conceived directly in the projects or on proprietary assets as the result of a problem-solving approach.

Activities are organised into thematic areas which directly coincide with the activities of the business units in order to align strategies and foster an effective transfer of the results of Saipem's technology development to business areas.

For the Offshore Engineering & Construction Business Unit, development has focused on the Subsea (SURF and Subsea Processing) and subsea pipelines, in addition to materials technologies of transversal interest to the two areas mentioned above.

In the SURF (Subsea, Umbilicals, Risers and Flowlines) strategic area, today's challenges are to reduce costs in the case of fluids that are particularly difficult to produce and to qualify the technologies that allow fields to be developed in ultra-deep waters. Saipem's 'Single Independent Riser' technology was designed to improve the performance of risers under stress, thus extending their field of application to depths of well over 3,000 metres.

With the installation of two Free Standing Hybrid Risers (FSHR) to export gas, Saipem

has recently established new records in the oil industry services. The two risers, having a diameter of 20 inches and 19 inches respectively, have been installed in the Pre-Salt region of the Santos basin (Brazil).

In particular, Saipem obtained a record in the FSHR system sector for the installation depth, size and weight of 20 inch risers, as well as for the longest and heaviest floating module ever installed.

The 'Heat Traced Pipe-in-Pipe' technology, suitable for the 'J' shaped installation of rigid pipelines, extends the application of the most efficient active heating system (isolated heat tracking) to risers and flow lines having greater diameters and to even longer tie-back lines. The new 'Fusion Bonded Joint' technique, representing an alternative to more expensive clad pipes, which are internally coated in stainless steel, ensures the protection of the internal plastic lining during construction and installation of water injection lines.

Composite materials, such as those made of specially formulated plastic strengthened with long fibres, seem to be the most suitable response to combined requirements necessary to withstand high-temperature corrosive fluids and pressure.

The development of subsea fields is becoming increasingly complex and expensive. In order to support the financial feasibility of the development of its clients' subsea fields, Saipem continues to develop skills and technologies, in particular in the subsea processing and remote subsea operations arenas, reaching the 'Sub-sea Factory' horizon, comprising a technology that effectively relocates topside operations to subsea levels, also thanks to an increase in independence and automation.

In this context, Saipem has recently entered into an exclusive joint-ownership and marketing agreement with Total and Veolia for SPRINGS® (Subsea PROCESS and INjection Gear for Seawater), an innovative technology for the subsea treatment of sea water, specifically designed to operate in deep waters. The technology shifts the sulphate removal process directly to the sea floor, thus increasing cost control of oil recovery. Saipem will guide the industrialisation and marketing of this technology.

Remote subsea operations and intervention technologies are key elements for the success of installation and maintenance services. All subsea intervention technologies

developed by Saipem, such as the Innovator ROV, the SiRCoS repair system of subsea pipelines, excavation systems in ultra-deep and ultra-shallow waters, as well as other engineered subsea systems, have benefited from the experience gained during the execution of challenging subsea intervention work. In particular, the recently developed 'Innovator 2.0' system is based upon 20 years of continuous development and sets the highest standards in terms of technological development for Work Class ROV systems. The first two 'Innovator 2.0' will operate aboard the newly built 'Normand Maximus' vessel, now under construction, and will be capable of deploying the ROVs under very harsh marine conditions.

New technological developments are also ongoing thanks to the newly established partnership with Aker Solutions.

The 'Internal Plasma Welding' technology, used to weld carbon-steel pipes or those coated with anti-corrosion materials, and successfully employed in Asia, the Middle East and the Caspian Sea, has clearly shown how Saipem can leverage its excellence in the field of materials. The Company is developing new and even faster joint welding and coating techniques, along with 'exotic' and composite materials for pipes, valves, joints and auxiliary equipment, to withstand corrosion, stress, as well as high pressure and high temperature applications.

Excellence in materials technology is also key for Saipem's strong positioning in the long pipeline installation business: new solutions to further optimise the techniques and reduce costs have been prepared very recently. The cutting edge subsea trenching technologies, successfully developed and used on past projects in the Caspian Sea, are continuously supporting the Company's projects, especially in very shallow waters.

For the Floating LNG and floaters in challenging environments, the Floaters department has primarily focused upon cost-unlimited technological solutions with the sole goal of achieving maximum performances by using the best technology on offer at that given particular junction. Concerning Floating LNG technology, the following areas have been scrutinised:

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

The Drilling Business Unit mainly focused on the adoption of new drilling techniques and

low-environmental impact solutions:

- two Saipem vessels assigned to drilling activities will soon be fitted with MPD-technology equipment ('Managed Pressure Drilling');
- a recently developed package of new technologies based on a 'green design' approach is also available to offer solutions to minimise the environmental impact and maximise the energy saving of drilling semi-submersible platforms and drillships.

The Onshore Engineering & Construction Business Unit mainly focused on the optimisation of proprietary licensed process technologies and on novel technological solutions for selected non-proprietary business segments (LNG, heavy oil, gas monetisation) in order to increase the value of the proposals to clients.

A multi-year plan is in progress to keep the proprietary fertiliser production technology 'Snamprogetti™ Urea' at the highest level of competitiveness. After completion of the development of innovative 'Supercups™', ongoing activities include:

- improvement of the resistance to corrosion and cost reduction through development of new construction materials;
- reduction of energy consumption through optimisation of the auxiliary systems;
- reduction of the environmental impact ('Urea Zero Emission') through highly innovative solutions under development.

The Company is currently studying the optimisation of process schemes for natural gas purification, which also include the possibility of capturing CO₂ for its reuse or geological storage.

The Company is in the process of kicking off a programme dedicated to improvement in plant engineering and the construction of onshore pipelines, with results expected at the end of this year.

Finally, an increased effort was devoted to significant cross-business themes, such as 'Oil Spill Response' and 'Pipeline Integrity Management'.

As confirmation of all the efforts devoted to technological development activities, Saipem filed 12 new patent applications in 2016.

In the field of Process Innovation, the Company launched two new initiatives in the first half of the year:

- Idea Innovation Challenge: aimed at the creation of new innovative ideas through partnership and knowledge sharing of Saipem personnel, making use of standard crowd-sourcing tools;
- Innovation Factory: a physical environment

to host a new community of innovators, for the purpose of encouraging collaboration between functions and with external networks, as well as introduce new work models and digital technologies.

QUALITY, SAFETY AND ENVIRONMENT

Quality

The release in 2014 of the Management System Guideline, relating to the Saipem Regulatory System, has introduced substantial changes to work process management, as it pertains to both governance and operations.

Process owners have been identified at corporate level and assigned to each work process. Across the entire Saipem Group, process owners are individually responsible for the definition, management and improvement of processes under their purview. Furthermore, the Company has defined a new model for implementation of corporate processes in subsidiary companies. These innovations have had a significant impact on the Quality System structure and management, and, in particular, on the regulatory and technical normalisation document system.

For an effective implementation of the new model, the Company introduced a 'Regulatory System Improvement' programme, which entails the alignment of processes to the new architecture and the current organisational/operational model.

As part of the 'Fit for the Future' initiative, Saipem identified two primary streams for the increase and optimisation of quality related activities.

The first, relating to system, improvement, and certification activities, is strictly linked with the 'Regulatory System Improvement' project, and has led to the definition of a new ISO 9001 multi-site certification scheme, the redefinition of corporate and subsidiary quality activities, and the definition of a streamlining plan for Quality System activities, in a manner that is consistent with the general corporate plan.

The second, relating to quality control activities during construction, was merged into a multidisciplinary stream for the analysis and optimisation during project 'Construction' activities, resulting in the reallocation of quality process responsibilities.

During the first half of 2016, the Company continued updating the Quality System for alignment with the process model, and began implementing procedures identified in the 'Fit for the Future' streams. The main activities were:

- re-evaluation of the Quality Management at process owner level, then consolidated at Advisory Committee level;

- review of KPIs in accordance with the process model;
- search for new ways to share Customer Satisfaction results;
- launch of three pilot projects to streamline representation of the processes of Project Management, Commercial and the Transversal Theme of welding;
- structured mapping of outputs of enhancement initiatives in progress;
- re-definition of the Vessel Document System;
- creation of a database to keep Regulatory System Improvement project activities under control both at Saipem SpA and subsidiary company level;
- definition of the coordination and corporate/subsidiary company information flow model to support multi-site certification;
- worldwide mapping of Quality resources and their reallocation based upon new organisational activities and changes;
- review of responsibilities within the 'Quality' process to adapt them to the reorganisation.

Safety

As regards performances in the areas of protection of workplace health and safety, the first half of 2016 showed a trend in line with the established target, as it pertains to recordable cases for 2016, with a TRIFR of 1.04, which constitutes a slight improvement on the final results achieved in 2015 (1.08).

On the other hand, in the first half of 2016 the Company implemented several activities and campaigns aimed at maintaining the highest work safety standards across all Saipem businesses. The following should be mentioned:

- continuation with the 'Leadership in Health & Safety' (LiHS) programme on projects, sites and vessels of all Business Units, in accordance with 'customised' approaches, based upon the features of each specific site. In the first half of 2016, Saipem continued with the implementation of the LiHS programme re-launch strategy on vessels, with the same terms adopted in 2015, involving all vessel management teams in dedicated workshops, as well as front line supervisors of additional vessels;
- participation, promoted by Saipem and the LHS Foundation, in the most important

- sporting event in Milan: the Milan City Marathon. This event is an extraordinary opportunity to combine sport and solidarity within the Company. This year too, Saipem and the LHS Foundation have chosen LILT – The Italian League for the Fight against Cancer – as their partner in solidarity, and to which they will donate a share of the marathon registration proceeds;
- strengthening of the collaboration between Saipem, the LHS Foundation and LILT, targeted and facilitating prevention and protecting health. One such initiative is the awareness seminar offered by LILT to 90 Saipem employees. The seminar focuses on food as a cancer-prevention tool;
 - to celebrate love for Health, Safety and Environment, the launch of a creative contest celebrating 3 international days dedicated to the 3 HSE themes through a single competition. The contest kicked off on April 7, the World Health Day, promoted by the World Health Organization (WHO), continuing on April 28, World Day of Health and Safety at Work, promoted by the International Labour Organization (ILO), then concluding on June 5, the World Environment Day, promoted by the United Nations Environment Programme (UNEP). A 60-day campaign to discuss HSE matters in a new and innovative manner. As for previous contests, this time too the objective is to involve as many people as possible through communication from which the importance of prevention in terms of health, safety and environment can emerge;
 - the LHS Foundation pursues the ambitious goal of discussing safety in an innovative manner across Italy; to this end, April 28 saw the celebration of the 'Italy Loves Safety' initiative. For 2016, the format is innovative: it is the first safety road show simultaneously carried out in 50 Italian cities, with a calendar that includes more than 80 events, among which are educational workshops for children, theatre shows, workshops, mass paediatric CPR and office massage training to promote wellness in the workplace, training activities and corporate seminars;
 - the campaign dedicated to the 'Life Saving Rules' programme was launched directly by the CEO in September 2015. The rules are issued by the OGP (International Association of Oil & Gas Producers) and were taken up by Saipem to disseminate them with greater emphasis and draw

attention to the hazardous activities and to individual actions to protect both oneself and others. The campaign will continue throughout 2016 and provides for a gradual dissemination of the campaign materials;

- improvement of IT tools to support the HSE process. The software for the management and reporting of HSE audits ('Corinth') is being disseminated to the other companies in the Group. Furthermore, Saipem set up work groups committed to the optimisation and integration of a variety of tools/software in the QHSES area.

Environment

Saipem also pursues continuous improvement in environmental performances, adopting strategies to reduce any type of impact and to conserve and make the most of natural resources.

Achieving these goals means promoting a high degree of environmental awareness at all Saipem projects, sites and offices. Since the beginning of 2016, Saipem has also strengthened its commitment on a variety of issues, among which:

- energy efficiency: after submission to ENEA in December 2015 of energy reports relating to specific sites, pursuant to the provisions of Legislative Decree No. 102/2014 (Acceptance in Italy of European Directive 2012/27/EU on energy efficiency), reports on energy saving achieved in 2014 and 2015 with reference to Saipem Italia sites, where the Company developed consumption reduction systems, were forwarded;
- minimisation of environmental impacts for new accommodation camps: during the first half of the year, Saipem completed a study aimed at reducing the environmental impact of accommodation camps for onshore projects. In order to carry out a complete evaluation of each aspect, in addition to considering environmental benefits the Company quantified the financial costs and turnaround time of each proposed system;
- due to changes in the benchmark statutory framework (in particular, Law No. 68 of May 22, 2015, 'Provisions Governing Crimes against the Environment'), Saipem has updated form 231, which, among other things, entails a change of sensitive activities and specific control standards, with reference to environmental crimes. During the first half of 2016, the Company

implemented activities related to the acceptance programme of the 231 Multidisciplinary Team, instituted at the end of 2015 by the CEO;

- waste management: in the first six months of the year, Saipem capitalised on and submitted to Management results and savings resulting from the monetisation of waste managed on sites and projects. The most interesting results concerned permanent sites, such as yards and logistical bases, where it was possible to identify strong points and additional margins for improvement. Furthermore, the

Company strengthened technical training on waste management and related applicable regulations;

- environmental awareness: various initiatives to motivate and make personnel aware of environmental sustainability were launched on World Environment Day (WED), in June. In the context of the 2016 campaign promoted by Saipem during WED, which lasted 60 days, the United Nations Environment Programme (UNEP) promoted themes centring upon the fight against crimes relating to the illegal trafficking of wild animals.

HUMAN RESOURCES AND HEALTH

Human Resources Management

During the first half of 2016, the Human Resources Management function (GERU) continued with the implementation and monitoring of important initiatives aimed at optimising costs and at promoting ethical behaviour, in the context of Saipem's 'Fit for the Future' programme, hinging on cost rationalisation and a re-launch of the Company's competitiveness. In this regard, corporate efforts have focused upon monitoring use of leave time, trends in overtime, absenteeism and out-of-office assignments, to which were added other management issues related to personnel in foreign branches. For the first half of 2016, cost indicators from overtime work, unused leave, out-of-office assignments and ordinary leave have confirmed the good results achieved in 2015.

Over the course of the half year, initiatives that, in the context of the new operational set-up of GERU, are aimed at optimising operational structures and management services, were set in motion.

Industrial Relations

The particularly tense global political and economic scenario, coupled with the world context in which Saipem operates, which is strongly influenced by the management of diversity arising from a variety of socio-economic, political, industrial and regulatory contexts, increasingly demands an approach to industrial relations that is capable of engendering, as much as possible, positive, transparent and fair relations with trade union negotiators hinging upon steadfast compliance with rules.

The Company's industrial relations model has thus for many years now focused on ensuring the harmonisation and optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies.

Concerning industrial relations in Italy, Saipem further strengthened a specific programme with sector trade unions, which is distinct from trade union policies pursued by Eni.

More specifically, in 2016 such efforts materialised in a meeting between the CEO and trade union representatives in early February to discuss corporate issues and

strategic approaches for the future. A second meeting in April provided the opportunity to present the Company's four-year plan to local and national trade union representatives and to Saipem's own trade union interlocutors.

With national representatives, in particular, the Company reached significant agreements concerning:

- sharing of common path to create a specific Company-based welfare;
- final review of the 2015 productivity bonus;
- the signing, along with local trade union officials and the shop stewards' committee, of an agreement for early retirement for possibly 300 resources nearing retirement age, working in different locations at national level.

Among the agreements signed with single trade union interlocutors, in particular the contract entered into with the San Donato Milanese representatives concerning management of work schedule for the employees involved in the 'Innovation Factory' ('Fabbrica dell'innovazione') is worthy of note. The agreement proposes innovative solutions for the flexible management of work.

It is important to underscore that the Arbatax branch is hosting monthly meetings between company and regional/local trade union representatives. These occasions offer opportunities to discuss workloads in the Arbatax Fabrication Yard.

In addition to themes discussed above, Company/trade union meetings have further strengthened relations between the two. In this regard, in the first half of 2016 there were more than 30 meetings with a variety of trade union representatives and 6 meetings with national entities in the energy and oil sector.

In the context of International Industrial Relations, GERU has ensured its support, consistently with its role of guidance and assistance, to the HR units of the various realities in which Saipem operates. Among the most significant results achieved in the first half of 2016 following meetings with trade union representatives can be mentioned the signing of a collective agreement concerning the energy and construction sectors pertaining to personnel employed at the Saipem Singapore PTE Ltd, as well as the renewal, in March 2016, of the collective agreement relating to the drilling

sector, aimed at safeguarding the human resources employed at the Saipem SpA Kazakhstan Branch. In particular, the agreement signed between the Shipbuilding and Marine Employees' Union (SMEEU) and Saipem Singapore has tangibly widened the number and degree of specificity of labour law issues subject to collective agreement in relation to the provisions of the existing Memorandum of Understanding. Both agreements entered into in 2016 recognise the commitment of the trade unions to making their own and disseminating the contents of the Company's Code of Ethics among unionised employees for the purpose of sharing and promulgating compliance principles among primary stakeholders to the maximum extent possible. Furthermore, at present, two collective agreements relating to the drilling sector at the Petrex branch in Peru are being renegotiated with the Sutepetrex and Sutrapetrex trade union representatives.

Senior Management Development, Organisation, Compensation and Administration

In light of the current financial situation and the Company's performance, Saipem reaffirms the strategic value of its organisation, development and compensation activities relating to organisational efficiency and human capital development.

In reference to the organisational context, in the first half of 2016 Saipem developed measures and initiatives aimed at achieving maximum operational flexibility and the recovery of efficiency, while also pursuing and safeguarding observance of its own compliance and governance principles. Within this framework, the Company has implemented the 'Engineering Optimisation' programme, aimed at increasing the operational efficiency of engineering and the effectiveness of related processes, also optimising the execution models of project activities and rationalising the network of Saipem centres.

As regards organisational structures, the Saipem implemented the following activities:

- creation of the 'Infrastructures' function, in order to ensure greater focus and autonomous business management;
- organisational reconfiguration of quality activities developed on a project basis;
- re-definition of the organisational structure of Project, Technical and Construction Management activities aimed at developing onshore plant projects, for the purpose of ensuring greater orientation of the project to its construction phase.

In reference to staffing and business support areas, the Company implemented solutions permitting a rapid and effective response to business needs, such as:

- institution of multifunctional groups relating to the Procurement Unit;
- creation of a Chief Strategy and Financial Officer.

Moreover, Saipem further adjusted the organisational structures of subsidiaries and branches to corporate models, and began a reorganisation project of staffing and business support entities.

Given the ongoing reorganisation process and the complexities of an increasingly more challenging market, Saipem continues to recognise the strategic value of human resources development and training as a fundamental element for ensuring an correct sizing of its workforce in qualitative terms, thus permitting the internal growth of personnel in a manner that is closely aligned with the business strategy.

In the first half of 2016, Saipem set in motion new initiatives responding to the need to drive development and engender a professional workforce, to accelerate a managerial turnover and pave the way for a new generation of managers.

To this end, as a fundamental step in consolidating the synergy between Business and People Strategies, Saipem implemented the following initiatives:

- overhaul of development and compensation processes within a framework of greater integration, aimed at streamlining tools and focusing on guidelines concerning business strategies;
- redefinition of the segmentation criteria for strategic resources;
- redefinition of performance evaluation criteria, through the creation of objectives shared at a multifunctional level, in a manner orienting the activities of single functions to a common Group direction and promoting a long-term strategic vision;
- planning of resources of strategic interest in a manner consistent with the three-year numerical planning of managers needed;
- updating of succession plans;
- development of a new Leadership model applicable at all levels of the Company.

Among the most relevant developments that are fully consistent with the aforementioned redefinition of methodology and tools, Saipem has set in motion the 'Fast Track Programme' and the 'Development Programme', which, through intensive training and access to planned job rotations, will ensure that key resources are staffed in critical positions, in a manner consistent with business needs and the Leadership model.

As regards the 'Compensation' function, in the first half of the year the '2016 Remuneration Report' was drafted in compliance with the provisions of Article 123-ter of Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation. The report was approved by the Board of Directors on March 16, 2016, subsequently receiving approval at the Shareholders' Meeting held on April 29, 2016.

The 2016 remuneration policy, whose primary tools and objectives are defined in the remuneration report, confirms its alignment with the governance model adopted by the Company and the recommendations of the Corporate Governance Code. The policy's aim is to attract and retain high-profile professional and managerial resources, and align management's interests with the priority objective of value creation for the shareholders in the medium-long term.

Saipem has introduced a share-based long-term incentive plan for the 2016-2018 period, which replaces the two previous long-term financial monetary incentive plans. The plan, whose purpose is to strengthen management participation in business risks, promote improvement of Company performances and pursue the long-term goals of shareholders, entails the free-of-charge allocation of ordinary Saipem SpA shares upon achievement of three-year goals measured through a business objective (net financial position), as well as goals tied to trends relating to Saipem shares compared to competitors (relative total shareholders return), and is aimed at Saipem's managerial personnel.

For purposes of consistency with the current Saipem Strategic Plan, the 2016 remuneration policy guidelines include challenging

performance targets that facilitate guiding, monitoring and evaluation of cost-containment activities, as well as monitoring, development and enhancement of business skills that are either critical or significant to reach the objectives set in the Company's strategic plan.

With reference to training, consistently with a redefinition of organisational and functional structures, Saipem has designed and implemented training activities aimed at preserving and enhancing distinct professional skills. In particular, training activities in the first half of 2016 focused on:

- development of engineering skills, with special attention to process and technology, as well as plant engineering (machinery, packaging and furnaces) areas;
- development of skills required in the new Finance structure, aimed, in particular, at enhancing knowledge of financial markets, as well as models and methodologies for credit rating evaluation, financial dynamics and international bank guarantees.

Saipem also confirms that training provided for by Italian Legislative Decree No. 81/2008 for institutional roles such as employers, designated health and safety executives and managers is a priority for the Company. Compulsory training with reference to the State-Region agreements and intended for all Company employees is nearing completion. Finally, at Group level, the Company has continued designing and implementing training initiatives centring upon compliance and governance.

Last but not least, the first half of the year included deconsolidation operations relating to the Eni Group.

		Consolidated total first half year	
Year 2015	(units)	Average workforce 2015	Average workforce 2016
20,002	Offshore Engineering & Construction	19,980	19,404
14,244	Onshore Engineering & Construction	15,662	11,675
2,619	Offshore Drilling	2,710	2,202
7,480	Onshore Drilling	7,759	5,806
1,483	Staff positions	1,493	1,487
45,828	Total	47,604	40,574
7,340	Italian personnel	7,456	6,529
38,488	Other nationalities	40,148	34,045
45,828	Total	47,604	40,574
6,666	Italian personnel under open-ended contract	6,716	6,107
674	Italian personnel under fixed-term contract	740	422
7,340	Total	7,456	6,529
		Consolidated total first half year	
Dec. 31, 2014	(units)	June 30, 2015	June 30, 2016
7,263	Number of engineers	7,762	6,597
42,408	Number of employees	46,527	39,530

Saipem has begun developing its own internal processes relating to payroll; support in the search for new agencies to manage supplementary pension funds and supplementary healthcare cover for managers. Furthermore, the Company has laid the groundwork to redefine its welfare system, by preparing a survey that, between May and June, involved all employees and targeted focus groups. The aim of the survey was to capture, map and assess population welfare needs, in order to optimise the existing offer and define a new welfare plan. Moreover, in order to make clear and more recognisable its employer image and identity, Saipem continues to invest in employer and corporate branding initiatives that are consistent with specific business needs and targeted at universities and technical institutions of excellence. The Company aims to strengthen its image, promote knowledge of its activities and of the contexts and markets in which it operates, and attract young graduates and qualified professionals. To this end, Saipem reaffirms its partnership with the 'A. Volta' Technical Institute of Lodi and the 'E. Fermi' Institute of Lecce, in the context of the 'Synergy' programme. Likewise, the Company continues participating in employer branding events designed with the Polytechnic University of Milan, among which is involvement in the 'Saipem International Chair', whose specific focus is on Project Management in the energy and plant engineering sectors.

Health

With reference to activities during the first half of 2016, the number of preventive medical check-ups in Italy and abroad (assignments and contracts) was 1,606. Concerning health information and training delivered to Saipem personnel assigned abroad, implementation continued of the 'Pre-Travel Counselling' programme (346 employees trained in the first half of 2016), consistent with the evolution and updating of international health alerts. Since its launch in 2008, the programme has provided approximately 7,950 employees with precise, accurate information concerning risks connected with their destination, as required under the applicable legislation. As an integral part of the travel medicine

training process, the 'Si Viaggiare' app was updated in a manner consistent with global health alerts. Awareness of vaccinations (mandatory and highly recommended ones in particular) continues for Saipem personnel both in Italy and overseas.

For the third year Saipem joined the Workplace Health Promotion (WHP) programme, approved by the Region of Lombardy for the areas of competence of Milan 2 local health authority (San Donato Milanese), achieving recognition as a 'Health promoting workplace'.

In May 2016, the first year of the health surveillance activity concluded, targeted at preventing and monitoring in the offshore sector.

Concerning activities implemented internationally, we underscore that the telecardiology programme was implemented in 60 work sites, with the deployment of 50 ECG devices to record data. Overall, the Milan (San Raffaele) reference centre received 1,750 ECGs for evaluation.

The Saipem cardiovascular disease prevention programme (CVDPP) is a complete project for tackling multiple risk factors for cardiovascular disease. A large-scale screening initiative is underway to identify the cardiovascular risks of employees working in operational sites. The programme was implemented across 126 sites in total. All employees with pre-diagnosed cardiovascular disease and those with at least one cardiovascular risk are carefully monitored via the risk factors follow-up programme, including via telecardiology. The Company is currently reviewing and redesigning the programme, with the intention of developing a structured monitoring system for employees registered in the plan for the reduction of cardiovascular risks (Risk Factors Follow-up Programme - RFFP), in terms of treatment (at home), specialised check-ups (in hospitals and other facilities), and compliance with treatment (in relation to prescribed therapies, diets, etc.).

In line with international days celebrated by the WHO (World Health Organization), Saipem has promoted a variety of events to celebrate World TB Day, World Cancer Day, World No Tobacco Day, World Kidney Day, and World Malaria Day.

INFORMATION SYSTEM

In the first half of 2016, the ICT function continued pursuing its cost containment targets, in line with goals achieved in previous years. The evolution initiatives of Saipem information systems have been primarily focused on consolidating results achieved in both the application and infrastructure environments.

The adoption of the ICT Procurement Plan tool, developed in coordination with the Procurement unit, has allowed a review of performance and service contracts in the ICT environment. In 2016, the Company will benefit from negotiations concluded at the end of 2015, concerning, in particular, primary telecommunication and infrastructure agreements, as well as recent procurement activities carried out this year in the application management arena.

Compared to technical results obtained in the specific period, in the SAP R/3 context, Saipem implemented roll-out activities for INFRA SpA, which operates in the business infrastructure field, and JV relating to the Tangguh Onshore project, as well as application solutions permitting Saipem's Finance department to conduct its financial activities independently, following the Company's detachment from Eni.

These solutions centre upon the SAP's FSCM (Financial Supply Chain Management) module, which optimises financial information flows and interfaces with systems operating on capital markets.

To these initiatives, must be added Saipem's general intervention plan, specifically designed to complete its detachment from Eni's information systems, which has primarily impacted the AFC and HR units that are significantly exposed to the application of group solutions. A series of initiatives now in progress consistently offer application alternatives to what was previously offered by Eni, especially in the area of consolidated financial statements, compliance and Company Secretary function.

Alongside SAP R/3, the Procurement unit, flanked by ICT, has adopted the Cloud SAP/Ariba platform through which, commencing in the second half of the year, Saipem will be able to conduct Procure-to-Pay activities for the purchase of spare parts and consumables in the business sector. A relating analysis was successfully conducted in the first half of 2016, which, in addition to the implementation phase discussed above, will be followed by sourcing

activities, for the purpose of conducting electronic procurement and vendor management tasks, which will be redesigned in relation to the Ariba platform.

In the HR context, next to application management of ordinary activities for the HR information system based upon Oracle Peoplesoft HCM, the ICT department carried out a market study and analysis, which led to the decision to adopt the Oracle Fusion HCM solution as a natural evolution of the current system. Saipem has previously adopted Cloud-environment solutions by applying the Oracle Teo international recruitment module. The migration of the entire Talent Management component onto the Oracle platform will begin in the second half of 2016. Furthermore, the roll-out of the Falcon application continues satisfactorily. Falcon is the in-house solution dedicated to international payroll and HR processes, whose oversight is under the remit of Saipem India Projects, in Chennai, with significant savings in management costs.

ICT initiatives in the business area oriented to the strategic need to develop a data-centric approach and a complete digitisation of corporate work processes, in line with the intentions of the Company's new Strategy and Innovation department.

Developments in this regard, therefore, focused mainly on the adoption of innovative tools targeted at increasing the efficiency and quality of engineering design and construction activities, and on the automation of business processes through the optimisation of the applications adopted. This approach, called Project Information Management, was introduced by ICT as a corporate improvement initiative and made available to the Engineering, Project Management, Quality and Construction functions in order to identify areas in which improvements in efficiency can be targeted and, at the same time, raise the quality of engineering data offered by Saipem to its clients in the Handover phase of project data. To this end, the ICT department has implemented new automated drawing generation processes based on Intergraph SmartPlant 3D modelling, and released new solutions for the cross-checking of engineering data based on Aveva Engineering and Intergraph Fusion, in order to improve the quality of the data produced by means of precise data quality techniques. These solutions have by now been leveraged on a number of projects, transforming the

Digital Project Data Hub solution into a competitive edge.

In the context of business-support initiatives can be noted the increased deployment of the application for tracking spools on work sites, which relies on RFID supports, as well as new solutions for the management of shared lists, such as the Line List and Electrical Load List; furthermore, specialised solutions have been disseminated to promote effective management of project documentation, as well as applications to manage technical documentation aboard vessels and at construction yards.

After a period of significant investment limitations, the infrastructure area is now subject to new initiatives within the framework of management tools and optimisation of centralised structures that rely on tools such as Splunk. In the context of the decoupling from Eni, the separation from the San Donato Milanese phone centre, owned by Eni, must also be mentioned. This was defined in the first half of 2016 and will be completed in the course of second half of 2016. At the end of these operations, Saipem will have its own Cisco-technology phone system and numbers.

The ICT solution created in 2013 in Chennai, in Saipem India Projects, to offshore some infrastructural activities, has been further developed according to plans: the team has reached 40 people and a first-level 24/7 service has been activated to manage services, networks and applications on an international scale. In 2016, this solution was

extended to incorporate ICT security, technical monitoring and corporate email system. Over 70% of service tickets in Saipem for international server management issues were managed and resolved by the Chennai team, meaning service levels were raised despite a reduction in overall costs.

Governance, compliance and security processes were all carried out successfully according to schedule during the year. The adoption of the CA RCM system for Role Compliance Management, dedicated to standardising the application profiles of the main company software, already covers all the SAP, Oracle Peoplesoft HCM and the main software application environments, so as to complete the automation of the profile-user association process enabling the internal client managers to carry out the control role provided for under corporate regulations. This approach was combined with a cutting-edge use of ICT security technologies and is designed to mitigate the security risks associated with data processing by the Company information systems. In the security area, the coverage perimeters of the digital credentials management system, Oracle FastLogon, have been extended. This allows access to the main Company applications in a secure way by making use of the Single Sign-On. Finally, in the first half of 2016, an ICT risk assessment process was completed by performing a relevant number of BIA (Business Impact Analyses), in order to evaluate properly the risks associated with data processing by Company information systems, as well as any mitigation measures adopted.

RISK MANAGEMENT

Saipem implements and maintains an adequate system of internal control and risk management, composed of instruments, organisational structures and regulations designed to safeguard Company assets and ensure the effectiveness and efficiency of Company processes, reliable financial reporting, as well as compliance with laws and regulations, the Articles of Association and Company procedures. To this end, Saipem has developed and adopted an Integrated Risk Management model that constitutes an integral part of its internal control and risk management system. It has done this with the aim of obtaining an organic and overall vision of the main risks for the Company, ensuring greater consistency of methodologies and tools to support risk management, and strengthening awareness, at all levels, of the fact that an adequate assessment and management of risks may impact on the achievement of objectives and on the Company's value.

The structure of Saipem's internal control system, which is an integral part of the Company's Organisational and Management Model, assigns specific roles to the Company's management bodies, Compliance Committees, control bodies, Company 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. Saipem is exposed to risk factors related to the Group's business activities and to the activities of the industry in which it operates. The occurrence of such risks could have negative effects on the Company's business and on the income, balance sheet and/or financial situation of the Saipem Group.

In addition, it should be noted that, during 2015, risk management activities were integrated into industrial risk management in the ambit of the Integrated Risk Management Function.

These risk factors have been assessed by management for each individual risk in the

framework of drafting the half-yearly and, where deemed necessary, the possible liability was set aside in an appropriate fund. See the 'Notes to the consolidated financial statements' for information on liabilities for risks set aside.

Financial risks

The main financial risks that Saipem is facing and actively monitoring and managing are the following:

- (i) the market risk deriving from exposure to fluctuations in interest rates and exchange rates and from exposure to commodity price volatility;
- (ii) the credit risk deriving from the possible default of a counterparty;
- (iii) the liquidity risk deriving from the risk that suitable sources of funding for the Group's operations may not be available;
- (iv) the risk connected to a possible credit rating downgrade.

(i) Market risk

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

Market risk - Exchange rates

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

This impacts on:

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

translated from their functional currency into euro.

Saipem's foreign exchange risk management policy is to minimise economic and transactional exposures arising from foreign currency movements and to optimise the economic exchange risk connected with commodity prices. Saipem does not undertake any hedging activity for risks deriving from the translation of foreign currency denominated profits or assets and liabilities of subsidiaries that prepare financial statements in a currency other than the euro. Saipem uses a number of different types of derivative contract to reduce economic and transaction exposure, such as currency swaps, forwards and options. In compliance with International Financial Reporting Standards (IFRS), Saipem hedges net exposure to economic and transactional risk through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated at fair value on the basis of market standard evaluation and market prices provided by specialised sources. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Treasury Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS).

An exchange rate sensitivity analysis was performed for those currencies other than euro for which exchange risk exposure in the first half of 2016 was highest in order to calculate the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in the exchange rates.

The analysis was performed for all relevant financial assets and liabilities denominated in the currencies considered and regarded in particular the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short and long-term financial liabilities.

For exchange rate derivatives, the sensitivity analysis on fair value was conducted by comparing the conditions underlying the forward price fixed in the contract (i.e. spot exchange rate and interest rate) with spot rates and interest rate curves corresponding to the relevant contractual maturity dates, on the basis of year-end exchange rates subjected to hypothetical positive and negative changes of 10%, with the resulting effects weighted on the basis of the notional amounts.

The analysis did not examine the effect of exchange rate fluctuations on the measurement of work in progress because

work in progress does not constitute a financial asset under IAS 32. Furthermore, the Company does not use hedging methods in reference to the risk deriving from the conversion into euro of balance sheets of foreign companies that use a currency other than the euro.

In light of the above, although Saipem adopts a strategy targeted at minimising currency or transaction exposure through the use of various types of derivatives (swaps, outright and forwards), it cannot be excluded that exchange rate fluctuations may significantly influence the Group's results and the comparison of results of individual financial years.

A positive variation in exchange rates between the foreign currencies examined and the euro (i.e. depreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of -€78 million (-€63 million at December 31, 2015) and an overall effect on shareholders' equity, before related tax effects, of -€328 million (-€342 million at December 31, 2015).

Meanwhile, a negative variation in exchange rates between the foreign currencies examined and the euro (i.e. appreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of €78 million (€63 million at December 31, 2015) and an overall effect on shareholders' equity, before related tax effects, of €328 million (€342 million at December 31, 2015). The increases/decreases with respect to the previous year are essentially due to the performance of currencies at maturity dates and to variations in the assets and liabilities exposed to exchange rate fluctuations.

Market risk - Interest rate risk

Interest rate fluctuations influence the market value of the Company's financial assets and the level of net finance expense, since some loans are agreed on a variable interest rate basis. To reduce this risk, Interest Rate Swaps (IRS) are entered into.

Interest Rate Swaps are evaluated at fair value by the Treasury Department of Saipem Group on the basis of market standard evaluation and market prices provided by specialised sources. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Treasury Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS). Although Saipem adopts a strategy targeted at minimising its exposure to interest rate risk through the pursuit of financial structure objectives defined and approved by the Board of Directors, 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 financial years. Interest rate derivatives are evaluated by the Finance function at fair value on the basis of standard market evaluation algorithms and market prices provided by specialised sources. To measure sensitivity to interest rate risk, a sensitivity analysis was performed. The analysis calculated the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in interest rates.

The analysis was performed for all relevant financial assets and liabilities exposed to interest rate fluctuations and regarded in particular the following items:

- interest rate derivatives;
- cash and cash equivalents;
- short and long-term financial liabilities.

For interest rate derivatives, the sensitivity analysis on fair value was conducted by comparing the interest rate conditions (fixed and variable rate) underlying the contract and used to calculate future interest rate differentials with discount curves for variable interest rates on the basis of period end interest rates subjected to hypothetical positive and negative changes of 10%, with the resulting changes weighted on the basis of the notional amounts. For cash and cash equivalents, the analysis used the average balance for the year and the average rate of return for the year, while for short and long-term financial liabilities, the average exposure for the year and average interest rate for the year were considered.

A positive variation in interest rates would have produced an overall effect on pre-tax profit of -€2 million (-€13 million at December 31, 2015) and an overall effect on shareholders' equity, before related tax effects, of -€2 million (-€13 million at December 31, 2015). A negative variation in interest rates would have produced an overall effect on pre-tax profit of €2 million (€13 million at December 31, 2015) and an overall effect on shareholders' equity, before related tax effects, of €2 million (€13 million at December 31, 2015).

The increases/decreases with respect to the previous year are essentially due to the performance of interest rates at maturity dates and to variations in the assets and liabilities exposed to interest rate fluctuations.

Market risk - Commodities

Saipem's results are affected by changes in the prices of oil products (fuel oil, lubricants, bunker oil, etc.) and raw materials, since they represent associated costs in the running of vessels, offices and yards and the implementation of projects and investments. In order to reduce its commodity risk, in addition to adopting solutions at a commercial level, Saipem also trades over the counter derivatives (swap and bullet swaps in

particular) whose underlying commodities are oil products (mainly gasoil and naphtha) on the organised ICE and NYMEX markets where the relevant physical commodity market is well correlated to the financial market and is price efficient.

As regards commodity price risk management, derivative instruments on commodities are entered into by Saipem to hedge underlying contractual commitments. Hedge transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable. Despite the hedging instruments adopted by the Company to control and manage price 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 evaluated at fair value by the Finance function on the basis of standard market evaluation algorithms and market prices provided by specialised sources.

With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on shareholders' equity, before related tax effects, of €1 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 shareholders' equity, before related tax effects, of -€1 million.

The increase (decrease) with respect to the previous year is essentially due to the differences between the prices used in calculating the fair value of the instrument at the two reference dates.

(ii) Credit risk

Credit risk represents Saipem's exposure to potential losses deriving from the non-performance of counterparties.

As regards counterparty risk in commercial contracts, credit management is the responsibility of the business units and of specific corporate finance and administration functions operating on the basis of standard business partner evaluation and credit worthiness procedures. For counterparty financial risk deriving from the investment of surplus liquidity, from positions in derivative contracts and from physical commodities contracts with financial counterparties, Group companies adopt guidelines issued by the Treasury Department of Saipem in compliance with the centralised treasury model of Saipem.

The Company did not have any significant cases of non-performance by counterparties. Despite the measures implemented by the Company to avoid the concentration of risk

and/or activities and the identification of parameters and conditions within which transactions involving derivative instruments are allowed, in the light of the current critical situation of the financial markets it cannot be excluded that a part of the Group's clients may delay or even default on payments under the terms and conditions established. A possible delay or non-payment of the amounts due by the main customers could make it difficult to perform and/or complete the orders, with the need to recover the costs and expenses sustained through legal actions.

(iii) Liquidity risk

The evolution of working capital and of financial requirements is strongly influenced by the invoicing time frames for work in progress and the collection of the relevant receivables. As a result, even if the Group has implemented measures for ensuring that suitable levels of working capital and cash will be available, possible delays in the progress of projects and/or in the definition of positions being finalised with customers could have an impact on the ability and/or on the time period of 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 result in the company incurring higher borrowing expenses to meet its obligations or under the worst of conditions the inability of the company to continue as a going concern. As part of its financial planning process, Saipem manages liquidity risk by targeting a capital structure that guarantees a level of liquidity adequate for the Groups' needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an optimal profile in terms of maturity and composition of debt in accordance with business objectives and prescribed limits. At present, through the management of flexible credit lines suitable with business requirements, Saipem believes it has access to sufficient funding and has also both committed and uncommitted borrowing facilities 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. Saipem has credit lines available to cover its

overall financial requirements. In this regard, by means of a new bank borrowings of €4,700 million agreed on December 10, 2015, the Group has structured its sources of financing mainly along medium to long term deadlines with a duration of up to 5 years.

As at June 30, 2016, Saipem has unused credit lines of €1,553 million, to which can be added the availability of cash at the same date of €1,656 million. In addition to the above, on June 30, 2016, Saipem sign a new line of credit for €554 million, guaranteed by Garantiinstituttet for Eksportkreditt (GIEK), the Norwegian export credit guarantee agency. The facility will be available for utilisation by Saipem over the 24 months following the signing of the agreement and will comprise several tranches, each with a tenor of 8.5 years.

(iv) Risks related to a possible rating downgrade

On October 28, 2015, the Company obtained from Standard & Poor's Ratings Services a 'BBB-' preliminary long term corporate credit rating with a 'stable' outlook and a 'BBB-' preliminary issue rating for the Term Facility and the Revolving Facility. On the same date Moody's Investor Service assigned the Company a '(P)Baa3' Provisional Issuer Rating with a 'stable' outlook.

On February 4, 2016, Standard & Poor's Ratings Services informed the Company that it had formally commenced a 'Credit Watch' procedure with possible negative implications for Saipem's Preliminary Long Term Corporate Credit Rating 'BBB-', mainly because of the collapse in the price of crude which could significantly limit Saipem's financial flexibility.

On February 10, 2016, Moody's Investors Service announced that Saipem's Provisional Issuer Rating '(P)Baa3' had been placed under review for downgrading, due to the weak fundamentals of the Oil & Gas sector and the subsequent increase in the risk of cancellations and delays of projects and the reduction of investments in the industry.

On May 6, 2016, S&P Global Ratings (previously Standard & Poor's Ratings Services) lowered the Company's Long Term Corporate Credit Rating and the Issue Rating from 'BBB-' to 'BB+', with a negative outlook, at the same time removing them from the negative 'Credit Watch' and bringing them to definite status following completion of the share capital increase and of the Company's debt refinancing. This downgrade reflected the vision of S&P Global Rating in relation to the Oil & Gas industry and a more prudent vision on Saipem's future credit parameters, together with the level of backlog orders and the ability to sustain operating cash flows without significant fall-offs.

On May 23, 2016, Moody's Investors Service lowered and converted the Provisional Issuer Rating '(P)Baa3' into a Corporate Family Rating (CFR) 'Ba1', assigning a stable outlook to all ratings.

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 Company's rating, this could determine a worsening in the conditions for receiving loans.

Finance, trade and other payables

The following table shows the amounts of payments due. These are mainly financial payables, including interest payments.

(€ million)	Maturity					Total
	2017 (*)	2018	2019	2020	After	
Long-term debt	1,853	541	533	535	-	3,462
Short-term debt	164	-	-	-	-	164
Derivative liabilities	71	-	-	-	-	71
Total	2,088	541	533	535	-	3,697
Interest on debt	72	24	15	6	-	117

(*) Includes the second half of 2016.

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

(€ million)	Maturity			Total
	2017 (*)	2018-2020	After	
Trade payables	2,744	-	-	2,744
Other payables and advances	1,844	-	-	1,844

(*) Includes the second half of 2016.

Outstanding contractual obligations

In addition to the financial and trade debt recorded in the balance sheet, the Saipem Group has contractual obligations relating to non-cancellable operating leases whose

performance will entail payments being made in future years. The following table shows undiscounted payments due in future years in relation to outstanding contractual obligations.

(€ million)	Maturity					Total
	2017 (*)	2018	2019	2020	After	
Non-cancellable operating leases	174	74	69	63	192	572

(*) Includes the second half of 2016.

The table below summarises Saipem's capital expenditure commitments for property, plant

and equipment, for which procurement contracts have been entered into.

(€ million)	Maturity
	2017 (*)
Committed on major projects	-
Other committed projects	84
Totale	84

(*) Includes the second half of 2016.

Risks related to legal proceedings involving the Company

The Group is a party in judicial, civil, tax and administrative legal proceedings. For a summary of the most significant cases, see the

note 'Guarantees, commitments and risks - Legal proceedings' in the 'Notes to the consolidated financial statements'. Given the intrinsic and uneliminable risk that characterises legal proceedings, while the Company has carried out the necessary

assessments, including on the basis of applicable accounting 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 legal fund, 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 Company, should it not be possible to settle the disputes by means of negotiation, the Company may have to bear further costs associated with the length of court hearings.

Risks related to relations with strategic partners

Saipem carries out part of its activities in partnerships, on the basis of contracts that include the joint liability of the Company in the event of contract breaches by the partners. In some countries where Saipem operates, the Group executes its own development programmes by means of joint venture agreements with local or international operators.

Despite the measures adopted by the Company to identify suitable shareholders and to manage activities carried out in partnerships pursuant to the contract terms, when the client suffers damage due to a breach of contract on the part of an operator associated with the Company, Saipem may be obliged to complete the activities originally assigned to the non compliant partners or to pay damages caused by its partners, without prejudice to the possibility of exercising its right to claim for damages against the non compliant associated enterprise.

Furthermore, in such circumstances, the Group may not be capable of maximising the profitability of the contracts carried out in partnerships due to the lower level of control exercised over the various phases of a project carried out by the shareholder or because of the possible inability of the strategic partners to assess determined elements of cost related to parts of the scope of work assigned to them.

In addition to the above, the possible lack of agreement with international or local partners regarding the methods and terms of a project's development, or the management of it, could impact negatively on the capacity for development of certain projects on the part of the Saipem Group. The Group may, therefore, have to modify or reduce its objectives for development due to difficulties in relations with its partners.

The possible exit of strategic partners from joint venture arrangements may likewise

determine the renegotiation with third parties of contracts entered into by the joint venture itself.

Risks related to the concentration of a relatively limited number of clients and of contracts with the same clients

Saipem operates in a sector characterised by large-size contracts and by a relatively limited number of clients (majors & national oil companies). The inability of the Group to continue EPC activities and drilling services for a certain number of these clients, and the delays in receiving payment from several of them, exposes Saipem to a negative effect on its economic and financial results and on future outlooks.

In addition, it is possible for Saipem to have several large-scale projects for the same client and hence a single customer can account for a significant percentage of the backlog or of the Group's revenues in a given period.

Since, therefore, Saipem's activities are characterised by a concentration of a relatively limited number of clients and by large-scale contracts, the Company could be exposed to the risk that a deterioration of commercial relations with said clients could lead to significant economic and financial damage to the Group.

Risks related to the Group's profitability

The markets in which the Group operates can be aggregated into two macro categories: (i) the EPCI (Engineering Procurement, Construction, Installation) Lump Sum Turn Key (LSTK) market; and (ii) the Offshore and Onshore Drilling market.

With reference to the EPCI market, the Group's profitability is strongly conditioned by the structure of the contract negotiated with the client, who may require a significant commitment of financial resources both in the initial stages of the project (i.e. for the issuing of purchase orders to suppliers, the mobilisation of personnel, the mobilisation or technical preparation of the vessels involved, as well as the activation of bank guarantees for the project) and in the subsequent phases for the achievement of the milestones agreed upon in the contract and at which point it is possible to issue invoices to the client. Furthermore, in project execution phase, it is necessary to negotiate payments in relation to variations in the scope of work requested by the client (change orders) or for variations

for the correct realisation of the work not requested explicitly by the client (claims). In practice, 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.

The Company has equipped itself with various techniques that it implements 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 project execution.

The Drilling market, on the other hand, is characterised by rates for the sale of services, which include remuneration of the vessel deployed (typically the contractor's property), remuneration of personnel and payment of ancillary costs (i.e. subcontractors for accessory services). The profitability of the Drilling business is, therefore, influenced mainly by two factors: (i) market rates at the time the contract is renewed and (ii) the Drilling fleet utilisation rate. As regards point (i), it should be noted that this factor is influenced very little by the contractor, who, rather, suffers its positive or negative effects in relation to the deadline for active contracts. Furthermore, this factor is partially offset through operating cost reductions (the cost of subcontracts and, in some cases, labour). With reference to point (ii), this factor can be managed by the contractor through its own compensation policies and its own business model.

In this regard, the model adopted by Saipem encompasses the negotiation of long-term contracts which include a termination fee in the event of early cancellation for convenience by the client, which ensure the client has access to the vessels known and inspected over long-term periods at average rates below the peak market rate, and which typically allow the contractor a use of the fleet above the market average. The effectiveness of the actions described is, however, influenced by the economic and market context and by the Company's commercial and operating circumstances.

Risks related to the protection of information

In carrying out its activities, the Group relies on information and data of a sensitive nature,

processed and contained in documents, including in electronic format, unauthorised access to which and diffusion of which may cause damage to Saipem.

Although the Company adopts information security protocols and policies, it cannot be excluded that it may have to face threats to the security of its information infrastructure or unlawful attempts to access its information system (cyber-attack) which could lead to the loss of data or damage to intellectual property and assets, as well as the extraction or alteration of information or the interruption of production processes.

Furthermore, interruptions to or breakdowns in the information system could compromise the Group's operational effectiveness, provoking errors in the execution of operations, inefficiencies and procedural delays in the execution of activities.

Finally, the Company may have to deal with attempts to obtain physical or computer based access to personal, confidential or other sensitive information found within its facilities.

Risks related to possible fraud or unlawful activities by employees or third parties

The Group is subject to the risk of fraud and/or unlawful activities on the part of employees and third parties. Specifically, in carrying out its activities the Group relies on subcontractors and suppliers that could commit fraudulent acts in concert with employees to the detriment of the Company. 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.

As regards this risk, the Company carries out periodical audits and checks, including with the assistance of external consultants. Despite this, and despite the fact that Saipem has implemented and constantly updates a system of internal control, a Code of Ethics and an Organisation, Management and Control model pursuant to Italian Legislative Decree No. 231/2001, as well as an Organisation, Management and Control model for Group companies with registered offices in foreign countries, it is not possible to exclude the occurrence of fraudulent or unlawful behaviour.

Saipem provides employees and stakeholders with an information channel – overseen by the Compliance Committee in a way that ensures

confidentiality – 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, security, etc.). Further information can be found in the specific detailed section in the Board of Statutory Auditors' Report to the Shareholders' Meeting.

Risks related to the political, social and economic situation in the countries where the Saipem Group operates

Substantial portions of Saipem's operations are performed in countries which may be politically, socially or economically unstable. Developments in the political framework, economic crises, internal social unrest and conflicts with other countries may temporarily or permanently compromise the Saipem Group's ability to operate cost efficiently in such countries, as well as its ability to recover Company 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 underway in conditions that differ from those originally anticipated.

Additional risks associated with operations in these countries are: (i) the lack of well-established and reliable legal systems and uncertainties surrounding the enforcement of contractual rights; (ii) unfavourable developments in laws and regulations and unilateral contract changes, leading to reductions in the value of Saipem's assets, forced sales and expropriations; (iii) restrictions on construction, drilling, imports and exports; (iv) tax increases; (v) civil and social unrest leading to sabotage, attacks, violence and similar incidents; (vi) corruption; (vii) acts of terrorism, vandalism or piracy. Such events are characterised by limited foreseeability and can occur and develop rapidly.

Saipem periodically monitors risks of a political, social and economic nature in the countries where it operates or intends to invest, according to a risk assessment model that is in line with Italian Legislative Decree No. 81 dated April 9, 2008 covering the protection of health and safety in the workplace. 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 unlawful actions of physical or legal persons who expose the Company and its

assets, people, goods and image to potential damage.

In cases where Saipem's ability to operate is temporarily compromised, demobilisation is planned according to the criteria of protecting personnel and those Company assets that remain in the country subject to political instability, 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 cause increased costs and a negative impact on revenues in the countries concerned, to the detriment of the economic results expected.

Risks related to dependence on key personnel and specialist personnel

The Company depends to a significant degree on the professional contribution of key personnel and highly specialised individuals. By key personnel is meant 'Senior Managers with strategic responsibilities' (further information can be found in the specific detailed section in the 2015 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 the Company and one or more of the resources mentioned should be interrupted for any reason, there are no guarantees that the Company can restore it quickly using equally qualified individuals who can ensure the same operational and professional contribution in the short term. Furthermore, during expansive phases of the market, the Group could suffer delays in the hiring of personnel due to greater demand for specialised resources, which in turn could determine negative impacts on the results and reputation of the Group.

In addition, the development of future strategies by Saipem will depend to a significant extent of the Company's ability to attract and retain highly qualified and competent personnel. The continued expansion of the Company into areas and activities that require further knowledge and skills will moreover make it necessary to employ management and technical personnel, both international and local, with different competencies.

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 Company, could have negative effects on Saipem's future business opportunities.

Risks related to incidents involving strategic assets

The Group possess numerous assets, in particular specialised vessels, fabrication yards and logistical basis, which are used in the execution of EPCI projects and Drilling services.

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. Specifically, it should be noted that these certifications must be confirmed on a yearly basis following inspections that the classification bodies carry out on board the vessels. In addition, on the basis of the technical characteristics and type of each vessel, Saipem's fleet must satisfy the requirements of the international regulations applicable in the maritime field (IMO - International Maritime Organization conventions, such as MARPOL, ISM, ISPS, etc.).

The Group's assets are also subject to the normal risks associated with ordinary operations and to catastrophic risks linked with the weather and/or natural disasters.

In particular, the risks connected with ordinary operations can be characterised 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, has implemented 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.

Finally, the Group sustains significant costs for the maintenance of its proprietary assets. These can be influenced negatively by events such as: (i) increases in the costs of labour, materials and services; (ii) technological upgrades; (iii) changes to laws and regulations covering health, safety and environmental protection.

Risks related to the volatility of the Group's economic and financial results on the basis of payments agreed on a cost-to-cost basis for works progress

In accordance with common practice in the Oil & Gas industry, the Group recognises revenues for multi-year projects in both the Offshore and Onshore Engineering & Construction sector in relation to the progress of works determined using the cost-to-cost method. Consequently, the Company periodically analyses the contract value and the estimation of costs during works execution and carries forward and reflects any rectifications made in proportion to the percentage of the project completed in the period.

In the event that these adjustments result in a reduction of the profit previously recognised in relation to a project, the Company is necessarily compelled to reconcile the result of that project. This reconciliation may be material and represent a reduction in the net income for the year against which the adjustment is recorded.

The current project cost estimations and hence the profitability of long-term projects may, therefore, change following the uncertainties associated with this type of contract, even if they were reasonably reliable when made. In the event of significant cost adjustments, the reductions in profit over the whole project life cycle may have a material impact on the current financial year and on future years.

Furthermore, change orders, which are an ordinary and recurring part of Saipem's activities, may increase (sometimes substantially) the scope of work and hence the costs associated with it.

Therefore, change orders, even if beneficial in the long term, can have the effect in the short term, if not approved by the client in a timely and adequate manner, of reducing the overall margin of the project with which they are associated.

In the event of a significant review of cost estimations or of revenues on a project, the Group would be obliged to effect adjustments of those estimates. Although the actual estimations on multi-year projects are deemed most likely correct and are carefully measured, the Group is nevertheless exposed to risks related to the possible volatility of progress in execution phase.

In addition, the disputes associated with change orders may lead to a reduction in

revenues and margins previously declared and hence in current profit.

Risks related to the mistaken or incomplete assessment of costs in determining the bid price for lump sum turnkey contracts

The Company operates in the highly competitive sector of services for the Oil & Gas industry, characterised by lump sum turnkey contracts. Specifically, these multi-year contracts entail phases of engineering, procurement of equipment, materials and services, construction and installation and, in some cases, drilling in areas that may be remote and in waters of various depths.

The preparation of bids and the determination of price are the outcome of an accurate, precise and timely estimation exercise that involves every Company department and which is further integrated by a risk assessment to cover the areas of uncertainty inevitably present in each bid.

Since one is dealing with multi-year projects, these assessments are carried out with the aim of mitigating any increases in labour, materials and services costs which are included in the contingencies (costs estimated in relation to operational risks) or, if possible, through the insertion in the contract of clauses that index link prices.

Despite these efforts, over the life cycle of the contract the costs and, consequently, the margins that the Company realises on lump sum contracts, could vary significantly from the sums originally estimated for various reasons linked, for example, to: (i) bad performance/productivity of suppliers and subcontractors; (ii) bad performance/productivity of Saipem's workforce; (iii) changes in working conditions; (iv) worse weather conditions than those anticipated against the statistics available at the time; (v) a rise in the price of raw materials (i.e. steel, copper, fuel, etc.). All of these factors and other risks inherent in the sector in which Saipem operates may imply different costs and, subsequently, different margins from those originally estimated and may lead to a reduction, perhaps even significant, of profitability or to losses on projects.

The occurrence of these significant differences could lead to a reduction in project profit margins and damage the Company's reputation in the Oil & Gas industry and vis-à-vis its clients.

Risks related to the levying of guarantees

In the framework of contracts for the performance of engineering, procurement, project management, construction and drilling services, before signing the relevant contract the Saipem Group, in compliance with contractual practices in the industry, and on the request of clients, delivers first demand bonds to cover the risk of contract execution (performance bonds) or to cover advance payments or to cover undertakings in bid phase (bid bonds).

The banks issuing such guarantees require counter guarantees from the Company or from other companies in the Group.

Given the nature of first demand bonds, they may be levied by the clients even in the absence of a valid title and, at that point, the legal protections available urgently in the various jurisdictions referred to in the guarantees in order to decide over any dispute arising may not allow the levy to be blocked.

In the event that a client calls up a guarantee, and in the absence of an urgent judicial proceeding that prevents it, Saipem, according to the circumstances, must immediately pay the amount levied by the client to the same financial institute that issued the guarantee, and only then avail of the possibility to bring forward its own case at the contractually agreed court.

Risks related to relations with trade union organisations

Generally speaking, the Group's activities may be impacted by strikes or other forms of industrial action on the part of some categories of worker, which could lead to interruptions in operations with consequent potential delays in production in offices, fabrication yards, logistical bases, on specialist vessels and on sites during project executive phase. These risks may also be present in operations carried out by partners, subcontractors and suppliers selected by Saipem.

In the framework of the turnaround planned called 'Fit for the Future', a rationalisation in staff levels is envisaged, which will lead to an overall reduction in the number of the Group's human resources in various geographical areas. Consequently, this could lead to interruptions in operations during strikes or other forms of industrial action or to period of trade union tension.

Risks related to the fall in the price of oil

The Saipem Group offers services with a strong bias towards activities in the Oil & Gas sector in remote areas and deep waters. In the event that the price of oil should continue to remain low over the long term, the level of demand for Offshore and Onshore Engineering & Construction services and Onshore and Offshore Drilling may be heavily impacted.

It is not possible to quantify with a sufficient degree of approximation the impact on individual contractors of a strongly negative market context such as would materialise if the price of oil were to stay at its current low levels over the next few years. However, it is possible to hypothesise that, in such circumstances, there would be: (i) a progressive consolidation among clients (with the disappearance of several independent players and the aggregation of operators capable of exploiting potential synergies); (ii) a reduction in the volume of investments on the part of companies operating in the Oil & Gas sector and, consequently, in the number of projects developed, as well as delays in the awarding of new projects with a subsequent fall in the visible market for contractors; (iii) a predictable consolidation among contractors (with the objective of maximising synergies in terms of competencies, assets or geographical presence); (iv) economic and financial difficulties for operators who have no distinctive features of success; (v) an increase in competition between contractors, with a presumable fall in the costs of upstream asset development.

In consideration of the plurality and unpredictability of the possible outcomes in a dynamic and discontinuous scenario such as the one described above, accurate estimations as to the commercial, operative and competitive evolution of the Company would be subject to broad margins of uncertainty if the price of oil were to remain at its current levels over the medium and long term.

In order to align its costs and competitive profile to the current oil price scenario, during which a significant decrease in activity volumes and margins is predicted, the Company has launched a turnaround plan called 'Fit for the Future' which, among its various initiatives, includes a rationalisation of fabrication yards and vessels that are no longer suitable for the changed circumstances.

Risks related to the Group's competitive positioning

Saipem operates in a sector strongly characterised by an increasing degree of competitiveness due to the ever greater strength of competitors on an international basis, as well as to the volatility of the price of raw materials (especially the price of oil). In particular, over the past few years there has been a growth in the number of Asian competitors who have acquired technical and financial capacities which allow them to compete in markets previously characterised by the presence of a limited number of operators.

For this reason, it is possible that the entrance of new competitors equipped with resources and cutting edge technologies may compromise Saipem's market position. A further increase in competitive pressure, which is due also to the possible slowdown of or recessions in the markets where the Company is active, may lead to a worsening of Saipem's market share in the sectors in which it operates. Furthermore, an ongoing scenario characterised by the current price of oil may lead to a consolidation of the market with the presence of few operators with the technical and financial ability required for the changed context.

Errors in the execution of projects and insufficient performance of plants and works that Saipem realises, and in the services that the Company provides, as well as any errors in the estimation of operational and commercial risks and inadequate monitoring of subcontractors, could determine a reduction in the margins of individual projects, with additional costs for the Company and a subsequent deterioration in working capital.

Risks related to the lowering of demand and the deterioration of relations with clients

The market context is characterised by the ongoing downward trend in the price of oil which, beginning in July 2014, has been aggravated by lower global growth than expected, with a negative impact on world demand for oil and gas.

This condition influences the investment policies of the main clients, exposing Saipem to: (i) delays in the negotiation process and possible cancellation of commercial initiatives relating to future projects; (ii) cancellation and suspension of projects already underway (whether EPCI lump sum or Drilling services contracts); (iii) delays and difficulties in

obtaining payment of contractual penalties provided for to indemnify the Company against the cancellation and suspension of such contracts; (iv) delays and difficulties in obtaining change orders for the scope of work requested by the client and executed by Saipem; (v) delays and difficulties in renewing leasing contracts for onshore and offshore drilling fleets prior to the expiry thereof and under economically advantageous terms and conditions.

This context may lead to a deterioration in relations with clients and, in the most significant cases, to international arbitration.

Risks related to technological development

The Engineering & Construction and Drilling sectors are characterised by the continuous development of the technologies and assets used therein.

In order to maintain its competitive position, Saipem needs to update the technology and assets at its disposal, with the aim of aligning its offer of services to the needs of the market. Should the Company be unable to upgrade the technologies and assets required to improve its operational performance, the Group would probably have to modify or reduce its objectives.

Risks related to laws and regulations in the sector of activity in which Saipem operates

The activities carried out by Saipem in Italy and abroad are subject to compliance with rules and regulations valid in the relevant territory, including laws that implement international protocols or conventions for the specific segment of operations. Specifically, the Group is exposed to risks associated with changes in national tax regimes, tax incentives, rulings of the tax authorities, international tax treaties and, in addition, to risks connected with the application and interpretation thereof in countries in which Group companies carry out their activities. For this reason, Saipem could be exposed to risks linked with inspections, audits and tax disputes.

Furthermore, Saipem is exposed to changes in local regulations that impose the use of set quotas of personnel, as well as goods sold and services provided by local companies ('Local Content'). Variations in these laws and regulations may compel the Group to change the level of Local Content it uses, thus exposing the Company to additional costs or to delays in the execution of projects.

For this reason, Saipem monitors compliance with laws in force and with its targets to reduce to a minimum the impacts from its operational activities. 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.

Finally, any violations of health, safety and environmental laws could lead to limitations to the Group's activities or to fines, sanctions or penalties.

Risks related to inefficiencies in the supply chain

In executing its projects, and in the normal course of its activities, the Group relies on numerous suppliers of goods and services. Any inadequate performances by suppliers and subcontractors could generate deficiencies in the supply chain and, consequently, lead to additional costs linked to the difficulty in replacing suppliers and in locating the goods and services necessary for the Group to carry out its activities, the procurement of goods and services at higher prices, or delays in the completion and delivery of projects.

A deterioration in relations with suppliers could transform into a competitive disadvantage linked to a reduction in Saipem's negotiating power, with subsequent increases in costs, a worsening of contract terms and conditions and a deterioration in the Group's economic results.

Risks related to health, safety and the environment

Saipem is subject to laws and regulations for the protection of health, safety and the environment at national, international and EU level. In particular, the Group's activities are subject to the possible occurrence of incidents that could have repercussions on people and the environment.

With reference to these risks, the Company has developed a HSE (Health, Safety and Environment) management system which is in line with the requirements of laws in force and with international standards ISO 14001 and OHSAS 18001, and for which Saipem has

obtained certification. The 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.

Despite the adoption of these procedures by Saipem, 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 the Company and to the fulfilment of legal and regulatory obligations concerning, health, safety and the environment.

Risks related to obtaining and renewing permits, licences and authorisations

In carrying out its operations, the Group is required to obtain and comply with national and international government permits, licences and authorisations. Each of these authorisations, licences or permits could be revoked or cancelled or amended. Despite the fact that existing permits, licences and authorisations are regularly renewed by various bodies, renewal may be denied, delayed or compromised by various factors, among which:

- failure to deposit adequate financial guarantees;
- failure to observe health, safety and environmental laws and regulations or other specific conditions associated with the renewal of permits, licences and authorisations;
- opposition from local communities;
- executive action;
- legislative action.

Furthermore, in the event of issue, the entering into force of interpretative or applicative legal changes as regards the environment or health and safety in the workplace, or other themes linked to permits, licences and authorisations, it may be necessary to obtain additional operational permits or approvals. Failure to obtain permits, licences and authorisations, or failure to observe the terms and conditions associated with their issue, may negatively influence the Company's operations through the temporary suspension of its activities, to say nothing of exposing it to fines and other sanctions.

Risks related to intellectual property

The Saipem Group carries out research, development and innovation activities with reference to: (i) developing cutting edge technologies in relation to the equipment deployed on its vessels, as well as in terms of full-scale modifications to vessel layouts and technical characteristics; (ii) developing innovative offshore technologies for the exploitation of oil and gas fields; (iii) developing onshore technologies with the aim of enhancing know-how, defining proprietary technologies to satisfy market demand or improving technologies owned by third parties.

The Company likewise depends on proprietary but unpatented technologies, processes, know-how and data. Data is treated as confidential and is protected in compliance with normal practices in the management of industrial secrets, i.e. through confidentiality agreements entered into with external collaborators, suppliers, consultants and certain counterparties, including third-party manufacturers. In the event that such agreements or other tools used to protect industrial secrets do not provide concrete safeguards or are breached, the Company might not be able to avail of adequate remedies to challenge each violation, or its industrial secrets could become known to or be developed by competitors.

The protection of intellectual or industrial property rights or rights to exclusive use is normally very complex and often leads to problems of a legal nature regarding ownership of said rights. For this reason, in carrying out its commercial and research and development activities, the Company may in future be summoned to appear before the courts for disputes related to the violation of intellectual and industrial property rights of third parties, or may find itself needing to bring legal proceedings against third parties to protect its own rights.

Therefore, the Company is exposed to possible challenges and/or disputes for the breach of rights relating to patents and/or other intellectual and industrial property, as well as the exploitation, including abusive exploitation, of its own intellectual property rights by third parties or those of third parties whose licences the Group uses.

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.

The Group's insurance programme takes into consideration all the exposures to risk highlighted in the preceding paragraphs and, through risk management activities, identifies residual risks that may be insurable. It should be recalled, indeed, that not all of the Company's exposures to risk can find adequate and affordable insurance coverage, or several guarantees available till now may no longer be in the future.

Furthermore, the insurance scheme, while based on its historical experience of claims over the past twenty years, many still not be sufficient to pay for all losses and potential liabilities should catastrophic events occur. Within the Saipem Insurance Programme, a distinction can be made between insurance cover for Group assets ('Corporate insurance policies') and the insurance cover connected with project execution.

Corporate insurance policies

The Corporate insurance programme is structured with an initial band of risk that is self-insured through a captive reinsurance company, with amounts in excess covered by a catastrophic insurance programme taken out on the insurance market.

The catastrophic insurance programme is composed of policies that cover damage to property, and maritime and non-maritime third party liability. Cover can be broken down as follows:

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 Remote Operating Vehicles (ROV), etc.;
- 'Transport' policy: covers transport, handling and storage of assets and equipment by land, sea or air;
- 'Buildings and Sites' policy: covers owned or rented buildings, offices, storage facilities and shipyards;
- 'Other minor risks' policy: covers minor risks such as theft and dishonesty of employees.

Third-party liability

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

A key tool in the management of Saipem's insurable risks is Sigurd Rück AG, a captive reinsurance company, 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

Purchase of treasury shares

As of June 30, 2016, the share capital amounted to €2,191,384,693. On the same day, the number of shares in circulations was 10,107,834,564. No treasury shares were purchased on the market during the period.

Long-term Monetary Incentive Scheme

On April 29, 2016, the shareholders' meeting approved a 2016-2018 Long-term Incentive Scheme which encompasses the free award of ordinary Saipem SpA shares ('Performance Shares'), beginning July 2016, paid out in three annual awards, each subject to a three-year vesting period. The meeting approved the proposal to authorise the purchase of treasury shares, up to a maximum number of 85,000,000 ordinary shares, and at any rate not exceeding the maximum sum of €42,500,000, destined for the aforementioned incentive scheme for the initial period of implementation; the authorisation to purchase treasury shares is requested for a period of eighteen months from the date of the resolution of the shareholder's meeting.

On July 27, 2016, following a proposal by the Compensation and Nomination Committee, voted in favour of the implementation of a long-term share-based incentive scheme, setting at 71,061,344 the number of treasury shares available for the plan and mandating the CEO to identify the beneficiaries of the 2016 allocation.

The purchase can be made, in the gradual steps deemed most appropriate, at a maximum and minimum unit price equal to the benchmark price on the electronic trading market on the day prior to the purchase (more or less 5% respectively for the maximum and the minimum), through purchase on the market.

Bond issue

On June 27, 2016, the Saipem Board of Directors voted the issue, to be effected over a maximum time frame of one year beginning June 28, 2016, of non-convertible bonds for a total maximum amount of €1.6 billion, within the scope of the Euro Medium Term Notes Programme (EMTN Programme) for an overall amount of €2 billion or, alternatively, in the case of bonds issued by the subsidiary Saipem Finance International BV, the provision

of a guarantee by Saipem to bond subscribers.

The Board of Directors has assigned the Chief Executive Officer the power to determine the amount and the terms and conditions of each bond issuance in accordance with the general parameters of the EMTN programme.

The proceeds from the EMTN programme will be used primarily to pay back the Bridge to Bond facility of €1,600 million by the maturity date of July 1, 2017, unless the Company exercises its option to extend it to January 1, 2018. The launch of the EMTN programme will enable the Company to take prompt advantage of the financing opportunities offered by the capital markets and institutional investors over the course of the next twelve months. BNP Paribas and UniCredit act as Joint Arrangers of EMTN programme.

Regulation on Markets

Article 36 of Consob Regulation on Markets (adopted with Resolution No. 16191/2007, as amended): 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 that are deemed to be of material significance in relation to the consolidated financial statements:

- i. As at June 30, 2016, the regulatory provisions of Article 36 of the Regulation on Markets applied to the following 20 subsidiaries:
 - Saudi Arabian Saipem Ltd;
 - Petrex SA;
 - Snamprogetti Saudi Arabia Ltd;
 - Global Petroprojects Services AG;
 - Saipem America Inc;
 - Saipem Contracting (Nigeria) Ltd;
 - PT Saipem Indonesia;
 - Saipem Asia Sdn Bhd;
 - Saipem do Brasil Serviços de Petróleo Ltda;
 - Boscongo SA;
 - Saimexicana Sa de Cv;
 - ER SAI Caspian Contractor Llc;
 - Saipem Canada Inc;
 - Saipem Services Mexico SA de Cv;
 - Saipem Misr for Petroleum Services (S.A.E.);

- Sigurd Rück AG;
 - Sajer Iraq Llc;
 - Saipem Offshore Norway AS;
 - Saipem Drilling Norway AS;
 - Snamprogetti Engineering & Contracting Co Ltd.
- ii. Procedures designed to ensure full compliance with the aforementioned regulations have been adopted.

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

On October 27, 2015, Eni announced that, along with CDP Equity SpA, it had entered into a sale and purchase agreement by which Eni undertook to sell a holding of 12.503% of the ordinary share capital of Saipem, amounting to 55,176,364 ordinary Saipem shares, as well as a shareholders' agreement for governing the mutual relationship between Eni and CDP Equity SpA as shareholders of the Issuer (the 'Sale').

With a communication dated October 27, 2015, Eni stated that, by effect of the loss of sole control over Saipem resulting from the conclusion of the Sale, the residual Eni holding of the Company amounting to 30.42% of the Saipem ordinary share capital will be deconsolidated with effect from the effective date of the Sale and recognised in the financial statements using the net equity method.

As indicated in the shareholders' agreement between Eni and CDP Equity SpA, as of the effective date of the sale, neither Eni nor CDP Equity SpA will have 'sole control of Saipem pursuant to Article 93 of TUF'.

Furthermore, according to the information document prepared by Eni pursuant to Article 5 of the Regulation 'Related Parties' regarding the sale of the investment held by Eni in Saipem, 'the assets related to the governance specified in the Agreement are directed towards establishing joint control of Saipem by Eni and CDP Equity SpA'. Consequently, as at the effective date of the Sale (concluded on January 22, 2016) Saipem ceased to be under the direction and coordination of Eni.

Relationships with the parent company and the companies subject to its management and coordination activities

Saipem SpA was subject to the management and control of Eni SpA until January 22, 2016. From that date, as mentioned in the preceding paragraph, Saipem ceased to be under the direction and coordination of Eni.

Disclosure of transactions with related parties

Transactions concluded by Saipem with related parties, identified by IAS 24, 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 and senior managers with strategic responsibilities must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party, in accordance with the provisions of IAS 24.

At June 30, 2016, Saipem SpA is not subject to the management and coordination of other parties. Saipem SpA directs and coordinates its own subsidiaries pursuant to Article 2497 ff. of the Italian Civil Code.

The amounts of trade, financial or other operations with related parties are provided in Note 43 to the 'Notes to the condensed consolidated interim financial statements'.

Events subsequent to period end

Acquisition of orders

On July 7, 2016, Saipem was awarded new Offshore Engineering and Construction contracts for a value in excess of €1.5 billion. The most significant contract relates to the Field Development Project for the Zohr gas field, located off the Egyptian coast in the Mediterranean Sea. Petrobel has awarded Saipem an EPCI contract for the accelerated start-up of the development project for the Zohr Gas Field. The scope of work encompasses the installation of a 26-inch gas export trunkline and 14-inch and 8-inch service trunklines, as well as EPCI work for the development in deep waters of 6 wells and the installation of umbilical cables.

On July 27, 2016, Saipem was awarded two new Engineering & Construction contracts for onshore and offshore work in Indonesia on the Tangguh LNG Expansion Project. The contracts were awarded by BP Berau Ltd, as operator of the Tangguh LNG project, on behalf of the other production sharing contract parties.

The first award is for the engineering, procurement, construction and installation of offshore facilities, consisting of two unmanned platforms and subsea pipelines. Saipem will leverage its strong technological expertise in the design, fabrication and

installation of platform and subsea pipelines. In accordance with the requirements of SKK Migas, Indonesia's upstream oil & gas regulator, Saipem will contribute to local content enhancement, including through its own Karimun fabrication yard.

The second contract for the construction of an onshore LNG process train with a liquefaction capacity of 3.8 million tons per annum, utilities, offsites, an LNG jetty and associated infrastructure. The contract was awarded to CSTS, a joint operation led by Indonesian EPC Contractor Tripatra with Chiyoda, Saipem and Suluh Ardhi Engineering. The works are expected to be completed in 2020.

Outlook

2016 revenue guidance has been revised to approximately €10.5 billion, due to delays in the award of contracts and variations in the execution schedule of a few projects.

Despite this, excellent operational performance, especially in Offshore Engineering & Construction and Offshore Drilling, has enabled adjusted operating result guidance to remain unchanged, at approximately €600 million.

Adjusted net profit is expected to be approximately €250 million, due to higher financial expenses and tax rate.

Capital expenditure is expected to be reduced to approximately €400 million.

Net debt at year end is forecast at approximately €1.5 billion; this forecast assumes a recovery in working capital in the second half of the year.

New credit facility

On July 1, 2016, Saipem took out a new credit facility for up to €554 million which will be used for the financing or refinancing of the Company's purchases of equipment and services from Norwegian exporters. The credit facility is guaranteed by Garantiinstituttet for Eksportkreditt (GIEK), the Norwegian Export Credit Guarantee Agency, and provided mainly by Citibank NA, London Branch (Citibank) and Eksportkreditt Norge AS (EK), acting as Original Lenders.

The facility will be available for utilisation by Saipem over 24 months and will comprise several tranches, each with a tenor of 8.5 years. The first tranche, in the amount of about €200 million, may be drawn during the month of July and will be used by Saipem for the partial repayment of the €1,600 million Bridge-to-Bond credit facility signed on December 10, 2015.

Each tranche will have an annual interest rate based on either EURIBOR or CIRR, with an estimated average cost of about 2% per year.

Citibank NA, London Branch facilitated the arrangement by serving as Mandated Lead Arranger, and Citibank Europe Plc acted as Facility Agent.

Non-GAAP measures

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

Non-GAAP measures are disclosed to enhance the user's understanding of the Group's performance and are not intended to be considered as a substitute for IFRS measures.

The non-GAAP measures used in the 'Operating and Financial Review' are as follows:

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

Secondary offices

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

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

Reclassified balance sheet

Items of the reclassified balance sheet (where not stated otherwise, items comply with the statutory scheme)	(€ million)		June 30, 2016	
	Dec. 31, 2015		Partial amounts from statutory scheme	Amounts from reclassified scheme
A) Net tangible assets		7,287		7,016
<i>Note 8 - Property, plant and equipment</i>		7,287		7,016
B) Net intangible assets		758		759
<i>Note 9 - Intangible assets</i>		758		759
C) Investments		134		141
<i>Note 10 - Investments accounted for with the equity method</i>		135		143
<i>Reclassified from E) - provisions for losses related to investments</i>		(1)		(2)
D) Working capital		1,178		1,525
<i>Note 3 - Trade and other receivables</i>		3,348		2,816
<i>Reclassified to I) - financing receivables not related to operations</i>		(30)		(3)
<i>Note 4 - Inventories</i>		2,286		2,557
<i>Note 5 - Current tax assets</i>		253		218
<i>Note 6 - Other current tax assets</i>		376		421
<i>Note 7 - Other current assets</i>		209		167
<i>Note 11 - Other financial assets</i>		1		1
<i>Reclassified to I) - financing receivables not related to operations</i>		(1)		(1)
<i>Note 12 - Deferred tax assets</i>		460		470
<i>Note 13 - Other non-current assets</i>		114		96
<i>Note 15 - Trade and other payables</i>		(5,186)		(4,588)
<i>Note 16 - Income tax payables</i>		(130)		(137)
<i>Note 17 - Other current tax liabilities</i>		(268)		(222)
<i>Note 18 - Other current liabilities</i>		(202)		(186)
<i>Note 22 - Deferred tax liabilities</i>		(10)		(66)
<i>Note 23 - Other non-current liabilities</i>		(42)		(18)
E) Provisions for contingencies		(237)		(193)
<i>Note 20 - Provisions for contingencies</i>		(238)		(195)
<i>Reclassified to C) - provisions for losses related to investments</i>		1		2
F) Provisions for employee benefits		(211)		(208)
<i>Note 21 - Provisions for employee benefits</i>		(211)		(208)
EMPLOYED CAPITAL, NET		8,909		9,040
G) Shareholders' equity		3,474		7,052
<i>Note 25 - Saipem shareholders' equity</i>		3,474		7,052
H) Non-controlling interests		45		48
<i>Note 24 - Non-controlling interests</i>		45		48
I) Net debt		5,390		1,940
<i>Note 1 - Cash and cash equivalents</i>		(1,066)		(1,656)
<i>Note 2 - Other financial assets held for trading or available for sale</i>		(26)		(26)
<i>Note 14 - Short-term debt</i>		3,016		164
<i>Note 19 - Long-term debt</i>		2,841		3,439
<i>Note 19 - Current portion of long-term debt</i>		656		23
<i>Reclassified from D) - financing receivables not related to operations (Note 3)</i>		(30)		(3)
<i>Reclassified from D) - financing receivables not related to operations (Note 11)</i>		(1)		(1)
FUNDING		8,909		9,040

Reclassified income statement

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

- the items 'other income and revenues' (€17 million) relating mainly to 'reimbursements for services that are not part of core operations' of €9 million, which are indicated in the statutory scheme under the item 'other income and revenues', have been recorded as reductions to the corresponding cost items in the reclassified income statement;
- 'finance income' (€636 million), 'finance expenses' (-€676 million) and 'derivatives' (-€30 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€70 million) in the reclassified income statement.

All other items are unchanged.

Items of the reclassified cash flow statement

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

- the items 'depreciation and amortisation' (€344 million), 'net impairment of tangible and intangible assets' (€1 million), 'other changes' (-€24 million), 'change in the provision for employee benefits' (-€3 million) and 'effect of accounting using the equity method' (-€9 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'depreciation/amortisation and other non-monetary items' (€309 million);
- the items 'interest expense' (€47 million), 'income taxes' (€120 million) and 'interest income' (-€7 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and taxes' (€160 million);

- the items regarding changes in 'trade payables' (€179 million), 'trade receivables' (€437 million), 'provisions for contingencies' (-€11 million), 'inventories' (-€321 million) and 'other assets and liabilities' (-€486 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'changes in working capital related to operations' (-€202 million);
- the items 'interest received' (€1 million), 'dividends received' (€2 million), 'income taxes paid net of refunds of tax credits' (-€103 million) and 'interest paid' (-€38 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends received, income taxes paid and interest paid and received' (-€138 million);
- the items relating to investments in 'tangible assets' (-€92 million) and 'intangible assets' (-€5 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€97 million);
- the items disposals of 'financing receivables' (€27 million) and the items relating to the disposal of 'material assets' (€4 million), indicated separately and included in cash flow used in investing activities in the statutory scheme, are shown under the item 'borrowings (repayment) of debt related to financing activities' (€31 million);
- the items 'proceeds from long-term debt' (€3,172 million), 'increase (decrease) in short-term debt' (-€2,921 million) and 'repayments of long-term debt' (-€3,204 million), indicated separately and included in net cash flow used in financing activities in the statutory scheme, are shown net under the item 'changes in short and long-term financial debt' (-€2,953 million).

All other items are unchanged.

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Balance sheet

(€ million)	Note	Dec. 31, 2015		June 30, 2016	
		Total	of which with related parties ⁽¹⁾	Total	of which with related parties ⁽¹⁾
ASSETS					
Current assets					
Cash and cash equivalents	(No. 1)	1,066	177	1,656	171
Other financial assets held for trading or available for sale	(No. 2)	26		26	
Trade and other receivables	(No. 3)	3,348	744	2,816	609
Inventories	(No. 4)	2,286		2,557	
Current tax assets	(No. 5)	253		218	
Other current tax assets	(No. 6)	376		421	
Other current assets	(No. 7)	209	79	167	3
Total current assets		7,564		7,861	
Non-current assets					
Property, plant and equipment	(No. 8)	7,287		7,016	
Intangible assets	(No. 9)	758		759	
Investments accounted for using the equity method	(No. 10)	135		143	
Other financial assets	(No. 11)	1		1	
Deferred tax assets	(No. 12)	460		470	
Other non-current assets	(No. 13)	114	12	96	-
Total non-current assets		8,755		8,485	
TOTAL ASSETS		16,319		16,346	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(No. 14)	3,016	2,781	164	-
Current portion of long-term debt	(No. 19)	656	643	23	-
Trade and other payables	(No. 15)	5,186	281	4,588	160
Income tax payables	(No. 16)	130		137	
Other current tax liabilities	(No. 17)	268		222	
Other current liabilities	(No. 18)	202	150	186	1
Total current liabilities		9,458		5,320	
Non-current liabilities					
Long-term debt	(No. 19)	2,841	2,571	3,439	-
Provisions for contingencies	(No. 20)	238		195	
Provisions for employee benefits	(No. 21)	211		208	
Deferred tax liabilities	(No. 22)	10		66	
Other non-current liabilities	(No. 23)	42	5	18	-
Total non-current liabilities		3,342		3,926	
TOTAL LIABILITIES		12,800		9,246	
SHAREHOLDERS' EQUITY					
Non-controlling interests	(No. 24)	45		48	
Saipem shareholders' equity:	(No. 25)	3,474		7,052	
- share capital	(No. 26)	441		2,191	
- share premium reserve	(No. 27)	55		1,750	
- other reserves	(No. 28)	(115)		(34)	
- retained earnings		3,942		3,135	
- net profit (loss) for the period		(806)		53	
- treasury shares	(No. 29)	(43)		(43)	
Total shareholders' equity		3,519		7,100	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,319		16,346	

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

Income statement

(€ million)	Note	First half 2015		First half 2016	
		Total	of which with related parties ⁽¹⁾	Total	of which with related parties ⁽¹⁾
REVENUES					
Net sales from operations	(No. 31)	5,373	890	5,275	636
Other income and revenues	(No. 32)	1		19	
Total revenues		5,374		5,294	
Operating expenses					
Purchases, services and other costs	(No. 33)	(4,350)	(103)	(3,764)	(106)
Payroll and related costs	(No. 34)	(1,221)	(1)	(949)	(1)
Depreciation, amortisation and impairment	(No. 35)	(593)		(345)	
Other operating income (expense)	(No. 36)	-		1	
OPERATING RESULT		(790)		237	
Finance income (expense)					
Finance income		516	-	636	4
Finance expense		(607)	(80)	(676)	(24)
Derivative financial instruments		(19)	(18)	(30)	(353)
Total finance income (expense)	(No. 37)	(110)		(70)	
Income (expense) from investments					
Share of profit (loss) of equity-accounted investments		(11)		9	
Other income from investments		18		-	
Total income (expense) from investments	(No. 38)	7		9	
RESULT BEFORE INCOME TAXES					
Income taxes	(No. 39)	(13)		(120)	
NET RESULT		(906)		56	
Attributable to:					
- Saipem		(920)		53	
- non-controlling interests	(No. 40)	14		3	
Earnings (loss) per share attributable to Saipem (€ per share)					
Basic earnings (loss) per share	(No. 41)	(2.094)		(0.007)	
Diluted earnings (loss) per share	(No. 41)	(2.093)		(0.007)	

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

Statement of comprehensive income

(€ million)	First half 2015	First half 2016
Net profit (loss) for the period	(906)	56
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans for employees	-	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans	-	-
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassified subsequently to profit or loss		
Change in the fair value of cash flow hedges	(68)	148
Exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	86	(22)
Share of other comprehensive income of investments accounted for using the equity method	-	-
Income tax on items that may be reclassified subsequently to profit or loss	53	(38)
Total other items of comprehensive income net of taxation	71	88
Total comprehensive income (loss) for the period	(835)	144
Attributable to:		
- Saipem Group	(852)	139
- non-controlling interests	17	5

Statement of changes in shareholders' equity

	Saipem shareholders' equity													
(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the period	Treasury shares	Total	Non-controlling interests	Total shareholders' equity
Balance at December 31, 2014	441	55	6	88	-	(275)	(9)	(19)	4,123	(230)	(43)	4,137	41	4,178
Net profit (loss) for the first half of 2015	-	-	-	-	-	-	-	-	-	(920)	-	(920)	14	(906)
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(1)	-	-	-	(1)	1	-
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss														
Change in the fair value of cash flow hedging derivatives, net of the tax effect	-	-	-	-	-	(14)	-	-	-	-	-	(14)	(1)	(15)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	74	-	9	-	-	83	3	86
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the first half of 2015	-	-	-	-	-	(14)	74	(1)	9	(920)	-	(852)	17	(835)
Transactions with shareholders														
Dividend distribution for the first half of 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	(230)	230	-	-	-	-
Contribution from non-controlling interests Snamprogetti Engineering & Contracting Co Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total	-	-	-	-	-	-	-	-	(230)	230	-	-	1	1
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	-	-	-	3	-	-	3	(1)	2
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	3	-	-	3	(1)	2
Balance at June 30, 2015	441	55	6	88	-	(289)	65	(20)	3,905	(920)	(43)	3,288	58	3,346
Net profit (loss) for the second half of 2015	-	-	-	-	-	-	-	-	-	114	-	114	3	117
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	1	-	-	-	1	-	1
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss														
Change in the fair value of cash flow hedging derivatives, net of the tax effect	-	-	-	-	-	22	-	-	-	-	-	22	-	22
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	11	-	2	-	-	13	1	14
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Saipem shareholders' equity														
(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the period	Treasury shares	Total	Non-controlling interests	Total shareholders' equity
Total comprehensive income (loss) for the second half of 2015	-	-	-	-	-	22	11	1	2	114	-	150	4	154
Transactions with shareholders														
Dividend distribution second half of 2015	-	-	-	-	-	-	-	-	-	-	-	-	(17)	(17)
Other changes in shareholders' equity														
Expired stock options	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other changes	-	-	-	-	-	-	-	1	(1)	-	-	-	-	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	37	-	-	37	-	37
Total	-	-	-	-	-	-	-	1	35	-	-	36	(17)	19
Balance at December 31, 2015	441	55	6	88	-	(267)	76	(18)	3,942	(806)	(43)	3,474	45	3,519
Net profit (loss) for the first half of 2016	-	-	-	-	-	-	-	-	-	53	-	53	3	56
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 investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	107	-	-	-	-	-	107	3	110
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(22)	-	1	-	-	(21)	(1)	(22)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	107	(22)	-	1	-	-	86	2	88
Total recognised income (expense) for the first half of 2016	-	-	-	-	-	107	(22)	-	1	53	-	139	5	144
Transactions with shareholders														
Dividend distribution first half of 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	(55)	(5)	-	-	-	-	-	(746)	806	-	-	-	-
Increase (Reduction) of share capital	1,750	1,750	-	-	-	-	-	-	-	-	-	3,500	-	3,500
Capitalisation of costs of share capital increase	-	-	-	-	-	-	-	-	(65)	-	-	(65)	-	(65)
Approval for buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deadline for approval for buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,750	1,695	(5)	-	-	-	-	-	(811)	806	-	3,435	-	3,435
Other changes in shareholders' equity														
Expired stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	1	-	-	1	-	(1)	1	-	-	2	(2)	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	2	-	-	2	-	2
Total	-	-	1	-	-	1	-	(1)	3	-	-	4	(2)	2
Balance at June 30, 2016	2,191	1,750	2	88	-	(159)	54	(19)	3,135	53	(43)	7,052	48	7,100

Cash flow statement

(€ million)	Note	First half 2015	First half 2016
Net profit for the period		(920)	53
Non-controlling interests		14	3
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation and amortisation expense	(No. 35)	382	344
- net impairment of tangible and intangible assets	(No. 35)	211	1
- share of profit (loss) of equity accounted investments	(No. 38)	11	(9)
- net (gains) losses on disposal of assets		(17)	2
- interest receivable		(3)	(7)
- interest expense		96	47
- income taxes	(No. 39)	13	120
- other changes		(117)	(24)
Changes in working capital:			
- inventories		6	(321)
- trade receivables		277	437
- trade payables		(41)	179
- provisions for contingencies		38	(11)
- other assets and liabilities		(614)	(486)
<i>Cash flow from working capital</i>		<i>(334)</i>	<i>(202)</i>
Change in the provision for employee benefits		-	(3)
Dividends received		4	1
Interest received		7	2
Interest paid		(97)	(38)
Income taxes paid net of refunds of tax credits		(102)	(103)
Net cash provided by operating activities		(852)	187
<i>of which with related parties</i> ⁽¹⁾	(No. 43)	642	167
Investing activities:			
- tangible assets	(No. 8)	(265)	(92)
- intangible assets	(No. 9)	(3)	(5)
- investments	(No. 10)	(1)	-
- financing receivables		(1)	-
- change in payables and receivables relating to investments		1	-
<i>Cash flow from investing activities</i>		<i>(269)</i>	<i>(97)</i>
Disposals:			
- tangible assets		-	4
- consolidated subsidiaries and businesses		-	-
- investments		97	-
- financing receivables		27	27
- securities		1	-
<i>Cash flows from disposals</i>		<i>125</i>	<i>31</i>
Net cash used in investing activities ⁽²⁾		(144)	(66)
<i>of which with related parties</i> ⁽¹⁾	(No. 43)	14	3

cont'd **Cash flow statement**

(€ million)	Note	First half 2015	First half 2016
Proceeds from long-term debt		739	3,172
Repayments of long-term debt		(473)	(3,204)
Increase (decrease) in short-term debt		551	(2,921)
		817	(2,953)
Net capital contributions by non-controlling interests		1	3,435
Dividend distribution		-	-
Sale of treasury shares		-	-
Net cash from financing activities		818	482
<i>of which with related parties</i> ⁽¹⁾	(No. 43)	963	(5,995)
Effect of changes in consolidation		(2)	-
Effect of exchange rate changes and other changes on cash and cash equivalents		7	(13)
Net cash for the period		(173)	590
Cash and cash equivalents - beginning of period	(No. 1)	1,602	1,066
Cash and cash equivalents - end of period	(No. 1)	1,429	1,656

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

(2) Net cash used in investing activities included investments in certain financial assets to absorb temporary surpluses of cash or as part of our ordinary management of financing activities. Due to their nature and the fact that they are very liquid, these financial assets are netted against finance debt in determining net borrowings. For the definition of net borrowings, see the 'Financial and economic results' section of the 'Directors' Report'.

The cash flows of these investments were as follows:

(€ million)	First half 2015	First half 2016
Financing investments:		
- financing receivables	-	-
	-	-
Disposal of financing investments:		
- securities	1	-
- financing receivables	27	27
	28	27
Net cash flows from investments/disposals related to financing activities	28	27

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The structure of the financial statements is the same as that used in the annual report.

The condensed consolidated interim financial statements have been prepared in accordance with the same principles of consolidation and evaluation criteria described in the annual report, with the exception of the International Accounting Standards that became into effect as of January 1, 2016, as illustrated in the 'Recent accounting principles' section of the 2015 Annual Report.

The notes to these financial statements have been prepared in a condensed format.

Current income taxes are determined on the basis of estimated taxable income at the balance sheet date. Current income tax assets and liabilities are measured at the amount expected to be paid to/recovered from the tax authorities, using tax laws that have been enacted or substantively enacted by the end of the reporting period and tax rates estimated on an annual basis. Consolidated companies, non-consolidated subsidiaries, interests in joint ventures and joint operations and associated companies are indicated in the section 'Scope of consolidation', which constitutes an integral part of these notes. The same section contains a list detailing the changes that occurred in the scope of consolidation during the period. The condensed consolidated interim financial statements as of June 30, 2016, approved by Saipem's Board of Directors on July 27, 2016, were subjected to a limited review by the independent auditor EY SpA. A limited review is substantially less in scope than

an audit performed in accordance with generally accepted auditing standards.

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

Foreign currency translation

Financial statements of foreign companies having a functional currency other than euro are converted into euro applying: (i) closing exchange rates for assets and liabilities; (ii) historical exchange rates for equity accounts; (iii) the average rates for the period to the income statement (source: Banca d'Italia).

Cumulative exchange rate differences resulting from this translation are recognised in shareholders' equity under the caption 'Cumulative currency translation differences' for the portion relating to the Group's share and under 'Non-controlling interests' for the portion related to non-controlling interests. Cumulative exchange differences are charged to the income statement when an investment is fully disposed of or when the investment ceases to qualify as a controlled company. In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under non-controlling interests in equity.

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.

The exchange rates that have been applied for the translation of financial statements in foreign currencies are as follows:

Currency	Exchange at Dec. 31, 2015	Exchange at June 30, 2016	2016 average exchange rate
US Dollar	1.0887	1.1102	1.11594
British Pound Sterling	0.73395	0.8265	0.778769
Algerian Dinar	116.702	122.497	121.293
Angolan Kwanza	147.295	185.428	181.376
Argentine Peso	14.0972	16.5802	15.998
Australian Dollar	1.4897	1.4929	1.52198
Brazilian Real	4.3117	3.5898	4.12955
Canadian Dollar	1.5116	1.4384	1.48444
Croatian Kuna	7.638	7.5281	7.55941
Egyptian Pound	8.52049	9.85078	9.44783
Ghanaian New Cedi	4.13096	4.35526	4.28655
Indian Rupee	72.0215	74.9603	75.0019
Indonesian Rupee	15,040.0	14,601.7	14,963.4
Malaysian Ringgit	4.6959	4.4301	4.57366
Nigerian Naira	216.703	312.927	228.331
Norwegian Kroner	9.603	9.3008	9.41975
Peruvian New Sol	3.70833	3.65412	3.77474
Qatari Riyal	3.96287	4.04113	4.06201
Romanian New Leu	4.524	4.5234	4.49555
Russian Rouble	80.6736	71.52	78.2968
Saudi Arabian Riyal	4.08624	4.1641	4.18549
Singapore Dollar	1.5417	1.4957	1.53997
Swiss Franc	1.0835	1.0867	1.09605

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Accounting estimates are a critical factor in the preparation of consolidated financial statements and interim reports because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results. For a description of the accounting estimates used, see the 2015 Annual Report.

CHANGES TO ACCOUNTING CRITERIA

Changes to the accounting principles and the interpretations issued by the IASB/IFRIC which

entered into force on January 1, 2016, and given in the section 'Recent account principles endorsed by the European Commission' of the 2015 Annual Report, had no significant effects.

Recent accounting principles

With reference to a description of the most recently amended accounting principles, not yet approved by the European Commission, see the latest Annual Report. By way of integration to the amendments already mentioned, issued during the first half year of 2016, the IASB has published the provisions summarised below, which deal with several themes of possible interest to the Saipem Group.

On April 12, 2016, the IASB issued the document 'Clarifications to IFRS 15 Revenue from Contracts with Customers' which included several amendments of a technical nature. The changes to the principle introduce several clarifications and examples in order to facilitate their application (for example, as regards the identification of individual contractual obligations), and to simplify the transition to the new provisions in relation to completed contracts and to change orders which arise prior to the first comparative period presented. On June 20, 2016, the IASB published the document 'Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions', with the aim of clarifying the classification and accounting of several types of transaction with payment based on shares.

The provisions of both documents shall be effective for annual periods beginning on or after January 1, 2018. Saipem is currently reviewing these new standards to determine their likely impact on the Group's results if adopted.

Scope of consolidation at June 30, 2016

Parent company

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle
Saipem SpA	San Donato Milanese	EUR	2,191,384,693	Eni SpA	30.54		
				CDP Equity SpA (formerly Fondo Strategico Italiano)	12.55		
				Saipem SpA	0.02		
				Third parties	56.89		

Subsidiaries

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle
Denuke Scarl	San Donato Milanese	EUR	10,000	Saipem SpA	55.00	55.00	F.C.
				Third parties	45.00		
INFRA SpA	San Donato Milanese	EUR	50,000	Saipem SpA	100.00	100.00	F.C.
Servizi Energia Italia SpA	San Donato Milanese	EUR	291,000	Saipem SpA	100.00	100.00	F.C.
Smacemex Scarl	San Donato Milanese	EUR	10,000	Saipem SpA	60.00	60.00	F.C.
				Third parties	40.00		
Snamprogetti Chiyoda sas di Saipem SpA	San Donato Milanese	EUR	10,000	Saipem SpA	99.90	99.90	F.C.
				Third parties	0.10		

Outside Italy

Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	5,494,210	Saipem SpA	99.00	100.00	F.C.
				Snamprogetti Netherlands BV	1.00		
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	50.00	50.00	F.C.
				Third parties	50.00		
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime Inc	Houston (USA)	USD	145,000	Moss Maritime AS	100.00	100.00	F.C.
North Caspian Service Co	Almaty (Kazakhstan)	KZT	1,910,000,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Iquitos (Peru)	PEN	762,729,045	Saipem International BV	100.00	100.00	F.C.
Professional Training Center Llc	Karakiyan District, Mangistau Oblast (Kazakhstan)	KZT	1,000,000	ER SAI Caspian Contractor Llc	100.00	50.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	152,778,100	Saipem International BV	68.55	100.00	F.C.
				Saipem Asia Sdn Bhd	31.45		
SAGIO - Companhia Angolana de Gestão de Instalação Offshore Ltda	Luanda (Angola)	AOA	1,600,000	Saipem International BV	60.00	60.00	E.M.
				Third parties	40.00		

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle
Saigut SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	90,050,000	Saimexicana SA de Cv	100.00	100.00	F.C.
SAIMEP Lda	Maputo (Mozambique)	MZN	70,000,000	Saipem SA Saipem International BV	99.98 0.02	100.00	F.C.
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	2,738,411,200	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	1,033,500	Saipem International BV Third parties	41.94 58.06	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	Canical (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 (Nigeria) Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem Contracting Algérie SpA	Algeri (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Prep SA	Panama (Panama)	USD	500	Saipem SA	100.00	100.00	F.C.
Saipem do Brasil Serviços de Petróleo Ltda	Rio de Janeiro (Brazil)	BRL	1,380,796,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Co Private Ltd	Mumbai (India)	INR	50,273,400	Saipem SA	100.00	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	50,000,000	Saipem International BV Third parties	51.00 49.00	51.00	E.M.
Saipem Finance International BV	Amsterdam (Netherlands)	EUR	1,000,000	Saipem International BV Saipem SpA	75.00 25.00	100.00	F.C.
Saipem India Projects Private Ltd	Chennai (India)	INR	407,000,000	Saipem SA	100.00	100.00	F.C.
Saipem Ingenieria y Construcciones SLU	Madrid (Spain)	EUR	80,000	Saipem International BV	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Libya LLC - SA.LI.CO. Lic	Tripoli (Libya)	LYD	10,000,000	Saipem International BV Snamprogetti Netherlands BV	60.00 40.00	100.00	F.C.

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

(**) In liquidation.

(***) Inactive throughout the year.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle ^(*)
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sàrl Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Norge AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem SA	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	28,890,000	Saipem SA	100.00	100.00	F.C.
Saipem Ukraine Llc (**)	Kiev (Ukraine)	EUR	4,206,061	Saipem International BV Saipem Luxembourg SA	99.00 1.00	100.00	F.C.
Saiwest Ltd (***)	Accra (Ghana)	GHS	937,500	Saipem SA Third parties	49.00 51.00	49.00	Co.
Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Sigurd Rück AG	Zurich (Switzerland)	CHF	25,000,000	Saipem International BV	100.00	100.00	F.C.
Snamprogetti Engineering & Contracting Co Ltd	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Snamprogetti Netherlands BV Third parties	70.00 30.00	70.00	F.C.
Snamprogetti Engineering BV	Amsterdam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV Third parties	99.00 1.00	99.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	203,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Romania Srl	Bucharest (Romania)	RON	5,034,100	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid SA Third parties	99.99 0.01	100.00	F.C.
Sofresid SA	Montigny le Bretonneux (France)	EUR	8,253,840	Saipem SA	100.00	100.00	F.C.
Sonsub International Pty Ltd	Sydney (Australia)	AUD	13,157,570	Saipem International BV	100.00	100.00	F.C.

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

(**) In liquidation.

(***) Inactive throughout the year.

Associate and jointly controlled companies

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle
ASG Scarl	San Donato Milanese	EUR	50,864	Saipem SpA Third parties	55.41 44.59	55.41	E.M.
Baltica Scarl (**) (***)	Rome	EUR	10,000	Saipem SpA Third parties	50.00 50.00	50.00	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	52.00 48.00	52.00	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	E.M.
Consorzio F.S.B.	Venice - Marghera	EUR	15,000	Saipem SpA Third parties	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.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	E.M.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	E.M.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.
Ship Recycling Scarl	Genoa	EUR	10,000	Saipem SpA Third parties	51.00 49.00	51.00	W.I.

Outside Italy

02 Pearl Snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
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.
CFSW LNG Constructors GP Inc (***)	Vancouver (Canada)	CAD	100	Saipem International BV Third parties	44.00 56.00	44.00	E.M.
Charville - Consultores e Serviços Lda	Funchal (Portugal)	EUR	5,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
CMS&A WII	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	E.M.
CSC Japan Godo Kaisha (***)	Yokohama (Japan)	JPY	3,000,000	CCS Netherlands BV	100.00	33.33	E.M.
CSFLNG Netherlands BV	Amsterdam (Netherlands)	EUR	600,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
FPSO Mystras - Produção de Petróleo Lda	Funchal (Portugal)	EUR	50,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.
KWANDA Suporte Logístico Lda	Luanda (Angola)	AOA	25,510,204	Saipem SA Third parties	40.00 60.00	40.00	E.M.
LNG - Serviços e Gestão de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	E.M.
Sabella SAS	Quimper (France)	EUR	5,263,495	Sofresid Engineering SA Third parties	22.04 77.96	22.04	E.M.

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

(**) In liquidation.

(***) Inactive throughout the year.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle ⁽¹⁾
Saidel Ltd	Victoria Island - Lagos (Nigeria)	NGN	236,650,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipar Drilling Co BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Saipem Dangote E&C Ltd ^(****)	Victoria Island - Lagos (Nigeria)	NGN	100,000,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipem Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	40,000,000	Saipem International BV Third parties	40.00 60.00	40.00	E.M.
Saipon Snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem SA Third parties	60.00 40.00	60.00	W.I.
Sairus Llc	Krasnodar (Russian Federation)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
Sud-Soyo Urban Development Lda ^(****)	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
Tchad Cameroon Maintenance BV ^(***)	Rotterdam (Netherlands)	EUR	18,000	Saipem SA Third parties	40.00 60.00	40.00	E.M.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem SA Third parties	42.50 57.50	42.50	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
TMBYS SAS	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
TSGI Mühendislik İnşaat Ltd Şirketi	Istanbul (Turkey)	TRY	600,000	Saipem Ingenieria Y Construcciones SLU Third parties	30.00 70.00	33.33	E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Serviços de Engenharia Lda	100.00	25.00	E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00	25.00	E.M.
TSKJ - Serviços de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Xodus Subsea Ltd	London (United Kingdom)	GBP	1,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.

The Saipem Group comprises 109 companies: 61 are consolidated using the full consolidation method, 2 using the proportionate consolidation method, 43 using the equity method and 3 using the cost method.

At June 30, 2016, the companies of Saipem SpA can be broken down as follows:

	Controlled companies			Associate and jointly controlled companies		
	Italy	Outside Italy	Total	Italy	Outside Italy	Total
Subsidiaries/JO and their participating interests	5	56	61	1	1	2
Companies consolidated using the full consolidation method	5	56	61	-	-	-
Companies consolidated using the working interest method	-	-	-	1	1	2
Participating interests held by consolidated companies⁽¹⁾	-	4	4	9	33	42
Accounted for using the equity method	-	3	3	7	33	40
Accounted for using the cost method	-	1	1	2	-	2
Total companies	5	60	65	10	34	44

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

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

(****) Inactive throughout the year.

Changes in the scope of consolidation

There were no significant changes in the scope of consolidation during the first six months of 2016 with respect to the consolidated financial statements at December 31, 2015. Changes are shown by order of occurrence.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:

- **Saipem Ukraine Llc**, consolidated using the full consolidation method, was placed into liquidation;
- **Snamprogetti Ltd**, previously consolidated using the full consolidation method and since January 1, 2016 using the cost method due to immateriality, has been removed from the Register of Companies;
- **Baltica Scarl**, accounted for using the equity method, was placed into liquidation;
- **INFRA SpA** with registered offices in Italy, was incorporated and consolidated using the full consolidation method;
- **Tchad Cameroon Maintenance BV**, previously accounted for using the equity method, was placed into liquidation;

- **S.B.K. Baltica Società Consortile a Responsabilità Limitata Spółka Komandytowa**, accounted for using the cost method, was placed into liquidation and subsequently removed from the Register of Companies;
- **CFSW LNG Constructors GP Inc**, with headquarters in Canada, was incorporated and is accounted for using the equity method.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:

- **Consorzio FSB**, accounted for using the cost method, has redefined the holdings of the consortium members as follows: 29.1% Saipem SpA and 70.9% third parties;
- **Saipem SpA** purchased 25% of the shares of Saipem Finance International BV from Saipem International BV;
- **Saipem SA** purchased the entire shareholding of Saipem Drilling Co Private Ltd from Saipem International BV;
- **Saipem SA** sold 31% of the shares of Saiwest Ltd to third parties.

CURRENT ASSETS

1 Cash and cash equivalents

Cash and cash equivalents amounted to 1,656 million, an increase of €590 million compared with December 31, 2015 (€1,066 million).

Cash and equivalents at period-end, 37% of which are denominated in euro, 38% in US dollars and 25% in other currencies, received an average interest rate of 0.28%. €171 million thereof (€177 million at December 31, 2015) are on deposit at a finance company of the Eni Group. Cash and cash equivalents included cash and cash on hand of €3 million (€1 million at December 31, 2015).

Funds in two current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to €78 million at June 30, 2016) have been frozen since February 2010 in connection with an investigation being conducted into third parties. Compared with December 31, 2015 (equivalent of €82 million) the €4 million decrease in the frozen amount is due to exchange-rate differences (for further details, see the section 'Legal disputes - Algeria - Proceedings in Algeria'). Furthermore, the equivalent of €6 million spread over the account of a foreign branch of Saipem SpA and various accounts of a foreign subsidiary, as well as funds in time deposits belonging to two foreign subsidiaries, has been temporarily frozen due to legal actions with several suppliers.

The breakdown of cash and cash equivalents of Saipem and other Group companies at June 30, 2016 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Italy	63	861
Rest of Europe	418	319
CIS	191	61
Middle East	123	180
Far East	30	37
North Africa	87	82
West Africa and Rest of Africa	134	63
Americas	20	53
Total	1,066	1,656

For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 125.

2 Other financial assets held for trading or available for sale

Other financial assets held for trading or available for sale amounted to €26 million (€26 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Financing receivables for non-operating purposes		
Listed bonds issued by sovereign states	23	23
Listed securities issued by financial institutions	3	3
Total	26	26

Listed bonds issued by sovereign states at June 30, 2016 of €23 million were as follows:

(€ million)	Notional value	Fair value	Nominal rate of return (%)	Maturity	Rating - Moody's
Fixed rate bonds					
France	3	3	2.50	2020	AA
Ireland	4	5	5.00	2020	A+
Spain	2	2	3.75	2018	BBB+
Poland	7	8	3.75	2023	BBB+
Other	4	5	2.50	2020	BBB+
Total	20	23			

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

3 Trade and other receivables

Trade and other receivables of €2,816 million (€3,348 million at December 31, 2015) were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Trade receivables	2,807	2,388
Financing receivables for operating purposes	4	4
Financing receivables for non-operating purposes	30	3
Prepayments for services	281	239
Other receivables	226	182
Total	3,348	2,816

Receivables are stated net of a provision for impairment losses of €520 million.

(€ million)	Dec. 31, 2015	Additions	Deductions	Currency translation differences	Other changes	June 30, 2016
Trade receivables	441	98	(16)	(7)	-	516
Other receivables	5	-	(1)	-	-	4
Total	446	98	(17)	(7)	-	520

Trade receivables of €2,388 million were down €419 million following the collection of receivables in relation to projects in the Middle East and Mexico, as well as the increase in the devaluation fund, mainly due to the write-down of overdue receivables in the Onshore Drilling Business Unit and projects with more uncertain collection time frames.

At June 30, 2016, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to €392 million (€280 million at December 31, 2015). Saipem SpA is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factoring company.

Trade receivables included retention amounts guaranteeing contract work-in-progress of €236 million (€223 million at December 31, 2015), of which €92 million was due within one year and €144 million due after one year.

Financing receivables for operating purposes of €4 million (€4 million at December 31, 2015) were mainly related to a receivable held by Saipem SpA from Serfactoring SpA.

Financing receivables for non-operating purposes amounting to €3 million (€30 million at December 31, 2015) are down significantly following the conclusion of the TSKJ issue (for further details see the section 'Legal proceedings').

Other receivables of €182 million were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Receivables from:		
- insurance companies	18	20
- employees	36	19
Guarantee deposits	13	12
Other receivables	159	131
Total	226	182

Trade receivables and other receivables from related parties are detailed in Note 43 'Transactions with related parties'.

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

For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 125.

4 Inventories

Inventories amounted to €2,557 million (€2,286 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Raw and auxiliary materials and consumables	497	462
Contract work in progress	1,789	2,095
Total	2,286	2,557

The item 'Raw and auxiliary materials and consumables' includes spare parts for drilling and construction activities, as well as consumables for internal use and not for sale. The item is stated net of a valuation allowance of €83 million.

(€ million)	Dec. 31, 2015	Additions	Deductions	Other changes	June 30, 2016
Raw and auxiliary materials and consumables valuation allowance	61	26	(4)	-	83
Total	61	26	(4)	-	83

Contract work-in-progress relates to timing differences between actual project progress and the achievement of contractual invoicing milestones, and to the recognition of additional contract revenues deemed probable and reasonably estimated.

The amount recorded in relation to long-term contracts increased compared to 2015 due to the effect of the project progress made over the financial year, pending the approval of milestones by clients.

Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 42 'Segment information, geographical information and construction contracts'.

For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 125.

5 Current tax assets

Current tax assets amounted to €218 million (€253 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Italian tax authorities	53	53
Foreign tax authorities	200	165
Total	253	218

6 Other current tax assets

Other current tax assets amounted to €421 million (€376 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Italian tax authorities	67	81
Foreign tax authorities	309	340
Total	376	421

7 Other current assets

Other current assets amounted to €167 million (€209 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Fair value of hedging derivatives	42	36
Fair value of non-hedging derivatives	26	7
Other assets	141	124
Total	209	167

At June 30, 2016, derivative financial instruments had a positive fair value of €43 million (€68 million at December 31, 2015).

The fair value of derivative financial 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 (forward outright and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2016, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the period end exchange rate and the respective forward interest rate curves.

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

(€ million)	Assets Dec. 31, 2015			Assets June 30, 2016		
	Fair value	Commitments		Fair value	Commitments	
		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	20			16		
. sale	34			35		
Total	54			51		
- forward currency contracts (Forward component)						
. purchase	3			5		
. sale	(5)			(20)		
Total	(2)	1,154	1,703	(15)	557	1,967
- forward commodity contracts (Forward component)						
. purchase	-			1		
Total	-	-	-	1		
Total derivative contracts qualified for hedge accounting	52	1,154	1,703	37	557	1,967
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	9			4		
. sale	17			2		
Total	26			6		
- forward currency contracts (Forward component)						
. purchase	1			1		
. sale	(1)			-		
Total	-	777	865	1	268	57
- forward commodity contracts (Forward component)						
. sale						
Total			-			
Total derivative contracts not qualified for hedge accounting	26	777	865	7	268	57
Total	78	1,931	2,568	44	825	2,024

Cash flow hedge transactions related to forward purchase and sale transactions (forward outright and currency swaps).

The cash flows and the income statement impact of hedged highly probably forecast transactions at June 30, 2016 are expected to occur up until 2017.

During the first half of 2016, 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, 2016, including the long-term portion described in Note 13 'Other non-current assets', totalled €37 million (€52 million at December 31, 2015). The spot component of these derivatives of €51 million (€54 million at December 31, 2015) was deferred in a hedging reserve in equity (€46 million; €50 million at December 31, 2015) and recorded as finance income and expense (€5 million; €4 million at December 31, 2015), while the forward component, which was not designated as a hedging instrument, was recognised as finance income and expense (€14 million; €2 million at December 31, 2015).

The negative fair value of derivative qualified for hedge accounting at June 30, 2016, analysed in Note 18 'Other current liabilities' including the long-term portion analysed in Note 23 'Other non-current liabilities' was €36 million (€120 million at December 31, 2015). The spot component of these derivatives of €31 million was deferred in a hedging reserve in equity (€26 million; €105 million at December 31, 2015) and recorded as finance income and expense (€5 million; €6 million at December 31, 2015). The forward component was recognised as finance income and expense (€5 million; €9 million at December 31, 2015).

During the first half of 2016, operating revenues and expenses were adjusted by a net negative amount of €65 million to reflect the effects of hedging.

Other assets at June 30, 2016 amounted to €124 million, representing a decrease of €17 million compared with December 31, 2015, and consisted mainly of prepayments.

Other assets from related parties are shown in Note 43 'Transactions with related parties'.

NON-CURRENT ASSETS

8 Property, plant and equipment

Property, plant and equipment amounted to €7,016 million (€7,287 million at December 31, 2015) and consisted of the following:

(€ million)	Gross value at Dec. 31, 2015	Provision for depreciation and impairments at Dec. 31, 2015	Net value at Dec. 31, 2015	Capital expenditure	Depreciation, amortisation and impairment	Disposals	Exchange differences	Other changes	Final net value at June 30, 2016	Final gross value at June 30, 2016	Provision for depreciation and impairments at June 30, 2016
Property, plant and equipment	13,979	6,692	7,287	92	(340)	(6)	(17)	-	7,016	13,952	6,936
Total	13,979	6,692	7,287	92	(340)	(6)	(17)	-	7,016	13,952	6,936

Capital expenditure in the first half of 2016 amounted to €92 million (€265 million in the first half of 2015) and mainly related to:

- €48 million in the Offshore Engineering & Construction sector: maintenance and upgrading of the existing asset base;
- €2 million in the Onshore Engineering & Construction sector: purchase of equipment;
- €18 million in the Offshore Drilling sector: class reinstatement works on the semi-submersible platform Scarabeo 6 and on the drilling jack-up Perro Negro 5, as well as maintenance and upgrading of the existing asset base;
- €24 million in the Onshore Drilling sector: upgrading of two rigs for operations in Kuwait in the framework of two contracts in the backlog, as well as the upgrading of other assets.

No finance expenses were capitalised during the year.

Exchange rate differences due to the translation of financial statements prepared in currencies other than euro, amounting to negative €17 million.

Fully depreciated property, plant and equipment that is still in use mainly consisted of project-specific equipment which has been fully depreciated over the life of the project.

During the first half of the year, no government grants were recorded as a decrease of the carrying value of property, plant and equipment.

At June 30, 2016, all property, plant and equipment was free from pledges, mortgages and any other obligations.

The total commitment on current items of capital expenditure at June 30, 2016 amounted to €84 million (€62 million at December 31, 2015), as indicated in the 'Risk management' section of the 'Operating and Financial Review'.

Property, plant and equipment includes assets carried under finance leases amounting to the equivalent of €32 million, relating to finance leases for the utilisation of two onshore drilling rigs in Saudi Arabia for a period of 36 months.

In reviewing its impairment indicators, Saipem considers, among other factors, the relationship between its market capitalisation and net assets. At June 30, 2016, the Group's market capitalisation was lower than its net assets, indicating a potential impairment of goodwill and/or of other assets. For this reason, despite the partial recovery in the price of oil in the first quarter of the year, taking account of the fact that the market continues to be characterised by great volatility, an impairment test was run for every single cash generating unit. The cash generating units identified were the Offshore E&C sector, with separate valuation carried out for the two leased FPSO units, the Onshore E&C sector, the Onshore Drilling sector, and the individual offshore drilling rigs (14 separate rigs).

The analyses carried out show that the carrying amount of the cash generating unit tested for impairment can be recovered through use. There is accordingly no need to write down its carrying amount.

The CGUs were tested for impairment by comparing the respective carrying amount with the relative recoverable value, which is the higher of value in use and fair value, net of disposal costs. In view of the nature of Saipem's business activities, the calculation of the recoverable amount was determined by discounting the future cash flows expected to result from the use of each CGU.

Cash flow outlooks are determined on the basis of the best information available at the moment of the estimate taking into account future expectations of management with regard to the relevant markets. The projections of the Strategic Plan 2016-2019 approved by the Board of Directors in October 2015 have been used for the purpose of impairment testing to estimate cash flows for the first four years, taking into consideration the latest update available for the results expected for 2016 and the impact of specific renegotiations of several offshore drilling contracts in the subsequent years of the Plan. For the years following the fourth year, the cash flows have been calculated on the basis of a terminal value, determined: (a) for the cash generating units Onshore E&C, Onshore Drilling and for other Offshore E&C assets, using the perpetuity model, applying a real growth rate of zero to the normalised free cash flow of the final projection year (to taken into account, for example, new investments included in the plan entering into production and the cyclical nature of the sector); (b) for the Leased FPSO cash generating units and for the offshore drilling rigs, the residual economic and technical life of the individual assets, consistent with the investment plan, and considering beyond the plan horizon: (i) leasing rates for the individual rigs expected by the management, unchanged compared to those used in the test for the 2015 financial statements; (ii) normalised figures for days of utilisation (to take into account rig downtime for maintenance, etc.); (iii) operating costs based on data for the last year of the plan, adjusted for inflation; (iv) normalised figures for investments for cyclical maintenance and replacements.

Value in use was calculated by discounting expected post-tax cash flows at a rate of 6.2% (in line with the rate used for the 2015 consolidated financial statements). This discount rate (WACC) reflects the market appreciation of the financial value of the time and specific risks of the Saipem asset that are not reflected in the estimate of the cash flows and has been estimated to take account: (i) of a debt cost that is consistent with the cost estimated for the four years of the plan; (ii) of Saipem's average leverage

during the period of the plan; (iii) of the beta risk coefficient of the Saipem security. Post-tax cash flows and discounting rates were used as they result in values similar to those resulting from a pre-tax valuation.

The key assumptions adopted in assessing the recoverable amounts of the 16 cash generating units representing the Group's offshore vessels related mainly to the operating result of the CGUs (based on a combination of various factors, including charter rates) and the discount rate applied to the cash flows. The effects that any change in the parameters used in the estimate would produce on the recoverable amount of the CGUs are as follows:

- an increase in the discount rate of 1% would produce a reduction in net capital employed of €8 million;
- decreases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce a reduction in net employed capital of €72 million.

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

- decrease by 13% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 6.8%;
- use of a real growth rate of 1.4%.

Further, the excess of the recoverable amount over the value of the net capital employed in the Onshore Drilling CGU is still positive even after the working capital flows have been zeroed.

9 Intangible assets

Intangible assets of €759 million (€758 million December 31, 2015) consisted of the following:

(€ million)	Gross value at Dec. 31, 2015	Provision for depreciation and impairments at Dec. 31, 2015	Net value at Dec. 31, 2015	Capital expenditure	Depreciation, amortisation and impairment	Disposals	Exchange differences	Other changes	Final net value at June 30, 2016	Final gross value at June 30, 2016	Provision for depreciation and impairments at June 30, 2016
Intangible assets with finite useful lives	201	170	31	5	(5)	-	-	-	31	206	175
Other intangible assets with indefinite useful lives	727	-	727	-	-	-	1	-	728	728	-
Total	928	170	758	5	(5)	-	1	-	759	934	175

Goodwill of €728 million related to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€689 million), Sofresid SA (€21 million) and the Moss Maritime Group (€13 million) on the date that control was acquired.

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

(€ million)	June 30, 2016
Offshore E&C	415
Onshore E&C	313
Total	728

The changes in the Onshore E&C cash generating unit concerned a change in goodwill of the Moss Maritime Group due to effects of changes in foreign exchange rates.

The recoverable amount of the two cash generating units was determined based on value in use, calculated by discounting the future cash flows expected to result from the use of each CGU.

The basis of the expected future cash flows for the explicit forecast period of four years for the CGUs to which goodwill is allocated is the Strategic Plan 2016-2019 approved by the Board of Directors in October 2015, taking into account the latest update available of the results expected for 2016.

Value in use was calculated applying a discount rate of 6.2 % to future post-tax cash flows. The terminal value (i.e. for subsequent years beyond the plan horizon) was estimated using a perpetual growth rate of 2% applied to an average normalised terminal cash flow. Assumptions were based on past experience and took into account current interest rates, business specific risks and expected long-term growth for the sectors.

Post-tax cash flows and discounting rates are used as they result in values similar to those resulting from a calculation using pre-tax cash flows and discount rates.

The table below shows the amounts by which the recoverable amounts of the Offshore E&C and Onshore E&C cash generating units exceed their carrying amounts, including allocated goodwill.

(€ million)	Offshore	Onshore	Total
Goodwill	415	313	728
Amount by which recoverable amount exceeds carrying amount	3,689	1,180	4,869

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) are described below.

The following changes in each of the assumptions, ceteris paribus, would cause the excess of the recoverable amount of the Offshore cash generating unit over its carrying amount, including the allocated portion of goodwill, to be reduced to zero:

- decrease by 65% in the operating result;
- use of a discount rate of 13.1%;
- negative real growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the Offshore Drilling CGU is still positive even after the working capital flows have been zeroed.

The excess of the recoverable amount of the Onshore cash generating unit over its carrying amount, including the allocated portion of goodwill, would be reduced to zero under the following circumstances:

- decrease by 72% in the operating result;
- use of a discount rate of 15.4%;
- negative real growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the Onshore CGU is still positive even after the working capital flows have been zeroed.

10 Investments accounted for using the equity method

Investments accounted for using the equity method of €143 million (€135 million at December 31, 2015) were as follows:

(€ million)	Opening net value	Acquisitions and subscriptions	Sales and reimbursements	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Change in the scope of consolidation	Currency translation differences	Movements in reserves	Other changes	Closing net value	Write-down
Dec. 31, 2015												
Investments in joint ventures and associates	120	1	-	18	(9)	(3)	-	7	-	1	135	-
Total	120	1	-	18	(9)	(3)	-	7	-	1	135	-
June 30, 2016												
Investments in joint ventures and associates	135	-	-	13	(2)	-	-	(3)	-	-	143	-
Total	135	-	-	13	(2)	-	-	(3)	-	-	143	-

Investments in subsidiaries, jointly-controlled entities and associates are analysed in the section 'Scope of consolidation at June 30, 2016'.

The share of profit of investments accounted for using the equity method of €13 million included profits for the first half year 2016 of €6 million recorded by the jointly-controlled entities and €7 million for the first half of 2016 recorded by associates.

The share of losses of investments accounted for using the equity method amounted to €2 million.

The net carrying value of investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Net value at Dec. 31, 2015	Net value at June 30, 2016
Rosetti Marino SpA	20.00	31	31
Petromar Lda	70.00	45	46
Other		59	66
Total investments in joint ventures and associates		135	143

The total carrying value of investments accounted for using the equity method does not include the provision for losses of €2 million (€1 million at December 31, 2015) recorded under the provisions for contingencies.

11 Other financial assets

At June 30, 2016, other long-term financial assets amounted to €1 million (€1 million at December 31, 2015) and related to financing receivables held for non-operating purposes by Sofresid SA.

12 Deferred tax assets

Deferred tax assets of €470 million (€460 million at December 31, 2015) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2015	Additions (Deductions)	Currency translation differences	Other changes	June 30, 2016
Deferred tax assets	460	60	(21)	(29)	470
Total	460	60	(21)	(29)	470

The item 'Other changes', which amounted to negative €29 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (positive €2 million); (ii) the negative tax effects (€15 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) other changes (negative €16 million).

Net deferred tax assets consisted of the following:

(€ million)	Dec. 31, 2015	June 30, 2016
Deferred tax liabilities	(291)	(345)
Deferred tax assets available for offset	281	279
Deferred tax liabilities	(10)	(66)
Deferred tax assets	460	470
Net deferred tax assets (liabilities)	450	404

Tax losses

Tax losses amounted to €2,991 million (€2,733 million at December 31, 2015) of which a considerable part 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 27.6% for foreign companies.

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

(€ million)	Italy	Outside Italy
2016	-	17
2017	-	94
2018	-	36
2019	-	46
2020	-	26
After 2020	-	888
Without limit	274	1,610
Total	274	2,717

Taxes are shown in Note 39 'Income taxes'.

13 Other non-current assets

Other non-current assets of €96 million (€114 million at December 31, 2015) were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Fair value of hedging derivatives	10	1
Other receivables	18	17
Other non-current assets	86	78
Total	114	96

The fair value of hedging derivatives related to foreign exchange risk hedges maturing in 2017.
 Other non-current assets mainly related to prepayments.
 Other non-current assets from related parties are shown in Note 43 'Transactions with related parties'.

CURRENT LIABILITIES

14 Short-term debt

Short-term debt of €164 million (€3,016 million at December 31, 2015) consisted of the following:

(€ million)	Dec. 31, 2015	June 30, 2016
Banks	176	99
Other financial institutions	2,840	65
Total	3,016	164

Short-term debt decreased by €2,852 million due to the refinancing of the residual debt, following the share capital increase, through medium- to long-term banking loans rather than loans from Eni. The current portion of long-term debt, amounting to €23 million (€656 million at December 31, 2015), is detailed in Note 19 'Long-term debt and current portion of long-term debt'. The breakdown of short-term debt by issuing institution, currency and average interest rate was as follows:

(€ million)		Dec. 31, 2015			June 30, 2016		
Issuing institution	Currency	Amount	Interest rate %		Amount	Interest rate %	
			from	to		from	to
Eni SpA	Euro	478	2.250	2.250	-	-	-
Serfactoring SpA	Euro	-	-	-	-	-	-
Serfactoring SpA	US Dollar	6	-	-	-	-	-
Serfactoring SpA	Other	-	-	-	-	-	-
Eni Finance International SA	Euro	622	1.160	2.510	-	-	-
Eni Finance International SA	US Dollar	933	1.930	2.680	-	-	-
Eni Finance International SA	Australian Dollar	247	3.650	3.650	-	-	-
Eni Finance International SA	Canadian Dollar	470	2.380	2.380	-	-	-
Eni Finance International SA	Other	-	-	-	-	-	-
Eni Finance USA	US Dollar	25	2.680	2.680	-	-	-
Third parties	Euro	1	-	-	36	-	-
Third parties	US Dollar	1	2.350	2.350	19	-	-
Third parties	Other	233	variable		109	variable	
Total		3,016			164		

At June 30, 2016, Saipem had unused lines of credit amounting to €1,553 million (€1,739 million at December 31, 2015). Commission fees on unused lines of credit were not significant.
 Short-term debt to related parties are shown in Note 43 'Transactions with related parties'.

15 Trade and other payables

Trade and other payables of €4,588 million (€5,186 million at December 31, 2015) consisted of the following:

(€ million)	Dec. 31, 2015	June 30, 2016
Trade payables	2,638	2,744
Deferred income and advances	2,177	1,401
Other payables	371	443
Total	5,186	4,588

Trade payables amounted to €2,744 million, representing an increase of €106 million compared with December 31, 2015. Deferred income and advances of €1,401 million (€2,177 million at December 31, 2015), consisted mainly of adjustments to revenues from long-term contracts of €842 million (€1,515 million at December 31, 2015) made on the basis of amounts contractually earned in accordance with the accruals concept and advances on contract work in progress received by Saipem SpA and a number of foreign subsidiaries of €559 million (€662 million at December 31, 2015).
 Trade and other payables to related parties are shown in Note 43 'Transactions with related parties'.

Other payables of €443 million were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Payables to:		
- employees	157	184
- national insurance/social security contributions	69	49
- insurance companies	3	4
- consultants and professionals	4	2
- Board Directors and Statutory Auditors	1	-
Other payables	137	204
Total	371	443

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

For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 125.

16 Income tax payables

Income tax payables amounted to €137 million (€130 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Italian tax authorities	12	2
Foreign tax authorities	118	135
Total	130	137

17 Other current tax liabilities

Other current tax liabilities amounted to €222 million (€268 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Italian tax authorities	14	-
Foreign tax authorities	254	222
Total	268	222

18 Other current liabilities

Other current liabilities amounted to €186 million (€202 million at December 31, 2015) and were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Fair value of hedging derivatives	113	30
Fair value of non-hedging derivatives	45	39
Other current liabilities	44	117
Total	202	186

At June 30, 2016, derivative financial instruments had a negative fair value of €69 million (€158 million at December 31, 2015).

The following table shows the positive and negative fair values of derivative contracts at June 30, 2016.

(€ million)	Dec. 31, 2015	June 30, 2016
Positive fair value of derivative contracts	78	44
Negative fair value of derivative contracts	(165)	(75)
Total	(87)	(31)

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

The fair value of forward contracts (forward outright and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at June 30, 2016, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the period end exchange rate and the respective forward interest rate curves.

A liability of €4 million (€2 million at December 31, 2015) relating to the fair value of an interest rate swap has been recorded under Note 19 'Long-term debt'. The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at June 30, 2016, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.

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

(€ million)	Liabilities Dec. 31, 2015			Liabilities June 30, 2016		
	Fair value	Commitments		Fair value	Commitments	
		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate contracts (Spot component)						
. purchase	2			4		
Total	2	250		4	1,450	
- forward currency contracts (Spot component)						
. purchase	34			13		
. sale	75			14		
Total	109			27		
- forward currency contracts (Forward component)						
. purchase	(5)			(1)		
. sale	14			6		
Total	9	1,235	3,452	5	249	1,354
- forward commodity contracts (Forward component)						
. purchase	-			-		
Total	-	-	-	-	-	-
Total derivative contracts qualified for hedge accounting	120	1,485	3,452	36	1,699	1,354
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	17			2		
. sale	26			34		
Total	43			36		
- forward currency contracts (Forward component)						
. purchase	(1)			-		
. sale	3			3		
Total	2	1,300	1,211	3	76	1,679
- forward commodity contracts (Forward component)						
. purchase	-			-		
. sale	-			-		
Total	-	-	-	-	-	-
Total derivative contracts not qualified for hedge accounting	45	1,300	1,211	39	76	1,679
Total	165	2,785	4,663	75	1,775	3,033

For a comprehensive analysis of the fair value of hedging derivatives, see Note 7 'Other current assets', Note 13 'Other non-current assets' and Note 23 'Other non-current liabilities'.

Other liabilities amounted to €117 million (€44 million at December 31, 2015).

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

NON-CURRENT LIABILITIES

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

Long-term debt, including the current portion of long-term debt, amounted to €3,462 million (€3,497 million at December 31, 2015) and was as follows:

(€ million)	Dec. 31, 2015			June 30, 2016		
	Short-term maturity	Long-term maturity	Total	Short-term maturity	Long-term maturity	Total
Banks	4	252	256	14	3,426	3,440
Other financial institutions	652	2,589	3,241	9	13	22
Total	656	2,841	3,497	23	3,439	3,462

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

(€ million)

Type	Maturity range						Total
		2017	2018	2019	2020	After	
Banks	2017-2020	1,825	533	533	535	-	3,426
Other financial institutions	2017-2018	5	8	-	-	-	13
Total		1,830	541	533	535	-	3,439

The long-term portion of long-term debt amounted to €3,439 million, up €598 million against December 31, 2015 (€2,841 million). The following table breaks down long-term debt, inclusive of the current portion, by issuing entity and currency and also shows maturities and average interest rates:

(€ million)

Issuing institution	Currency	Maturity	Dec. 31, 2015			June 30, 2016		
			Amount	Interest rate %		Amount	Interest rate %	
				from	to		from	to
Eni SpA	Euro	2016-2017	2,013	2.500	4.950	-	-	-
Eni Finance International SA	Euro	2016-2020	859	1.160	2.510	-	-	-
Eni Finance International SA	US Dollar	2016	342	1.330	2.930	-	-	-
Third parties	Euro	2016-2020	278	2.085	2.085	3,458	1.100	2.085
Third parties	Brazilian Real	2016-2017	5	12.500	12.500	4	13.500	13.500
Total			3,497			3,462		

There was no debt secured by mortgages or liens on fixed assets of consolidated companies or by pledges on securities.

The fair value of long-term debt, including the current portion of long-term debt, amounted to €3,400 million (€3,539 million at December 31, 2015) and was calculated by discounting the expected future cash flows in the main currencies of the loan at the following rates:

(%)	2015	2016
Euro	0.77-2.86	0.00-4.27
US Dollar	1.42-1.42	-

The difference between the fair value of long-term debt and its nominal value was mainly due to the debt of €1,600 million expiring in 2020.

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

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

(€ million)	Dec. 31, 2015			June 30, 2016		
	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,066	-	1,066	1,656	-	1,656
B. Available-for-sale securities	26	-	26	26	-	26
C. Liquidity (A+B)	1,092	-	1,092	1,682	-	1,682
D. Financing receivables	30	-	30	3	-	3
E. Short-term bank debt	176	-	176	99	-	99
F. Long-term bank debt	4	252	256	14	3,426	3,440
G. Short-term related party debt	2,781	-	2,781	-	-	-
H. Long-term related party debt	643	2,571	3,214	-	-	-
I. Other short-term debt	59	-	59	65	-	65
L. Other long-term debt	9	18	27	9	13	22
M. Total borrowings (E+F+G+H+I+L)	3,672	2,841	6,513	187	3,439	3,626
N. Net financial position pursuant to Consob Communication No. DEM/6064293/2006 (M-C-D)	2,550	2,841	5,391	(1,498)	3,439	1,941
O. Non-current financing receivables	-	1	1	-	1	1
P. Net borrowings (N-O)	2,550	2,840	5,390	(1,498)	3,438	1,940

Net borrowings include a liability relating to the interest rate swap but do not include the fair value of derivatives indicated in Note 7 'Other current assets', Note 13 'Other non-current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'.

Cash and cash equivalents included €84 million deposited in accounts that are frozen or are time deposits, as indicated in Note 1 'Cash and cash equivalents'.

The change compared to the balance at December 31, 2015 (€3,450 million) is due substantially to the share capital increase.

20 Provisions for contingencies

Provisions for contingencies of €195 million (€238 million at December 31, 2015) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2015					
Provisions for taxes	48	17	(9)	-	56
Provisions for contractual penalties and disputes	28	12	(23)	(1)	16
Provisions for losses of investments	8	-	(7)	-	1
Provision for contractual expenses and losses on long-term contracts	102	74	(53)	3	126
Other	32	20	(11)	(2)	39
Total	218	123	(103)	-	238
June 30, 2016					
Provisions for taxes	56	4	(21)	(2)	37
Provisions for contractual penalties and disputes	16	14	(4)	-	26
Provisions for losses of investments	1	2	-	(1)	2
Provision for contractual expenses and losses on long-term contracts	126	20	(38)	(17)	91
Other	39	11	(14)	3	39
Total	238	51	(77)	(17)	195

The **provisions for taxes** amounted to €37 million and related principally to disputes with foreign tax authorities that are either ongoing or potential, taking into account the results of recent assessments.

The **provisions for contractual penalties and disputes** amounted to €26 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes.

The **provisions for losses of investments** amounted to €2 million and related to provisions for losses of investments that exceed their carrying amount.

The **provision for contractual expenses and losses on long-term contracts** stood at €91 million and related to an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sectors.

Other provisions amounted to €39 million.

Other changes refer to €17 million for exchange losses.

For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 125.

21 Provisions for employee benefits

Provisions for employee benefits at June 30, 2016 amounted to €208 million (€211 million at December 31, 2015).

22 Deferred tax liabilities

Deferred tax liabilities of €66 million (€10 million at December 31, 2015) are shown net of offsettable deferred tax assets of €279 million.

(€ million)	Dec. 31, 2015	Additions (Deductions)	Currency translation differences	Other changes	June 30, 2016
Deferred tax liabilities	10	48	(14)	22	66
Total	10	48	(14)	22	66

'Other changes', which amounted to positive €22 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (positive €2 million); (ii) the positive tax effects (€23 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) other changes (negative €3 million).

A breakdown of deferred tax assets is provided in Note 12 'Deferred tax assets'.

23 Other non-current liabilities

Other non-current liabilities of €18 million (€42 million at December 31, 2015) were as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Fair value of hedging derivatives	5	2
Trade and other payables	37	16
Total	42	18

The fair value of hedging derivatives relates to foreign exchange risk hedges entered into by Saipem SpA and Saipem SA.

SHAREHOLDERS' EQUITY

24 Non-controlling interests

Non-controlling interests at June 30, 2016 amounted to €48 million (€45 million at December 31, 2015).

25 Saipem's shareholders' equity

Saipem's shareholders' equity at June 30, 2016 amounted to €7,052 million and was as follows:

(€ million)	Dec. 31, 2015	June 30, 2016
Share capital	441	2,191
Share premium reserve	55	1,750
Legal reserve	88	88
Cash flow hedge reserve	(267)	(159)
Cumulative currency translation differences	76	54
Employee defined benefits reserve	(18)	(19)
Other	6	2
Retained earnings	3,942	3,135
Net profit (loss) for the year	(806)	53
Treasury shares	(43)	(43)
Total	3,474	7,052

Saipem's shareholders' equity at June 30, 2016 included distributable reserves of €2,171 million (€1,951 million at December 31, 2015), some of which are subject to taxation upon distribution.

A deferred tax liability has been recorded in relation to the share of reserves that may potentially be distributed (€61 million).

26 Share capital

At June 30, 2016, the share capital of Saipem SpA, fully paid-up, amounted to €2,191 million, corresponding to 10,109,774,396 shares, none with a nominal value, of which 10,109,668,270 are ordinary shares and 106,126 savings shares. The change compared to December 31, 2015 (€1,750 million) is due to the share capital increase completed in February 2016.

On April 29, 2016, the Annual Shareholders' Meeting resolved to forego the distribution of a dividend for ordinary shares and for savings shares.

27 Share premium reserve

At June 30, 2016, this amounted to €1,750 million, up €1,695 million compared to December 31, 2015 following the share capital increase.

28 Other reserves

At June 30, 2016, 'Other reserves' amounted to negative €34 million (€115 million at December 31, 2015) and consisted of the following items:

(€ million)	Dec. 31, 2015	June 30, 2016
Legal reserve	88	88
Cash flow hedge reserve	(267)	(159)
Cumulative currency translation differences	76	54
Employee defined benefits reserve	(18)	(19)
Other	6	2
Total	(115)	(34)

Legal reserve

At June 30, 2016, the legal reserve stood at €88 million. This represents the portion of profits of the parent company Saipem SpA, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends.

Cash flow hedge reserve

This reserve showed a negative balance at period end of €159 million (negative balance of €267 million at December 31, 2015), which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges at June 30, 2016.

The cash flow hedge reserve is shown net of tax effects of €62 million (€100 million at December 31, 2015).

Cumulative currency translation differences

This reserve amounted to positive €54 million (positive €76 million at December 31, 2015) and related to exchange rate differences arising from the translation into euro of financial statements denominated in functional currencies other than euro (mainly the US dollar).

Employee defined benefits reserve

This reserve is used to recognise remeasurements of employee defined benefit plans. At June 30, 2016, it had a negative balance of €19 million (negative €18 million at December 31, 2015).

The reserve is shown net of tax effects of €5 million (€5 million at December 31, 2015) and includes a positive amount of €1 million relating to investments accounted for using the equity method.

Other

This item amounted to €2 million (€6 million at December 31, 2015). At June 30, 2016, only the revaluation reserve comprised of the positive revaluation balance following the application of Italian Law No. 413 dated December 30, 1991, Article 26 remains in place. If distributed, 5% of the reserve is to form part of the taxable income and is subject to taxation at 27.5% for 2016 and at 24% starting in 2017.

29 Treasury shares

Saipem SpA holds treasury shares to the value of €43 million, unvaried with respect to June 30, 2015, consisting of 1,939,832 ordinary Saipem shares.

Treasury shares purchased for the implementation of the stock grant and stock option schemes in favour of Group senior managers are as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital %
Purchase				
2003 (from May 2)	2,125,000	6.058	13	0.48
2004	1,395,000	7.044	10	0.32
2005	3,284,589	10.700	35	0.74
2006	1,919,355	18.950	36	0.43
2007	848,700	25.950	22	0.19
2008	2,245,300	25.836	58	0.51
Total	11,817,944	14.745	174	2.67
Less treasury shares allocated:				
- without consideration, as stock grants	1,616,400			
- against payment, as stock options	8,261,712			
Treasury shares held at June 30, 2016	1,939,832	22.099	43	0.019

At June 30, 2016, there are no commitments in force for these schemes.

30 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,120 million (€7,038 million at December 31, 2015), and were as follows:

(€ million)	Dec. 31, 2015			June 30, 2016		
	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Joint ventures and associates	221	136	357	202	124	326
Consolidated companies	75	1,947	2,022	180	1,576	1,756
Own	22	4,637	4,659	16	5,022	5,038
Total	318	6,720	7,038	398	6,722	7,120

Other guarantees issued for consolidated companies amounted to €1,576 million (€1,947 million at December 31, 2015) and related to independent guarantees given to third parties relating mainly to bid bonds and performance bonds.

Guarantees issued to/through related parties are detailed in Note 43 'Transactions with related parties'.

For details on amounts relating to projects under execution in Algeria, see Note 47 'Additional information: Algeria' on page 125.

Commitments

Saipem SpA has provided commitments towards customers and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries or associated companies in the event of non-performance and payment of any damages arising from non-performance.

These commitments guarantee contracts whose overall value amounted to €45,042 million (€44,187 million at December 31, 2015), including both work already performed and the relevant portion of the backlog of orders at June 30, 2016.

Risk management

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

Fair value of financial instruments

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

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

Financial instruments measured at fair value at June 30, 2016 are classified as follows:

(€ million)	June 30, 2016			Total
	Level 1	Level 2	Level 3	
Held for trading financial assets (liabilities):				
- non-hedging derivatives		(32)		(32)
Available-for-sale financial assets:				
- other assets available for sale	26			26
Net hedging derivative assets (liabilities)		1		1
Total	26	(31)		(5)

There was no movement between Levels 1 and 2 during the first half of 2016.

LEGAL PROCEEDINGS

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

TSKJ Consortium - Investigations of the Authorities of the United States, Italy and of other countries

Snamprogetti Netherlands BV has a 25% holding in the TSKJ Consortium of companies. The remaining interests are held in equal shares of 25% by Halliburton/KBR, Technip and JGC. Since 1994, the TSKJ Consortium has built natural gas liquefaction plants on Bonny Island in Nigeria. Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, was a direct subsidiary of Eni SpA until February 2006, when an agreement was entered into for the sale of Snamprogetti SpA to Saipem SpA. Snamprogetti SpA was merged into Saipem SpA as of October 1, 2008.

A number of judicial authorities, including the Milan Public Prosecutor's office, have carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials. The proceedings in both the United States and Nigeria have been resolved through settlements.

The proceedings in Italy: the investigation regards events dating back to 1994 and also concerns the period subsequent to the introduction of Legislative Decree No. 231 of June 8, 2001 regarding the administrative responsibility of companies. The proceedings brought by the Milan Public Prosecutor against Eni SpA and Saipem SpA related to administrative responsibility under Legislative Decree No. 231/2001 arising from offences of international corruption allegedly committed by former managers of Snamprogetti.

The Milan Public Prosecutor requested the application of precautionary measures pursuant to Legislative Decree No. 231/2001 consisting in Eni and Saipem being debarred from activities involving – directly or indirectly – any contractual relationships with the Nigerian National Petroleum Corp or its subsidiaries, claiming the ineffectiveness and inadequacy and violation of the organisational, management and control model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision.

On November 17, 2009, the Judge for the Preliminary Investigation rejected the request for precautionary measures of disqualification filed by the Milan Public Prosecutor, which subsequently appealed against this decision. On February 9, 2010, the Court of Appeal, exercising the function of a court of judicial review, handed down its ruling, which dismissed as unfounded the appeal of the Milan Public Prosecutor and upheld the decision of the Judge for the Preliminary Investigation. On September 30, 2010, the appeal was upheld by the Court of Cassation. The Supreme Court decided that the request for precautionary measures was admissible pursuant to Legislative Decree No. 231/2001 also in cases of alleged international corruption. The Milan Public Prosecutor's office subsequently withdrew its request for precautionary measures against Eni and Saipem following the payment by Snamprogetti Netherlands BV of a deposit of €24,530,580, which was also on behalf of Saipem SpA. During the criminal proceedings, accusations regarding alleged acts of corruption in Nigeria committed until and after July 31, 2004, were made. Added to this was the aggravating circumstance of Snamprogetti SpA's having allegedly obtained significant financial gain (indicated as being not less than USD 65 million). On January 26, 2011, the Judge for the Preliminary Hearing ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) and five former Snamprogetti SpA employees to stand trial. In February 2012, following a request made by the defence, the Court dismissed the charges against the physical persons under investigation, ruling that the charges had expired under the statute of limitations. The Court also ordered a separate trial for the continuation of proceedings against the legal person of Saipem only.

On July 11, 2013, the Court of Milan ruled that Saipem SpA had committed the unlawful administrative act, but accepted the existence of the attenuating circumstances provided for by Article 12, No. 2, letter a) of Legislative Decree No. 231/2001. The Court sentenced the Company to pay a fine of €600,000 and also ordered it to pay court costs. Finally, the Court ordered the confiscation of the deposit of €24,530,580 posted by Snamprogetti Netherlands BV with the Milan Public Prosecutor's office. On February 19, 2015, the Court of Appeal upheld the ruling of the Court of Milan.

On July 3, 2015, Saipem filed an appeal with the Italian Court of Cassation against the decision of the Court of Appeal. At the appeal hearing of February 12, 2016, the Court of Cassation rejected the appeal of Saipem SpA.

Saipem's involvement in the investigation into the activity of the TSKJ Consortium in Nigeria during the period 1994-2004 is due

solely to the fact that in 2006 Saipem SpA acquired Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, which holds a 25% stake in the TSKJ Consortium.

The decisions of the Court of Milan, the Milan Court of Appeal and the Court of Cassation have had no financial impact on Saipem, since Eni SpA, at the time of the sale of Snamprogetti SpA to Saipem, undertook to indemnify Saipem for costs and losses sustained in connection with the TSKJ matter.

Algeria

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 are 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 is collaborating fully with the Prosecutor's Office and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that might result from the investigations. In agreement with the Board of Statutory Auditors and the Internal Control Bodies, and having duly informed the Prosecutor's Office, Saipem is looking into the contracts that are subject to investigation, and to this end has 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. The Board, confirming its full cooperation with the investigative authorities, has decided to convey the findings of the external consultants to the Milan Public Prosecutor, for any appropriate assessment and initiative regarding competence 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, the 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. This concerned 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'.

Tax disputes: on February 5, 2015, the Milan tax unit of the Guardia di Finanza (Italian Finance Police) conducted a tax inspection at Saipem SpA's premises. The official minutes describe the inspection as having focused on: 'a) *Ires* (Italian corporate income tax) and *Irap* (Italian regional production tax) for tax periods from January 1, 2008 to December 31, 2010, as well as fiscally relevant elements emerging from checks performed as part of criminal proceedings No. 58461/14 - mod. instituted by the Public Prosecutor's Office of the Court of Milan (Substitute Public Prosecutors Fabio De Pasquale, Giordano Baggio and Isidoro Palma) [Algeria affair]; (omissis) b) identifying, for the 2010 tax period only, transactions with companies resident or domiciled in non-EU countries or territories with preferential tax regimes (Article 110, paragraph 10 et seq. of the Italian Consolidated Income Tax Act; - verifying the compliance of the tax position of company employees for the year 2015 up until the day of the inspection'. In connection with point a) of the tax inspection, on April 14, 2015, the Guardia di Finanza served Saipem SpA with a tax audit report in which the following costs were deemed as non-deductible because they were alleged to be 'costs arising from the commission of crimes' (pursuant to Article 14, paragraph 4-*bis* of Law No. 437/1993):

- amounts paid in 2008 and 2009 by Snamprogetti SpA and Saipem SpA to Pearl Partners totalling approximately €140 million;
 - the costs allegedly over-invoiced to Saipem by a subcontractor in 2009 and 2010 amounting to approximately €41.5 million.

Saipem SpA did not concur with the findings contained in the tax audit report and, on June 12, 2015, pursuant to Article 12, paragraph 5, of Law No. 212/2000 (the Italian Taxpayers' charter), presented its defence to the Large Taxpayers Unit of the Italian Revenue Agency's Lombardy Regional Tax Office, to which the Guardia di Finanza had transmitted the report, requesting that the question be closed. On July 9, 2015, the Large Taxpayers Unit of the Italian Revenue Agency's Lombardy Regional Tax Office served Saipem with four tax assessment notices relating to Ires and Irap taxes for 2008 and 2009. The total amounts requested in the four notices for taxes due, interest and fines, amounted to approximately €155 million (these notices were in reference only to a part of the costs connected with 2008 and 2009 annuities which, according to the Guardia di Finanza, are not deductible). On October 8, 2015, Saipem filed four substantially identical appeals to the Provincial Tax Commission, within the legal time limits, requesting on the merits that the assessments be cancelled.

The notices of assessment served on Saipem SpA have immediate effect (Article 29 of Legislative Decree No. 78/2010). Having decided not to file for the suspension of the execution of these notices, on January 15, 2016, the Company, while awaiting the decision of the Provincial Tax Commission in Milan, as a provisional measure, paid in a sum equal to one third of the taxes claimed, plus interest, increased by the penalty premium and interest accrued between the day following receipt of the notices of assessment and the date of payment, amounting to approximately €22 million. As things currently stand, the Revenue Office has not yet served any notices of assessment for 2010 annuity, in relation to which in the tax audit report of April 2015 the Guardia di Finanza claimed from Saipem €28 million, for costs deemed non-deductible for Ires and Irap purposes, as they had allegedly derived from criminal activities.

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.

The Judge for the Preliminary Investigation granted a request for adjournment made by the defence to allow time for the examination of the substantial amount of documentation filed by the Milan Public Prosecutor's office prior to the hearing. The hearing was adjourned until June 12, when the Prosecutor commenced presentation of its arguments.

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 defendants 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 Milan Public Prosecutor and the Attorney's Office at the Milan Court of Appeal filed an appeal against:

- (i) the ruling of dismissal in regard to all of the accused in relation to the allegation that the payment of the commissions for the Algerian 'Menzel Ledjmet Est' (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); (ii) the ruling of acquittal of Eni, the former CEO of Eni and of an Eni senior manager of the charge of corruption in relation to the tender contracts assigned by Sonatrach to the Saipem Group; (iii) the ruling of acquittal of the former CEO of Eni and of an Eni senior manager of the charge of making a fraudulent tax return in relation to the tender contracts assigned by Sonatrach to the Saipem Group.

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 line of the proceedings, on July 27, 2016, the new Judge for the Preliminary Hearing ordered that all the accused parties stand trial, with the first hearing before the Court of Milan being set for December 5, 2016

On November 11, 2015, on the occasion of publication of the 2015 corporate liability report of the Milan Public Prosecutor's office, 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 COO and two other persons accused.

At the end of the first hearing before the Court of Milan on December 2, 2015, the trial was adjourned until January 25, 2016, due to a strike called by criminal lawyers. During the hearing of December 2, 2015, 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 to admit Sonatrach as plaintiff, as well as the request to admit as plaintiff the 'Movimento cittadini algerini

d'Italia e d'Europa'. The Court adjourned to February 29, 2016, reserving the right to pass judgement on the claims put forward by the accused to 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, rejected the claims of invalidity of the committal to trial, called on the Public Prosecutor to press charges against a sole defendant and adjourned the hearing to March 21, 2016. Proceedings are being heard before the Court of Milan. The next hearing will be held on September 12, 2016.

Request for documents from the US Department of Justice: at the request of the US Department of Justice ('DoJ'), Saipem SpA entered into a 'tolling agreement' which extended by 6 months the limitation period applicable to any possible violations of federal laws of the United States in relation to previous activities of Saipem and its subsidiaries. The tolling agreement, which has been renewed until November 29, 2015, does not constitute an admission by Saipem SpA of having committed any unlawful act, nor does it imply any recognition on the Company's part of United States jurisdiction in relation to any investigation or proceedings. Saipem therefore 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 time of writing, no request for an extension has been received from the Department of Justice.

Proceedings in Algeria: in Algeria in 2010 proceedings were initiated regarding various matters and involving 19 parties investigated for various reasons (so-called 'Sonatrach 1 investigation'). 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 assigned 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 current 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 dinars (approximately €43,000 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 €50,000) 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 €34,000). In particular, Saipem Contracting Algérie was held to be responsible for the increase of the prices on the occasion of the assignment of the tender contract for the construction of the GK3 gas pipeline, as it is alleged to have benefited from the authority or influence of its representatives.

The ruling also returned two bank accounts denominated in local currency to Saipem Contracting Algérie. These held a total of about €78 million (amount calculated at the exchange rate obtaining at June 30, 2016), which were frozen in 2010.

The customer 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.

While awaiting the filing of the reasons therefore, the February 2, 2016 decision of the Court of Algiers was challenged by Saipem Contracting Algérie (which had requested acquittal and have announced beforehand that it would challenge the decision); by the Public Prosecutor (who had requested a fine of 5 million dinars and confiscation, requests rejected by the Court which, as noted, sentenced Saipem Contracting Algérie to a lesser amount of 4 million dinars); by the Trésor Civil (whose request to be admitted as plaintiff against Saipem Contracting Algérie was, as noted, rejected by the Court); by all the other sentenced defendants with regard to the sentences passed upon 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 €34 thousand; and
- the unfreezing of the two banks accounts is suspended containing a total of about €78 million (amount calculated at June 30, 2016). 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. No such civil action has so far been brought by Sonatrach, and neither has Sonatrach indicated the amount of compensation sought.

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.

Ongoing investigations - Public Prosecutor's Office of Milan - Brazil

On August 12, 2015, the Milan Public Prosecutor's office 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 collaborator 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 collaborator, 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 collaborator 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 of approximately €115 million). This is purportedly deduced from the circumstance that in 2011, in the vicinity of the Petrobras headquarters, said ex collaborator of Saipem do Brasil claims to have been the target of a robbery in which approximately 100,000 reais (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 is cooperating 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 audit report was forwarded by Saipem SpA to the Milan Public Prosecutor's office and to Consob as a mark of transparency.

The witnesses heard so far in the criminal proceedings underway in Brazil against this former collaborator, 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. Also the former collaborator of Saipem do Brasil – who during 2015 agreed to cooperate with the judicial authorities – has not, at the time of writing, reported any unlawful acts relating to companies of the Saipem Group and, regarding the robbery of 100,000 Brazilian reais (approximately €26,000) of which he was a victim in October 2011, stated that it was money needed to pay expenses relating to buildings of a company he managed on behalf of a third party with respect to Saipem. The hearing set for November 11, 2015, in which the former collaborator of Saipem do Brasil and another two defendants were to be questioned, has been postponed to a later date. Petrobras appeared as a plaintiff ('Assistente do Ministerio Publico') in the proceedings against the same defendants. The proceedings and the relevant investigations are still in progress in Brazil.

The Saipem Group has not received any notification in this regard from the Brazilian judicial authorities.

Kuwait

On June 21, 2011, a warrant requested by the Milan Public Prosecutor was served on Saipem SpA for the search of the office of a Saipem employee. The warrant was issued in connection with alleged crimes committed by said ex employee together with third parties related to the award of tenders by Saipem SpA to third party companies for a project in Kuwait. In connection with the same matter, the Public Prosecutor also served a notice of inquiry upon Saipem SpA pursuant to Italian Legislative Decree No. 231/2001. In this regard, the Company believes that its position will be cleared, since it is the injured party in respect of the illicit conduct under investigation.

Having consulted its lawyers, and in agreement with the Compliance Committee and the Internal Control Bodies, Saipem, through its Internal Audit function, and also using an external consulting company, promptly undertook an Internal Audit of the project under investigation. On March 2, 2012, Saipem SpA was served a request to extend the preliminary investigations filed by the Public Prosecutor. From that date the Company has received no further notifications and there are no notices/indications of further developments in the investigations.

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. On December 19, 2011, the grounds for the ruling were filed with the office of the clerk of the Court. 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 account of the complexity of the issues before it, on September 30, 2015, the Court of Cassation adjourned the hearing to November 10, 2015, upon which date it will make its final decision. 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.

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. 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 September 17, 2015, STS lodged its defence brief with the Conseil d'Etat.

On November 18, 2015, following an exchange of briefs between the parties, the 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 committal to the Tribunal des Conflits, which has to present its decision within three months of the day on which it has been contacted. The hearing before the Tribunal des Conflits was held on March 14, 2016. 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 June 27, 2016, STS lodged a defence brief with the Conseil d'Etat. The date of the hearing has not yet been set. Parallel with the aforementioned appeal before the Conseil d'Etat, on August 18, 2015, Fosmax LNG also filed three appeals with the Court of Appeal of Paris to obtain the annulment of the award, the enforceability of which had been recognised on April 7, 2015, and of which Fosmax LNG had been notified on July 24, 2015. Following their suspension while awaiting the ruling of the Tribunal des Conflits, the three hearings before the Court of Appeal are still pending. The preliminary investigation is expected to be completed by December 22, 2016, and a hearing has been set for January 17, 2017.

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

On December 23, 2013, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris ('Paris ICC') in connection with the contract entered into on March 22, 2009, by Saipem SpA and Saipem Contracting Algérie SpA (collectively, 'Saipem') on the one hand, and Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures SpA ('Sonatrach') and First Calgary Petroleums LP (collectively, the 'Client') on the other, for the engineering, procurement and construction of a natural gas gathering and treatment plant and related export pipelines in the Menzel Ledjmet Est field in Algeria. The Client was notified of the request on January 8, 2014. In its request for arbitration, as subsequently amended in the Statement of Claim on December 17, 2014 and the subsequent brief of January 15, 2016, Saipem requested that the Arbitration Tribunal grant: (i) an extension of the contractual terms by about 30.5 months; (ii) the right of Saipem to obtain payment of the equivalent of about €895 million (gross of the amount of €246 million already paid by First Calgary Petroleums LP on a without prejudice basis by way of advance payment on VORs), by way of increase of the contractual price because of an extension of time, variation orders, non payment of late invoices and spare parts and acceleration bonuses. Both Sonatrach and First Calgary Petroleums LP (this latter wholly owned by the Eni Group since 2008) have appointed their arbitrator and, on March 28, 2014, filed their respective Answers to the Request for Arbitration. The Chairman of the Arbitral Tribunal was appointed on May 26, 2014.

Sonatrach and First Calgary Petroleums LP filed their 'Mémoires en défense' on August 14, 2015, introducing a new counterclaim and specifying the value of their request as the equivalent of €256 million. Part of the new counterclaim proposed only by

Sonatrach relates to the request of payment to Sonatrach of 25% of the commissions paid by Saipem to Pearl Partners in relation to the MLE project (25% of about €41 million) in addition to moral injury, estimated at not less than €20 million. The Arbitral Tribunal accepted the first request of Sonatrach, on which the tribunal must give its decision (as on all the other questions submitted to arbitration) at the end of the current preliminary investigation. Saipem filed its reply on January 15, 2016.

Sonatrach and FCP filed their replies on May 15, 2016 and on June 30, 2016 Saipem file its reply to the counterclaims. The hearings will be held in July 2016.

Arbitration proceedings regarding LPG project in Algeria

On March 14, 2014, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris in connection with the contract for the construction of the LDHP ZCINA plant (LPG Project) for the 'extraction des liquides des gaz associés Hassi Messaoud et séparation d'huile' (LDHP ZCINA unit for extraction of liquids from associated gas from the Hassi Messaoud field and oil-gas separation), entered into on November 12, 2008 between, on the one hand, Sonatrach, and on the other, Saipem SA and Saipem Contracting Algérie SpA (collectively 'Saipem'). In its request, Saipem asked the Arbitration Tribunal to order Sonatrach to pay the equivalent of approximately €172 million for additional costs incurred as contractor during the execution of the project in relation to variation orders, time extensions, force majeure, non-payment or late payment of invoices and related interest. Sonatrach, in its answer to the request, which it filed on June 10, 2014, denied all liability and asserted a counterclaim requesting that Saipem be ordered to pay liquidated damages for delays amounting to USD 70.8 million. The Arbitral Tribunal was officially constituted on September 16, 2014, following the Chairman of the Arbitral Tribunal's acceptance of his appointment. On November 13, 2014, the parties reached an agreement on the proceedings schedule on the basis of which Saipem filed its *Mémoire en demande* on March 13, 2015 and its *Mémoire en Réplique et en Réponse à la Demande Reconventionnelle* on January 14, 2016, in which it set out its own claims for €104,297,332, USD 16,563,514 and DZD 6,179,945,829 (the equivalent of €172.17 million). Sonatrach filed its '*Mémoire en défense*' on September 14, 2015, introducing a new counterclaim and specifying the value of its request as the equivalent of €256 million. The new counterclaim relates to the request for payment to Sonatrach of the commissions paid by Saipem to Pearl Partners relating to the LPG project (about €34.5 million), and moral damage. The Arbitral Tribunal decided not to accept the new counterclaim of Sonatrach because it was filed late.

Sonatrach filed its *Mémoire en duplique et réplique à la demande reconventionnelle* on May 14, 2016, in which it reiterated its request and insisted on the acceptance of its following demands: €35,175,998, USD 9,114,335 and DZD 1,197,009,692 as penalties for delays; USD 213,343,187 for failed plant output (the latter allegedly caused by Saipem on account of its delay in handling several requests under guarantee); €361,029 and DZD 38,557,206 for expenses incurred by Sonatrach for the management of requests under guarantee that should have been handled by Saipem.

Saipem may file a further reply to Sonatrach's counterclaim by September 6, 2016.

Arbitration hearings will be held in October 2016.

Arbitration proceedings regarding LZ2 project in Algeria

On May 12, 2015, Saipem SpA and Saipem Contracting Algérie SpA (collectively 'Saipem') filed a request for arbitration against Sonatrach for payment of €7,339,038 and 605,447,169 Algerian dinars, plus interest, for wrongly applied liquidated damages, extra works and project extension costs, with the International Chamber of Commerce in Paris. The request relates to the contract for the construction of a pipeline between Hassi R'Mel and Arzew in Algeria entered into by Saipem and Sonatrach on November 5, 2007 ('LZ2 project'). Saipem and Sonatrach appointed their arbitrators and the respondent filed its reply on September 7, 2015, introducing a counterclaim amounting to €8.559 million plus interest and moral injury, to be quantified during the proceedings. The counterclaim relates to the request for payment to Sonatrach of the commissions paid to Pearl Partners relating to the LZ2 project (approximately €8.5 million).

The parties were not able to agree on the name of the Chair of the Arbitral Tribunal, so the Chair was named directly by ICC on February 24, 2016. On the basis of the arbitration schedule agreed between the parties in May, Saipem will file its *Mémoire en demande* on July 29, 2016 and Sonatrach its *Mémoire en reponse* on December 23, 2016. The hearings are expected to be held from December 11-15, 2017.

Arbitration proceedings regarding the Arzew project in Algeria

With reference to the contract for the construction of a natural gas liquefaction plant at Arzew (Algeria) (project GNL3Z Arzew), entered into on July 26, 2008, between Sonatrach, on one side, and Saipem SpA, Saipem Contracting Algérie SpA (jointly 'Saipem') and Chiyoda, on the other, on July 31, 2015, Saipem filed a request for arbitration with the *Chambre de Commerce Internationale* in Paris. In its request, Saipem asked the Arbitration Tribunal to order Sonatrach to pay the approximately €550 million for additional costs incurred as contractor during the execution of the project in relation to variation orders, time extensions, non-payment or late payment of invoices and related interest. Saipem has appointed its arbitrator. Sonatrach duly filed its reply, on October 28, 2015, asking by way of counterclaim that Saipem be ordered to pay the damages suffered due to alleged instances of non-fulfilment by Saipem, quantifying the related amounts at approximately USD 1.6 billion, 54 billion Algerian dinars, as well as €77.37 million in relation to fees paid by Saipem to Pearl Partners for the Arzew project.

On November 30, 2015, Saipem filed a short reply to Sonatrach's counterclaims.

The parties have agreed on the name of the Chair of the Arbitral Court. On the basis of the arbitration schedule and the procedural rules agreed between the parties on March 30, 2016, May, Saipem will file its *Mémoire en demande* on November 25, 2016 and Sonatrach its *Mémoire en reponse* on June 30, 2017. The hearings are scheduled to be held at the end of 2018.

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

By order adopted by Resolution No. 18949 of June 18, 2014, Consob resolved to impose a pecuniary administrative penalty on Saipem of €80,000 in relation to an alleged delay in the issue of a profit warning by the Company on January 29, 2013. On July

28, 2014, Saipem lodged an appeal at the Court of Appeal in Milan. 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.

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 effected 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, fully disputing the adverse party's requests, challenging their admissibility and, in any case, their lack of grounds. The proceedings are still in their initial phase, as the parties appeared before the court for the first time in November 2015.

Demands for out-of-court settlement and mediation proceedings: with regard to the alleged delays in providing information to the markets, over 2015 and during the first months of 2016, 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.

Those applications where mediation has been attempted, but with as yet no outcome, involve four 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).

Saipem SpA has replied to the out-of-court claims and the mediation, denying all liability. As at the date of approval of this half-yearly report by the Board of Directors, none of the above-described out-of-court demands or mediation applications have formed the subject matter of legal action before the courts.

Dispute with Husky - Sunrise Energy Project in Canada

On November 15, 2010, Saipem Canada Inc ('Saipem') and Husky Oil Operations Ltd ('Husky') (the latter for account 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 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 CA\$ 1,300,000,000; (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 its costs in excess of the lump sum amount previously agreed, determining 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 with Saipem, claiming that Saipem had not complied with the contractual deadline for conclusion of the works.

In light of the above, Saipem Canada Inc 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 payment of the following be ordered: (i) CA\$ 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 Canada Inc; or, alternatively, (ii) the market value of the services, materials and financing rendered. This amount of CA\$ 800,000,000 was indicated preliminarily and may therefore be increased.

In September 2015, Husky notified Saipem Canada Inc 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 Canada Inc 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 CA\$ 45,684,000.

On October 6, 2015, Husky sued Saipem Canada Inc in the Court of Queen's Bench of Alberta, claiming 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). In addition, even after the execution of such payments, the performances of Saipem Canada Inc 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 Canada Inc to pay CA\$ 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 Sunrise Energy Project.

In the hearing of January 14, 2016, Saipem Canada Inc 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. The hearing held on July 4, 2016 was adjourned pending the judge's ruling.

Dispute with GLNG - Gladstone Project (Australia)

On January 4, 2011, Saipem Australia Pty Ltd ('Saipem') entered into the EPC Contract (the 'Contract') relating to the Gladstone LNG project (the 'Project') with GLNG Operations Pty Ltd ('GLNG') in the capacity of agent of Santos GLNG Pty Ltd, PAPL (Downstream) Pty Ltd and Total E&P Australia (jointly, 'Joint Venturers').

In the course of the Project, Saipem accrued and presented to GLNG contractual claims for approximately AU\$ 570,668,821 based, among other things, on time extensions, reimbursement of costs connected with delays not ascribable to Saipem, variation orders and payment of contractually foreseen bonuses not paid by GLNG (the 'Contractual Claim'). However, this claim was entirely rejected by GLNG, which, in support of its refusal, alleged, among other things, that at the time the Contract was entered into, Saipem was not in possession of a licence required by the Australian sector regulations (viz., the Queensland Building and Construction Commission Act 1991) for the execution of part of the work (i.e. the building works) under the Contract.

As a result, Saipem claimed that the fact that the Contract had been entered into in violation of this law rendered it unlawful, thus voiding it and making it unenforceable.

On the basis of this position, Saipem therefore requested payment of what it was owed on the basis of quantum meruit ('Claim Quantum Meruit'), quantifying, that is, the economic benefit of the client (net of what the client had already paid) as AU\$ 770,899,601. However, this claim was also rejected by GLNG.

A negotiation phase was thus initiated between the parties based on the related contractually agreed procedure, but this did not lead to a successful outcome either. On October 9, 2015, Saipem served a request for arbitration against GLNG and the Joint Venturers, asking that they be ordered to pay: (i) the Quantum Meruit Claim; or alternatively, (ii) a fair figure for the contractual Claim; (iii) in addition to interest and arbitration costs.

In the arbitration process, the defendant GLNG rejected the claims of Saipem and made the following counterclaim: (a) compensation for presumed defective works, with particular reference to the coating of the entire line. The amount was not specifically quantified by GLNG which, however, maintains that the defects found can be corrected only by incurring a cost that could exceed the contract price; (b) if the quantum meruit is deemed to be valid, the return of that part of the contractually agreed price that is not part of the Quantum Meruit Claim; (c) compensation (not yet quantified) for breach of general warranties; (d) application of the liquidated damages set at AU\$ 18 million; (e) compensation for alleged breaches of contract by Saipem set at about AU\$ 23 million. On May 6, 2016, Saipem notified GLNG of its Statement of Claim with which the amounts of the Quantum Meruit Claim, and of the alternative claim on a contractual basis, were reduced. The parties further agreed the timeline of arbitration which encompasses, amongst other things, the filing of GLNG's Statement of Defence and Counterclaim, in which, in all likelihood, the counterclaim will be quantified in October 2016.

On July 13, 2016, GLNG served a request for arbitration against Saipem SpA concerning the validity of the Parent Company Guarantee issued by the latter to GLNG during the awarding of the contract. Saipem affirms that, since the contract is illegal and unenforceable, the guarantee associated with it is likewise such. GLNG has challenged this and has resubmitted the issue to arbitration.

Dispute with South Stream Transport BV - South Stream Project

On November 10, 2015, Saipem SpA filed a request for arbitration against South Stream Transport BV with the ICC of Paris. Saipem is claiming about €759.9 million by way of consideration due both for the suspension of work (requested by the client for the period from December 2014 to May 2015) and for the subsequent termination for convenience of the contract notified on July 8, 2015 by the client. The request may be supplemented by Saipem by claims for costs incurred directly by the termination for convenience and relating to works that are still in progress or which have not yet been completely calculated. ICC notified South Stream Transport BV of Saipem's request for arbitration on December 15, 2015.

South Stream filed its reply on February 16, 2016, having been granted a 30-day extension within which to reply. In its reply, South Stream BV challenged all of Saipem's claims and reserved the right to make a counterclaim at a subsequent stage of the arbitration process.

Saipem will file its own Statement of Claim on September 30, 2016.

Significant tax disputes

Saipem SpA

On February 5, 2015, the Tax Police Unit of Milan initiated a tax audit of Saipem, which led the Guardia di Finanza to serve Saipem with a tax audit report on April 14, 2015, followed by four notices of assessment (Ires 2008, Ires 2009, Irap 2008 and Irap 2009)

issued by the Italian Revenue Agency on July, 9 2015, against which Saipem lodged an appeal as reported in the above section 'Algeria'.

Potential significant tax disputes

Saipem SpA

In the framework of the tax audit indicated in the above section 'Algeria', and in relation to the expenses deriving from operations which took place in the course of 2010 with companies resident or located in states or territories with privileged tax regimes, identified in the Ministerial Decree of January 23, 2002 (so-called 'black list costs'), on July 20, 2015, on completion of an audit, the Guardia di Finanza served Saipem with a report in which costs amounting to €235,502,590.30, and purportedly deemed non-deductible in accordance with Article 110, paragraph 10 of the Italian Consolidated Income Tax Act, were reported to the Italian Revenue Agency for the opening of a preliminary investigation.

On July 30, 2015, the Italian Revenue Agency served the company with a questionnaire related to the costs reported in the tax audit report by the Guardia di Finanza, in accordance with Article 110, paragraph 11 of the Consolidated Income Tax Act. In the 90 days following the notification, Saipem provided the Revenue Office with its reply to the questionnaire together with further documentation furnishing in the Company's view objective proof of at least one of the types of exemption specified in Article 110, paragraph 11 of the Consolidated Income Tax Act. On December 22, 2015, the Lombardy Regional Tax Office notified the Company of its intention to postpone to 2016 the delivery of the notice of assessment for 2010 annuity. The subject of the assessment could thus be both the detection of costs arising from the commission of a crime (as described in the preceding 'Algeria' paragraph), and the detection of 'black list' costs. The Tax Office in fact deemed that the deadline still applied, insisting on the 2010 annuity (double that of the ordinary deadline of 4 years) specified by Article 43, sub-section 3 of Presidential Decree D.P.R. No. 600/1973 for tax disputes that have to be reported to the criminal judicial authority.

On June 14, 2016, the tax audit was completed with the signing of a final report in which the Guardia di Finanza raised no further issues.

Saipem Drilling Norway AS

Following a tax audit by the Norwegian authorities between January-May 2014 of the years 2012 and 2013, on December 18, 2014, the Company was sent a report of the preliminary findings that is not an assessment and makes no claim on the taxpayer. The agency contested the value assigned to the rig Scarabeo 8 when it was transferred from Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda to Saipem Drilling Norway AS in July 2012, deeming it higher than its market value, and proposed taxing the extra depreciation charges deducted in the years under consideration, which amount to NOK 630 million (approximately €67 million). The report also proposed a discretionary increase by the office of the taxable income for the year 2012 for NOK 1.2 billion (approximately €129 million), corresponding to the presumed negative value of the leasing contract of Scarabeo 8. On April 30, 2015, Saipem Drilling Norway AS filed its response to the findings contained in the report. Objecting to the conclusions of the authority, it attached a report prepared by a leading Norwegian Oil & Gas sector analyst, which provides an extensive description of the Norwegian domestic offshore drilling market and its prospects at the moment the rig was purchased by Saipem Drilling Norway AS. The report concluded with an estimate of the then market value of the rig that was substantially in line with the price at which the rig was transferred between the two Saipem Group companies.

Following the issue of the report on December 18, 2014, the statute of limitations on the tax periods under examination were suspended. The preliminary investigation will therefore take place without definite time limits, with Saipem Drilling Norway AS being invited to a further examination and the issuing of the definitive tax assessment. Should a definitive tax assessment confirm fully or partially the request contained in the report, Saipem Drilling Norway AS intends to file an appeal. However, the appeal will not suspend the immediate effect of the judgement, and the Company is thus obliged to pay the amount demanded, plus interest and potential sanctions, to be calculated as a minimum of 30% to a maximum of 60% of the amount itself.

REVENUES

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

31 Net sales from operations

Net sales from operations were as follows:

(€ million)	First half 2015	First half 2016
Revenues from sales and services	5,365	4,926
Change in contract work in progress	8	349
Total	5,373	5,275

Net sales by geographical area were as follows:

(€ million)	First half 2015	First half 2016
Italy	184	150
Rest of Europe	627	341
CIS	855	1,678
Middle East	1,103	1,065
Far East	346	284
North Africa	107	139
West Africa and Rest of Africa	1,219	1,066
Americas	932	552
Total	5,373	5,275

Information required by IAS 11 is provided by business sector in Note 42 'Segment information, geographical information and construction contracts'.

Contract revenues include the amount agreed in the initial contract, plus revenues from change orders and claims.

Change orders are changes to the contracted scope of work requested by the client, while claims are requests for the reimbursement of costs not included in the contract price. Change orders and claims are included in revenues when: (a) contract negotiations with the client are at an advanced stage and approval is probable; (b) their amount can be reliably estimated.

The cumulative amount of additional payments for change orders and claims, including amounts pertaining to previous years, based on project progress at June 30, 2016, totalled €770 million, of which 66% are disputed, down €146 million compared with December 31, 2015. For projects where additional payments exceed €50 million, estimates are supported by a technical/legal opinion provided by third party consultants. Revenues from related parties are shown in Note 43 'Transactions with related parties'.

32 Other income and revenues

Other income and revenues were as follows:

(€ million)	First half 2015	First half 2016
Indemnities	-	9
Other income	1	10
Total	1	19

OPERATING EXPENSES

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

33 Purchases, services and other costs

Purchases, services and other costs included the following:

(€ million)	First half 2015	First half 2016
Production costs - raw, ancillary and consumable materials and goods	1,079	1,019
Production costs - services	2,511	2,176
Operating leases and other	622	434
Net provisions for contingencies	40	(11)
Other expenses	95	119
less:		
- capitalised direct costs associated with self-constructed assets	(10)	(1)
- changes in inventories of raw, ancillary and consumable materials and goods	13	28
Total	4,350	3,764

Costs for brokerage services were below €1 million (€1 million in the first half of 2015).

Provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.

Purchase services and other costs to related parties are shown in Note 43 'Transactions with related parties'.

34 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	First half 2015	First half 2016
Payroll and related costs	1,226	950
less:		
- own work capitalised	(5)	(1)
Total	1,221	949

Stock-based compensation plans for Saipem senior managers

As at June 30, 2016, no plans are outstanding as the 2008 stock option plan approved by the Saipem SpA shareholders' assembly on April 28, 2008 ended during July 2015, as the term for exercising the options to purchase Saipem stocks expired. The outstanding options at June 30, 2015 were not exercised and therefore expired.

Average number of employees

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

(number)	First half 2015	First half 2016
Senior managers	409	400
Junior managers	4,859	4,210
White collars	22,058	18,734
Blue collars	19,946	16,928
Seamen	332	302
Total	47,604	40,574

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

35 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	First half 2015	First half 2016
Depreciation and amortisation:		
- tangible assets	377	339
- intangible assets	5	5
Total depreciation and amortisation	382	344
Impairment:		
- tangible assets	211	1
- intangible assets	-	-
Total impairment	211	1
Total	593	345

36 Other operating income (expense)

The income statement effects of the change in fair value of derivatives that do not meet the formal requirements to qualify as hedging instruments under IFRS are recognised in 'Other operating income and expenses'. At June 30, 2016, these amounted to amount to €1 million.

37 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	First half 2015	First half 2016
Finance income (expense)		
Finance income	516	636
Finance expense	(607)	(676)
Total	(91)	(40)
Derivative financial instruments	(19)	(30)
Total	(110)	(70)

Net finance income and expense was as follows:

(€ million)	First half 2015	First half 2016
Exchange gains (losses)	7	11
Exchange gains	511	627
Exchange losses	(504)	(616)
Finance income (expense) related to net borrowings	(95)	(48)
Interest and other income from Group financial companies	-	-
Interest from banks and other financial institutions	5	7
Interest and other expense due to Group financial companies	(80)	-
Interest and other expense due to banks and other financial institutions	(20)	(55)
Other finance income (expense)	(3)	(3)
Other finance income from third parties	-	2
Other finance expense	-	(3)
Finance income (expense) on defined benefit plans	(3)	(2)
Total finance income (expense)	(91)	(40)

Gains (losses) on derivatives consisted of the following:

(€ million)	First half 2015	First half 2016
Exchange rate derivatives	(18)	(29)
Interest rate derivatives	(1)	(1)
Total	(19)	(30)

Net expenses from derivatives of €30 million (expenses of €19 million in the first half of 2015) mainly related to the recognition in income of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.

Finance income (expense) with related parties are shown in Note 43 'Transactions with related parties'.

38 Income (expense) from investments

Effect of accounting using the equity method

The share of profit (loss) of investments accounted for using the equity method was as follows:

(€ million)	First half 2015	First half 2016
Share of profit of investments accounted for using the equity method	8	13
Share of loss of investments accounted for using the equity method	(10)	(2)
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	(9)	(2)
Total	(11)	9

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

Other income (expense) from investments

There was no other income (expense) from investments in the reporting period.

39 Income taxes

Income taxes consisted of the following:

(€ million)	First half 2015	First half 2016
Current taxes:		
- Italian subsidiaries	(4)	11
- foreign subsidiaries	151	121
Net deferred taxes:		
- Italian subsidiaries	(217)	(137)
- foreign subsidiaries	83	125
Total	13	120

(€ million)	First half 2015	First half 2016
Income taxes recognised in consolidated income statement	13	120
Income taxes recognised in statement of comprehensive income	(53)	38
Tax on total comprehensive income	(40)	158

40 Non-controlling interests

The share of profits of non-controlling interests amounted to €3 million (€14 million in the first half of 2015).

41 Earnings (loss) per share

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

Following the share capital increase in February 2016, resolved at the Extraordinary Shareholders Meeting held on December 2, 2015 and involving the issue of 9,668,363,496 new ordinary shares at a price of €0.362 each, the weighted average number of outstanding shares adjusted for the calculation of the basic earnings is 7,072,533,556 and 439,361,742 respectively for the financial years 2016 and 2015.

Diluted earnings per share are calculated by dividing net profit for the period attributable to Saipem SpA's shareholders by the weighted average of fully-diluted shares issued and outstanding during the period with the exception of treasury shares and including the number of shares that could potentially be issued.

The number of shares outstanding used for the calculation of the diluted earnings (loss) per share was 7,072,639,682 and 439,532,418 in 2016 and 2015, respectively.

Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

	June 30, 2015	June 30, 2016
Average number of shares used for the calculation of the basic earnings per share	439,361,742	7,072,533,556
Number of potential shares following stock option plans	61,350	-
Number of savings shares convertible into ordinary shares	109,326	106,126
Weighted average number of outstanding shares for diluted earnings per share	439,532,418	7,072,639,682
Net profit (loss) attributable to Saipem	(€ million) (920)	53
Basic earnings (loss) per share	(€ per share) (2.094)	0.007
Diluted earnings (loss) per share	(€ per share) (2.093)	0.007

42 Segment information, geographical information and construction contracts

Segment information

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Not allocated	Total
First half 2015						
Net sales from operations	4,476	1,321	744	493	-	7,034
less: intra-group sales	1,088	273	206	94	-	1,661
Net sales to customers	3,388	1,048	538	399	-	5,373
Operating result	(114)	(758)	140	(58)	-	(790)
Depreciation, amortisation and impairment	310	71	124	88	-	593
Net income from investments	(5)	12	-	-	-	7
Capital expenditure	82	17	107	62	-	268
Property, plant and equipment	3,462	544	3,031	1,104	-	8,141
Investments ⁽¹⁾	106	(4)	-	5	-	107
Current assets	3,008	2,223	556	533	2,183	8,503
Current liabilities	3,688	2,018	255	207	3,833	10,001
Provisions for contingencies ⁽¹⁾	49	132	1	2	63	247
First half 2016						
Net sales from operations	4,169	1,625	679	349	-	6,822
less: intra-group sales	1,098	198	192	59	-	1,547
Net sales to customers	3,071	1,427	487	290	-	5,275
Operating result	204	1	126	(94)	-	237
Depreciation, amortisation and impairment	125	19	111	90	-	345
Net income from investments	7	2	-	-	-	9
Capital expenditure	51	4	18	24	-	97
Property, plant and equipment	3,317	519	2,955	984	-	7,775
Investments ⁽¹⁾	118	17	-	6	-	141
Current assets	2,533	2,080	507	409	2,332	7,861
Current liabilities	2,520	1,785	193	164	658	5,320
Provisions for contingencies ⁽¹⁾	49	98	1	3	42	193

(1) See the section "Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes" on page 70.

Geographical information

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single year, it is difficult to allocate assets to a specific geographic area. As a result, certain assets have been deemed not directly attributable.

The unallocated part of tangible and intangible assets and capital expenditure related to vessels and their related equipment and goodwill.

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

A breakdown of revenues by geographical area is provided in Note 31 'Net sales from operations'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
First half 2015									
Capital expenditure	7	3	15	58	-	2	26	157	268
Tangible and intangible assets	108	31	303	949	2	155	805	5,788	8,141
Identifiable assets (current)	403	1,419	811	1,667	356	956	1,819	1,072	8,503
First half 2016									
Capital expenditure	5	1	2	22	-	-	4	63	97
Tangible and intangible assets	90	25	239	947	-	113	704	5,657	7,775
Identifiable assets (current)	1,043	851	1,005	1,680	281	849	1,216	936	7,861

Current assets were allocated by geographical area using the following criteria: (i) cash and cash equivalents and financing receivables were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventory was allocated on the basis of the country in which onshore storage facilities were situated (i.e. excluding inventory in storage facilities situated on vessels); (iii) trade receivables and other assets were allocated to the geographical area to which the related project belonged.

Non-current assets were allocated on the basis of the country in which the asset operates, except for offshore drilling and construction vessels, which were included under 'Unallocated'.

Construction contracts

Construction contracts were accounted for in accordance with IAS 11.

(€ million)	First half 2015	First half 2016
Construction contracts - assets	2,001	2,095
Construction contracts - liabilities	(1,545)	(933)
Construction contracts - net	456	1,162
Costs and margins (completion percentage)	5,943	5,461
Progress billings	(5,425)	(4,264)
Change in provision for future losses	(62)	(35)
Construction contracts - net	456	1,162

43 Transactions with related parties

On January 22, 2016, following the entry into force of the transfer of 12.5% of Saipem SpA's share capital from Eni to CDP Equity SpA (ex Fondo Strategico Italiano), Eni no longer has sole control over Saipem SpA, which has been replaced by the joint control exercised by Eni and CDP Equity SpA, with a resulting variation in the perimeter of related parties. Transactions with related parties entered into by Saipem SpA and/or companies within the scope of consolidation concern mainly the supply of services, the exchange of goods 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, and with entities owned 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 companies involved. Pursuant to disclosure requirements covered under Consob Regulation No. 17221 of March 12, 2010, the following transactions with related parties were carried out in the first half of 2016:

- on February 10, 2016, Saipem SpA and SACE Fct SpA signed two non-recourse assignment contracts relating respectively to two invoices issued to the client Pemex Transformación Industrial for an aggregate sum of approximately USD 237 million; the contracts became effective on February 23, 2016, on receipt of formal authorisation from the client for the transaction. Full payment was made to Saipem SpA by SACE Fct SpA. The above-mentioned factoring contracts were entered into in order to facilitate the ordinary financial activities of Saipem SpA and its direct subsidiaries.

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

- unconsolidated subsidiaries;
- associated and jointly-controlled companies;
- companies controlled by Eni and CDP Equity SpA;
- Eni and CDP Equity SpA associated and jointly-controlled companies;
- companies controlled by the state and other related parties.

Trade and other transactions

Trade and other transactions as of December 31, 2015 and for the six-month period ended June 30, 2015 were as follows:

(€ million)

Name	Dec. 31, 2015			First half 2015			
	Trade and other receivables	Trade and other payables	Guarantees	Expenses		Revenues	
				Goods	Services ⁽¹⁾	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalação Offshore Lda	-	1	-	-	-	-	-
Total unconsolidated subsidiaries	-	1	-	-	-	-	-
Associates and jointly-controlled companies							
ASG Scarl	-	9	-	-	-	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	60	99	218	-	-	81	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	7	3	122	-	-	-	-
Charville - Consultores e Servicos, Lda	1	-	-	-	-	-	-
CSFLNG Netherlands BV	1	6	-	-	-	23	-
KWANDA Suporte Logistico Lda	69	10	-	-	2	5	-
Petromar Lda	97	16	18	-	1	29	-
Rosetti Marino SpA Group	-	4	-	-	2	-	-
Saipar Drilling Co BV	-	-	-	-	-	1	-
Saipem Dangote E&C Ltd	-	1	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	4	5	-	-	48	(1)	-
Société pour la Réalisation du Port de Tanger Méditerranée	1	-	-	-	-	-	-
Southern Gas Constructors Ltd	1	-	-	-	-	-	-
TSGI Mühendislik Insaat Ltd Sirketi	2	-	-	-	-	-	-
Xodus Subsea Ltd	2	1	-	-	-	-	-
Others (for transactions not exceeding €500 thousand)	1	1	-	-	1	-	-
Total associated and jointly-controlled companies	246	155	358	2	52	138	-
Eni consolidated subsidiaries							
Eni SpA	7	12	3,071	-	9	-	-
Eni SpA Downstream Gas Division	-	-	-	-	1	-	-
Eni SpA Exploration & Production Division	65	3	-	-	-	52	-
Eni SpA Gas & Power Division	1	1	-	-	-	-	-
Eni SpA Refining & Marketing Division	22	2	-	2	-	8	-
Agip Karachaganak BV	-	-	-	-	-	-	-
Agip Oil Ecuador BV	-	1	-	-	-	2	-
Banque Eni SA	-	-	-	-	1	-	-
Eni Adfin SpA	-	-	-	-	2	-	-
Eni Angola SpA	53	-	-	-	-	124	-
Eni Congo SA	83	5	-	-	-	224	-
Eni Corporate University SpA	-	1	-	-	2	-	-
Eni Cyprus Ltd	23	-	-	-	-	42	-
Eni Insurance Ltd	-	6	-	-	3	-	-
Eni Lasmo PLC	26	-	-	-	-	7	-
Eni Muara Bakau BV	56	17	-	-	-	128	-
Eni Norge AS	50	-	-	-	-	78	-
Eni North Africa BV	1	-	-	-	-	-	-
EniServizi SpA	-	8	-	-	22	-	-
Eni Trading & Shipping SpA	-	-	-	-	5	-	-
Eni Turkmenistan Ltd	4	-	-	-	-	7	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-

Trade and other transactions (continued)

(€ million)

Name	Dec. 31, 2015			First half 2015			
	Trade and other receivables	Trade and other payables	Guarantees	Expenses		Revenues	
				Goods	Services ⁽¹⁾	Goods and services	Other
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Raffineria di Gela SpA	1	-	-	-	-	1	-
Serfactoring SpA	4	17	-	-	1	-	-
Syndial SpA	1	1	-	-	-	3	-
Versalis SpA	30	-	-	-	-	9	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	3	-
Total Eni consolidated subsidiaries	433	74	3,071	2	46	688	-
Eni associated and jointly-controlled companies							
Eni East Africa SpA	1	-	-	-	-	20	-
Greenstream BV	1	-	-	-	-	1	-
Mellitah Oil&Gas BV	9	-	-	-	-	-	-
Petrobel Belayim Petroleum Co	19	-	-	-	-	27	-
Raffineria di Milazzo	3	-	-	-	-	4	-
Others (for transactions not exceeding €500 thousand)	2	-	-	-	-	-	-
Total Eni associates and jointly-controlled companies	35	-	-	-	-	52	-
Total Eni companies	468	74	3,071	2	46	740	-
Companies controlled or owned by the State	25	51	-	-	1	12	-
Pension funds: FOPDIRE	-	-	-	-	1	-	-
Total transactions with related parties	739	281	3,429	4	100	890	-
Overall total	3,348	5,186	7,038	1,079	3,228	5,373	1
Incidence (%)	22.22 ⁽²⁾	5.42	48.72	0.37	3.07 ⁽³⁾	16.56	0.00

(1) The item 'Services' includes costs for services, costs for the use of third-party assets and other costs.

(2) Incidence includes receivables shown in the table 'Financial transactions'.

(3) Incidence is calculated net of pension funds.

Trade transactions as at June 30, 2016 were as follows:

(€ million)

Name	June 30, 2016			First half 2016			
	Trade and other receivables	Trade and other payables	Guarantees	Expenses		Revenues	
				Goods	Services ⁽¹⁾	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalação Offshore Lda	-	1	-	-	1	-	-
Total unconsolidated subsidiaries	-	1	-	-	1	-	-
Associates and jointly-controlled companies							
ASG Scarl	-	7	-	-	(1)	-	-
CEPAV (Consorzio Eni per l'Alta velocità) Due	42	41	199	-	35	86	-
CEPAV (Consorzio Eni per l'Alta velocità) Uno	7	5	121	-	1	-	-
Charville - Consultores e Servicos, Lda	1	-	-	-	-	1	-
CSFLNG Netherlands BV	-	-	-	-	-	6	-
KWANDA Suporte Logistico Lda	70	10	-	-	1	2	-
Petromar Lda	100	16	6	-	1	12	-
Rosetti Marino SpA Group	1	2	-	2	-	-	-
Saipar Drilling Co BV	-	-	-	-	-	-	-

Trade and other transactions (continued)

(€ million)

Name	June 30, 2016			First half 2016			
	Trade and other receivables	Trade and other payables	Guarantees	Expenses		Revenues	
				Goods	Services ⁽¹⁾	Goods and services	Other
Saipem Dangote E&C Ltd	-	-	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	6	29	-	-	30	1	-
Société pour la Réalisation du Port de Tanger Méditerranée	1	-	-	-	-	-	-
Southern Gas Constructors Ltd	1	-	-	-	-	-	-
TMBYS SAS	1	-	-	-	-	-	-
TSGI Mühendislik Insaat Ltd Sirketi	4	-	-	-	-	-	-
Xodus Subsea Ltd	2	2	-	-	2	-	-
Others (for transactions not exceeding €500 thousand)	1	1	-	-	-	2	-
Total associated and jointly-controlled companies	237	113	326	2	69	110	-
Companies controlled by Eni/CDP Equity SpA							
Eni SpA	7	1	2,506	-	1	9	-
Eni SpA Downstream Gas Division	-	-	-	-	1	-	-
Eni SpA Exploration & Production Division	51	3	2	-	-	32	-
Eni SpA Gas & Power Division	1	-	-	-	-	-	-
Eni SpA Refining & Marketing Division	1	-	10	1	-	2	-
Agip Karachaganak BV	-	-	-	-	-	-	-
Agip Oil Ecuador BV	1	1	-	-	-	1	-
Banque Eni SA	-	-	200	-	1	-	-
Eni Adfin SpA	-	2	-	-	2	-	-
Eni Angola SpA	74	-	43	-	-	121	-
Eni Congo SA	39	3	1	-	1	39	-
Eni Corporate University SpA	-	-	-	-	1	-	-
Eni Cyprus Ltd	-	-	-	-	-	-	-
Eni Insurance Ltd	-	9	-	-	5	-	-
Eni Lasmo PLC	3	-	-	-	-	(4)	-
Eni Muara Bakau BV	58	13	67	-	-	116	-
Eni Norge AS	37	-	-	-	-	86	-
Eni North Africa BV	1	-	-	-	-	-	-
EniServizi SpA	-	6	-	-	14	-	-
Eni Trading & Shipping SpA	-	-	-	-	-	-	-
Eni Turkmenistan Ltd	3	-	-	-	-	(1)	-
First Calgary Petroleum LP	-	-	100	-	-	-	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-
Ieoc Production BV	4	-	-	-	-	42	-
Naoc - Nigerian Agip Oil Co Ltd	3	-	-	-	-	-	-
Raffineria di Gela SpA	-	-	-	-	-	-	-
Serfactoring SpA	4	4	-	-	-	-	-
Syndial SpA	1	1	-	-	-	-	-
Tecnomare SpA	1	-	-	-	-	1	-
Versalis France SAS	-	-	-	-	-	1	-
Versalis SpA	-	-	43	-	-	11	-
Others (for transactions not exceeding €500 thousand)	2	2	-	-	-	1	-
Total companies controlled by Eni/CDP Equity SpA	292	45	2,972	1	26	457	-
Eni and CDP Equity SpA associated and jointly-controlled companies							
Eni East Africa SpA	2	-	2	-	-	1	-
Eusebi Impianti Srl	-	-	-	-	5	-	-
Greenstream BV	-	-	-	-	-	-	-
Mellitah Oil&Gas BV	9	-	30	-	-	-	-
Petrobel Belayim Petroleum Co	56	-	-	-	-	55	-

Trade and other transactions (continued)

(€ million)

Name	June 30, 2016			First half 2016			
	Trade and other receivables	Trade and other payables	Guarantees	Expenses		Revenues	
				Goods	Services ⁽¹⁾	Goods and services	Other
PetroJunin SA	-	-	2	-	-	-	-
Pharaonic Petroleum Co	-	-	6	-	-	-	-
Raffineria di Milazzo	-	-	1	-	-	-	-
Valvitalia SpA	-	-	-	1	-	-	-
Others (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total Eni/CDP Equity SpA associated and jointly-controlled companies	67	-	41	1	5	56	-
Total Eni/CDP Equity SpA companies	359	45	3,013	2	31	513	-
Companies controlled or owned by the State	11	1	2	-	1	13	-
Pension funds: FOPDIRE	-	-	-	-	1	-	-
Total transactions with related parties	607	160	3,341	4	103	636	-
Overall total	2,816	4,588	7,120	1,019	2,729	5,275	19
Incidence (%)	21.63 ⁽²⁾	3.49	46.92	0.39	3.74 ⁽³⁾	12.06	-

(1) The item 'Services' includes costs for services, costs for the use of third-party assets and other costs.

(2) Incidence includes receivables shown in the table 'Financial transactions'.

(3) Incidence is calculated net of pension funds.

The figures shown in the tables refer to Note 3 'Trade and other receivables', Note 15 'Trade and other payables', Note 30 'Guarantees, commitments and risks', Note 31 'Net sales from operations', Note 32 'Other income and revenues' and Note 33 'Purchases, services and other costs'.

The Saipem Group provides services to Eni Group companies in all sectors in which it operates, both in Italy and abroad. Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group.

Other transactions consisted of the following:

(€ million)	Dec. 31, 2015		June 30, 2016	
	Other assets	Other current liabilities	Other assets	Other current liabilities
Eni SpA	87	152	1	1
Agip Oil Ecuador BV	-	-	1	-
Banque Eni SA	1	3	-	-
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	3	-	1	-
Eni Trading & Shipping SpA	-	-	-	-
Total transactions with related parties	91	155	3	1
Overall total	323	244	263	204
Incidence (%)	28.17	63.52	1.14	0.49

Financial transactions

Financial transactions as of December 31, 2015 and for the six-month period ended June 30, 2015 were as follows:

(€ million)

Name	Dec. 31, 2015				First half 2015		
	Cash and cash equivalents	Receivables ⁽¹⁾	Payables ⁽²⁾	Commitments	Expenses	Income	Derivative financial instruments
Eni SpA	24	-	2,491	11,428	(40)	-	(24)
Banque Eni SA	27	-	-	183	-	-	6
Eni Finance International SA	126	-	3,473	-	(38)	-	-
Eni Finance Usa Inc	-	-	25	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	-	-	-	-
Serfactoring SpA	-	-	6	-	(2)	-	-
TMBYS SAS	-	5	-	-	-	-	-
Total transactions with related parties	177	5	5,995	11,611	(80)	-	(18)

(1) Shown on the balance sheet under 'Trade and other receivables' (€5 million).

(2) Shown on the balance sheet under 'Short-term debt' (€2,781 million), 'Long-term debt' (€2,571 million) and 'Current portion of long-term debt' (€643 million).

Financial transactions as of and for the six-month period ended June 30, 2016 were as follows:

(€ million)

Name	June 30, 2016				First half 2016		
	Cash and cash equivalents	Receivables ⁽¹⁾	Payables	Commitments	Expenses	Income	Derivative financial instruments
Eni SpA	-	-	-	-	(11)	4	(343)
Banque Eni SA	171	-	-	-	-	-	(10)
Eni Finance International SA	-	-	-	-	(13)	-	-
Eni Finance USA Inc	-	-	-	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	-	-	-	-
Serfactoring SpA	-	-	-	-	-	-	-
TMBYS SAS	-	2	-	-	-	-	-
Total transactions with related parties	171	2	-	-	(24)	4	(353)

(1) Shown on the balance sheet under 'Trade and other receivables' (€2 million).

The incidence of financial transactions and positions with related parties was as follows:

(€ million)	Dec. 31, 2015			June 30, 2016		
	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	3,016	2,781	92.21	164	-	-
Long-term debt (including current portion)	3,497	3,214	91.91	3,462	-	-
Total	6,513	5,995		3,626	-	-

(€ million)	First half 2015			First half 2016		
	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	516	-	-	636	4	0.63
Finance expense	(607)	(80)	13.18	(676)	(24)	3.55
Derivative financial instruments	(19)	(18)	94.74	(30)	(353)	1,176.67
Other operating income (expense)	-	-	-	1	-	-
Total	(110)	(98)		(69)	(373)	

The main cash flows with related parties were as follows:

(€ million)	June 30, 2015	June 30, 2016
Revenues and other income	890	636
Costs and other expenses	(104)	(107)
Finance income (expenses) and derivatives	(98)	(373)
Change in trade receivables and payables	(46)	11
Net cash provided by operating activities	642	167
Change in financial receivables	14	3
Net cash flow from investments	14	3
Change in financial payables	963	(5,995)
Net cash from financing activities	963	(5,995)
Total cash flows with related parties	1,619	(5,825)

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

(€ million)	June 30, 2015			June 30, 2016		
	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Cash provided by operating activities	(852)	642	(75.35)	187	167	89.30
Cash used in investing activities	(144)	14	(9.72)	(66)	3	(4.55)
Cash flow from financing activities (*)	817	963	117.87	(2,953)	(5,995)	203.01

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

Information on jointly-controlled entities

The table below contains information regarding jointly-controlled entities consolidated using the working interest method as at June 30, 2016:

(€ million)	June 30, 2015	June 30, 2016
Net capital employed	(48)	(53)
Total assets	88	67
Total current assets	86	67
Total non-current assets	2	-
Total liabilities	85	66
Total current liabilities	84	66
Total non-current liabilities	1	-
Total revenues	9	7
Total operating expenses	(12)	(7)
Operating profit	(3)	-
Net profit (loss) for the period	(1)	-

44 Significant non-recurring events and operations

No significant non-recurring events or operations took place in the first half of 2016 or in the first half of 2015.

45 Transactions deriving from atypical or unusual transactions

No transactions deriving from atypical and/or unusual operations occurred in the first half of 2015 or the first half of 2016.

46 Events subsequent to period-end

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

47 Additional information Algeria

Further to the disclosures provided in the Algeria paragraph of the 'Legal proceedings' section, we note the following additional information with regard to projects under execution in Algeria as at June 30, 2016:

- funds in two current accounts (ref. Note 1) amounting to the equivalent of €78 million are currently frozen;
- trade receivables (ref. Note 3) totalled €50 million, all past due and not impaired;
- work-in-progress (ref. Note 4) on projects under execution amounted to €61 million;
- deferred income (ref. Note 15) amounts to €43 million;
- provisions for future losses (ref. Note 20) for projects under execution amounted to €2 million;
- guarantees (ref. Note 30) on projects under execution totalled €627 million.

CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB RESOLUTION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS

1. The undersigned Stefano Cao and Mariano Avanzi 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 of the administrative and accounting procedures for the drawing up of the year's financial statements during the 2015 financial year were:

- adequate to the company structure, and
- effectively applied during the process of preparation of the report.

2. Internal controls over financial reporting in place for the preparation of the condensed consolidated interim financial statements as of June 30, 2016 have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Saipem in accordance with the Internal Control - Integrated Framework Model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:

3.1 the condensed consolidated interim financial statements at June 30, 2016:

- 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, 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 Operating and Financial Review provides information regarding material events occurred during the first half of 2016 and their impact on condensed financial statements. The Operating and Financial Review also contains a reliable analysis of the disclosure on significant related-party transactions.

July 27, 2016

Stefano Cao
CEO

Mariano Avanzi
Manager responsible for the preparation
of financial reports of Saipem SpA

INDEPENDENT AUDITORS' REPORT



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

To the Shareholders of
Saipem S.p.A.

Introduction

We have reviewed the condensed consolidated interim financial statements as of June 30, 2016, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flows statement for the period then ended and the notes of Saipem S.p.A. and its subsidiaries (the "Saipem Group"). The Directors of Saipem S.p.A. are responsible for the preparation of the condensed consolidated interim financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Saipem Group as of June 30, 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 2, 2016

EY S.p.A.
Signed by: Pietro Carena, Partner

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

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Publications
Relazione finanziaria annuale (in Italian)
Annual Report (in English)

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

Saipem Sustainability (in English)

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