INTERIM FINANCIAL REPORT AS OF JUNE 30, 2021

SAIPEM

MISSION

To complete extraordinary projects by pushing beyond the frontiers of innovation, opening the way for our clients to the energy of the future.

VALUES

Creative intelligence; care for people and planet; striving for trust; enhancement of cultural identities.

Disclaimer

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Group's control. These include, but are not limited to: exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), the COVID-19 pandemic (including its impacts on our business, our ongoing projects worldwide and our procurement chain), in addition to changes in stakeholders' expectations and other changes affecting business conditions. Actual results could therefore differ materially from the forward-looking statements. The financial reports contain in-depth analyses of some of the aforementioned risks. Forward-looking statements are to be considered in the context of the date of their release. Saipem SpA is under no obligation to review, update or correct them subsequently, except where this is a mandatory requirement to the applicable legislation.

COUNTRIES IN WHICH SAIPEM OPERATES

EUROPE
Albania, Austria, Bulgaria, Croatia, Cyprus, Denmark, France, Germany, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Switzerland, Turkey, United Kingdom

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

CIS
Azerbaijan, Kazakhstan, Russia

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

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

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

BOARD OF DIRECTORS AND STATUTORY AUDITORS OF SAIPEM SPA

BOARD OF DIRECTORS[1]
Chairman
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Chief Executive Officer (CEO)
Francesco Caio

Directors
Roberto Diacetti, Alessandra Ferone,
Patrizia Michela Giangualano, Pier Francesco Ragni,
Marco Reggiani, Paul Schapira, Paola Tagliavini

BOARD OF STATUTORY AUDITORS[2]
Chairman
Giovanni Fiori

Statutory Auditors
Giulia De Martino
Norberto Rosini

Alternate Statutory Auditors
Francesca Michela Maurelli
Maria Francesca Talamonti

INDEPENDENT AUDITORS

KPMG SpA[4]

(1) Appointed by the Shareholders' Meeting on April 30, 2021 for 2021, 2022 and 2023 and in any case up to the date of the Shareholders' Meeting to approve the financial statements as at December 31, 2023.
(2) Appointed by the Shareholders' Meeting on April 29, 2020 for a three-year period and in any case up to the date of the Shareholders' Meeting to approve the financial statements as at December 31, 2022.
(3) The Shareholders' Meeting of May 3, 2018 resolved to appoint KPMG SpA as the independent auditors from 2019 to 2027.

INTERIM FINANCIAL REPORT AS OF JUNE 30, 2021

Approved by the Board of Directors on July 29, 2021

INTERIM RESULTS

2021 remains affected by the uncertainty associated with the persistence of the pandemic. In the first half of the year, to the health emergency effects on the business were added some specific project issues affecting the operational performance. The business scenario for 2021 remains inevitably affected by those events. Outlook for the second half of 2021:

- revenue between €4.5 and 5 billion;
- positive EBITDA adjusted;
- capital expenditure between €200 and €300 million; and
- net financial debt post-IFRS 16 of approximately €1.6 billion.

This scenario does not take into account a possible additional significant deterioration of the macroeconomic environment and of business as a result, for example, of the intensification of the COVID-19 pandemic.

Revenues amount to €3,200 million (€3,675 million in the corresponding period of 2020) and the **adjusted EBITDA** shows a loss of €266 million (profit of €355 million in the first half of 2020). Operating results show a slowdown compared to the first half of 2020, specifically for design and constructions activities due to:

- the continuation of the effects of the COVID-19 health emergency on the operations, with a slowdown in the execution of projects and the postponement of investment decisions in the relevant sectors;
- the suspension of the onshore LNG project in Mozambique;
- specific operational issues of an offshore wind farm project in the North Sea.

The Onshore Engineering & Construction sector accounted for 58% of revenue; the Offshore Engineering & Construction sector contributed 32% of revenue; the Offshore Drilling sector contributed 5% of revenue and the Onshore Drilling sector generated 5% of revenue.

Adjusted net profit reports a loss of €656 million compared to the loss of €132 million in the first half of 2020. The negative change recorded in the adjusted financial result, €557 million, and in the equity management (€35 million), is reduced by the improvement of the tax and financial management balance, as well as third party results for a total of €68 million.

Net profit recorded a loss of €779 million (loss of €885 million in the first half of 2020) and, unlike adjusted net profit, was impacted by the following special items:

- accrual of the costs of approximately €75 million, for a dispute related to a project already completed, from the activity of periodic legal monitoring of the evolution of the overall litigation;
- costs deriving from the healthcare emergency for about €36 million. This amount includes the costs incurred in the period directly attributable to the COVID-19 pandemic, such as for personnel on stand-by in cases in which site activities and vessels were blocked by the authorities, for the purchase of personal protective equipment in addition to the standard quantities, for sanitising work areas and for the organisation of charter flights to bring the personnel home;
- restructuring expenses of €12 million.

Capital expenditure in the first half of 2021, referring mainly to the maintenance and upgrading, amounted to €135 million (€195 million in the first half of 2020, including the acquisition of the new Saipem Endeavour vessel).

Net financial debt pre-IFRS 16 lease liabilities amounts to €1,101 million as of June 30, 2021, up by €229 million since December 31, 2020 (€872 million) mainly due to the slowdown of some projects and the postponement of the contribution of recently acquired projects. Net debt inclusive of IFRS 16 lease liabilities (€296 million) amounted to €1,397 million.

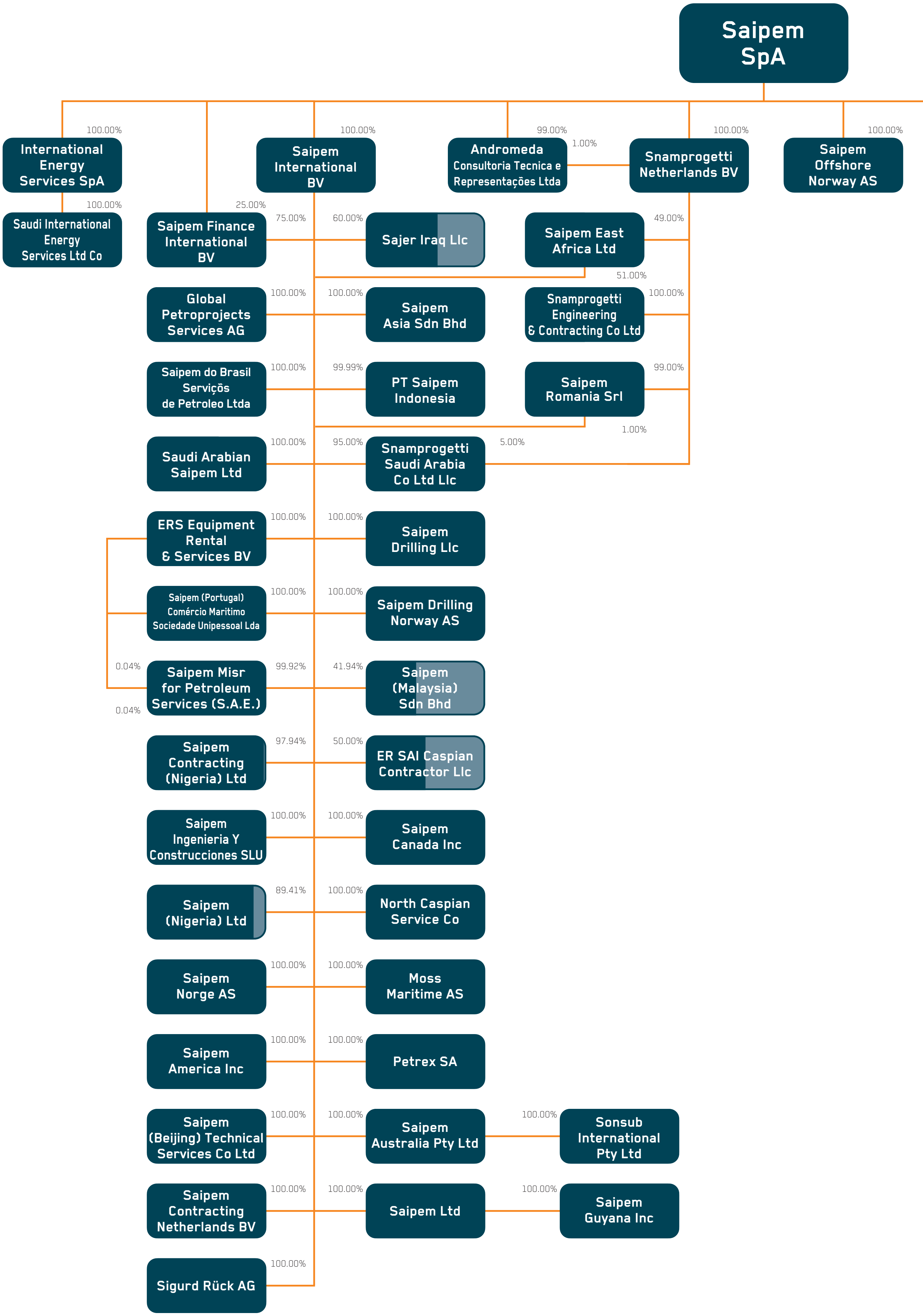
In the first half of 2021 Saipem was awarded **new contracts** amounting to a total of €4,402 million (€4,837 million in the first half of 2020). The **backlog** as of June 30, 2021 amounted to €23,602 million (€7,632 million in Offshore Engineering & Construction, €13,877 million in Onshore Engineering & Construction, €477 million in Offshore Drilling and €1,616 million in Onshore Drilling), of which €4,025 million to be realised in 2021.

As of June 2021, more than 78% of its E&C backlog was made up of non-oil projects, including LNG and renewables (energy efficiency).

The backlog inclusive of non-consolidated companies at June 30, 2021 amounted to €26,169 million (€7,698 million in Offshore Engineering & Construction, €16,378 million in Onshore Engineering & Construction, €477 million in Offshore Drilling and €1,616 million in Onshore Drilling), of which €4,690 million to be realised in 2021.

STRUCTURE OF THE SAIPEM GROUP

(subsidiaries)


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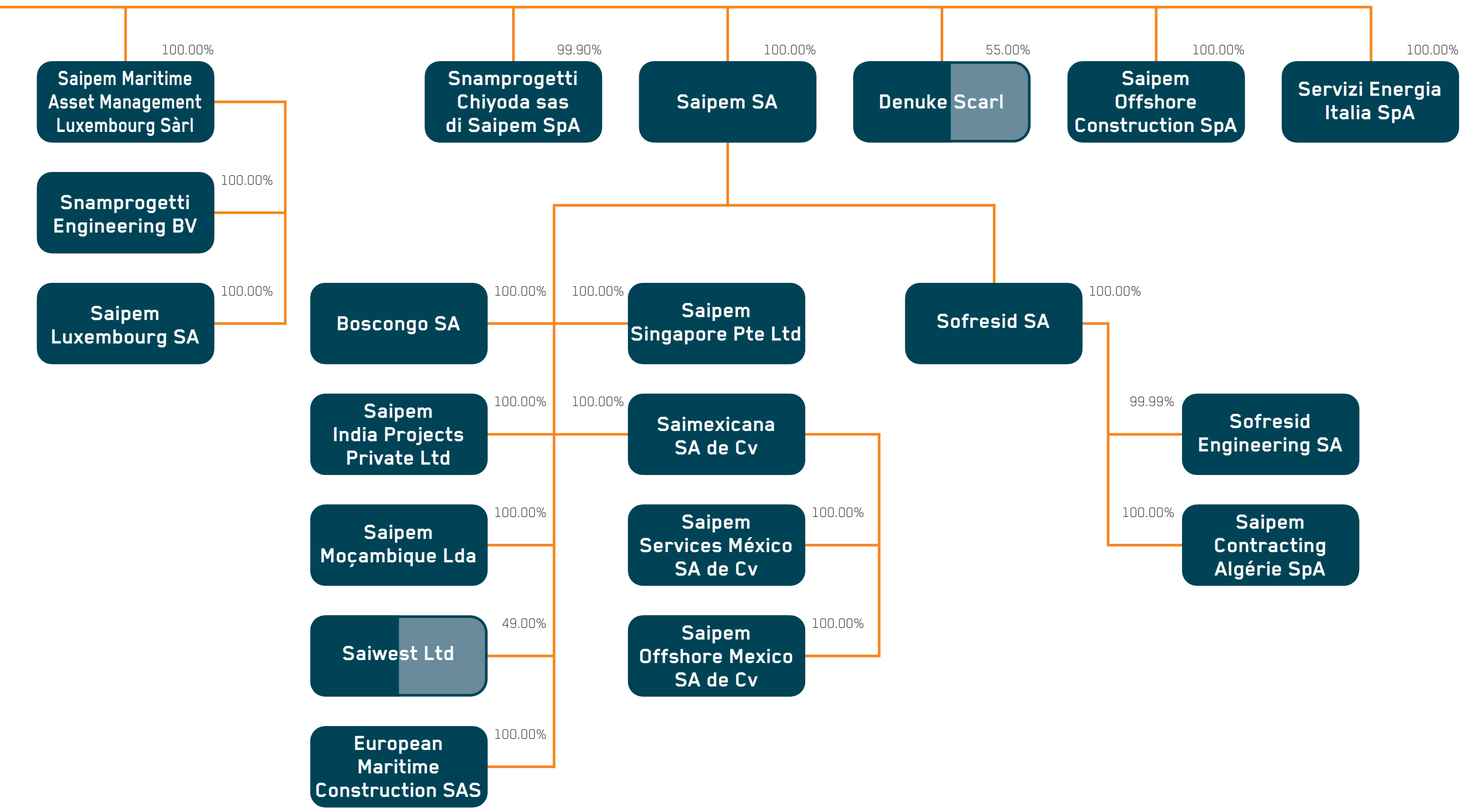
Saipem Guyana Inc
100.00%
Sigurd Rück AG



The chart only shows subsidiaries

INTERIM DIRECTORS' REPORT

SAIPEM SpA SHARE PERFORMANCE

The beginning of the year was rough for the markets, with increasing volatility due to the operations of the retail investors and lower confidence in a global recovery during the second half of 2021, to delays in the vaccine plans and extended lockdowns in several European countries. During the first half of the year the Saipem share value decreased by 8%, while the FTSE MIB index covering the largest Italian stocks, increased by 12%.
In this context, after a negative performance at the beginning of the year due to higher activity in the short positions and general profit-taking by funds which had increased the exposure to the sector, the energy shares posted a strong recovery, showing positive performances thanks to better than expected results, a significant cash generation and finally a general improvement of the relevant macro conditions (with stable prices of oil and natural gas).
In line with the rest of the sector, in the first two months of the year Saipem stock was purchased both by long only generalists which incremented the positions in cyclical sectors, and by sector specialists and hedge-funds which continued to close existing short positions. In addition, the awarding of new contracts (Courseulles sur Mer in Normandy and new awards in Qatar) gave new strength to the stock, which on the eve of the announcement of the 2020 results earned 18% from the beginning of the year at €2.64/share.

However, the messages sent with the 2020 results caused several sales of shares. In this phase, the market focused on possible consequences for 2021 of the dynamics found by the Offshore E&C Division in the last quarter of 2020 and if the prospective indication given was associated with a contingent factor or with a combination of aspects with a more lasting effect.
The uncertainty on these issues generated a volatile trend in the months of March and April, until the announcement of the results of the first quarter, which caused a new pressure on the share, mainly due to sale flows from hedge-funds which reduced the exposure, because of results lower than the market expectations and the announcement of the suspension due to force majeure declared by the client of the LNG project in Mozambique. At the same time the long-only funds were less active on the share. The price of the share reached its lowest price recorded for the period on April 30, at €1.92.

The same trading dynamics characterised the share trend also during May and June, because the investors maintained a wait-and-see attitude consistent with the perception of a transition period, with some positive Stock Exchange sessions associated with new awards. By the end of June, the price of the Saipem share was €2.04.

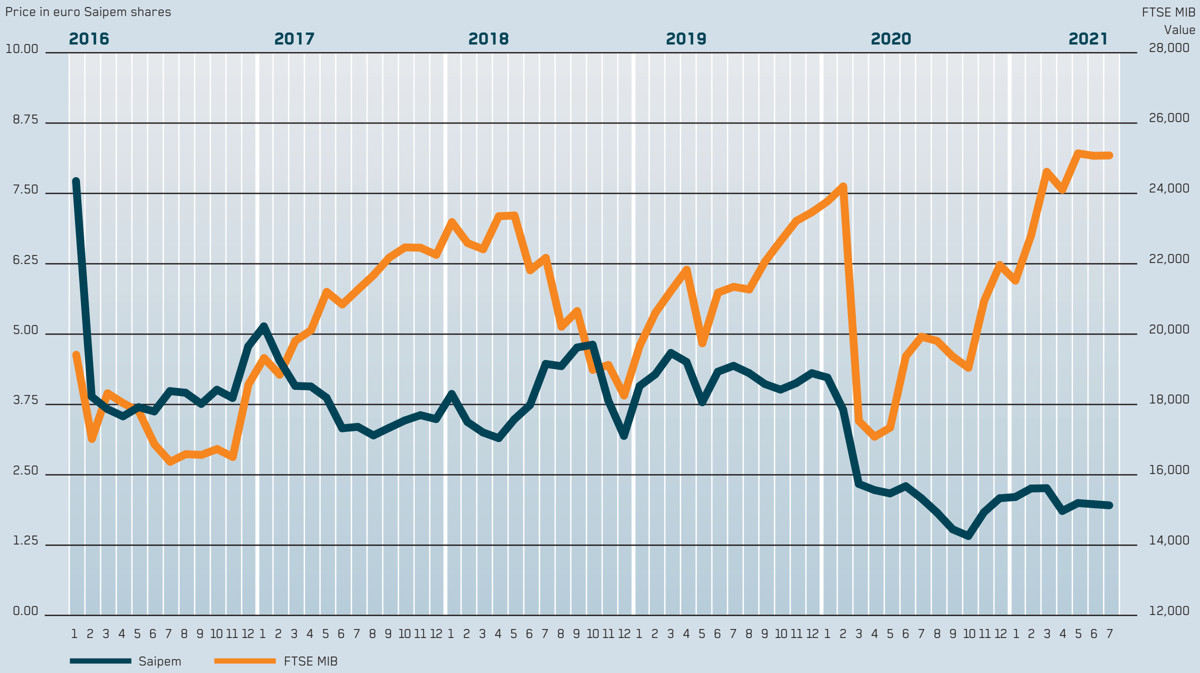
Prices on the Milan Stock Exchange

(€)	2017	2018	2019	2020	First half 2021
Ordinary shares:					
- maximum	5.65	5.43	4.99	4.49	2.65
- minimum	2.96	3.10	3.22	1.36	1.92
- average	3.83	3.98	4.29	2.36	2.25
- year end	3.83	3.25	4.36	2.21	2.04
Savings shares:					
- maximum	60.00	41.80	44.20	45.00	45.00
- minimum	40.00	40.00	40.00	42.00	42.60
- average	46.13	40.27	41.23	43.37	44.37
- year end	40.00	40.00	42.00	45.00	42.60

Saipem's market capitalisation at the end of the first half of the year was approximately €2 billion. In terms of share liquidity, shares traded during the first half year totalled slightly more than 1.8 billion (+14% compared to the previous year). The average number of shares traded daily for the period totalled 14.5 million, compared to the 12.8 million in the same period of the previous year. Nevertheless, despite a significant increase in daily volumes, in line with the dynamics observed on stock markets globally, the value of shares traded between the two periods was approximately €4.1 billion, a decrease compared to the €4.5 billion of the same period the previous year, due to the share price contraction in the first half of this year.

At the end of June 2021, there were 10,598 savings shares, which were convertible at par with ordinary shares. Their value, affected by the very poor liquidity, recorded a decrease by 5.3% during the first half of the year, going from €45.0 at the beginning of the period to €42.6 at the end of the period.

SAIPEM AND FTSE MIB - AVERAGE MONTHLY PRICES JANUARY 2016-JULY 2021



OPERATING REVIEW

Organisational structure

Saipem is a leading group in the areas of engineering, procurement and construction of large-scale projects in the energy and infrastructure industries. Saipem is divided into five business divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT. The process of divisionalisation, which concluded in December 2018, gave the divisions full autonomy, specifically with regard to sales, project execution, technology and Research and Development, business strategies, partnerships, etc.
The Company is continuing to pursue the following strategy:
- the Offshore Engineering & Construction Division has the objective to maintain and strengthen the leadership position in the offshore operations area, also through investments towards sustainability and energy transition;
- the Onshore Engineering & Construction Division, through a large turnaround project, started a strategic repositioning of the projects portfolio focusing on midstream e downstream. The turnaround will continue with the aim of further increasing the technological content and weight of the projects in the area of sustainability, energy transition and decarbonisation of the sectors with the higher carbon footprint;
- for both Onshore and Offshore Drilling, efforts toward increasing efficiency will continue and strategic options will be assessed with the goal of maximising value for the individual businesses and researching new opportunities adjacent to traditional operations in synergy with the Engineering & Construction Division.

The Offshore Engineering & Construction Division is a leader in offshore construction, strongly oriented towards operations in remote areas and deep water. It provides support to clients from the earliest phases of a project and throughout the entire development process. It offers a wide range of products and services, including the design, construction and installation of platforms, pipelines, undersea fields and MMO (Maintenance, Modification and Operation), and decommissioning, with the addition of offshore windfarm development and the integration of energy transition projects.
The Onshore Engineering & Construction Division designs and builds onshore project in the LNG and regasification, refining, petrochemical, fertilizers, pipelines, gas and oil processing stations, floaters, renewables, biotechnologies, CO_2 capture, transportation and storage and hydrogen production and transportation; it provides a full range of engineering integrated services, procurement, project management and construction, mostly for the energy industry markets and the sectors of hard-to abate and large public infrastructures.
The Offshore and Onshore Drilling Divisions are international contractors, offering offshore and onshore drilling services with all types of rigs in every geographic area.
The XSIGHT Division is a Saipem Group start-up. It provides state of the art, high value and highly innovative services to the entire Energy industry, including renewables and green energy. The XSIGHT Division works to improve the efficiency of engineering services through simplified processes and innovative digitalisation models. In addition, it offers a wide range of services: financial development, consulting, stakeholder and risk management. The results of the XSIGHT Division are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure, so they are not disclosed to the market separately.

Market conditions

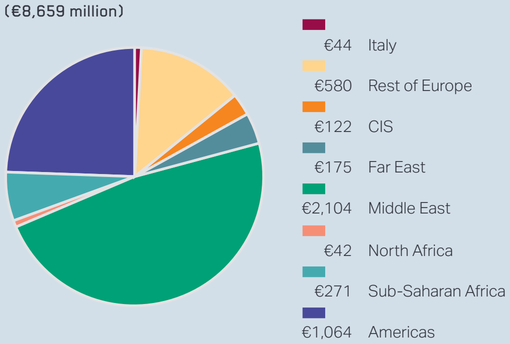
The first half of 2021 was marked by a slow return to normality in several regions of the world. The spread and effectiveness of vaccines and the substantial fiscal and financial support, especially by some advanced economies, have contributed to a faster than expected economic recovery. According to recent estimates the magnitude of the 2020 economic crash is lower than expected (from the 4.4% reduction forecast at the end of 2020 to a 3.3% reduction in the last update) and the expectations for 2021 are higher, with a 6% growth when compared to 2020, with a positive update (around +1%) on the previous estimate. Still underlying are the longer-term uncertainties linked to both the evolution of the pandemic scenarios in different regions and the risk of a non-uniform economic recovery.
In this context, the energy sector, which was one of the most affected in 2020, is showing some signs of recovery as the energy demand is growing, especially for oil. The consequence of this rebalancing of the market fundamentals was the significant increase in the price of oil during the first half of the year. This has been much higher than what was expected six months ago, even exceeding 2019 figures. The return to production is now happening gradually in different geographical areas, with a cautious recovery in both North America and the Middle East. In years to come, in line with the return to the pre-crisis levels, leading analysts forecast a price realignment to the pre-pandemic market values.
All in all, the current positive signals have only partially translated into a recovery of the investments in the Oil&Gas sectors. This is also due to the operators' conservative strategy who confirm their goal of keeping their financial assets solid on the one hand, while trying to diversify their investment portfolios in order to respond to the growing market pressure in terms of energy transition and of CO_2 emissions reduction.

New contracts and backlog

New contracts awarded during the first half of 2021 amounted to €4,402 million (€4,837 million in the corresponding period of 2020).
54% of all contracts awarded were in the Offshore Engineering & Construction sector, 39% in the Onshore Engineering & Construction sector, 3% in the Offshore Drilling sector and 4% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 99% of the total; contracts awarded by Eni Group companies were 7% of the overall figure. Orders awarded to Saipem SpA amounted to 36% of the total.

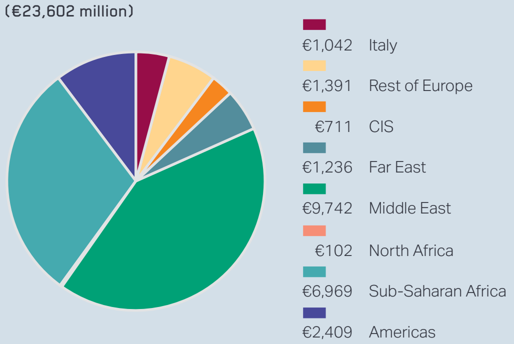
NEW CONTRACTS BY GEOGRAPHIC AREA

(€8,659 million)



ORDER BACKLOG BY GEOGRAPHIC AREA

(€23,602 million)



Saipem Group - Contracts awarded during the first half 2021

Year 2020		(€ million)	First half 2020		First half 2021	
Amount	%		Amount	%	Amount	%
3,509	41	Saipem SpA	573	12	1,566	36
5,150	59	Group companies	4,264	88	2,836	64
8,659	**100**	**Total**	**4,837**	**100**	**4,402**	**100**
3,423	40	Offshore Engineering & Construction	1,354	28	2,379	54
4,884	56	Onshore Engineering & Construction	3,335	69	1,711	39
145	2	Offshore Drilling	34	1	126	3
207	2	Onshore Drilling	114	2	186	4
8,659	**100**	**Total**	**4,837**	**100**	**4,402**	**100**
385	4	Italy	390	8	44	1
8,274	96	Outside Italy	4,447	92	4,358	99
8,659	**100**	**Total**	**4,837**	**100**	**4,402**	**100**
433	5	Eni Group	184	4	287	7
8,226	95	Third parties	4,653	96	4,155	93
8,659	**100**	**Total**	**4,837**	**100**	**4,402**	**100**

The order backlog as of June 30 amounts to €23,602 million (€22,400 million as of December 31, 2020), €7,632 million in the Onshore Engineering & Construction, €13,877 million in the Offshore Engineering & Construction, €477 million in the Offshore Drilling and €1,616 million in the Onshore Drilling, of which €4,025 million are to be executed in the second half of 2021.
The breakdown of the backlog by sector is as follows: 32% in the Offshore Engineering & Construction sector, 59% in the Onshore Engineering & Construction sector, 2% in Offshore Drilling and 7% in Onshore Drilling.
96% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 2% of the overall backlog. The parent company Saipem SpA accounted for 26% of the total order backlog.
The order backlog including non-consolidated companies was €26,169 million (€25,296 million as of December 31, 2020).

Saipem Group - Backlog as of June 30, 2021

June 30, 2020		(€ million)	Dec. 31, 2020		June 30, 2021	
Amount	%		Amount	%	Amount	%
3,219	14	Saipem SpA	5,232	23	6,178	26
19,026	86	Group companies	17,168	77	17,424	74
22,245	**100**	**Total**	**22,400**	**100**	**23,602**	**100**
5,480	25	Offshore Engineering & Construction	6,285	28	7,632	32
14,573	65	OnshoreEngineering & Construction	14,009	63	13,877	59
516	2	OffshoreDrilling	518	2	477	2
1,676	8	OnshoreDrilling	1,588	7	1,616	7
22,245	**100**	**Total**	**22,400**	**100**	**23,602**	**100**
1,257	6	Italy	1,130	5	1,043	4
20,988	94	Outside Italy	21,270	95	22,559	96
22,245	**100**	**Total**	**22,400**	**100**	**23,602**	**100**
332	1	Eni Group	406	2	440	2
21,913	99	Third parties	21,994	98	23,162	98
22,245	**100**	**Total**	**22,400**	**100**	**23,602**	**100**

Capital expenditure

Capital expenditure in the first half of 2021 amounted to €135 million (€195 million in the first half of 2020 including the purchase of the new Saipem Endeavour vessel) and mainly related to:

- €77 million in the Offshore Engineering & Construction sector: upgrading of the Saipem Endeavour barge, extraordinary maintenance of the FDS and FDS 2 vessels, extraordinary maintenance of the Castoro 12 barge and maintenance and upgrading of the existing assets;
- €5 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;
- €41 million in the Offshore Drilling sector: extraordinary maintenance work on the Saipem 10000 drillship and the Perro Negro 8 jack-up, maintenance and upgrading of the existing assets;
- €12 million in the Onshore Drilling: upgrading of rigs for operations in Saudi Arabia and South America, as well as maintenance and upgrading of the existing assets.

The following table provides a breakdown of capital expenditure in the first half 2021:

Capital expenditure

Year 2020	(€ million)	First half 2020	First half 2021
40	Saipem SpA	20	9
282	Other Group companies	175	126
322	**Total**	**195**	**135**
193	Offshore Engineering & Construction	124	77
17	Onshore Engineering & Construction	5	5
60	Offshore Drilling	33	41
52	Onshore Drilling	33	12
322	**Total**	**195**	**135**

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

OFFSHORE ENGINEERING & CONSTRUCTION

General overview

The Offshore Engineering & Construction Division is a leading "Global Solution Provider" in the energy industry, with a focus on SURF, fixed facilities and pipelines, renewable energies and decarbonisation projects, as well as other technological services for the energy industry. The division's core activities include the development of subsea and conventional fields, laying of export pipelines and trunk lines, as well as acting as EPCI contractor for windfarms. We support our customers from the pre-FID (Final Investment Decision) phase through to capital expenditure development, extending our services to the Life of Field, including operational activities, maintenance or modification, all the way through to the decommissioning of plants.

The division pursues this objective through three business units, namely SURF, Offshore New Energies, Offshore Facilities and Pipelines, endowed with a set of best-in-class elements, including engineering and project management expertise, a strong technological and innovative approach, an established local presence in strategic markets notably through building yards and bases such as Nigeria, Angola, Brazil, Indonesia, Guyana, United States and Saudi Arabia, a technologically advanced and comprehensive fleet sized to execute a wide span of projects in the most diverse operational and environmental conditions, a suite of products complementing our offer in the energy market.

The division's technology portfolio includes several alternative solutions, from subsea robotics to subsea processing, such as the new generation of resident and autonomous ROV platforms HyDrone, or the subsea water treatment and injections system SPRINGS, developed with Total and Veolia. In addition, the Offshore Engineering & Construction Division continuously endeavours to improve production processes, by enhancing material and welding technologies (e.g. Internal Plasma Welding for cladded pipes), as well as by fostering automation and digitalisation. Saipem also implements its innovation and creative attitude in the development of breakthrough designs such as, for instance, floating windfarms. Regarding the latter, at present Saipem is completing the acquisition of Naval Energies' floating wind assets. This increases the technology portfolio Saipem can offer to its stakeholders.

The division employs all of the above resources in the relentless search for the highest level of safety for people and the environment, in the interest of all its stakeholders.

The Offshore Engineering & Construction Division actively administers its assets portfolio, taking also in consideration flexible management models with the aim of tailoring its fleet to the needs of the strategic market pursued.

Saipem serves the subsea market through highly versatile vessels, such as the top class FDS and the FDS 2. The vessel FDS 2 is a 183-metre long, 32-metre wide mono-hull equipped with a cutting-edge class 3 Dynamic Positioning system (DP3) and a pipeline fabrication system. It has a vertical J-lay tower with a holding capacity of 2,000 tonnes capable of laying quad joint sealines of up to 36" in diameter. With its 1,000-tonne crane and two 750 and 500-tonne capstan winches, the FDS 2 is suited to even the most challenging deep-water projects. The other vessel, the FDS, is endowed with DP3 dynamic positioning, a 600-tonne lifting capacity crane and a pipelaying system capable of operating in water depths of over 2,000 metres.

The rigid and flexible pipeline reel-lay and subsea development vessel Saipem Constellation complements Saipem's capabilities in the subsea market. With its DP3 system, the Ice Class notation, the 3,000-tonne multilaying capabilities, the 800-tonne crane, the Saipem Constellation represents, on the one hand, a unique "one-stop-shop" vessel to execute complex deep-water projects and, on the other hand, it is endowed with the capabilities to serve both the conventional market and specific wind farm projects.

Saipem's fleet of vessels also includes the Saipem 7000 semi-submersible, which is equipped with a class 3 Dynamic Positioning system and a 14,000-tonne lifting capacity, thus representing a solid asset to serve different markets, amongst which, primarily, offshore windfarm projects and decommissioning.

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

In addition to the above, the division manages other strategical assets, both owned or leased, purpose of which is mainly to serve the conventional market.

These include, inter alia: Saipem Endeavour, a barge with capabilities for laying single- or double-joint pipes of up to 60" diameter in S-lay mode, with a tensioning capacity of up to 260 tonnes and equipped with a rotating crane with a 1,100 tonne capacity; Saipem 3000, capable of laying flexible lines, umbilicals and mooring systems in waters up to 3,000 metres deep, and of installing structures of up to 2,200 tonnes; Dehe, a dynamically positioned leased vessel for laying pipes and lifting heavy loads of up to 5,000 tonnes, capable of deep water installations up to depths of 3,000 metres and laying pipes with a tensioning capacity of up to 600 tonnes in S-lay mode.

Market conditions

After a 2020 in which the energy industry has undergone unprecedented impacts because of the COVID-19 pandemic, 2021 is expected to show a positive trend. Over the last months energy operators have revisited their long term strategies, so that finally most of them are rebalancing their asset portfolios. Former Oil & Gas operators, now rebranding as energy companies, are investing more and more in the renewables domain, and slightly down tuning their priorities on Oil&Gas assets, in some instances deploying M&A strategies in search for synergies, costs and risks optimisation.
As a result of all that, the offshore renewable energy market, including the offshore wind sector, is continuing its relentless and strong growth, as today investors see it as less risky, attractive and, above all, sustainable, so they are keen to benefit from their financial resources. Commercial and executive activities are expected to increase, partly due to improved logistics conditions worldwide. The offshore wind sector is seeing a high intensity levels of activities related to developments in Northern Europe (including France), Asia-Pacific, as well as in emerging regions (including the United States), where we witness the renewed and strengthened ambition of countries wishing to maintain or increase their capacity targets. Technological developments, partnerships and robust capital inflow are set to sustain the grow of this segment in the near future and beyond.
In the Oil&Gas market, we generally appreciate a recovery in commercial activity, implying reasonable expectations of a short-term market recovery, while execution activities worldwide are still suffering the impacts of the very low level of awards experienced during 2020.
As far as conventional market is concerned, we can confirm the resilience of the Middle Eastern shallow-water market. Saudi Arabia is proceeding with its major oil development, while Qatar, despite a number of postponements, is still pursuing its goal of becoming the world's largest gas exporter, hence remaining firm in its commitment to proceed with offshore gas developments (such as the North Field) to support the growth in LNG capacity. The United Arab Emirates are also proceeding with their Oil&Gas developments, aimed at satisfying national energy needs. The conventional market is also experiencing an increase of interest in the areas of North and West Africa, where a number of developments is emerging, especially linked to gas, although they are at different stages so they might not materialise immediately.
Linked to gas developments, the market of export and transmission pipelines has always shown to be somehow discontinuous, as very big projects materialise occasionally. While some of the projects in Asia-Pacific are still on stand-by, with expectation to resume shortly, in the Mediterranean Sea the development of big gas transport infrastructures are at an early stage, but look very promising.
The SURF market has been the one that has suffered the most in recent times, where clients, on the one hand, have generally postponed or shelved the projects with higher risk or breakeven price, while on the other hand, are resuming activities and are looking for strategies to lower their breakeven costs. Africa is one of the most affected areas, with Mozambique experiencing postponements, also due to security issues, as well as West Africa. In the latter, there are some signs of a possible short-term recovery, materialising through tie-backs and some full-field developments. On the opposite side, America is quite active, especially in Guyana where developments are going on at full speed, Suriname, which could be the next oil province in the region, and Brazil where there is a massive programme of deep-water developments. Elsewhere, the Northern European market is being sustained by the favourable fiscal regime Norway has put in place to counterbalance the effects of the turndown.

Capital expenditure

In the Offshore Engineering & Construction Division, investments made in the first half of 2021 were mainly related to the upgrading of the Saipem Endeavour barge, extraordinary maintenance of the FDS and FDS 2 vessels, extraordinary maintenance of the Castoro 12 barge and maintenance and upgrading of existing assets.

New contracts

The most significant contracts during the first half of 2021 were:
- for Qatargas, in Qatar, an EPCI contract for the North Field Production Sustainability Pipelines Project ("EPCL" package) which includes the engineering, procurement, construction and installation of three offshore export pipelines and associated onshore connection works. This new contract is part of the development of the North Field production plateau, which also includes the EPCI of the offshore facilities ("EPCO" package) previously awarded to Saipem;
- for Saudi Aramco, in Saudi Arabia, a new three-year extension to the Long -Term Agreement (LTA), the framework agreement covering engineering, procurement, construction and installation (EPCI) activities for the development of new offshore infrastructure and the upgrading of existing infrastructure. In addition, four work

orders were awarded, covering the upgrading of existing facilities at the Zuluf, Berri and Abu Safah offshore fields and the Ras Tanura terminal, and a further fifth work order relating to activities to further develope the Marjan offshore field;
- for Eoliennes Offshore du Calvados SAS (EODC), a contract for the Offshore Courseulles-sur-Mer wind farm in Normandy, France. Activities includes the design, construction and installation work of 64 steel foundations for an equivalent number of wind turbines;
- for Qatargas, in Qatar, confirmation of the two options for additional works under the North Field Production Sustainability Offshore project ("EPCO" package). The activities include the construction of two additional gathering platforms, two additional bridges to connect with the existing wellhead platforms, two 13-km long carbon steel lined anticorrosion pipelines connecting the wells, as well as the decommissioning of the existing pipeline;
- for Eni Angola SpA, a new contract for the deepwater subsea development of the preliminary Phase 2 of the Agogo field in Block 15/06 West Hub. Works include engineering, procurement, construction and installation of subsea equipment and structures.

Work performed

The biggest and most important projects underway or completed during the first half of 2021 were as follows. In general, the progress of the contracts described below is still affected by the COVID-19 emergency.

SURF Business Unit

In Guyana, for ExxonMobil:
- pipelay and installation activities are progressing for the **Liza Phase 2** project, which includes engineering, procurement, fabrication and installation of risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Liza field;
- engineering and procurement activities are progressing for the **Payara** project and preparation is underway for pipelaying activities to be started in the second half of 2021 which include engineering, procurement, fabrication and installation of risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Liza field.

In the Gulf of Mexico:
- for Pemex, the suspended project for the development of the **Lakach** field is in the process of being reactivated. The EPCI SURF project involves connecting the offshore field with the onshore gas conditioning plant. Pemex is aiming at a reactivation in the fourth quarter of 2021 for installation in 2023-2024;
- for Chevron, the **JSM-4** project is in the engineering phase. Project scope is engineering, transportation and installation of two modules (a generation module weighing 1,150 tonnes and a water injection module weighing 4,350 tonnes) onto Chevron's existing/operating FPU facility.

In Brazil, for Petrobras, engineering and procurement activities are progressing for the **Buzios 5** project, which includes engineering, procurement, construction and installation of Steel Lazy Wave Risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Buzios field.

In Egypt, for Petrobel, fabrication and installation activities have been completed for the **Zohr Rup** project, including engineering, procurement, construction and installation work for the "Ramp Up to Plateau" phase of the Zohr field gas development project and the Provisional Acceptance Certificate has been issued. Within the frame of the same project, the client has instructed us to proceed with the hook up of additional wells, which consists of building, transporting, and installing some jumpers. Offshore installation operations should start in the first quarter of 2022.

In West Africa,
- for Eni Angola:
  - with regards to the **Cabaça** project, engineering and procurement activities have started. The offshore installation operations have started in April and are due to be completed next August for the main portion. The project involves the engineering, procurement, fabrication and installation of four risers and all associated ancillary equipment, a rigid flowline, pipeline terminations (PLET), rigid spools, jumpers, umbilicals and manifolds;
  - preparation work on **Agogo Early Phase 2** has commenced. The project involves engineering, procurement, fabrication and installation of two production pipelines (one water injection, one gas injection), associated spools and jumpers, manifolds, and umbilicals.

New Energies Business Unit

In Asia, for Jan De Nul, having completed the procurement phase, the construction of 32 jackets for the **Formosa II** offshore wind farm in Taiwan is underway at Karimun yard.

In the North Sea:
> for ConocoPhilips, preparatory activities have been completed for the removal for the **LOGGS** project, involving the dismantling of the topside and jackets of a platform;
> for Neart na Gaoithe, offshore activities are in progress for the **NnG Offshore Windfarm** project, which includes engineering, procurement, fabrication and installation of 56 jackets for the development of a wind farm. In addition, at the Karimun yard, the construction of two Offshore Substations (OSS) is underway, which will be followed by the construction of the jackets for the wind turbine generators (WTG) for the same project;
> for Seagreen, final preparations for the **offshore installation campaign** are underway for the transportation and installation of the WTG structure;
> for Dogger Bank Offshore Wind Farms, the engineering and procurement phases are underway for the 2 **Offshore Substation** jackets that will be built at the Arbatax yard (Italy).

In France:
> for EDF Renewables, Enbridge Inc and wpd Offshore, engineering and procurement activities have begun for the **Fécamp** project, including the engineering, construction and installation of 71 gravity base structures (GBS) in concrete as basis for the associated offshore wind farm;
> for Eolienes Offshore du Calvados (EDF Renewable, Enbridge Inc and wpd Offshore), work has commenced on the **Courseulles** project which includes the engineering, construction and installation of 64 foundation monopiles.

Facilities and Pipelines Business Unit

In Saudi Arabia,
> for Saudi Aramco:
  - engineering and procurement activities continue and construction is in progress for the **Berri (LTA-34)** and **Marjan (LTA-35)** projects, which include engineering, procurement, construction and installation for new platforms, new wellhead platform decks, associated trunkline to shore, subsea pipelines, and cables. The related offshore installation works will begin in the second half of 2021;
  - engineering and procurement activities are in progress for the EPCI of **Berri Downstream (LTA-43)** project, which includes engineering, procurement, construction and installation of subsea and onshore pipelines. The offshore installation works will be done in combination with those planned for projects LTA-34 and LTA-35;
  - engineering and procurement activities are under way for the EPCI **Enhance Piping Network (LTA-53)** project, which includes the design, engineering, construction and installation of a pipeline on the network already present in the Ju'aymah area. The related offshore installation works are expected to take place in the second half of 2021;
  - engineering and procurement activities have commenced for the recently awarded projects **LTA-63**, **64**, **65**, **68** and **70** projects. These involve the engineering, procurement, construction and installation of subsea, onshore/offshore pipelines, jackets and wellhead platforms. The construction and installation of these projects will take place throughout 2022 as per the schedule of each individual scope;

> for Al Khafji Joint Operations (KJO), engineering and procurement activities are nearing completion, for the **Laying of New Hout Crude** contract, which includes the engineering, procurement, construction, installation, and start-up phases of a new pipeline for the transportation of crude oil.

In Qatar,
> for Qatargas:
  - following damage to one of the pipelines, offshore installation activities are nearing completion for the **Barzan Novated Items & Pipeline** contract, which included the engineering, procurement, construction and installation phases relating to two export and interconnection pipelines, connecting elements between pipelines and various subsea structures;
  - engineering ad procurement activities have started for the recently awarded **North Field Production Sustainability** (**EPCO** and **EPCL**) projects. They include engineering, procurement, construction and installation of subsea, onshore/offshore pipelines, jackets and wellhead platforms, as well as the associated support activities. Construction operations are expected to begin in the later part of 2021, and the first offshore survey activity is also expected to begin the same period.

In Indonesia, for BP Berau Ltd, the installation of offshore pipelines and platforms, rock dumping and commissioning have been completed for the **Tangguh LNG Expansion** project. Furthermore, engineering activities were carried out for certain supplementary works, with some offshore operations scheduled for the end of 2021.

In the North Sea, for PremierOil, offshore installation has been completed for the **Tolmount** project, which includes the engineering, procurement and installation of the 20" gas export pipeline and associated piggyback methanol line. The spool installation is pending completion, expected during 2021.

In the Baltic Sea, for Gas System SA, in the context of the **Baltic** project, the offshore installation of the concrete-coated gas pipeline between Denmark and Poland is expected to start by the end of June with Castorone and in July with Castoro Sei. The micro-tunnelling in Poland is completed, while the micro tunnelling in Denmark is ongoing. Dredging and rock-dumping operations along the pipeline route are also in progress.

In West Africa:

> for BP, the combined execution of both **Tortue** (Marine & Civil and Facilities) contracts has been postponed; this includes engineering, procurement, fabrication, installation, hook up, and commissioning of a breakwater, associated jetty and riser platform for the delivery of gas in co-development between Senegal and Mauritania, with installation expected for 2022;

> for Noble Energy EG Ltd (acquired by Chevron at the end of 2020), in Equatorial Guinea,the **Alen Gas Monetization** project was completed in February 2021. This involved the installation, connection and testing of a rigid pipeline that enables gas to flow from offshore production facilities to onshore facilities located at Punta Europa (Alba and EG LNG plants).

In Azerbaijan,

> for BP:
- work relating to the **Shah Deniz 2 (Call-off 007)** contract continued for the scope of work encompassing the transportation and installation of production systems and subsea facilities, the laying of optical fiber cables and production umbilicals, start-up, supply of the crew and operational management of the new vessel, with installation activities envisaged until the first half of 2023;
- engineering and procurement activities are under way for the **ACE (Call-off 002)** project, involving the engineering, laying and pipeline installation activities, planned between late 2021 and the first quarter of 2022;
- the engineering, procurement and installation activities for the jacket pine pile have been completed for the **ACE (Call-off 006)** project, which also includes the engineering, procurement and installation of spools and subsea structures, planned for 2021;

> for Total, procurement is nearing completion and construction activities are near completion for the **Absheron URF** project, which includes engineering, procurement, construction and installation of pipelines and umbilical systems in the Caspian Sea. The jacket pin piles installation works were completed during the first quarter of 2021, while the umbilical installation is scheduled for the second half of the year;

> for Bosshelf, the **Absheron T&I** project, which involves the installation of jackets and platforms, to be implemented during this year and until the first part of 2022.

Offshore fleet as of June 30, 2021

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 Constellation	Dynamically positioned vessel for reel-lay of rigid and flexible pipelines, down to ultra-deep water depths. It is equipped with a 3,000 tonnes crane and a laying tower (800 tonnes capacity) equipped with two tensioners each with a 400 tonnes capacity.
Saipem FDS	Dynamically positioned vessel utilised for the development of deep-water fields at depths of over 2,000 metres. Capable of launching pipes of up to 22” in diameter in J-lay configuration, able to lay quadruple joint pipes (52-metre strings) with a holding capacity of up to 750 tonnes and a crane with lifting capacity of up to 600 tonnes.
Saipem FDS 2	Dynamically positioned vessel utilised for the development of deep-water fields; it has a J-lay tower with a holding capacity of up to 2,000 tonnes; capable of launching pipes with a maximum diameter of 36”; able to lay quadruple joint pipes (52-metre strings) at depths of up to 3,000 metres. Also capable of operating in S-lay mode with a crane with a lifting capacity of up to 1,000 tonnes.
Castoro Sei	Semi-submersible pipelay vessel with mooring system, capable of laying large diameter pipe at depths of up to 1,000 metres.
Castorone	Dynamically positioned pipe-laying vessel operating in S-lay mode with an S-lay stern stinger of over 120 metres consisting of three sections for shallow and deep-water operations, a tensioning capacity of up to 750 tonnes, pipelay capability of up to 60 inches, onboard fabrication facilities for double and triple joints and pipe storage capacity in cargo holds.
Saipem 3000	Mono-hull, self-propelled D.P. derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters (3,000 metres) and lifting heavy loads of up to 2,200 tonnes.
Dehe	Dynamically positioned (leased) vessel for laying pipes and lifting heavy loads of up to 5,000 tonnes, capable of deep water installations up to depths of 3,000 metres and laying pipes with a tensioning capacity of up to 600 tonnes in S-lay mode.
Saipem Endeavour	Barge for lifting heavy loads and laying pipes (in S-lay mode), suitable for launching single- or double-joint pipes of up to 60” in diameter for shallow and deep-water operations, with a tensioning capacity of up to 260 tonnes, equipped with a floating launch ramp consisting of three sections for deep-water operations, a mini ramp with adjustable structure for shallow-water operations, and a rotating crane with a 1,100 tonne capacity.
Castoro 10	Trench/pipelay barge capable of burying pipes of up to 60” diameter and of laying pipes in shallow waters.
Castoro 12	Pipelay barge capable of laying pipes of up to 40” diameter in ultra-shallow waters of a minimum depth of 1.4 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 two crawler cranes, capable of carrying out installations whilst grounded on the seabed and capable of operating in S-lay mode. The lifting capacities of the two 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 and 3	Cargo barges for the execution of tie-ins and transportation of materials.
Ersai 400	Accommodation barge for up to 400 people, equipped with gas shelter in the event of an evacuation due to H_2S leaks.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
S42	Cargo barge, currently used for storing the J-lay tower of the Saipem 7000.
S43	Cargo barge.
S44	Launch cargo barge, for structures of up to 30,000 tonnes.
S45	Launch cargo barge, for structures of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
S 600	Launch cargo barge, for structures of up to 30,000 tonnes.

ONSHORE ENGINEERING & CONSTRUCTION

General overview

The Saipem Group's Onshore Engineering & Construction expertise is focused on the execution of large-scale projects with a high degree of complexity in terms of engineering, technology and operations, with a strong bias towards challenging projects in difficult environments and remote areas.
Saipem enjoys a worldwide leading position in the Onshore sector, providing a complete range of integrated basic and detailed engineering, procurement, project management and construction services, principally to the Oil&Gas, complex civil and marine infrastructure and environmental markets.
Aiming to grow, and adapting to the specific regional features of traditional markets, with the ambition of excelling in the highest technology segments of energy transition, the Onshore Engineering & Construction Division has developed an operational organisation focusing on geographical areas (Europe/Russia/Caspian Sea, the Americas, North Africa/Middle East, Asia-Pacific, Saudi Arabia, West Africa, East Africa), for the upstream, midstream and downstream traditional segments, and on product lines (Infrastructure and New Energies) supported transversely by engineering, procurement and construction hubs and by other support functions.
Over the first half of the year, development initiatives continued, aiming to transform and increase the efficiency of work processes through digitalisation.
In terms of energy transition, Saipem is heavily investing in areas such as the capture, storage and reuse of CO_2, hydrogen and, more generally, on initiatives for the reduction of the carbon footprint of traditional plants, on the design of green facilities, and on the matter of "circular economy and energy/water recovery" even in areas still based on the exploitation of traditional energy sources.
In many markets, the emphasis on maximising local content in project implementation is particularly important.

Market conditions

During the first half of the year, the contingent situation associated with the COVID-19 pandemic has stabilised in terms of the impacts on the offer and demand of primary energy, in terms of mobility, consumption and production activities on a global level. Despite a recovery in energy commodity prices, investment scenarios in Saipem's traditional markets are still noticeably below pre-COVID levels, with a generalised fall of new contract awards during the half-year period, postponement of some initiatives to the following years, as well as the cancellation of some projects. The seriousness of the situation depends on the various segments and geographical areas where Saipem operates and the timeframe considered. In general, the energy transition dynamics seem in any case to be more favourable, on the one hand, to gas compared to other fossil fuel sources and, on the other hand, to the use of technologies aimed at decarbonising fossil fuel sources (CCUS) and the reducing CO_2 emissions (example through the use of hydrogen as energy vector).
The volume of contracts awarded in the first half of 2021 in the relevant market for the division largely relate to the LNG segment, followed by Petrochemicals and Floaters.
From a short-to-medium term perspective, the Downstream segment is proving resilient, with large investments in Europe, Russia and Asia for Refineries and Petrochemicals going ahead, as well as investments in Fertilisers in Africa, the Middle East and the Americas. The LNG market, following Qatar's recent sanctioning of the NFE project, is envisaging medium-term initiatives in the Far East, the Americas and Russia, both as "new build" and as extensions to existing plants. A slight decline has been observed in the segments most sensitive to barrel price. In the Upstream segment, following the sharp slowdown in the last two years, signs of recovery of investments in the Arab Emirates and Saudi Arabia are now visible.
The Infrastructure segment continues to show positive signs of large investments internationally both in traditional markets (Europe and North America) and in new markets (North Africa, Middle and Far East, India, Russia) although at lower levels compared to pre-pandemic scenarios. With regard to renewables (solar) and green technologies (hydrogen, CO_2 and biofuels management and biochemistry) in general, the visibility of projects in Europe, North Africa and the Middle East is increasing.

Capital expenditure

Capital expenditure in the first half of 2021 in the Onshore Engineering & Construction sector focused mainly on the acquisition and maintenance of equipment, as well as the completion of the Saint-Felicién plant, in Canada, included in the CO_2 Solutions technology purchase plan.

New contracts

The most significant contracts during the first half of 2021 were:
- for of Petróleo Brasileiro (Petrobras), in Brazil, as a joint venture with Daewoo Shipbuilding & Marine Engineering (DSME), a contract for the construction of a floating production storage and offloading (FPSO) unit named P-79, for the development of the Búzios offshore field in Brazil;
- for of ADNOC Sour Gas – a subsidiary of Abu Dhabi National Oil Co (ADNOC) – in the United Arab Emirates, a Letter of Award of a new contract for the Optimum Shah Gas Expansion (OSGE) & Gas Gathering project. The contract entails the expansion and strengthening of the already operating Shah plant.

Work performed

The largest and most important projects underway or completed during the first half of 2021 were as follows. In general, progress on the contracts described below has been slowed down by the COVID-19 emergency.

In Saudi Arabia,
- for Saudi Aramco:
  - the **Hawaiyah Gas Plant Expansion** project is under execution for the expansion of the Hawaiyah gas treatment plant located in the south-eastern part of the Arabian Peninsula;
  - commissioning is ongoing for both EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project for the generation of electricity. The Package 1 contract includes the gasification unit, the soot and ashes removal unit, the acid gas removal unit and the hydrogen recovery unit. The Package 2 contract includes two sulphur recovery units and the associated storage systems. The scope of work of both packages includes engineering, procurement, construction, pre-commissioning and assistance to commissioning;
  - the mechanical completion was achieved for the **EPC Khurais** project, involving the extension of the onshore production centres in the fields of Khurais, Mazajili, Abu Jifan, Ain Dar and Shedgum. The project is now being launched;
  - the **South Gas Compression Plants Pipeline** project relating to the development of the gas plant Haradh (HdGP) located in the east of the country, which provides for the auditing of detailed engineering developed by the client, procurement of all materials, excluding the line pipe for coated carbon steel lines provided by the client, as well as construction, pre-commissioning and commissioning support, is under execution;
  - engineering, procurement and TCF (Temporary Construction Facilities) erection activities are under way for the **Marjan** project, an EPC contract for the implementation of "Package 10" of the development programme at the field of the same name, which includes gas treatment, sulphur recovery and tail gas treatment trains;
  - engineering and procurement activities are under way for the **Berri** project, an EPC contract to increase the capacity of the field of the same name, by setting up new facilities at Abu Ali and Khursaniyah. The TCF (Temporary Construction Facilities) are currently being built on the site.

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

In Kuwait:
- for Kuwait Oil Co (KOC), engineering and procurement activities have been completed and construction activities relating to the **Feed Pipelines for New Refinery** project are underway. The contract includes engineering, procurement, construction and commissioning activities related to the development of the new connection lines and related pumping station and measurement of the new Al Zour refinery located in south Kuwait;
- for Kuwait Integrated Petroleum Industries Co (KIPIC), in joint venture with Essar Projects Ltd, engineering and procurement activities for the **Al-Zour Refinery** project are practically complete and construction and completion activities are progressing. The contract encompasses design, procurement, construction, pre commissioning and assistance during commissioning tests, start-up and checks on the performance of tanks, related road works, offices, pipelines, piping support frames, water works and control systems for the Al-Zour refinery.

In Iraq, for Exxon, as part of the **West Qurna I** project work on site is under way with mechanical and electrical instrumentation installations. The installation of prefabricated modules is reaching completion. The project involves the execution of infield engineering, pre-fabrication and construction relating to some tie-ins to existing plants owned by Bassra Oil Co.

In Oman, for Duqm Refinery and Petrochemical Industries Co Llc, engineering and procurement activities have been completed, while the construction activities for the **Duqm Refinery package 3** project are under way. The contract includes the creation of three different packages as far as purpose and location. Two of these packages are nearing their mechanical completion while the third one is in the ramp-up stage.

In Israel, for Haifa Group, the project for the development of an Ammonia unit at the Mishor Rotem site is under way with the engineering and procurement phase and with the preparation activities for the site opening.

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

In Indonesia, for BP Berau Ltd, engineering, procurement, the logistics for the delivery of the materials and the construction of infrastructure have been completed. At the same time, mechanical works for plant units are ongoing for the **Tangguh LNG Expansion** project, which involves the construction of an onshore LNG plant, auxiliary services, an LNG jetty and the associated infrastructure.

In Thailand:
> for PTT LNG Co Ltd (PTTLNG), for the **Nong Fab LNG** project, the home office activities have been completed (engineering and procurement) in Taipei. The equipment and materials are being delivered to the site, the construction activities are under way, concentrated on underground works, pipe rack assembly, civil and mechanical works on the LNG storage tanks, underwater tunnels for seawater intake and discharge pipelines, and on the jetty superstructure works. The project includes the construction of a Regasification Terminal, including storage tanks and a jetty for importing LNG;
> for Thai Oil, in joint venture with Samsung Engineering and Petrofac International (leader), the **Clean Fuel** project is in progress, involving the construction and start-up of new units within the Sriracha refinery located around 130 kilometres from Bangkok, Thailand. The design and procurement activities are nearing completion. The manufacturing, delivery, piping prefabrication and module fabrication activities continue in the yards. The civil works, buildings, underground works and installation of metal structures are being implemented on site. The first modules and the reactors have already been transported to and installed at the site.

In Nigeria:
> for Dangote Fertilizer, activities are ongoing for the **Dangote** project for the new ammonia and urea production complex. Specifically, the commissioning and start-up activities of the plant's first line of production (train 1) have been completed in the first half of the year, while the completion and commissioning of the second train are still under way. The scope of work encompasses engineering, procurement, construction supervision and commissioning of two twin production streams and related utilities located at the Lekki Free Trade Zone, Lagos State;
> for Nigeria LNG Ltd (NLNG), engineering and material procurement activities are under way, and preparation activities for the building site have started under the EPC **LNG Bonny Train 7** agreement for the engineering and construction of a LNG plant, in joint venture with Daewoo and Chiyoda Corp. The project involves the construction of a natural gas liquefaction train, as well as all the necessary utilities and port facilities for export, for the expansion of the existing LNG plant at Finima on Bonny Island.

In Mozambique, for Total (which acquired Anadarko interests during 2019 for the **Mozambique LNG** project), the engineering and materials procurement activities are at an advanced stage and all subcontracts have been awarded for the preliminary works and the key activities for the final works. The site preparation activities have been completed in many areas, including the critical areas, and the plant construction activities have begun. The project consists of the realisation of a LNG plant made up of two LNG liquefaction trains, as well as all the relevant utilities, storage tanks and port facilities for export.
However, due to the unsafe situation in northern Mozambique – which culminated on March 24, 2021 in a series of armed attacks near the city of Palma – following the instructions of client Total, activities at the site have been gradually scaled down. On April 26, 2021, Total declared a state of force majeure on the Mozambique LNG project. Saipem evacuated the site and is managing the remaining part of the project outside the country, as it has not been suspended. Saipem has also evaluated, in close cooperation with the client, measures to preserve the value of the project and ensure a prompt resumption of work as soon as safety conditions in the area are restored. The project is not expected to provide significant revenue in the remainder of 2021, except for the reimbursement of costs already incurred and to be incurred for suspension and safety.

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

In Serbia, for Infrastructure Development and Construction (IDC), the engineering, construction and pipelay activities have been completed for the **Transmission Gas Pipeline** project (Interconnector) Border of Bulgaria-Border of Hungary, while the field engineering works for the compressor station are almost finished.

In Russia, for Gazpromneft, the engineering, procurement and building activities are in progress for a **sulphur recovery unit** for the Moscow refinery.

In Italy:
> for Ital Gas Storage (IGS), engineering, procurement and construction activities have been completed for the **Natural Gas Storage Plant** EPC project, which included the development of natural gas storage plants in Cornegliano Laudense, in the province of Lodi, as well as engineering and procurement activities for a work variation (Water Separation);
> for Eni Refining & Marketing, activities have been completed for the **Tempa Rossa** project, agreeing on a reduction in the original scope at the request of the client; the project included the construction of the auxiliary systems and of two tanks for the storage of the crude oil coming from the Tempa Rossa field operated by Total;
> for Rete Ferroviaria Italiana as part of the CEPAV 2 Consortium, for the **CEPAV 2 High-Speed Brescia Est-Verona** project, construction activities are in progress along the whole section. In the first half of 2021, the Consortium awarded three public contracts through a European tender.
> for Eni New Energy works are under way to build three photovoltaic plants, one located in Trecate and two in Marghera.

Floaters

The FPSO market remains stable in terms of volumes, despite the uncertain times, which have led to the postponement of a portion of the allocations expected for 2020 and 2021. Backed by recovering oil prices, several feasibility studies, FEED and EPC and L&O (Lease and Operate) tenders are currently under way, especially in areas such as Brazil and West Africa. Oil companies are showing confidence in approving final investment decisions (FIDs) by 2021.
The FLNG/FSRU market is showing signs of recovery, especially in the Mediterranean region and in Asia.
Saipem owns two FPSO vessels, they are: **Cidade de Vitoria**, a production storage, processing and offloading vessel (FPSO) with a production capacity of 100,000 barrels a day and the **Gimboa**, a production storage, processing and offloading vessel (FPSO) with a production capacity of 60,000 barrels a day.

Work performed

The largest and most important projects underway or completed during the first half of 2021 were as follows.

In Indonesia, for Eni East Sepinggan Ltd, the **Merakes Development** project has been completed, involving the extension of the production capacity of the FPU in the Jangkrik gas field. The unit is currently running after having successfully passed the performance test.

In Russia:
> for Arctic LNG2 Llc, in joint venture with RHI Russia BV (affiliated company of Renaissance Heavy Industries Llc), activities related to the **Arctic LNG 2 - GBS** project are ongoing for the completion of three liquefied natural gas plants that will be installed on reinforced concrete support and storage structures. The scope of the contract includes design, procurement, construction, transportation by sea and installation of three concrete support and storage structures. Construction will take place in Murmansk on a site made available by Novatek and then the structures will be transported and installed in Gydan, Russia;
> again for Arctic LNG2 Llc, in joint venture with Techinp and NIPI, participation continues in the **Arctic LNG 2 - Topsides** project, including the engineering, procurement and manufacturing of the topside modules of the LNG trains to be installed on three reinforced concrete support and storage structures (GBS).

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

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

In the "Leased FPSO" segment, the following vessels carried out operations during the first half of 2021:
> the **FPSO Cidade de Vitoria** carried out operations for Petrobras as part of a fifteen-year contract finishing in 2022 focused on the second phase of development of the Golfinho field, situated off the coast of Brazil at a water depth of 1,400 metres;
> the **FPSO Gimboa** carried out operations for Sonangol P&P under a contract for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.

OFFSHORE DRILLING

General overview

As of June 2021, the Saipem Offshore Drilling fleet consisted of twelve vessels, divided as follows: five ultra-deep-water units for operations at depths in excess of 3,300 feet (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 8 and Scarabeo 9), five high specification jack-ups for operations at depths of up to 375 feet (Perro Negro 7, Perro Negro 8, Pioneer, Sea Lion 7 and Perro Negro 9), one standard jack-up for activities at depths of up to 150 feet (Perro Negro 4) and one barge tender rig (Saipem TAD). All these vessels are self-owned, with the exception of the Pioneer, Sea Lion 7 and Perro Negro 9 jack-ups, owned by third parties but managed by Saipem. The number does not consider the standard jack-ups Perro Negro 2 and Perro Negro 5 as both vessels have a residual value equal to their scrap value and are intended for disinvestment.
In June, a leasing contract was finalised with a purchase option for the drillship Santorini, 7th generation ultra-deep-water rig being completed at the Samsung Heavy Industries sites (where both Saipem 10000 and Saipem 12000 were built). The ship will be delivered to Saipem in November and will be used in operations starting from 2022.
During the first half of the year, the Offshore Drilling fleet operated in Norway, Egypt (Red Sea side), West Africa (Angola and Ghana), Mozambique, Mexico and Saudi Arabia.

Market conditions

The first half of the year started, consistently with the end of 2020, with market conditions still strongly affected by the crisis which started in the previous year due to disputes among oil producing countries and was subsequently made worse by the outbreak of the COVID-19 pandemic.
Therefore, the activity plans of the Oil Companies were still affected by the changes in investments started during the crisis and, despite a condition of relative stability in the price of oil (fluctuating mainly around $60/barrel, increasing toward the end of the semester to over $70), the pressure on the rates remained very strong and the competition fairly high.
The market preference for technologically modern rigs was reconfirmed both in shallow water and in deep water, as shown by the higher utilisation percentages recorded in these segments (between 70 and 80%) compared to older rigs.
As a consequence, the drilling rigs retirement from the market, strongly resumed in 2020, continued also in the first half of 2021; more than 35 rigs, approximately 6% of the world's entire supply, were definitely retired, around the same number of total rigs retired during 2020.
The market downfall continued to generally affect the financial performances of all the leading drilling contractors. During 2020, some of those contractors had to resort to outstanding debt restructuring and changes in fleet composition in order to address the current market scenario.
The number of rigs being completed in the shipyards continues to fall compared to the previous year, but it is still significant: as of June, 59 new units were in production (34 jack-ups, 7 semi-submersibles and 18 drillships), of which only 5 are known to be linked to a contract for their use following completion of the construction works.
The large number of new units under construction and the increase in retirements combined with the need for restructuring felt by many contractors represent structural changes to the Offshore Drilling segment, which, as expected, may have a significant impact in the medium term.

New contracts

The most important contracts acquired during the first half of the year include:
- for Wintershall DEA, a contract for the construction of six wells plus two optional wells in Norway using the semi-submersible platform **Scarabeo 8**. The construction of these wells should start in November 2021, immediately after the end of the previous contract with client Var Energi;
- for JSC Aurora, a contract for the construction of two wells plus an optional well using the jack-up **Perro Negro 8** for operations in the Kara Sea; the wells will be built during the summer months of the second half of the year. The contract also includes remuneration for the standby period in winter;
- for Eni, the exercise of two options related to the semi-submersible platform **Scarabeo 5** for operations in Angola.

Capital expenditure

Investments made during the first half of 2021 concerned the refurbishment and adaptation of the equipment to ensure its compliance with international regulations and client requirements. Among the rigs subject to maintenance activities aimed at renewing the class certification there were, in particular, the jack-up Perro Negro 8, and the drillship Saipem 10000.

Work performed

In the first half of 2021, the entire Saipem Offshore Drilling fleet was still affected by the handling of the aforementioned issues associated with the COVID-19 pandemic. A series of measures were put in place, including: emergency plans, reviewing shifts, pre-boarding testing and scheduling quarantine periods for operators in accordance with the regulations of the various countries where the projects were carried out. These measures, which applied to all rigs, made it possible to ensure a substantial degree of business continuity, always prioritising health and safety.

During this six months, the fleet was used in the following way:

> ultra-deep water/deep water units: the **Saipem 12000** drillship operated off the coast of Mozambique for Mozambique Rovuma Venture; the **Saipem 10000** completed at the beginning of April the remunerated standby period agreed with the client during the previous year and the class renewal activities started in 2020; subsequently the rig was transferred to West Africa for operations in Ghana; the semi-submersible **Scarabeo 9** has been stacked in Cartagena, Spain, awaiting new work; the semi-submersible **Scarabeo 8** completed the first tranche of operations for Var Energi in Norway around the first half of June; the rig has later been stacked waiting to resume the second tranche of operations for Var Energi, which should start in the middle of August; the semi-submersible **Scarabeo 5** has continued to operate in Angola for Eni;

> high specification jack-ups: the **Perro Negro 8**, after completing the class certification renewal process in April, was transferred to the subarctic regions to start the Kara Sea operations; the **Perro Negro 7**, **Sea Lion 7** and **Perro Negro 9** continued to operate for Saudi Aramco off the coast of Saudi Arabia; the Pioneer unit continued to operate for Eni in Mexico;

> standard jack-ups: **Perro Negro 4** has continued to operate in the Red Sea for Petrobel;

> other activities: the **Saipem TAD** tender assisted rig remains stacked; the **Perro Negro 2** and **Perro Negro 5** jack-ups also remained stacked waiting for the finalisation of the disinvestment procedure, which started during the first half of the year.

Utilisation of vessels

The main vessel utilisation in the first half of 2021 was as follows:

		First half 2021	
Vessel	(No. of days)	**under contract**	**idle**
Semi-submersible platform Scarabeo 5		181	-
Semi-submersible platform Scarabeo 8		165	16 (1)
Semi-submersible platform Scarabeo 9		-	181 (1)
Drillship Saipem 10000		181	-
Drillship Saipem 12000		181	-
Jack-up Perro Negro 2		-	181 (2)
Jack-up Perro Negro 4		181	-
Jack-up Perro Negro 5		-	181 (2)
Jack-up Perro Negro 7		181	-
Jack-up Perro Negro 8		73	108 (3)
Jack-up Pioneer (*)		181	-
Jack-up Sea Lion 7 (*)		181	-
Jack-up Perro Negro 9 (*)		181	-
Tender Assisted Drilling Barge		-	181 (1)

(1) Days on which the vessel was idle and not under contract.
(2) Rig intended for disinvestment according to current legislation (green recycling).
(3) Days on which the vessel partly underwent class reinstatement/preparation works and was partly idle with no contract.
(*) Leased vessels.

ONSHORE DRILLING

General overview

As of June 2021, the Onshore Drilling rig fleet was composed of 66 units available for operations, in addition to 17 rigs in Venezuela unusable and entirely written down. The Onshore Drilling Division managed one unit owned by a third party for the first half of the year. The areas where Saipem operated were Latin America (Peru, Bolivia, Colombia and Argentina), the Middle East (Saudi Arabia and Kuwait) and Africa (Congo and Morocco).

Market conditions

On a global level, the forecasts for the onshore drilling segment show some improvement signs for 2021 compared to the end of 2020, thanks also to a gradual resumption of the awarding of new contracts.
During the first half of the year in North America, a market historically very reactive to the trends of oil prices, there was an increase in the operations in terms of active rigs, new wells, and drilled metres, also leading to a significant increase in investments. During the same period and specifically for Saipem reference markets (Europe, Africa, Middle East and Latin America), there was an overall moderate recovery in investments and number of rigs compared to the second half of the previous year. The most dynamic geographical segment was Latin America, specifically Peru, Colombia, Ecuador and Argentina, which represent approximately 30% of the regional market, where the business previously slowed down by the pandemic is restarting. During the second half of the year, there should be a recovery in the remaining Saipem areas (Europe, Africa and Middle East).

Capital expenditure

Investments made in the first half of 2021 concerned the extraordinary maintenance in order to reactivate some rigs for operations in Saudi Arabia and South America, as well as maintenance of existing assets. Improvement and integration interventions were also carried out for maintaining the operating efficiency of the fleet and meeting the specific requirements of clients.

New contracts

In the first half of 2021, the Onshore Drilling Division was awarded 2 new contracts in South America: a 4-year project in Colombia and a 1-year project in Ecuador. In addition, there were some significant contract extensions in the Middle East for 10 and 5-year terms.

Work performed

In the first half of 2021, Saipem's onshore units drilled 58 wells (of which 7 workovers), totalling 217,466 metres.
Saipem worked in the following areas:

- Latin America: drilling, work-over and pulling activities were performed in **Peru** for various clients (including CNPC, Savia and Petrotal) with six self-owned rigs. The other twelve self-owned rigs remained inactive. In **Bolivia**, drilling activities were carried out for Repsol and Andina with three rigs, one of which completed its operations in February. The fourth rig in the country remained inactive. Drilling activities were carried out in **Argentina** for YPF (Yacimientos Petrolíferos Fiscales) under multi-year contracts using two rigs, while the other two rigs remained inactive. Drilling activities were carried out in **Colombia** for Ecopetrol using one rig, while the second rig remained inactive. There are two units in **Ecuador**, one of which has been used since April for client Pluspetrol, while the other one remained inactive. The seventeen rigs in **Venezuela** have remained inactive;
- Middle East: drilling operations were carried out in **Saudi Arabia** for Saudi Aramco under multi-year contracts using sixteen rigs. Due to the COVID-19 pandemic, the operations of twelve other rigs under contract are still temporarily suspended. in **Kuwait**, operations of two Saipem units provided to the client KOC are ongoing, under previously existing contracts. In the **United Arab Emirates** there is one inactive unit;
- rest of the world: drilling activities were carried out in **Congo** for Eni Congo SA with a unit owned by the client.

Utilisation of rigs

Average utilisation of rigs stood at 35.4% (51.3% in the same period of 2020), also including Venezuelan rigs. The average utilisation excluding the Venezuelan rigs is 44,6% (64.5% in the same period of 2020). The highest utilisation rate was recorded in the regions of Europe, Middle East and Africa, where contracted fleets saw a decline compared to 2020 with 55% of days sold (90% in the corresponding period of 2020). The number of rigs present in the region as of June 30, 2021 was 36 (equal to the same period of 2020). In addition 1 unit owned by third parties was used in the Congo.
In Latin America, a slightly lower average utilisation rate was recorded (20.4% against 21.6% in the same period of 2020) taking into account the Venezuelan rigs. The average utilisation in the region is 32% (33.8% in the same period of 2020), without the Venezuelan rigs.
The number of rigs in use in the region as of June 30, 2021 was 30 (equal to the same period in 2020) not including the 17 rigs in use in Venezuela.

FINANCIAL AND ECONOMIC RESULTS

Effects of COVID-19 on the basis of presentation including going concern
In line with the relevant chapter of the Annual Report of December 31, 2020, follows a general overview of Saipem's consideration regarding the effects identified and the main mitigation measures implemented as of today.
The spread of COVID-19 pandemic has significantly impacted the global economy and, as a result, the Saipem Group, since the energy sector was one of the worst affected sectors globally. During the first half of 2021, the energy sector showed some signs of recovery as the energy demand is growing, especially for oil. The consequence of this rebalancing of the market fundamentals, during the first half of 2021, was the price of oil, much higher than what was expected six months ago, even exceeding 2019 figures. The return to oil production is now happening gradually in different geographical areas, with a cautious recovery in both North America and the Middle East. In years to come, in line with the return to the pre-crisis levels, leading analysts forecast a price realignment to the pre-pandemic market values.
All in all, it is estimated that the current positive signals can be translated into a recovery of the investments in the Oil&Gas sector. This is also due to the operators' conservative strategy who confirm their goal of keeping their financial assets solid on the one hand, while trying to diversify their investment portfolios in order to respond to the growing market pressure in terms of energy transition and of CO_2 emissions reduction.
In the first half of 2021, Saipem Group continued an in-depth analysis of the possible effects of COVID-19, which is still ongoing as the situation continues to evolve: (i) evolution of regulatory frameworks and, in particular, monitoring the measures taken by the countries in which Saipem operates; (ii) relationship management with customers and partners; (iii) management of both active and passive contracts, by introducing and/or activating, where possible, specific contractual clauses to mitigate potential negative effects of the pandemic; (iv) impact on project execution, particularly on operations at construction sites and on vessels, due to changes in the availability of internal and external resources and/or other circumstances resulting, directly or indirectly, from the pandemic; (v) levels of performance and continuity of service by suppliers, subcontractors and partners.
Saipem has implemented from the beginning specific mitigation measures to contain the impact of the pandemic from the outset, activating a crisis response protocol by setting up a specific task force in charge of constantly monitoring the spread of the virus and finding solutions to inform and protect internal and external staff (employees, customers and suppliers) in the offices and work sites in Italy and in the countries where the Group operates, in accordance with the instructions of the Ministry of Health, and at the same time ensure the substantial continuity of its operations in the world. The Saipem Crisis Unit in Milan is always open; it is constantly in contact and it works in coordination with Local Crisis Units worldwide; it periodically reviews the situation and adjusts the status of the action plan with the Corporate Crisis Committee chaired by the Chief Executive Officer. Saipem continues to tackle the emergency by maintaining high monitoring levels and measures to prevent and contrast the spread of the pandemic, aiming to ensure people's health, which remains the top priority.
To offset the increase of costs related to COVID-19 as described above, the Management has promptly launched an adequate cost containment programme.
Financial aspects: Saipem is constantly monitoring the Group's current and prospective liquidity, through the calculation of specific KRIs (Key Risk Indicators) which take into account the expected cash generation and the concentration of financial liabilities maturity. As of June 30, 2021, there are bank financing contracts, including a committed Revolving Credit Facility of €1 billion, with Financial Covenant clauses which require the compliance with the ratio between net financial debt and EBITDA, determined every year based on the data as at December 31, not higher than 3.5. Considering the EBITDA of the first half of the year and the second half expectations, the Company intends to promptly assess with its lenders the most appropriate measures to be implemented.
For the control and efficient use of its liquidity, Saipem Group avails itself, among other things, of a central cash pooling system and automatic reporting tools.
As part of a strategy aimed at managing proactively the maturing debt through early refinancing or pre-funding operations, in March 2021 the Group company Saipem Finance International BV issued a new bond for the amount of €500 million maturing in March 2028, for the early refinancing of the next maturities. The notes were issued in the context of the Euro Medium Term Note Programme, established in April 2016 for a maximum amount of €2,000 million and subsequently increased to a maximum amount of €3,000 million. The programme is renewed on a yearly basis as function of the planned operations.
The total amount of notes currently outstanding is equal to €2,500 million, divided in five tranches of €500 million each, maturing in 2022, 2023, 2025, 2026 and 2028 respectively.
As a consequence, Saipem Group's financial debt is mainly structured over a medium term horizon.
As an additional safety margin to strengthen the liquidity position of the Group, at consolidated or JV companies, equal to €2.3 billion, Saipem has the availability of the committed Revolving Credit Facility of €1 billion, maturing in 2023 and never utilised at the present date.
As a result, Saipem currently believes to have access to sources of funding that are more than adequate to meet

future financial needs. This, together with the control and efficient use of its liquidity, entails that no additional financial measures are foreseen.

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

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

With respect to trade receivables connected with the insolvency risk of customers, Saipem constantly monitors and assesses the risk indicators and the Probability of default for customers using third party information, in addition to assess debt recoverability.

Recoverability of non financial assets: the cash flows used for the impairment test were those of the 2021-2024 Strategic Plan, approved by the Board of Directors on February 24, 2021 and prepared using the best estimates available to date and confirmed during the Plan Safety Check as of June 30, 2021. It should be noted that flows have been normalised, where necessary, according to IAS 36. In particular, the long-term lease rates of the Offshore Drilling CGUs have been defined using the latest update reports available at the date and processed by external sources, normally used as a benchmark. The impairment test of June 30, 2021 did not show impairment losses.

Estimate process: with regard to revenue from contracts with customers as a result of COVID-19 crisis and changing market conditions, the circumstances relating to the possible (i) collection of payments that may no longer be highly probable and (ii) agreements between the parties that could modify certain aspects of the contract related to the subject matter or price of the transactions were assessed.

The enforceability of contractual rights and obligations and the likelihood of collecting the relevant payment are prerequisites for identifying a contract with customers for accounting purposes. In fact, in the absence of such conditions, according to IFRS 15, if these conditions are not met, the contract should not exist from an accounting point of view and revenue could not be recognised. Given the current uncertainty, it is therefore necessary to check whether such conditions are met when entering into a contract, and whenever substantial changes in the relevant facts and circumstances are likely to occur.

Moreover, because of this situation of uncertainty, the valuation of the variable component of the payments has been revised since it is complex and requires a high degree of judgement due to the constraint envisaged by the principle that allows revenue to be recognised only for amounts that are very likely not to be reversed in the future.

Likewise, the effects of the operational implications deriving from the pandemic have been assessed and where necessary, considered in the cost estimate for the duration of projects.

Within the scope of the analysis of the possible effects of COVID-19 pandemic, undertaken early in 2020 and still in progress due to the continuous evolution of the phenomenon, Saipem has identified, assessed and constantly monitored these effects at the level of every project currently under way.

Identifying the COVID-19 economic impact: with reference to contract assets from work in progress assessment, for which revenue are recorded "over time" according to input methods such as "cost to cost", the estimate of the final charges and the timing for fulfilling the performance obligations made it necessary to consider whether the costs linked to COVID-19 should be excluded from project progress.

For this purpose, also the first half of 2021, Saipem maintained the identification of three "clusters" in which the costs linked to COVID 19 have been allocated:

1. Costs directly related to COVID-19 (special items): these are costs directly related to COVID-19 as they were incurred, or will be incurred, to manage the emergency within the companies of the Group and at the project sites; these costs are to be borne by Saipem, since they cannot be contractually reimbursed by the customer. These costs are recognised on specific contracts separate from operating contracts and are recognised as costs in the income statement without generating contract progress (and therefore without recognising any contract assets) and without recognising any margin. In the first half of 2021, the costs directly attributable to COVID-19 amount to about €36 million (e.g. including: costs for stand-by resources in accordance with quarantine regulations and in the event that the activities of operational sites and vessels were stopped by authorities; costs of purchasing personal protective equipment in addition to standard practices; costs of sanitising work areas; costs of organising charter flights to bring the personnel home).

2. Costs indirectly related to COVID-19: these are costs incurred, or that will be incurred, for which it is impossible to establish with reasonable certainty whether they are due to the pandemic or to other causes such as, for instance, changing market conditions linked to fluctuations in crude oil prices. These are, by way of example, costs due to delays in project or site activities, which have continued notwithstanding the challenges due, for example, to personnel reductions, postponements in materials deliveries or delays by customers. These types of costs are included in the full-life estimates of job orders.

3. Costs "to be evaluated case by case": these are direct project costs for which the Company activates the "force majeure clause", or which were incurred for staff kept on stand-by due to lockdown, and whose allocation must be assessed on a case-by-case basis due to the peculiarity of the situation, of the customer, of the contract, etc. No specific and quantifiable cases of this type have been identified.

Relevant market: as for the possible future outlooks for the markets, the uncertainty of the global economic recovery continues despite some recovery signs in our sector, specifically related to the commodity price recovery.

It should be noted that Saipem designs and constructs systems commissioned by customers on the basis of long-term investment assessments, whose realisation from the initial concept phase of the initiative, through development and construction, takes on average between four and seven years, depending on the complexity of the project.
It should also be noted that, due to the nature of the business and its diversification in various segments, there is no direct correlation between the trend in oil prices and Saipem's financial results: as of June 2021, more than 78% of its E&C backlog was made up of non-oil projects, including LNG and renewables (energy efficiency).
Business outlook: 2021 remains conditioned by the uncertainty resulting from the persistence of the pandemic. In the first half of the year, the health crisis effects on business coupled with issues on a project specific impacting operational performance. The business outlook for 2021 inevitably remains influenced by these events. Outlook for the second half of 2021:
> revenue between €4.5 and €5 billion;
> positive adjusted EBITDA;
> capital expenditure expected between €200 and €300 billion; and
> net debt post-IFRS 16 around €1.6 billion at year end.

This scenario does not account for a further and possible deterioration of the macroeconomic and business environment following, for example, the intensification of the COVID-19 pandemic.
Despite the crisis caused by COVID-19 pandemic and the changing market conditions resulting from it, the going concern assumption used in the preparation of the condensed interim consolidated financial statement as of June 30, 2021 may, based on the information available as of today, be considered adequate also as a result of the management and containment measures implemented, as described above.

Group organisation: reporting

The Saipem Group's operating and financial results for the first half of 2021 and the comparative data provided for prior years have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission.
The results of the XSIGHT Division are not disclosed to the market separately, rather they are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure.

Operating results

Saipem Group - Income statement

Year 2020	(€ million)	First half 2020	First half 2021	% Ch.
7,342	**Core business revenue**	**3,675**	**3,200**	**(12.9)**
12	Revenues and other income	2	2	
(5,294)	Purchases, services and other costs	(2,550)	(2,753)	
(7)	Net reversals of impairment losses (impairment losses) on trade receivables and other assets	(5)	(50)	
(1,625)	Personnel expenses	(851)	(788)	
428	**Gross operating profit (EBITDA)**	**271**	**(389)**	**n.s.**
(1,273)	Depreciation, amortisation and impairment losses	(982)	(249)	
(845)	**Operating result (EBIT)**	**(711)**	**(638)**	**(10.3)**
(166)	Net financial income (expense)	(95)	(56)	
37	Net gains (losses) on equity investments	10	(25)	
(974)	**Pre-tax profit (loss)**	**(796)**	**(719)**	**(9.7)**
(143)	Income taxes	(74)	(60)	
(1,117)	**Profit (loss) before non-controlling interests**	**(870)**	**(779)**	**(10.5)**
(19)	Profit (loss) attributable to non-controlling interests	(15)	-	
(1,136)	**Profit (loss) for the period**	**(885)**	**(779)**	**(12.0)**

Core business revenue in the first half of 2021 amounted to €3,200 million.
Gross operating profit (EBITDA) amounted to -€389 million. Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets totalled €249 million.
Operating result (EBIT) for the first half of 2021 amounted to €638 million.
The main variations relating to the income statement items above are detailed below in the analysis by segment.

Net financial income (expense) was negative for €56 million, €39 million lower as a consequence of the expenses incurred in the first half of 2020 for the redemption of bonds maturing in 2021, decline in hedging costs and lower charges related to leasing liabilities.
Net financial income (expense) on equity investments was negative for €25 million, due to the improvement of the results of contracts performed by companies measured using the equity method.
Pre-tax loss amounted to a loss of €719 million. Income taxes amounted to €60 million, compared to €74 million in the same period of 2020, a decrease due the lower taxable income.
Net result shows a loss of €779 million (€885 million in the first half of 2020), compared to the adjusted profit reduced by the following special items, for a total of €123 million:

> accrual of the costs of approximately €75 million, for a dispute related to a project already completed, from the activity of periodic legal monitoring of the evolution of the overall litigation;
> costs deriving from the healthcare emergency for approximately €36 million. This amount includes the costs incurred in the year directly attributable to the COVID-19 pandemic, such as for personnel on stand-by in cases in which site activities and vessels were blocked by the authorities, for the purchase of personal protective equipment in excess of the standard practices, for sanitising work areas and for the organisation of charter flights to bring the personnel home;
> restructuring expenses of €12 million.

The following income statement accounts were affected by special items during the first halves of 2021 and 2020:

Year 2020	(€ million)	First half 2020	2021
(845)	**Operating result (EBIT)**	**(711)**	**(638)**
868	Impairment/write-down and restructuring expenses	753	123
23	**Adjusted operating profit (loss) (EBIT)**	**42**	**(515)**

Year 2020	(€ million)	First half 2020	2021
(1,136)	**Profit (loss) for the period**	**(885)**	**(779)**
868	Impairment/write-down and restructuring expenses	753	123
(268)	**Adjusted profit (loss) for the period**	**(132)**	**(656)**

Adjusted EBIT reconciliation - EBIT first half 2021

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total
Adjusted EBIT	**(395)**	**(105)**	**14**	**(29)**	**(515)**
Provision for costs	-	75	-	-	75
Restructuring expenses	7	5	-	-	12
COVID-19 healthcare emergency	26	3	4	3	36
Total special items	(33)	(83)	(4)	(3)	(123)
EBIT	**(428)**	**(188)**	**10**	**(32)**	**(638)**

The impact on EBITDA is equal to the impact on EBIT.

Adjusted EBIT reconciliation - EBIT first half 2020

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

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

Saipem Group - Adjusted income statement

Year 2020	(€ million)	First half 2020	First half 2021	% Ch.
7,342	**Adjusted core business revenue**	**3,675**	**3,200**	**(12.9)**
12	Other income and revenue	2	2	
(5,185)	Purchases, services and other costs	(2,487)	(2,654)	
(7)	Net reversals of impairment losses (impairment losses) on trade receivables and other assets	(5)	(50)	
(1,548)	Payroll and related costs	(830)	(764)	
614	**Adjusted gross operating profit (EBITDA)**	**355**	**(266)**	**n.s.**
(591)	Depreciation, amortisation and impairment losses	(313)	(249)	
23	**Adjusted operating profit (loss) (EBIT)**	**42**	**(515)**	**n.s.**
(166)	Net financial (income) expense	(95)	(56)	
37	Net gains (losses) on equity investments	10	(25)	
(106)	**Adjusted pre-tax profit (loss)**	**(43)**	**(596)**	**n.s.**
(143)	Income taxes	(74)	(60)	
(249)	**Adjusted profit (loss) before non-controlling interests**	**(117)**	**(656)**	**n.s.**
(19)	Profit (loss) attributable to non-controlling interests	(15)	-	
(268)	**Adjusted net profit (loss) for the year**	**(132)**	**(656)**	**n.s.**

Adjusted operating profit and costs by function

Year 2020	(€ million)	First half 2020	First half 2021	% Ch.
7,342	**Adjusted core business revenue**	**3,675**	**3,200**	**(12.9)**
(6,630)	Production costs	(3,269)	(3,406)	
(352)	Idle costs	(188)	(136)	
(157)	Selling expenses	(82)	(85)	
(35)	Research and development expenses	(15)	(15)	
-	Other operating income (expenses)	(2)	4	
(145)	General and administrative expenses	(77)	(77)	
23	**Adjusted operating profit (loss) (EBIT)**	**42**	**(515)**	**n.s.**

In the first half of 2021, the core business revenue for the Saipem Group was €3,200 million, a decrease of €475 million compared to the first half of 2020, reflecting a slowdown, especially for engineering and construction operations, mainly due to the continuation of the effect of the COVID-19 emergency on operations, with delays in the projects execution and postponement of investment decision in the relevant sectors; the suspension of the onshore LNG project in Mozambique; specific operational issues of an offshore windfarm project in the North Sea.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €3,406 million, representing an increase of €137 million over the first half of 2020, due to the extra costs incurred on some projects in the Engineering & Construction sector.
Idle costs decreased by €52 million compared to the first half of 2020, mainly as a consequence of the postponement of some projects due to the COVID-19 pandemic. Selling expenses, €85 million, were €3 million higher.
The research and development expenses recognised as operating costs, equal to €15 million, and general expenses, equal to €77 million, were essentially in line with those incurred in the first half of 2020.

Offshore Engineering & Construction

Year		First half	
2020	(€ million)	**2020**	**2021**
2,749	Core business revenue	1,485	1,032
(2,514)	Cost of sales	(1,312)	(1,303)
235	Adjusted gross operating profit (EBITDA)	173	(271)
(297)	Depreciation and amortisation	(156)	(124)
(62)	Adjusted operating profit (loss) (EBIT)	17	(395)
(116)	Impairment losses and restructuring expenses	(55)	(33)
(178)	Operating result (EBIT)	(38)	(428)

Revenues for the first half of 2021 amounted to €1,032 million, down 30.5% compared to the same period of 2020, due mainly to lower volumes recorded in Africa and the Middle East, partly offset by the greater volumes recorded in the Europe and in the United States.
The cost of sales, €1,303 million, despite lower volumes, is essentially in line with the first half of 2020, following operational issues on a windfarm project in the North Sea.
The adjusted gross operating profit (EBITDA) for the first half of 2021 is a negative €271 million compared to the positive figure of €173 million in the same period of 2020, contributing to 11.6% of the revenue. The result is affected by the already mentioned operational issues and the absence of recently acquired contracts replacing the projects completed in 2020.
Depreciation and amortisation are lower by €32 million compared to the first half of 2020, due to the termination of a vessel leasing contract by a third party.
The operating loss (EBIT) for the first half of 2021 was €428 million, after recognising the cost of the COVID-19 healthcare emergency for €26 million and restructuring expenses for €7 million.

Onshore Engineering & Construction

Year		First half	
2020	(€ million)	**2020**	**2021**
3,882	Adjusted core business revenue	1,769	1,843
(3,689)	Cost of sales	(1,705)	(1,913)
193	Adjusted gross operating profit (EBITDA)	64	(70)
(78)	Depreciation and amortisation	(41)	(35)
115	Adjusted operating profit (loss) (EBIT)	23	(105)
(96)	Impairment losses and restructuring expenses	(60)	(83)
19	Operating result (EBIT)	(37)	(188)

Revenues for the first half of 2021 amounted to €1,843 million, up 4.2% compared to the same period of 2020, due mainly to higher volumes recorded in Sub Saharan Africa largely offset by the lower volumes recorded in the Middle East.
The cost of sales, €1,913 million, was €208 million higher than the first half of 2020, essentially in line with the higher levels of activity.
The adjusted gross operating profit (EBITDA) for the first half of 2021 was negative for €70 million, compared to the positive figure of €64 million of the corresponding period of 2020, equal to 3.6% of revenue; the margins are affected by the suspension of the LNG contract in Mozambique and the additional costs of the extended time of execution of a project in the Middle East due to the consequences of COVID-19.
Depreciation and amortisation amounted to €35 million, down €6 million compared to the corresponding period of 2020, mainly due to the lower depreciation following the impairment of a base in the previous year.
The operating loss (EBIT) for the first half of 2021 was a €188 million loss, and included the accrual of the costs for legal disputes for approximately €75 million, from the activity of periodic legal monitoring of the evolution of the overall litigation, expenses incurred for the COVID-19 health emergency for €3 million and restructuring expenses for €5 million.

Offshore Drilling

Year		First half	
2020	(€ million)	**2020**	**2021**
294	Core business revenue	185	167
(221)	Cost of sales	(122)	(122)
73	Adjusted gross operating profit (EBITDA)	63	45
(89)	Depreciation and amortisation	(50)	(31)
(16)	Adjusted operating profit (loss) (EBIT)	13	14
(629)	Impairment losses and restructuring expenses	(623)	(4)
(645)	Operating result (EBIT)	(610)	10

Revenues for the first half of 2021 was €167 million, down 9.7% compared to the same period in 2020, due mainly to the lower contribution of the Saipem 10000 drilling ship, in stand-by rate during the first quarter, and the jack-up Perro Negro 8, idle during the first half of the year, only partly offset by the higher operativity of the semi-submersible platform Scarabeo 8.
The cost of sales was equal to €122 million, unchanged from the same period of 2020.
The adjusted gross operating profit (EBITDA) for the first half of 2021 was €45 million, equal to 26.9% of revenue. This was down from €63 million, or 34.1% of revenue in the corresponding period of 2020.
Depreciation and amortisation amounted to €31 million, down €19 million compared to the corresponding period of 2020, mainly due to the lower depreciation on impaired assets recorded in the previous year.
The operating profit (EBIT) for the first half of 2021 was €10 million, after recognising the cost of the COVID-19 healthcare emergency for €4 million.

Onshore Drilling

Year		First half	
2020	(€ million)	**2020**	**2021**
417	Core business revenue	236	158
(304)	Cost of sales	(181)	(128)
113	Adjusted gross operating profit (EBITDA)	55	30
(127)	Depreciation and amortisation	(66)	(59)
(14)	Adjusted operating profit (loss) (EBIT)	(11)	(29)
(27)	Impairment losses and restructuring expenses	(15)	(3)
(41)	Operating result (EBIT)	(26)	(32)

Revenues for the first half of 2021 amounted to €158 million, down 33.1% compared to the same period of 2020, due to lower activity in Saudi Arabia.
The cost of sales, equal to €128 million, was lower compared to the first half of 2020, in line with the lower volumes.
The adjusted gross operating profit (EBITDA) for the first half of 2021 amounted to €30 million, equal to 19.0% of revenues. This was down from €55 million, or 23.3% of revenue in the corresponding period of 2020.
Depreciation and amortisation amounted to €59 million, down €7 million compared to the corresponding period of 2020, mainly due to the lower depreciation of the vessels impaired in the previous year.
The operating loss (EBIT) for the first half of 2021 was €32 million, after recognising the cost of the COVID-19 healthcare emergency for €3 million.

Balance sheet and financial position

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

The reclassified consolidated statement of financial position aggregates asset and liability amounts from the statutory statement of financial position by function, under three basic areas: operating, investing and financing. Management believes that the reclassified statement of financial position provides useful information that helps investors to assess Saipem's capital structure and to analyse its sources of funds and investments in non-current assets and working capital.

June 30, 2020		(€ million)		Dec. 31, 2020		June 30, 2021
	3,450	Property, plant and equipment		3,284		3,242
	395	Right-of-Use assets		288		265
	698	Net intangible assets		701		698
	4,543			**4,273**		**4,205**
2,870		*- Offshore Engineering & Construction*	*2,740*		*2,705*	
554		*- Onshore Engineering & Construction*	*530*		*516*	
594		*- Offshore Drilling*	*552*		*564*	
525		*- Onshore Drilling*	*451*		*420*	
	118	Equity investments		140		99
	4,661	**Non-current assets**		**4,413**		**4,304**
	120	**Net current assets**		**(2)**		**(537)**
	(239)	Employee benefits		(237)		(215)
	-	**Net assets held for sale**		**-**		**-**
	4,542	**Net capital employed**		**4,174**		**3,552**
	3,132	Equity		2,923		2,130
	50	Non-controlling interests		25		25
	901	Net financial debt pre-IFRS 16 lease liabilities		872		1,101
	459	Lease liabilities		354		296
	1,360	**Net debt**		**1,226**		**1,397**
	4,542	**Funding**		**4,174**		**3,552**
	0.28	**Leverage pre-IFRS 16 (net borrowing/equity + non-controlling interests)**		**0.30**		**0.51**
	0.43	**Leverage post-IFRS 16 (net borrowing/equity + non-controlling interests)**		**0.42**		**0.65**
	1,010,977,439	Number of shares issued and outstanding		1,010,977,439		1,010,977,439

(1) See "Reconciliation of reclassified balance sheets used in the management report with the mandatory financial statements" on page 81.

Management uses the reclassified statement of financial position to calculate key ratios such as the Return On Average Capital Employed (ROACE) and leverage (used to indicate the robustness of the group's capital structure).
Non-current assets as of June 30, 2021 stood at €4,304 million, down by €109 million compared to December 31, 2020. The change derives from capital expenditure in tangible and intangible investment, and equity investments for €135 million, from the increase of the leased Right-of-Use assets for €31 million, from depreciation and amortisation for €249 million, disinvestments and write off for €6 million, decrease in the equity investments measured using the equity method for €25 million and dividends for €21 million, and the net positive effect deriving mainly from the translation of financial statements denominated in foreign currencies, as well as other changes, for €26 million.
Net current assets have increased by €535 million, going from a negative balance of €2 million as of December 31, 2020, to a negative balance of €537 million as of June 30, 2021.
Employee benefits amount to €215 million, a decrease of €22 million since December 31, 2020, due to utilisation of the restructuring expenses.
As a result of the above, **net capital employed** has decreased by €622 million to €3,552 million as of June 30, 2021, from €4,174 million as of December 31, 2020.
Equity, including non-controlling interests, amounts to €2,155 million as of June 30, 2021, following a decrease of €793 million since December 31, 2020. This reduction reflects the loss for the period (€779 million), the negative effect of the change in fair value of the derivatives that hedge exchange-rate and commodity-price (€46 million) and the positive effect of translating financial statements denominated in foreign currencies and other changes (€32 million).
Net financial debt pre-IFRS 16 lease liabilities amounts to €1,101 million as of June 30, 2021, up by €229 million since December 31, 2020 (€872 million) mainly due to the slowdown of some projects and the postponement of

the contribution of recently acquired projects. Net debt inclusive of IFRS 16 lease liabilities (€296 million) amounted to €1,397 million.

Analysis of net financial debt

June 30, 2020	(€ million)	Dec. 31, 2020	June 30, 2021
(64)	Non-current loan assets	(66)	(75)
627	Non-current bank loans and borrowings	584	521
1,495	Non-current bonds and other financial liabilities	1,993	1,992
2,058	**Net medium/long-term financial debt**	**2,511**	**2,438**
(1,443)	Cash and cash equivalents	(1,687)	(1,653)
(83)	Financial assets measured at fair value through OCI	(68)	(56)
(2)	Other current loan assets	(342)	(495)
(199)	Current bank loans and borrowings	387	265
540	Current bonds and other financial liabilities	71	602
30	**Net short-term debt (liquid funds)**	**(1,639)**	**(1,337)**
(1,157)	**Net financial debt (liquid funds) pre-IFRS 16**	**872**	**1,101**
901	**Net current lease liabilities**	**135**	**97**
130	**Net non-current lease liabilities**	**219**	**199**
329	**Net financial debt (liquid funds)**	**1,226**	**1,397**

Cash and cash equivalents include: (i) cash and cash equivalents of €515 million in current accounts of projects executed in partnership or joint venture; (ii) cash and cash equivalents of €210 million in current accounts denominated in currencies subject to movement and/or convertibility restrictions; (iii) cash and cash equivalents amounting to €4 million in current accounts frozen or subject to restrictions for a total of €729 million.
See Note 20 "Analysis of net financial debt" for the related disclosure on net financial debt required by Consob Communication No. 5/21 of April 29, 2021.

Statement of comprehensive income

	First half	
(€ million)	2020	2021
Profit (loss) for the period	**(870)**	**(779)**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges	20	(60)
- change in the fair value of financial assets, other than equity investments, with effects on OCI	-	-
- review of employee benefit plans	(2)	10
- exchange differences arising from the translation into euro of financial statements currencies other than the euro	(6)	(24)
- income tax on items of other comprehensive income	(4)	11
Other comprehensive income (expense)	**(8)**	**(15)**
Comprehensive income (expense) for the period	**(862)**	**(794)**
Attributable to:		
- owners of the parent	(878)	(794)
- non-controlling interests	16	-

Equity including non-controlling interests

(€ million)	
Equity including non-controlling interest as of January 1, 2021	**2,948**
Comprehensive income for the period	(794)
Dividends distributed to Saipem shareholders	-
Dividends distributed by other subsidiaries	-
Sale (re-purchase) of treasury shares net of fair value of the incentive plans	-
Purchase of non-controlling interests	-
Share capital increase net of charges	-
Other changes	1
Total changes	**(793)**
Equity including non-controlling interests as of June 30, 2021	**2,155**
Attributable to:	
- owners of the parent	2,130
- non-controlling interests	25

Reclassified statement of cash flows [1]

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

Year		First half	
2020	(€ million)	**2020**	**2021**
(1,136)	Profit (loss) for the period	(885)	(779)
19	Non-controlling interests	15	-
	Adjustments:		
1,316	Depreciation, amortisation and other non-monetary items	941	201
(8)	Net (gains) losses on disposals of assets	1	-
272	Dividends, interest and income taxes	146	114
463	**Cash flows generated by operating activities before changes in working capital**	**218**	**(464)**
(72)	Changes in working capital related to operations	(203)	556
(268)	Dividends received, income taxes paid, interest paid and received	(151)	(78)
123	**Net cash flows from operating activities**	**(136)**	**14**
(322)	Capital expenditure	(195)	(135)
(4)	Investments in equity, consolidated subsidiaries and business units	-	-
16	Disposals and partial sales of investments in consolidated companies, business units and property, plant and equipment	1	2
-	Other changes related to financing activities	-	-
(187)	**Free cash flows**	**(330)**	**(119)**
(153)	Net change in receivables and securities held for non-operating purposes	(14)	(148)
(27)	Changes in short and long-term loans and borrowings	(380)	342
(126)	Repayments of lease liabilities	(78)	(85)
(16)	Sale (repurchase) of treasury shares	(16)	-
(69)	Cash flow from capital and reserves	(10)	(26)
(7)	Changes in consolidation and exchange differences on cash and cash equivalents	1	2
(585)	**NET CASH FLOWS FOR THE PERIOD**	**(827)**	**(34)**
(187)	**Free cash flows**	**(330)**	**(119)**
(126)	Repayments of lease liabilities	(78)	(85)
(16)	Sale (repurchase) of treasury shares	(16)	-
(69)	Cash flow from capital and reserves	(10)	(26)
(2)	Exchange differences on net financial debt and other changes	5	1
(400)	**CHANGE IN NET FINANCIAL DEBT PRE-LEASE LIABILITIES**	**(429)**	**(229)**
-	Effect of first-time adoption of IFRS 16	-	-
110	Financing/closing for the period	69	(26)
126	Repayments of lease liabilities	78	85
20	Exchange differences and other variations	4	(1)
256	Change in lease liabilities	151	58
(144)	**CHANGE IN NET FINANCIAL DEBT**	**(278)**	**(171)**

(1) See "Reconciliation of reclassified balance sheets used in the management report with the mandatory financial statements" on page 81.

Net cash flows from operating activities of €14 million net of the negative cash flow from capital expenditure and other investments in shares, consolidated companies and divisions amounting to €135 million, and of the positive flow of disposals and partial disposals of consolidated equity investments, divisions and tangible assets amounting to €3 million, resulted in negative **free cash flow** of €119 million.

Repayments of lease liabilities generated a negative effect for €85 million; **cash flow from capital and reserves** showed a negative balance of €26 million, and was related to the payment of dividends. Exchange differences and other changes on net financial debt produced a net positive effect of €1 million.
Therefore there was a negative **change in net financial debt pre-lease liabilities** of €229 million.
The **change in lease liabilities** generated an overall effect equal to €58 million, due to the net positive effect of new financing and contract closure for €26 million in the period, to the repayments of lease liabilities for €85 million, and exchange differences and other changes totalling €1 million.
Cash flows generated by operating activities before changes in working capital of -€464 million related to:

- the negative result for the period of €779 million;
- depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets and Right-of-use by third party of €249 million, the positive valuation of investments measured using the equity method of €25 million, the negative change in employee benefits of €13 million partly and the exchange differences and other negative changes for €60 million;
- net financial expense of €54 million and income taxes of €60 million.

The change in working capital related to operations, for €556 million, was due to financial cash flows of projects underway.
Dividends received, income taxes paid, interest paid and received during the first half of 2021 were negative for €78 million and were mainly related to income taxes paid net of tax credits and to interest paid. Capital expenditure during the period amounted to €135 million.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted profit (loss) for the period before non-controlling interest, less net financial expense less the related tax effect and net average capital employed. The tax rate applied to financial expense is 24%, as per the applicable tax legislation.

Return On Average Operating Capital (ROACE)

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

		Dec. 31, 2020	June 30, 2020	June 30, 2021
Profit (loss) for the period	(€ million)	(1,117)	(818)	(1,026)
Exclusion of net financial expense (net of tax effects)	(€ million)	166	155	127
Unlevered net profit (loss) for the period	(€ million)	(991)	(663)	(929)
Capital employed, net:	(€ million)			
- at the beginning of the period		5,207	5,603	4,542
- at the end of the period		4,174	4,542	3,552
Average capital employed, net	(€ million)	4,691	5,073	4,047
ROACE	(%)	**(21.13)**	**(13.07)**	**(22.96)**
Return On Average Operating Capital	(%)	**(21.13)**	**(13.17)**	**(22.96)**

Net financial debt and leverage

Saipem management uses leverage ratios to assess the soundness and efficiency of the Group's capital structure in terms of an optimal mix between net borrowings and equity, and to carry out benchmark analyses against industry standards. Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and equity, including non-controlling interests.

	June 30, 2020	June 30, 2021
Leverage pre-IFRS 16	0.28	0.51
Leverage post-IFRS 16	0.43	0.65

Non-IFRS measures

Some of the performance indicators used in the "Interim Directors' Report" are not included in the IFRS (i.e. they are what are known as non-IFRS measures).
Non-IFRS measures are disclosed to enhance the user's understanding of the Group's performance and are not intended to be considered as a substitute for IFRS measures.
The non-IFRS measures used in the "Interim Directors' Report" are as follows:

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

BUSINESS SUSTAINABILITY

Vision and principles

The policies adopted and approved by the Board of Directors which inspire the company conduct on the overall topic of sustainable development, from the environment to health and safety, to human rights, business ethics, business strategy for energy transition and technological innovation as a tool to provide sustainable solutions to the market, are key elements shaping Saipem's sustainable business vision, together with the promotion of dialogue and relationships with the stakeholders, in order to help create a shared value as a socio-economic development factor in Saipem's areas of operation.
In this regard, Saipem is a member of important international initiatives, such as the United Nations Global Compact aimed at promoting respect for ten fundamental principles in the field of Human and Labour Rights, environmental protection and the fight against corruption, in order to contribute, within its business role, to achieving the 2030 Sustainable Development Goals (SDGs).

Stakeholder engagement

The identification and involvement of stakeholders, both through a disclosure according to the highest international standards and the current regulations on non-financial reporting, and through targeted initiatives with all bearers of legitimate interests, are key aspects of Saipem's sustainability strategy. Transparency and dialogue with all stakeholders are the tools through which values and reciprocal benefit can be engendered. This general approach was defined in order to strengthen the licence to operate of the company and its role as provider of innovative and sustainable design and plant engineering which make it possible to achieve the decarbonisation goals of the manufacturing industries served by the company, from energy to infrastructures, and ensure Saipem's lasting presence and an efficient implementation of its operations in the regions.
Consistently with this sustainable business model, and despite the lasting effects of the pandemics generated by the COVID-19 virus, most of the Company's dialogue activities on Sustainability continued.
Saipem also continued to engage with the financial community during the first half of 2021, dedicating increased attention to ESG (Environmental, Social and Governance) and sustainability matters. In addition, the Company participated in the activities of trade associations like Animp (Associazione Nazionale Italiana di Impiantistica - National Plant Engineering Association), financial bodies (Borsa Italiana) and professional groupings, such as the CSR Manager Network, as well as several one-to-one meetings with analysts and investors.
The positioning of the Company in terms of its sustainability ratings was confirmed by inclusion in Euronext Vigeo Eiris indices, Europe 120 and Eurozone 120, which comprise the 120 European companies with the best ESG performance among those with the largest float on the Eurozone and European stock markets; additionally, positive ratings were obtained from the principal rating agencies. This progress confirms the inclusion of Saipem in a number of sustainability indices during 2020, such as the Dow Jones Sustainability Index (2021 assessment already completed) and FTSE4Good.

Sustainability reporting

On March 12, 2021, the Board of Directors of Saipem approved the document "Ready for the transition - Enabling a green future", 15th voluntary sustainability budget of the Group, which describes the strategies and actions pursued in addressing the four fundamental challenges faced by leaders of the energy transition: the role of innovation in the new energy scenarios; the contribution made to reducing the carbon footprint of their customers, the safe management of personnel and operations; the creation of shared value. This document also represents the "Communication on Progress" (COP), required for the participation in the UN Global Compact.
In compliance with Legislative Decree No. 254/2016 on the non-financial disclosures of public entities, which implements Directive No. 95/2014 in Italy, Saipem has produced the third "Consolidated Non-Financial Statement" (NFS) 2020, also approved by the Board. This document provides information on the management of non-financial matters, presented in a separate section of the "Report on operations", and describes the Group's policies, activities, main results and impacts generated during the year using indicators and trend analysis.
With a view to ensuring the maximum reliability and credibility of the non-financial disclosures published, Saipem has expanded the 2020 scope of the System of Internal Control to include the non-financial disclosures made, a tool supporting the non-financial reporting ensuring the reliability and accuracy of the large volume of Company's data.
During the first half of 2021, Saipem has started work on the preparation of its fourth "Climate Change" document, applying the guidelines of the Task Force on Climate Related Financial Disclosure (TCFD) of the G20 Financial Stability Board. This report contains analyses, policies, strategies, actions and metrics, describing the management

of risks, opportunities and technological initiatives in order to highlight the business impact of various climate change and energy transition scenarios.
Lastly, on June 30, 2021, the Board of Directors approved the "Saipem Modern Slavery Statement 2020" in compliance with the UK Modern Slavery Act, which describes the policies and actions taken by the Group to measure and strengthen the systems and processes which ensure respect for Human Rights and Workers' Rights, as well as to prevent forms of modern slavery and human trafficking both directly and throughout the supply chain.
All the above documents are available in the "Sustainability" section of the corporate website www.saipem.com.

RESEARCH AND DEVELOPMENT

Technology innovation, one of Saipem's strategic pillars, is a key lever to drive the Company faster towards the future of novel and fully decarbonised, clean energies. Saipem acts now as a Global Solutions Provider to the whole energy industry, able to provide concrete innovative tools to our clients to solve complex challenges, especially those linked to the energy transition. It is a deep mutation process with many actors of the energy sector that are accelerating on the transition while at the same time reducing the weight of their traditional business. In this respect, selective access to new technology is decisive to grant the Company a competitive advantage in offering winning sustainable solutions.

In this context, Saipem in collaboration with Politecnico di Milano, has developed a new methodology to track and measure the value generated by technology innovation inside the executed projects, in relation to the sustainable development of the business and in line with the Company's ESG objectives. This innovative tracking and measurement system was tested also on recent projects, with different business models and sequences. The method, under further development, represents a step forward and a helpful tool to support stakeholders' involvement in the innovation initiatives and at the same time resource allocation in order to maximise the return of the technological innovation, which are both key factors for a sustainable business strategy, even in a typical business model based on the execution of projects.

The first part of the report covers division-specific activities, and the second part focuses on cross-divisional initiatives, like those related to energy transition, except for offshore windfarm which is discussed in the first section.

Moving to a detailed description of the divisions' activities, the **Offshore Engineering & Construction Division** has been reorganised to support the business units "SURF", "Offshore Facilities and Pipelines" and "New Energies" respectively. To better respond to the new energy transition challenges and sudden changes of the global scenario, the adequacy and functionality of marine technologies and their recent developments continues to be investigated in relation to the business strategies. The focus has been on technologies capable to ensure a reduction of the development costs of the Oil&Gas Offshore fields; in addition, a specific attention was paid to the decarbonisation of the Oil&Gas activities offshore and the sudden rise of new business opportunities related to energy transition.

In order to support its leadership ambition in design and construction for offshore wind farms, the business unit "New Energies" is supervising key technologies to enable EPC e T&I projects of the three main types of fixed foundation infrastructures: "Gravity-Based Structures (GBS)", "monopiles" and "jacket foundations".
For the ongoing project "Fécamp", Saipem is consolidating its capacities for special operations for GBS transportation and lifting. For the project "Courseules" Saipem introduced and tested a new procedure for seabed preparation together with special tools for the installation. In order to respond in an innovative way to the challenges of the Neart na Gaoithe" (NnG), "Formosa II" and "Seagreen" projects, Saipem made large investments in its Karimun construction site, in Indonesia, to transform the traditional construction process for the foundations and load-bearing structures of offshore platforms in a new standardised and serial process for the construction of foundations and load-bearing structures for offshore wind farms.

The development of Saipem proprietary technology for offshore floating windfarms, HexaFloat^{TM}, continues through the Interregional North-West Europe AFLOWT project, for which the engineering studies and the detail design have been completed. In order to ensure the possibility of implementation on an industrial scale by the end of 2023, the demo rig was moved from the West coast of Ireland to the new test site called "MISTRAL", off the coast of Marseille, in collaboration with Valeco, EnBW subsidiary. The new location in the test site "MISTRAL" makes it possible to reach the project objectives getting the HexaFloat technology ready for marketing, allowing to show its competitivity in terms of costs and resistance and performance in extreme conditions. Saipem is also participating in the programme called "FLOATECH", recently granted by the EU in the context of "Horizon 2020", to increase competitiveness in terms of cost of the energy produced by the offshore wind farms, by improving the aero-hydro coupled modelling and by developing active control techniques.
Together with Consiglio Nazionale delle Ricerche (CNR) Saipem also continues the development of a smaller scale HexaFloat^{TM} which will be installed in the second half of 2021, in a sea laboratory in front of Naples managed by both CNR-INM and the University of Campania "Luigi Vanvitelli".
Finally, the acquisition of activities and skills in semi-submersible technologies for the Naval Energies offshore wind farms, strengthens the strategic placement of Saipem as operator in the promising area of floating offshore wind farms.

Within the "SURF" (Subsea, Umbilicals, Risers and Flowlines) unit of the Offshore Division, fully dedicated to underwater activities and infrastructures in deep water, the development and industrialisation of the subsea robotic

Hydrone platform continue. The first Hydrone-R vehicle has been delivered to Equinor, as part of the first ever "Life of Field" contract for an Underwater Intervention Drone, covering 10 years of service in the Equinor "Njord" field off the coast of Trondheim, with the new Hydrone-R and Hydrone-W. The Hydrone-R was tested in the subsea base located off the coast of Trieste, and before being used in the field, passed the functional integration tests with Equinor's SDS (universal Subsea Docking Station). Hydrone-R recently won the "Spotlight on New Technology" award in May 2021 during the OTC (Offshore Technology Conference). This award is granted to the most innovative technologies which contribute to the progress and the future of marine energy. This result is a confirmation of the essential role this new generation of subsea drones have in this specific time of overall transition of the marine energy market. The industrialisation of Hydrone-W is ongoing with a dedicated investment. This vehicle, a work-class full electric ROV, will be equipped with a revolutionary powertrain and power management system, that minimises the energy consumption during operations. It is designed to operate also from unmanned platforms, controlled from land. The development of "Flatfish", another vehicle from the Hydrone platform, is also ongoing; specifically, an advanced autonomous underwater vehicle with artificial intelligence and underwater residence capability. The construction of the first prototype and its garage was completed in the Sonsub technological development site in Marghera, Italy. An immersion test is now ongoing and will be completed at the end of 2021. An industrial project for the further development of the advanced self-management capability of "Flatfish" will be launched in Brazil in 2022.
The whole Hydrone platform will benefit also from more advanced functions which, combined with subsea wireless networks, will improve the continuous and detailed inspection capacity, and allow more efficient data collection; those additional developments have already attracted the interest of several international players. To this end, Saipem completed the remote control tests, in low latency conditions, on its ROV (Remotely Operated Vehicle) "Innovator" operating on the "Saipem 7000" ship station in the Marghera waters and piloted by a drilling rig located in the Norwegian sea. In addition, Saipem is participating in the "AIPlan4EU" Horizon 2020 programme, recently granted by the European Union, for the joint development of an artificial intelligence software for automatic mission planning, to be used also on our Hydrone platform. On the same topic, Saipem is a member of the programme "SPARC partnership for robotics in Europe". Finally, Saipem is developing the pilot for an oil company, for the application of a self-powered buoy for environmental monitoring, and marine flora and fauna monitoring in Brazil.

Saipem is also developing the industrial platform called "Subsea Factory Solutions", consolidating the associated supply chain with a number of specific agreements (with Total, Siemens, Curtiss Wright, Veolia and other technology providers). That activity contributes to the realisation of the vision related to marine fields electrification, which includes the presence of subsea infrastructures connected by electric lines and optical fibres, in place of complex electro-hydraulic umbilical to actuate the valves. This programme also includes the subsea storage and injection of chemicals, and the relative technologies currently under industrialisation and qualification. The SPRINGS™ programme for water treatment and injection is at an advanced step of qualification (with Total and Veolia). A major client recently awarded Saipem with a study to evaluate its application to the decarbonisation a subsea field. The qualification of numerous machines and subcomponents is in progress to allow the combination of several configurations of use. At the same time other subsea process technologies are at a development stage: The HiSep™ subsea separation of dense-phase CO_2 from oil, now under scale testing for Petrobras (owner of the technology); the SpoolSep technology for separation and cleaning of water produced together with oil, for which a further joint development step is under discussion with several clients. In addition, Saipem Fluideep™ system was developed for subsea storage and additive injection. In order to overcome limitations to the development of simplified architectures for subsea fields, due to limitations related to fluid transportation, Saipem is studying subsea units for the dehydration of the gases produced.
In the area of subsea service, repairs and maintenance, Saipem is qualifying, with a third party certification authority, a submarine mechanical end connector ("Seal & Grip"), to replace and repair damaged pipe sections; that solution is currently the only one adopting a "metal-to-metal" seal capable of ensuring permanent repairs of pipes with noble coatings, polymer coatings and/or operating in presence of H_2S (hydrogen sulfide).
Regarding optimisation of the production schemes and architectures for subsea oil fields, Saipem is studying and adopting the integration of machinery and solutions which ensure the reduction of the costs associated with the development, implementation and connection, in existing fields, of new wells located at a great distance and, if possible and sustainable, hybridisation by powering them with renewable energy harvested around the field itself. For instance, solutions are under study for the integration of power generation systems powering the control and storage and additive injection systems, with floating wind turbines or other innovative renewable marine sources, to decarbonise and reduce the costs for the development and management of marine oil fields.

For the interconnection pipe systems of the subsea fields, new solutions and new material combinations are being developed to reduce the costs of investment and operation, such as the use of internal polymeric coatings replacing noble coatings for water injection pipes.
In the same area, Saipem is completing the development of innovative heating systems, such as the direct electric heating system "Pipe in Pipe" (DEH PiP) and the modular induction heating system for convoluted interconnection pipelines. The DEH PiP proprietary system efficiently uses the low voltage skin effect, ideal for large diameters and lengths of pipelines. New materials were also validated for the thermal wet isolation of subsea structures working at high temperature and in ultra-deep waters. In Brazil, a booming deep-water market, new R&D initiatives have been

launched on "risers" systems, for fluid transportation, to replace ageing flexibles with mechanically lined SLWRs (Steel Lazy Wave Risers), developing lightweight Pull-In tubes, to adapt to existing FPSOs, originally designed for flexible hang-in systems. The R&D initiatives relate also to the study of new competitive lining materials for protection of hydrocarbon risers against corrosion. The Company is also studying and experimenting, in collaboration with MIT, the application of artificial intelligence procedures for the optimisation of the "risers" systems design. This area also includes the development of the configuration "Single Independent Riser" (SIR) for the extension of its applicability to the medium-deep water range around 2,000 metres and not only to ultra-deep water.

Regarding the business unit "Offshore Facilities and Pipelines" the technical requirements increasingly more challenging coming from our clients push us to optimise our diversified technology portfolio to keep a competitive advantage in the mega projects segment, like the one recently acquired in Qatar, called "North Field Production Sustainability Pipelines Project". A key element in this prospective is the ongoing improvement of the technologies related to rigid metallic pipelines, developed at our Ploiesti Technology Centre (PTC) in Romania. Some of newest welding, NDT (Non Destructive Testing) and FJC (Field Joint Coating) technologies have been applied also on the Liza field development programme in Guyana and in several projects in the Middle East on clad welding pipes, on multiple-joint prefabrication on board pipelay vessels and on FJC processes.

Saipem completed a multi-year programme for the robotization and digitalisation of its proprietary welding technologies, NDT and FJC, completing the creation of the smart FJC digital twin and the welding simulator for welders training. Thanks to this, all automatic FJC systems at the Ploiesti site can now be controlled and managed remotely, generating data which are acquired and processed automatically. Among these there are some recently developed, and now ready to operate: SHINKRA, a unit for application of heat shrinkable sleeves on pipes; SINCRO, a system for the internal coating of girth welds; SANDI, a sandblasting unit, and SARCHOS, a "Heat & Coat" unit for the application of heat coatings from sintered powders, appropriate also for large diameter pipes.
Special attention was given to the development of equipment with a double key role in ensuring productivity and low installation costs, such as the Integrated Acoustic Unit for the research and automatic detection of defects in pipes and the anti-flooding equipment, both used during the launch of the pipes offshore.

The Offshore Division, in collaboration with other divisions, pursues diversification plans and opportunities:
- continuing the development of the SDO-SuRS (Special & Diving Operations - Submarine Rescue Ship) for rescuing divers in collaboration with Drass, a leading company in submarine and hyperbaric crewed technology, was selected by Marina Militare Italiana (the Italian Navy) for the equipment of SDO-SuRS, the new vessel for the rescue of submarines. The system integrates a latest generation remote operated vehicle, acting as a vector for navigation and control, with a rescue capsule bringing submariners back to the surface through a controlled habitat in total safety. Other non-military applications are under study to maximise the use of the know-how developed in this area;
- developing a new cutting system capable of reducing risks and increasing operation efficiency for the decommissioning of oil production platforms;
- conducting the conceptual study for the Messina Strait Crossing Tunnel, in cooperation with the Onshore E&C and XSIGHT divisions. That application requires the use of anchoring systems and seismic joints with a design derived from the designs applied in the oil industry. In the same field, Saipem through its Norwegian sister company Moss Maritime, has also been involved in the Biornafjord floating bridge project in Norway;
- finally, on behalf of Nova Sea, working on a study on the detail feasibility of an innovative closed containment offshore fish farm concept developed for harsh environmental conditions.

Within the design of subsea systems, the **XSIGHT Division** is following some significant initiatives for the development of an integrated market range, aiming the early engagement of clients, including:
- design, development and digital display of subsea systems, in the conceptual phase;
- innovative design procedures for subsea systems through the use of the SpiDev platform, web-based subsea design platform capable of optimising the operations flow related to design and construction projects;
- application of "production assurance" advanced solutions through the use of the OLGA software for modelling and thermal-hydraulic dynamic modelling of the subsea field architectures.

XSIGHT is also developing algorithms and software in-house, based on the principles of Artificial Intelligence, useful for defining key parameters and monitoring project execution, including:
- software able to quickly and automatically analyse contractual documentation, both of a technical nature and otherwise, retrieving key information to facilitate compliance of design and execution with the contractual requirements and constraints;
- the "XMachine" platform for the use of data analytics and AI applications, aiming to increase efficiency in executing repetitive tasks, enhance the quality of project deliverables and capitalise the information and data generated during the execution.

The **Onshore Engineering & Construction** and **XSIGHT Divisions** have together pursued the monetisation of natural gas and on decarbonisation processes, taking advantage of the solid expertise on the subject to maximise the efficiency of the entire value chain. To this end, a multi-year plan is in progress to keep the proprietary technologies at the highest level of competitiveness.

Relevant to the fertiliser production technology “Snamprogetti™ Urea”, the ongoing activities include:
> enlarging our portfolio of high-end solutions with the introduction of the Snamprogetti™ SuperCups trays, which drastically increase the mixing efficiency of the reactant phases, optimising the product conversion rate and significantly reducing the associated CO_2 emissions; several new or “revamped” facilities, are or will be adopting the SuperCups trays;
> providing complete solutions to operating plants as represented by the acquisition of the Tuttle Prilling Bucket technology, a device adopted worldwide in Urea prilling towers for the production of high quality prills for a wide range of plant capacities;
> improving resistance to corrosion and cost reduction through the development of novel construction materials, either by traditional or additive manufacturing;
> reducing gaseous emissions using an innovative proprietary technology. A pilot plant has been constructed at Politecnico di Milano and was operated with results consistent with the expectations;
> innovative solutions for Ammonia-Urea complexes for waste water treatment under a cooperation agreement with Purammon Ltd for a highly effective removal of nitrogen and organic contaminants through a novel electrochemical technology, that allows for compliance with the most stringent environmental regulations. In order to facilitate demo opportunities at the sites of interested clients, a trial rig is under construction, containerized, with a capacity of 2 m3/h, which can easily be moved and used at the clients’ sites to show its capacity for the removal of the total equivalent of ammoniacal nitrogen (TAN) from wastewater;
> the development of the digital twin of the “Snamprogetti™ Urea” technology, in partnership with a key partner for the provision of digitalisation services, will allow to extend Saipem traditional offering, integrating remote assistance services during the rig operation, also with the purpose to reduce the carbon footprint ad maximise profit.

Efforts in the LNG (Liquefied Natural Gas) field are ongoing to define proprietary small-scale liquefaction and re-gasification of natural gas, which can become a flexible tool also for supporting sustainable mobility in the near future. The Onshore Engineering & Construction Division is working to provide support to clients in the evaluation of solutions for the reduction of CO_2 emissions of large scale LNG rigs; in this area, there were several initiatives, including a cooperation with suppliers of key equipment and technologies for the electrification of the base load absorbed by the liquefaction units. The new design concept allows the retrofitting of large electrical drives (e-drives) integrating the generation and use of renewable energy; as an option, it is possible to envision hydrogen generation units taking advantage of the excess renewable energy produced and using the hydrogen produced, mixed with natural gas, to generate power. Design solutions were also studied to integrate the production of Blue Hydrogen in the LNG units showing the possibility of its use in the gas turbine as a power mix in order to reach efficiency levels higher than 90% in CO_2 capture.
The divisions are also working on alternative solutions designed to suit the current market scenario, including LNG facilities based on the proprietary Liqueflex™ and Liqueflex™ N_2 technologies. The following key activities are in progress for the afore-mentioned applications:
> design consolidation, integration of information on equipment/suppliers and criticality assessment of maintenance of Onshore small-scale LNG solutions;
> cooperation with a partner for the development of a new low-cost containment system for small and medium-scale transportation of LNG.
Furthermore, various proprietary solutions have been identified to further lower carbon emissions in large scale LNG plants.

In relation to High Octane technologies, the activities of XSIGHT include:
> tests of the new formulation of catalyser provided by BASF for the C_8 Hydrogenation technology, involving a qualified, external laboratory (Politecnico di Milano). A pilot rig is currently under construction and the testing on the catalysts will be launched in September 2021;
> identification and investigation of new possible configurations of the etherification to lower energy intensity.

As already mentioned, the following section of the report covers cross-divisional initiatives and specifically the energy transition initiatives. In the middle term, with the goal of energy progressive decarbonisation and carbon emissions overall reduction, Saipem is involved in several activities in the following main fields.

CO_2 Management
The Onshore E&C Division is building a technology portfolio to deal either with the purification of natural gas from reservoirs with high content of CO_2, or capture of CO_2 from combustion flue gas in power generation and industrial processes. In this context, Saipem has acquired a proprietary technology for capturing CO_2 from the Canadian company CO_2 Solutions Inc (CSI). The CSI technology reduces the costs and environmental impact of capturing CO_2 from combustion, enabling its sequestration and reuse to obtain new marketable products. The technology is based on an innovative enzymatic process to capture CO_2 during which no toxic products are used or released; moreover, regeneration occurs at low temperature, with a reduction of operating costs. The technology has been

tested in a small-size commercial plant (30 tonnes CO_2 per day), included within the acquisition perimeter, in operation at the Resolute Forest Products pulp paper mill in St. Félicien (Québec). The CO_2 produced is then used in the greenhouses of a nearby farm. Following the acquisition, Saipem launched a technological optimisation programme with objectives related to installation costs and operation costs, which includes:

> the reduction of the costs of enzymes through a research and development activity dedicated to the development of a more resistant enzymatic family and with an improvement of the supply chain through agreements with various industrial providers;
> the optimisation of the size of the main equipment through the involvement of specialised suppliers and internal engineering expertise;
> the optimisation of materials made possible by the specific non-corrosive and non-toxic characteristics of the enzymes.

In order to increase the portfolio of decarbonisation solutions and create more sustainable industrial models, the Division is also ensuring access to different technologies for capturing CO_2 from the combustion flue, already used in Saipem markets.
The Division is also creating partnerships with other energy industry players to pursue jointly decarbonisation goals. In December 2020, Saipem and Eni signed a Memorandum of Understanding to identify opportunities for working together in the area of capture, transportation, reuse and storage of the CO_2 produced in the Italian industrial sectors. The goal is to contribute to the decarbonisation of entire supply chains, such as those which consume more energy, with concrete and fast actions to fight climate change and reach the national, European and global goals of CO_2 emissions reduction. An additional agreement was signed with the Norwegian company Elkem for feasibility studies in the context of the "Northern Lights" project.
Special attention was given to the decarbonisation of the so called "hard-to-abate" industries, considered more challenging because the carbon dioxide released is not only due to the heat and power generation services, but is intrinsic in the manufacturing process. For those reasons, innovative solutions are needed, and the E&C Division is already cooperating with various industrial and technological actors on those solutions; some of them are listed below:

> the sustainable conversion of high energy-consuming units in the iron and steel industry, through the agreement with Danieli and Leonardo signed in February 2021, aiming at supplying, jointly and in an integrated way, technologies and services to lower carbon emissions in the steel production process, creating a new sustainable model in compliance with new environmental protection laws;
> the paper industry decarbonisation through an active cooperation with one of the leading company in the industry, aiming at implementing innovative solutions for the integration of CO_2 capture systems in the manufacturing process and to create a value chain for the reuse of carbon dioxide based on a geographical proximity model.

In general, Saipem is active and focused on identifying all the possible opportunities and technologies for the reuse of CO_2, immediately and in the future, to support clients with local carbon valorisation solution, specially where there are no infrastructures for transportation and storage.

in the field of CO_2 transportation, Saipem is supporting an activity funded by the Norwegian Government targeting identification of non-metallic materials suitable for use in CO_2 pipelines transportation and in the context of the project "Altera Infrastructure's Stella Maris CCS" together with Equinor, Total, DNV GL, Sintef, contributing to a feasibility study on large-scale transport and injection of CO_2 in subsea exhausted reservoirs/acquifers.

Within Saipem various initiatives in the context of the "Net-Zero Emission" programme, the Onshore Division is working on lowering carbon emissions associated with the materials and equipment purchased (Green Procurement). The Division developed a tool to determine the carbon footprint of the main rig components. That solution can estimate and track the carbon footprint of the entire supply chain of an item, from the mine to the delivery to the construction site, classifying the suppliers according to the data provided. The current software version was tested on several suppliers and will become one of the "Net-Zero Emission" programme solutions.
XSIGHT is also defining the environmental "performance" of its products and licensed "utilities" using a standard LCA (Life Cycle Assessment) methodology that provides clients with a reliable and transparent quantitative assessment of their potential environmental impacts. In addition, XSIGHT is also developing the new "Design For Low Carbon" tool, which allows to quickly estimate the Carbon Footprint of Saipem products/plants and identify the most suitable minimisation solutions to reach the Net-Zero objective, in any design phase, from feasibility to EPC. The third party certification of the Carbon Footprint estimation criterion and the related calculation tool was completed in early 2021. Currently the tool digitalisation is in progress together with its transfer to the XMachine cooperative platform. The same approach will be adopted with the minimisation criterion and minimisation tools, expected by December 2021.
In addition Saipem has won the award for environmental sustainability from the International Marine Contractor Association (IMCA) in 2020 thank to an innovative tool for estimating carbon emissions in offshore projects, called SOCE (Saipem Offshore Carbon Estimation).

Hydrogen

The potential for the future use of green hydrogen or blue hydrogen in industry, mobility and other uses is currently under investigation, considering the significant industrial experience and specific know-how of the Company on the

matter. Furthermore, the technical issues linked with hydrogen transportation in pipelines, either pure or blended with natural gas, are under investigation. In this respect, but not limited to, Snam and Saipem have recently signed a Memorandum of Understanding to work together on new energy transition technologies and to develop feasibility studies related to find new solutions to transport hydrogen in both liquid and gaseous form, by using and adapting existing infrastructure and networks, as well as by shipping it by vessel.
With the desire of holding an important role in the new green hydrogen market, the Onshore E&C Division is developing electrolysis units for its clients on a large scale for hybrid industrial applications, including green ammonia and the Hydrogen Valleys.
Specifically, Saipem signed an agreement with the company Alboran Hydrogen for the promotion and construction of new plants in the Mediterranean basin for the production of green hydrogen. Three plants will be in Italy, specifically in the areas of Brindisi, Taranto and Foggia (Saipem will be the main contractor for all three plants), and will be functional to the creation and development of an Hydrogen district, the Green Hydrogen Valley Apulia in the region of Apulia, where renewable sources are widely available and the local laws promote initiatives for the production of green hydrogen. Saipem was involved from the very beginning in the project, including the steps for the selection of technologies and preparatory activities of the feasibility study, supporting the permit process and financial evaluation. The hydrogen produced will be injected in the existing methane network and/or directly transported to the sites where it will be used as feedstock with pipelines dedicated to the transportation of pure hydrogen.
Sustainable architectures are also under study for the storage and distribution systems (road transport, rail transport and maritime transport).

Also on the topic of hydrogen and carbon transport Saipem, as a global leader in pipeline design and construction, is involved in studies for the conversion of existing infrastructures to hydrogen (or carbon) transport and for the definition of international standards for the design of those pipelines in a subsea environment, also through the involvement in various JIPs promoted by the DNV body. In that context, a specific focus is placed on the related process equipment (for instance, compression and storage stations) and the prevention procedures for uncontrolled (fugitive) emissions and spills.

In addition, the production and offshore storage of green hydrogen is being considered in several feasibility studies, for offshore electrical substations or for offshore hydrocarbon fields, for instance within the "SEALHYFE" project with the start-up LHYFE which is involved in the production of hydrogen, with Chantiers de l'Atlantique and CEA. One of the topics under study is the construction of electrolyser containment modules specifically designed for the offshore environment.
Finally the Company is working on an hydrogen-powered version of the "ELEMANTA", the multiuse ship for advanced, innovative port environmental services. The concept is being discussed with several entities and actors of the port ecosystem in France and in Europe for the development of demo projects.

Biomass conversion and circular economy
A deep investigation was devoted to biofuel production processes and technologies with focus on second generation bioethanol. In this context, Saipem signed an agreement with Versalis for the joint promotion of the PROESA® technology used for the sustainable production of bioethanol and chemical derivatives from lignocellulosic biomass. Saipem and Versalis will offer integrated and technologically advanced solutions for the sustainable production of bioethanol. The PROESA® process does not use food-grade cultures, but produces second generation bioethanol through a hydrolysis process and fermentation of agricultural biomass widely available, such as waste from agricultural processes, grass cuttings and pruning and specific cultures for energy production. In addition, Saipem is active in the field of biodegradable plastics biotechnology, an area where it is pursuing partnership and business opportunities for PLA (Polylactic Acid) production from sugar biomass.

In the circular economy area an important asset for Saipem is the development of innovative solutions to sustainably waste or residual/opportunity feedstocks from the Oil&Gas industry (including plastics recycling) or from other industries such as cement, iron & steel, pulp and paper, etc., with the consequent valorisation to energy and/or valuable products. In this regard, Saipem is finalising a Memorandum of Understanding with a technology provider in order to develop a pressurized gasification technology to produce syngas from waste. In addition, the Company signed an agreement with COREPLA, an Italian consortium for the collection and recycling of plastic packaging, and with the Norwegian company Quantafuel to jointly promote circular economy models for plastic waste and work on the construction of a chemical recycling plant in Italy. Additional investigations on plastic recycling technologies are under way in order to define possible partnerships with interesting technology providers.

Renewable energies and energy storage
In addition to what was discussed above for the Offshore E&C Division on offshore wind farms, in the field of renewable energies XSIGHT is developing several solutions:
> in partnership with Equinor, a new concept of "Offshore Floating Solar Park", developed by Moss Maritime, Saipem sister company; together with Sintef, the two companies conducted tests on a small scale system;
> in partnership with QINT'X, the project called AGNES for an innovative offshore energy hub. The project is located offshore Ravenna and will include both seabed-fixed and floating offshore wind, floating solar parks, green hydrogen production and energy storage with batteries. The companies started the permit applications for the

construction of one of the largest offshore energy hubs in the world for the generation of renewable energy from solar power, wind farms and green energy. The project will include a capacity of 620 MW, the installation of 65 turbines (8 MW each) and the construction of a 100 MW floating solar park;
- in partnership with Plambeck Emirates Llc, a floating offshore wind farm located in the Saudi Arabic Coast of the Red Sea.

As regards the promising marine/ocean and high altitude wind energy sectors, some important results have already been obtained:
- collaboration is going ahead with the Finnish company, Wello Oy, which has developed an innovative Penguin technology for energy production from sea waves. The project will encompass transportation, installation and operation for 2 years of the Penguin at the Biscay Marine Energy Platform site. XSIGHT is also developing a project for the realisation of the prototype Wello 2.0 (new concept);
- the XSIGHT Division is completing the evaluation of an innovative technology capable of generating power from high altitude wind, using special "drones", also for offshore applications;
- finally, various energy storage solutions combined with Renewables for Power Generation and/or industrial plant hybridisation are under investigation. In addition, a technology for offshore long-term energy storage, patented by an external provider is being evaluated for applications integrated in offshore renewable energy production systems.

Intellectual property

Within the overall framework of technology innovation activities, Saipem filed 5 new patent applications in the first half of 2021. In addition, 32 patent families, corresponding to approximately 70 patented titles, were obtained through the acquisition of Navel Energies, mentioned above.
Furthermore, Saipem confirmed its ranking in the first ten placements, in the ranking drawn up by the European Patent Office (EPO) relating to Italian companies with the highest number of European patent applications registered in 2020.

Innovation Factory

In addition to the productive efforts of the divisions, the Innovation Factory continues to pursue its mission, exploring "territories still unknown" to the Company in the area of emerging technologies, new ideas and new business models. Created in 2016, primarily as a digital transformation hub, the Factory strategy has constantly evolved to ensure relevance and value creation for Saipem. The most recent projects, therefore, have been focused on more transformative topics, with the goal of identifying opportunities to do business in very different and innovative ways or also create openings for new business.
Projects launched in the second half of 2020 and completed in the first half of 2021, investigated AI applications for design and procurement operations, circular economy in the area of plastics, cross-divisional strategic analysis of business opportunities in the green hydrogen value chain, the launch of an internal observatory on industrial 3D printing, and an in-depth investigation on collaboration contract models. The fifth and more recent series of projects launched in May 2021, will go even further, investigating topics like infrastructures for electrical power transmission, new "energy highways", the biorefineries, carbon cycle management, large scale energy storage and the concept of water neutrality applied to industrial clusters. In the Open Innovation domain, our partnership with AsterFab and Politecnico di Milano continues. Finally, the Innovation Factory established profitable partnerships with the Canadian Embassy and the Israeli Embassy in Italy, for research and cooperation with the more promising start-ups of the respective Countries, well known for the advanced innovation ecosystem.

The **Offshore Drilling Division** is proceeding with the development of new subsea drilling technologies to improve efficiency and safety of operations: the project is referred to as Neptune and involves riser shape monitoring. The plan is to perform sea tests in an Italian Saipem base to test the shape reconstruction methods by simulating a number of real conditions. The Division is also at the forefront of wearable technologies to improve efficiency of its own personal protection equipment: the concept is to use sensors, now widely available on the market, to achieve more safety where we operate. A smart boot prototype was finalised and a partnership with a major safety shoes provider is under discussion.
In the field of digital transformation, the Division has developed the virtual model of the Saipem 10000 and is starting the Scarabeo 9. These virtual models extend the virtual fleet, which was already composed of Scarabeo 8 and Saipem 12000. In order to reap the benefits of "gamification", a videogame is being developed to improve the experience of the staff and their results in terms of familiarisation with rig operations and HSE procedures before going onboard. To increase complexity and return on value of the virtual fleet, the Division is also completing a pilot project aiming to add new functionalities and data sources to the Virtual Fleet models, as well as to extend the programme to other rigs. A search engine based on Natural Language Processing techniques and an augmented reality app (based on latest object recognition algorithms) are being deployed to let the users access information available on the digital twins in a new and more efficient way. An operational excellence project is now in full roll out: data automatically generated and retrieved from equipment onboard are analysed in detail so as to allow a real-time adjustment process.
Furthermore, the implementing phase of a predictive maintenance project has begun, and involves all the critical equipment on Scarabeo 8; the aim is to detect malfunctions in advance and to carry out "what if" analyses.

The Division is also fully deploying the new IoT (Internet of Things) Infrastructure on the fleet: the new architecture allows to reach every data available on board and apply the relevant algorithms. This is considered the foundation of all digital applications to be developed, now and in the future.
Finally, opportunities for diversification are being investigated by the Division: deep sea mining, CO_2 storage solutions and offshore geothermal. In the latter field, Saipem has recently signed an agreement with Istituto Nazionale di Geofisica e Vulcanologia to carry out feasibility studies to build offshore geothermal plants, evaluating applicable technological solutions, providing expertise and playing a coordination role in the verification of the industrial feasibility. Other collaborative agreements in this area will follow shortly.

The **Onshore Drilling Division** has focused its efforts on pursuing continuous maximisation of the return on value of real-time data from sensors installed on land rigs to enable informed decision making based on the knowledge of real-time, integrated data, and to achieve operational efficiency through the adoption of digital tools. Specifically, the Drilling Performance Dashboard, enabling advanced analysis on drilling operations, has been updated with a new functionality for the monitoring of fuel consumption and GHG emissions allowing to acquire data directly from the generators in the field. This solution is currently implemented in rigs in Kuwait, with a view to extend its application to the rigs in other Middle Eastern countries and specifically in Saudi Arabia, where four data rooms have already been purchased and a control room is under construction at the operations base of Dammam. Furthermore, the Division has started a new programme aimed at enabling remote support to field operations and the digitalisation of maintenance processes. The development of a new management procedure for storage facilities based on “machine learning” is under way in order to optimise the spare parts and consumables inventory, ensuring a constant and optimal level of assets service. The Division is ready for the digitalisation of storage facilities and is also testing the Industrial 3D printing application to replicate a “just in time” procurement model.

HEALTH, SAFETY AND ENVIRONMENT

Health and Safety

During the first half of 2021 we continued, with our usual commitment, our work to ensure elevated standards of health and safety for all Saipem employees.
By analysing our safety statistics, Saipem is continuing to perform better than its industry peers[1].
In the first half of 2021, we recorded an improvement in the TRIFR (Total Recordable Injury Frequency Rate), which went from 0.36 (2020 figure) to 0.33 (figure updated to June 2021), while the LTIFR (Lost Time Injury Frequency Rate) was at the all time low of 0.13 (figure updated to June 2021).
The Company continues to invest and maintain the focus on health and safety, in the development and improvement of its HSE management system and the dissemination of the different initiatives to raise awareness to all operating areas of Saipem.

Some specific initiatives promoted by Saipem are:

- the development of the "train the trainer" training programme for in-house trainers focused on Safety Leadership, Safety Culture and on the soft skills required of trainers to perform their role effectively. In order to face the challenges of the current COVID-19 (2020) pandemic, the course is designed to be provided online, by videoconference, to allow remote participation. The online course is formulated in 2-hour sessions/day for 5 days and as a Continuous Professional Development (CPD) of the duration of 12 months (training for professionals who want to develop and improve their skills);
- the analysis and final presentation of the data collected on the Safety Leadership Questionnaire, a survey proposed at the target list of 4,642 Saipem managers (which saw 50% participation) for developing the actions necessary to support continuous Safety Leadership growth;
- the questionnaire, developed in collaboration with Institute for Industrial Safety Culture (ICSI), is based on the 7 key elements of the Workshop Leadership in Health & Safety (LiHS) and demonstrated an extremely high level of safety commitment – greater in those who have participated in an LiHS event in the past. The analysis also brought to light the need to maintain a high focus on safety and to communicate it effectively; the final report was sent in February 2021;
- again with a view to maintain a high focus on safety and to respond to a need for greater for Safety Leadership, especially during this period of health emergency, a new development project is in progress which has as its theme the known Leadership in Health & Safety (LiHS) programme. The programme, which continues to be disseminated and appreciated throughout Saipem, and even by clients, partners and contractors, is highly limited in its implementation due to the new conduct protocols which impose social distancing, digitalisation of communication and strong restrictions on travel policies. With this in mind, the LiHS Workshop was transformed in an online experience of equal force and efficacy, supported by the most common videoconferencing tools, together with innovative elements intended for stimulating the engagement and interaction of participants, including remotely; online sessions were conducted with the following projects: Mozambique LNG Payara Project; SGCP Project; SRU2 Moscow Refinery; Baltic Pipeline Project; Karimun Yard - NnG, Tortue and Formosa II Project;
- the 2021 edition of Sharing Love for Health & Safety, the annual contest in celebration of April 28 – World Day for Health and Safety at Work – with an initiative intended to stress the importance of taking care of your health (both physical and mental), and to make choices every day with health as a priority. In 2021, the method chosen was a contest launched on Instagram: more than 100 participants from all over Saipem sent videos, Instagram stories and photo collages sharing their healthy habits for physical wellbeing and mental resilience;
- the publication of the first edition of HSE Culture Quarterly Communiqué, the document disseminating news about the HSE training initiatives, HSE current campaigns, the Leadership in Health Safety programme, also giving an overview of the external and non-profit activities conducted by the LHS Foundation. The Communiqué includes implementation data, interviews, shared stories and statistical data. Although this document is mainly intended for the HSE professional community and specifically HSE trainers and facilitators, it can also be shared with external stakeholders in order to show the activities for cultural change in the HSE context conducted by Saipem;
- the new edition of Choose Life, which aims to simplify the provision of training courses, also with a self-learning option. The new edition includes issues associated with the choices we make every day to protect our health (like lifestyles, diet, sport and prevention). The novelty of this edition is its content, supported by a movie introducing the issue of mental health, and specifically stress management, hyper-connectivity and social isolation. All of

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

them are current issues, which need a new awareness in the company. The new edition of the campaign will be launched during the second half of 2021;
- the continuation of the numerous training activities always guaranteeing high quality standards of the training provided and the initiatives linked to the prevention of falls from a height, of "dropped objects" and to the protection of hands ("Keep Your Hand Safe");
- the improvement of IT tools to support HSE staff, to facilitate KPI reporting processes, consolidate the HSE audit process and facilitate data analysis in order to identify areas for improvement.

With regards to the HSE management system, during the first half of 2021, the independent external body started the process for maintaining the ISO 45001 certificates (Occupational Health and Safety Management System) and ISO 14001 (Environmental Management) conducting the initial audits remotely.

Lastly, there have been many initiatives by the Saipem LHS Foundation, whose fundamental mission is to increase the culture of health and safety within the company and the world of work.

On March 4, 2021, the Safety Leadership Event (SLE) was held, an unique format totally free and non-profit, an immersive and engaging experience which included debates, training and information together with artistic and cultural performances, inviting reflection, emotions and a new awareness on how each of us can and must contribute in creating a healthier and safer environment for everybody. The Safety Leadership Event Online 2021 success (1,800 registrations from all over Italy and outside of Italy, with 1,200 participants in 7 hours live during the day and an average of 700 simultaneous connections) was the result of the ability to combine the interaction and emotional involvement of the participants – thanks to valuable contents, a very high audio and video quality, excellent direction, expert succession of rhythms and the choice of an innovative, user-friendly platform – with digital benefits, removing geographical and time barriers and making it possible for hundreds of people all over the world to get together in a shared virtual space. For those reasons, a similar project, which optimises and enhances virtual and traditional in-person events, can be rightly considered the communication format of the future.

The LHS Foundation interpreted the community's need for information and support in understanding the social, economic, employment and behavioural changes generated by the health emergency, by proposing several analysis and discussion initiatives with experts and opinion leaders. In addition to established projects, like the educational workshops "First Aid Words" with the Italian Red Cross for elementary school or the "Safety Radio" format for middle school, new online programmes were launched, like the weekly meetings "BE WELL - Choose Life Talks" in cooperation with the Italian League for the Fight Against Cancer, discussing an healthy diet and lifestyle, which have never been more relevant than in these historic times, when health and wellbeing are so important on a global level.

Environment

Saipem also pursues continuous improvement in environmental performances, adopting strategies to reduce and monitor environmental impact and to conserve and make the most of natural resources.
Achieving these objectives requires the dissemination of environmental awareness at all Saipem projects, sites and offices. During the first half of 2021, Saipem has confirmed its objective of strengthening its commitment to specific aspects. We want to focus here on the three issues below.

Greenhouse gas emissions

Reducing emissions and accompanying clients in their energy transition is one of the Group's objectives.
In order to achieve that objective, the current strategic pillars are:
- becoming a key partner for clients in their decarbonisation efforts, also extending the offer to sectors with a lower climate impact;
- improving the efficiency of assets and operations to reduce greenhouse gas emissions.

In relation to the first pillar, an evolution of the business model and organisation was already started several years ago aiming to transform Saipem in a Global Solution Provider, in order to support with our ideas, skills and distinctive DNA, the energy transition to more sustainable energy sources.
In relation to the second pillar, Saipem defined a strategy of GHG (Greenhouse Gases) emission reduction to reach the Net-Zero target, for the Scope 1 and Scope 2 emissions.
In February 2021, Saipem communicated to the market the first emission targets defined for the medium-long term, announcing a reduction by 50% of the total emissions of GHG Scope 1 and Scope 2 by 2035 (compared to the 2018 baseline). In relation to Scope 2, the Net-Zero target should be reached by 2025. In addition, Saipem has defined 2021 environmental MBO for the Group aiming not only to immediately and gradually reduce emissions, but also to build and sustain a strong Net-Zero programme and a detailed roadmap.
The implementation plan for the Net-Zero programme is "living", considering new external regulations and market conditions, stakeholder expectations and clients' requests, as well as new benchmark analyses, technological developments and energy scenarios.
In relation to Scope 3 (indirect emissions) Saipem wants to have a primary role in supporting and encouraging

suppliers and other operators in the value chain to reduce their carbon footprint. This will gradually affect the entire range of suppliers of the materials and services we purchase, as well as all aspects of sustainable mobility. Therefore, a work team was created for the development of the Net-Zero programme.
In addition, Saipem is exploring and applying several measures to reduce Scope 1 and 2 emissions, like energy analysis, retrofit and assets renewal, power management, electrification, use of renewable energies and alternative fuel.

Environmental communication and awareness
Also for the first half of 2021, initiatives were sponsored to motivate and make staff aware of the issue of environmental protection and correct management aspects. More specifically, the World Water Day campaign was launched in March, this year with the theme of Valuing Water, in order to increase awareness and promote virtuous conduct in managing water resources. In June, for the annual celebration of World Environment Day (WED), the United Nations Environmental Program (UNEP) launched the Ecosystem Restoration initiative, focused on the protection of biodiversity and specifically the interaction between living organisms with the surrounding environment. Saipem has been taking part for more than 10 years in the World Environment Day, involving in this event all sites and projects throughout the world to renew and promote environmental awareness with employees, their families and friends in any possible relevant area.
For each event, dedicated material was developed, shared with each Division and made available on the company intranet. The campaigns were also promoted on official social media channels in dedicated posts intended to restate, including externally, Saipem's commitment to global environmental concerns.
The results achieved by the divisions have been and will be reported in a dedicated section of eNews, an internal communication publication, issued every four months, which focuses on initiatives and projects carried out in the Group and that have an impact on the environment; in this regard, the March issue was dedicated to water.

Spills prevention
Spills are one of the most important environmental aspects for the industry in which Saipem operates. Spill prevention and response measures are an absolute priority for Saipem. Saipem operates by minimising the risk of a spill and is equipped with state-of-the-art equipment and procedures to implement mitigating measures and to manage emergencies. More specifically, Saipem identified as a critical action the mapping of potential sources of spillage at its sites, and the corresponding Spill Risk Assessment, for assessing that specific risk for each of the elements mapped. Where the assessments highlight unacceptable levels of risk, associated mitigation measures are implemented.

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

HUMAN RESOURCES

Organisation

During the first half of 2021, in response to the market evolution and orientation toward a sustainable energy transition and the search for innovative solutions, Saipem developed initiatives for making organisational/operational models more streamlined, flexible and consistent with its strategy of diversification of activities, geographical areas where it operates and clients and technologies portfolio.

The primary organisational models created are:
> launch of the "Competitiveness" Plan to identify lines of action aimed at a fast and sustainable strengthening of Saipem competitivity;
> launch of the "Net-Zero Emission" Programme with the goal of identifying innovative solutions intended to increase energy efficiency and reach the target of zero GNC emissions for Saipem work processes, activities and assets;
> restructuring of the activities for the definition of the portfolio strategies aimed to achieve a better integration with the assessment of the associated economic-financial aspects;
> within the five Divisions, enhancement and alignment actions have been developed for the organisational and operational structures, aimed at the continuous search for effectiveness, efficiency and flexibility, both in Italy and abroad;
> the Offshore Engineering & Construction Division has reorganised through a model more focused in grasping the specificity of the products and markets and based on the identification of three Business Units with full responsibility for the result;
> the Onshore Drilling Division adopted an organisation focused on maximising efficiency and optimising structures and operational skills, with geographical areas responsible for the acquisition volumes and project profitability.

In relation to the Quality System, the primary activities developed are:
> interfunctional/interdivisional activities for improving and digitalising the Quality Management System processes and management tools (Quality Plan, Self Assessment, Customer Satisfaction, Performance Indicators, etc.) supporting Saipem Management and the various operational contexts of the Group;
> optimisation of the processes and activities of Quality Assurance and Quality Control for a more efficient and systematic implementation and management of the company Quality System on various projects;
> management and maintenance of the certificates relevant for the company (ISO 9001, ISO 3834-2, EN 1090-2, etc.); integration of new companies/subsidiaries in the certificate schedule "Multisite" ex ISO 9001;
> launch of analyses intended to identify alternative solutions for an optimal management at Group level of the fruition services of International Technical Standards, understanding the business needs and the market offer.

Human Resources Management and Industrial Relations

During the first half of 2021, with the protraction of the emergency, Saipem continued its health protection policies for its resources. Therefore, as was done during 2020, specific management initiatives were adopted in line with the guidelines issued by the World Health Organisation and by local governments and authorities of the countries in which the company operates, aiming at guaranteeing the maximum safeguard and protection of the health of its resources.

With reference to Italy and in all the countries in which the Company operates, specific sanitation interventions have been implemented in all offices and operating sites, accompanied by the adoption of programmes, management measures and behaviour procedures, supported by an intense and ongoing internal communication campaign, aimed at minimising social interactions, guaranteeing respect of social distancing between people and, where necessary, the adoption of specific personal protective equipment.

Therefore, remote work remained for the entire first half of the year, the primary management mode to ensure a more effective containment measure and health protection for its people during the 2020 pandemic. In addition, considering the impact on business activities, the Company, in order to ensure the protection of the operational efficiency, launched new initiatives for travel containment and space optimisation.

The generational turnover programme continues, taking into account critical skills, also through the consensual termination plans under Article 4, Law Fornero.

Relations with trade unions were characterised by a constant dialogue, both in Italy and abroad, for the management of the COVID-19 emergency.

Specifically, in Italy, the adoption of action plans for the management of the emergency associated to the spread of the Sars-Cov-2 virus, was a subject of ongoing debate and discussions with trade unions through a constant process of information and updating. The bilateral Committees established at the individual premises were in fact jointly involved with the company in monitoring the health and safety measures in place in the offices in order to verify on an ongoing basis the implementation of all the actions identified for ensuring the performance of working activities in complete safety.

Due to the economic effects from the global health emergency which resulted, in particular in the drilling sector, in the temporary reduction of activities, we were forced to continue wage support schemes in Italy and Peru.

In Italy, until the middle of March, the COVID-19 Ordinary Redundancy Fund, which started in December 2020, was used for about 70 workers from the Onshore and Offshore Drilling Divisions based in Ravenna, by signing a specific trade union agreement with the local trade unions.

In Peru, given the situation described above, after notifying the trade unions, the company Petrex SA, continued the plan to lay off part of the operational drilling staff until October 2021.

In line with the actions adopted in Italy, the dialogue with the employees' representatives in France focused on defining plans for the return of the workforce to offices based on the provisions issued by local authorities.

Outside Italy, in 2021, renewal processes for bargaining agreements were initiated and partially completed in various countries, including Brazil, Nigeria, Peru and Singapore. In Norway, negotiations are ongoing for the renewal of local agreements with the SEA trade union, as well as the negotiation of a new local agreement with the SAFE trade union.
Regarding the transnational dialogue through the European Works Council, with a view to strengthening relations and company commitment to improve the dialogue with the work representatives of the European Economic Area, during May the usual follow-up meeting established by the Committee agreement was held.

Moreover, in Italy and in other countries, some significant collective bargaining agreements were also signed. For Italy an agreement was signed relating to the Participation Bonus on the final balance of the profitability and productivity results for 2020 which, thanks to the methodology defined in 2018, ensured a closer and more direct correlation between results that were reached, at both the company and divisional level, and the respective payments to employees. In order to ensure an increasingly balanced monetary and non-monetary component of the Bonus, the mechanism which allows for part of this to be converted into welfare services was retained; this was also confirmed because of its popularity with employees, as demonstrated by the high percentage of people adopting this in previous years.

		First half	
Year 2020	(units)	**Average workforce 2020**	**Average workforce 2021**
13,261	Offshore Engineering & Construction	13,720	13,882
11,649	Onshore Engineering & Construction	12,222	10,797
1,692	Offshore Drilling	1,790	1,668
3,830	Onshore Drilling	4,168	3,347
940	Staff positions	941	950
31,372	**Total**	**32,841**	**30,644**
5,862	Italian personnel	5,881	5,806
25,510	Other nationalities	26,960	24,838
31,372	**Total**	**32,841**	**30,644**
5,693	Italian personnel under open-ended contract	5,685	5,685
168	Italian personnel under fixed-term contract	196	121
5,861	**Total**	**5,881**	**5,806**

Dec. 31, 2020	(units)	**June 30, 2020**	**June 30, 2021**
6,360	Number of engineers	6,458	6,436
29,522	Number of employees	31,745	31,634

Skills and knowledge

During the first half of 2021, despite the continuation of the pandemic emergency, Human Resources was busy planning and implementing the initiatives of Talent Attraction, Training, People Development, Up-skilling and Re skilling with innovative and flexible procedures in order to maintain the centrality of its resources with a wealth of skills, key for the construction of the intellectual capital needed for facing the challenges before us.

The Competence Assessment and Assurance programme of the Onshore Drilling Division continued, allowing to identify the individuals to train for key roles, the resources with strategic skills for the business, and the skills to acquire from the market.
Finally, the programme called In & Out continues for young talents; through a cross-functional experience in the Internal Audit area, the programme will promote the development of transversal knowledge for the businesses, as well as in-depth knowledge of company processes.

By promoting the innovative and digital dimension it was possible to continue the processes of key-skill development and monitoring with a specific focus on the project management and digital skill/mindset areas and the consequent creation and implementation of actions supporting the development and consolidation of those skills.
In the Talent Attraction area, with the goal to attract talents owning the core skills sought, guidelines were released worldwide in order to ensure the dissemination of a unified brand identity. In addition, to the young talents interested in Saipem, a new candidate experience was offered, which, through a fully digital selection process, allows the recruiters to better understand the behavioural features and the knowledge of the prospects, significantly reducing the selection time.
The works of the Human Resources Development Committee, established in 2018, continued with the purpose of monitoring, leading and assessing the development of skills and the career paths of young talents, with a design promoting the resources' inter-functional and inter-divisional mobility.
Training has a strategic importance for the business; during the first half of 2021 Saipem promoted many initiatives with the objective of improving soft and hard skills for facing the challenges of the new scenario of energy transformation. The provision of training continued with a preference for remote learning using the e-learning options. Mandatory training courses continued; specifically, the investment in the HSE course called Life Saving Rules and, in line with the new Training Matrix HSE, an e-learning course, called HSE Digital Learning Program was developed and launched, aimed at helping to understand the issues of Health, Safety ed Environment.
Training initiatives aimed at developing a better awareness of the Cyber Security issues and reduce cyber incident risks continued.

In line with the evolution of the processes for skills supervision, where the centrality of the Saipem Leadership Model is confirmed as a reference for all the resources, activities were launched for the potential assessment of developing resources, with the goal of assessing their personal skills, growth potential and alignment with the Model; in addition, the activities related to the Managerial Academy, which has the goal to enhance behavioural skills associated to the Saipem Leadership Model, continued.

During the first half of 2021, the partnerships with Italian educational institutions (universities and high schools) continued; at the Milan's Politecnico and Bocconi University, Saipem participated in the university training and career guidance by participating in the Virtual Career Fairs and events, with a clear focus on gender diversity and the promotion of Saipem as an equal opportunities employer. In addition, scholarships were awarded in honour of a great man and Saipem top manager: Egidio Palliotto. The initiative, launched in partnership with the University of Trieste, intends to create, in the new generations, the competencies and aptitudes necessary for approaching the new challenges of the future, but it is also a concrete demonstration of Saipem's social commitment to training young people.
Saipem, leveraging the full potential of digital technology, continued its commitment also in the professional orientation of the younger students with the Synergy programme. Saipem faculty, through an innovative platform made available to four technical schools in the nation, guaranteed the virtual provision of PCTO training courses (transversal skills and orientation courses) integrating blended teaching procedures and extending the training offer to students with modules dedicated to sustainability and fluency in English.

The investment in the design of internal training courses with the Internal Saipem Academy has been confirmed, supporting the preparation of internal teachers with workshops dedicated to the knowledge of the levers to efficiently manage design and remote learning. The Internal Saipem Academy includes courses in the areas of Supply Chain, AFC, Digital, HR, Security, Insurance, Intellectual Property, as well as various workshops to improve the business knowledge at Group level.
The Divisions developed organised internal business catalogues: the Onshore catalogue, organised in 168 internal technical courses developed in areas like Engineering, Construction and Supply Chain, available also outside Italy; the XSIGHT catalogue, consisting of 40 internal technical courses like Commercial, Engineering and Business Support; the training showcase called "Pozzo di Scienza" promoted by the Onshore Drilling Division, with webinars taught by internal teachers, intended to train and inform resources on issues like the drilling operational model, HSE or business process.

Saipem pursues the development and consolidation of project management skills and capabilities; the focus on Project Management translated in the design and launch of the new training model, Saipem Academy in Project Management, implemented together with Politecnico of Milan School of Management and Associazione Nazionale Impiantistica Industriale (ANIMP - Italian Association of Industrial Plant Engineering). The course is organised in three different modes (basic/intermediate/electives). The same branch includes the initiatives:
> PM Takeaways of the Onshore Division promoting the Project Director and Project Manager leadership skills;
> the Intercultural Project Management course of the XSIGHT Division designed with Politecnico of Milan School of Management, to develop efficient communication.

Saipem is a signatory of the Women Empowerment Principles promoted by UN Global Compact, and in the initial months of 2021 participated in the works of the Diversity & Inclusion Observatory. The Observatory involves a core of leader companies on the issue of diversity and inclusion to promote an inclusive culture in the workplace also supporting the challenges of the new context and creating shared value through the development of a document on D&I which includes Italian policies and good practices.
Saipem commitment in promoting a culture increasingly more inclusive and focused on the subjects of Diversity was pursued through the release of initiatives in cooperation with the Associazione Valore D, such as mentoring and training courses, sharing lab and talks accessible on a voluntary basis, to develop an inclusive language, the value of diversity and empathy.
Saipem also launched an internal mentoring course called SEED - Win with Diversity. The programme intends to support, through a Knowledge Sharing mechanism amongst resources with different seniority in the company, the dissemination of an entrepreneurial culture with women as key players and promoting women empowerment.

Compensation

The 2021 compensation policy approved by the Meeting of April 30, 2021, is defined in line with the company strategy and is shown in the objectives in the Short-term and Long-term Incentive Plans approved by the Board of Directors. This Policy was formulated consistently with the governance model adopted and in compliance with the Consolidated Tax Law (TUF), the Consob Issuers Regulation, and the Corporate Governance Code and has the objective to align the Management interests with the primary goal of creating sustainable value for shareholders and all the stakeholders in the medium long term; in addition, it intends to promote the mission and values of the company; attract, motivate and retain individuals with professional skills identified as distinctive and key for Saipem; and promote the company sustainable growth.

The 2021 compensation policy is described in Section I of the "Report on Saipem's Remuneration Policy and Compensation Paid 2021"; it was approved by the Board of Directors of Saipem on March 12, 2021 and subsequently by the Shareholders' Meeting of April 30, 2021, with a percentage of favourable votes of 96.3% continuing the positive trend of the last years.

The most important innovations introduced by the 2021 Policy on remuneration relate to the improvements of the incentive plans for management. Specifically, regarding the Variable Short Term Incentive Plan (STI), the incentive curve was revisited with a view to streamlining and with the goal to improve performances to above target; in addition, specific attention was placed to the definition of performance indicators in the ESG (Environmental, Social & Governance) area intended to promote the actions associated to the processes of energy transition and digital transformation formulated in the company strategy, and the coefficient to apply to the score obtained in reference to the objective "Orders to acquire" was strengthened, through the increase of the percentage of the "Non-Oil Related" orders residual portfolio, in order to be able to take advantage of the opportunities in the new markets which will be the primary thrusts for progress in decarbonisation of the current portfolio. In the context of the Variable Long-term Incentive Plan (LTI), for the purposes of 2021 allocation, an additional business-based indicator was introduced "EBITDA Adjusted cumulative in the three-year period 2021 2022 2023" intended to better highlight the creation of value for Saipem in time.
In addition, during 2021, the deployment of the group objectives for 2021 related to the Short-Term Variable Monetary Incentive Plan was carried out and specific Division objectives were defined, according to a top-down process for all managerial resources, ensuring a constant process of verification and monitoring of such objectives.

Finally, following the report of the Group's objectives and management performance assessments for 2020, the Group has awarded individual Short-Term Variable Monetary Incentives as provided for by the Remuneration Policy proposals for 2020.

Occupational Health and Medicine

The company health service managed the health emergency generated by the spread of the virus throughout the world through epidemic waves with different effects in geographical areas, showing the severity of the pandemic locally and generating different responses according to the health policy adopted by the Countries affected.

This exceptional scenario had significant consequences on the operations, redefining the priorities of the company's health service and all the company resources. A task force was immediately formed and operational, and maintained its efficiency providing immediate responses to the various scenarios opening in the different contexts where the company operates, reporting directly to the Medical Director, member of the Unit of Company Crisis, and preparing operational instructions through the release of internal communications and periodical bulletins on the evolution and status of the pandemic addressed to the Health Managers and the Division HR Manager.

The activities and monitoring of the pandemic evolution implemented in 2020 continued:
> creation of a work team comprising the Supervising Physician and health operators coordinated and supervised by the Corporate Health Function for issues on management of "complex fitness" and "frail" and "vulnerable" workers;
> travelmedicine: update of the mandatory COVID-19 information for personnel traveling;
> ongoing contacts with National Health Ministries, the WHO, CDC, Farnesina and regional ATS/ASL for all provisions pertaining to Italian and foreign employees in Italy and abroad;
> implementation of activities for monitoring the spread of the pandemic amongst Saipem employees through serology tests, first, and antigen swab tests, later, thanks to the acquisition of scientifically advanced tools that were adopted and distributed in Saipem's operating sites, both as welfare and Occupational Health activities;
> collaboration with the Humanitas Research Hospital which enabled the health information and promotion activity to be extended via the publication of weekly newsletters, in three languages, on issues of common interest, related to the COVID-19 emergency in all of its aspects (psychological, clinical, behaviour, etc.) sent to all Saipem's employees directly through registration to a mailing list;
> marketing and implementation of the programme "Healthy workplaces: a model for action", video clip supporting physical activity targeting colleagues operating in "smart working" as a Posturology project, fostering well-being in the Company;
> creation of a "Mental Health" programme, for all Saipem employees operating in Italy and abroad with different approaches;
> Saipem's decade-long experience in using telemedicine helped in the use of IT and remote telecommunication for achieving our objectives and allowed us to continue our coordination, control and monitoring activities and provide health support for our divisions worldwide.

These activities ensured that the control measures for the risk of infection were suitable in terms of the development of the pandemic, the working conditions, and the characteristics of the workforce during the critical periods of the emergency. At the same time, the monitoring system guaranteed that the health and safety measures adopted in the workplace to limit the risk of infection did not generate new risks to the health and safety of workers at both a physical and psychological level.
At the same time, all health surveillance, supervision, and control activities continued in Italy and abroad in compliance with Italian laws and industry guidelines.
As an integral part of the Workplace Health Promotion (WHP) programme, collaboration continues with the Milan ATS and region of Lombardy to maintain the "Workplace that promotes health" status acquired in recent years by achieving the goals we were assigned.

Cyber Security

The first half of 2020 saw worldwide attention focused on the Coronavirus pandemic. Saipem has focused on protecting the health of the workforce, while maintaining its operational capabilities.

Today, we can say that thanks to the adoption of a holistic approach to the management of the security risk in line with Saipem values and strategic objectives, the security function strongly contributes to obtaining a positive effect on the company economic, social and financial value at all levels, allowing the company to improve its resilience and maintain its operational capacity in time.
The security function continued also in the first half of this year to support all business operations from the beginning of the commercial phase. The evolving threats are constantly monitored together with their impact or potential negative effect on the security environment in the onshore and offshore areas of operations, specifically in countries at high risk. In Mozambique, our operations were seriously compromised by an instable security environment which caused the client to stop any activity and evacuate the project area.

The security maturity level of the Company depends mainly on the ongoing training and information of the employees. In the last year Saipem developed e-learning courses focused on the security and cyber security management model (standard, high and critical level) in order to train security personnel, HSE, HR managers and other specific company functions in relation to the security management process and cyber security awareness.

In the first half of 2021, the whole world was still focused on the Coronavirus pandemic; countries enforced stricter measures to restrict circulation. These restrictions essentially provided for the closure of internal/external borders

and of entire segments of national industries. It became, therefore, necessary to monitor the security conditions of the countries in which Saipem operates and the restrictions on travel with the aim of sharing reports and guidelines with Saipem people. At the same time, SECUR has taken steps to ensure proper information to all those who travel for work, in Italy and abroad, about the restrictions introduced in the various countries due to COVID-19, through the TMS (Travel Management System).
Saipem has maintained close contacts with the local authorities/embassies in the countries where it operates, and at a central level with the Crisis Unit of the Italian Ministry of Foreign Affairs, contributing to the organisation of charter flights and assistance for personnel.
Remote work from home is still prevalent, creating the conditions for an increase in cyber threats. The hackers take advantage of the isolation of the workers and their workstations and seek to exploit the vulnerabilities associated with emotions and reduced technological defences.
In Saipem, the cyber risk is identified and reported to Enterprise Risk Management for monitoring by the Control and Risks Committee of the Board.
Saipem security position is also constantly monitored by third-party services. The company BitSight independently reviews the security information available to the public and calculates a Security Score rating, which gives a measure of how strong and significant the company's defence measures are. In the first half of 2021, the Security Score assigned to Saipem remained 730 out of 900, confirming an adequate security coverage and structure.
In March 2021, Saipem obtained the certification under ISO/IEC 27001, for "Cyber security events monitoring and incidents management". This important milestone confirms the validity of the structure Saipem adopted for Cyber Detection & Response activities, and it also makes it possible to proceed in a structured manner in the ongoing improvement of the Saipem security management system.
An important training plan is being administered to over 2,000 individuals and will continue to include most of Saipem staff. The training course uses contents offered on the Proofpoint PSAT platform, covering topics such as malware defence, credentials protection, phishing detection and reporting and secure navigation; more generally, a culture of cyber security in the company in order to reduce the risk associated to behaviours which could accidentally expose the corporate information assets to threats of destruction or misappropriation.
To respond to the changed working conditions described above, Saipem has embraced the new "Zero trust" orientation, which is based on the basic concept of no longer protecting just the company physical site. The pandemic forced most of the employees to work from home and therefore outside the historically protected company boundaries. A large portion of the software tools is now positioned in the Cloud, and Internet has become the actual corporate network. Technical solutions were thus introduced which, in line with the new "Zero trust" paradigm, made it possible to increase control over the resources exposed on the Internet, reducing the risk of exposure, and increasing monitoring capacity for cyber threats associated with remote work.
Numerous further actions were also completed in the first half of 2021, in line with the two-year security Master Plan 2020-2021 and the requests of the main clients:
> careful review of the security settings in Office365 and Saipem security profile, which allowed to formulate an action plan aimed at raising the overall security level at Saipem;
> an awareness campaign was launched based on drills which simulate a cyber security incident onboard ships and the associated corrective measures;
> ongoing drafting of regulatory documents that define the cyber security policy to be followed any time software or hardware systems are implemented and in every integration with external applications;
> introduction of new tools to support the Vulnerability Management process, for the execution of regular campaigns to detect the presence of vulnerabilities in corporate information systems and infrastructures;
> in order to define the new IT Disaster Recovery strategy, a new Cyber Risk Assessment procedure was perfected together with ERM. Using that procedure, the Business Impact Analysis (BIA) execution campaign has been launched on the company applications in order to identify the requirements to be used as a basis for the new IT Disaster Recovery plan, where we will include the architectural changes made during the cloud transition.

Innovation

During the first half of 2021, the activities to increase the digitalisation of HR processes continued, with the objective of improving their effectiveness and efficiency, with a particular focus on the key importance of the relationship between employees and their managers in the management of these processes.

The digitalisation process started strengthens the review projects of its processes in digital and innovation terms, with the goal to pursue the efficiency and effectiveness of the activities, maximum integration of the function processes, streamlining, automation, as well as the centrality of the employee and the data. The rationalisation and dematerialisation process continued transferring the various processes on digital ADP/Service Now digital platforms.
In the context of the larger HR Digital Transformation project, launched with the objective to define a work plan aiming at the overall improvement of the employee digital journey, once the Digital mapping process was completed, the professional roles were revisited integrating the digital skills in the set of technical-specialised skills of the primary professional roles at Saipem, in order to ensure a better process for the qualitative and quantitative

analysis and sizing of the resources in the Strategic Workforce Planning. The mapping involved a population of approximately 13,000 resources from Business functions and Staff from all Divisions.

The outcome of this activity is the important reference point for the structuration and planning of a Digital Academy, with the goal of training individuals not only on digital tools in terms of adoption, but also on work procedures and the new mindset. Specifically, the HR Function identified in the “smart mindset approach” the cultural approach which could promote a fast routing of the evolution and innovation strategies of the organisation.
The technological equipment available to Saipem staff was revisited in order to improve performance and usability.

In addition, the preliminary works for the transfer to the new Milan Saipem Headquarters, Santa Giulia, have started. In the new buildings, the digital component will be a key factor and the use of technology will facilitate and enable the various work processes and space liveability.
The new Headquarters will comprise two buildings, Spark1 and Spark2, which, thanks to their innovative design, obtained the LEED certifications: Platinum level and WELL: Gold level. In the last months, the interior design project was defined, creating flexible spaces appropriate for the various work needs, specifically for cooperation between colleagues. The needs of the individuals were investigated through a survey launched on the Time Saving, Mobility, Health and wellbeing services, and were a starting point for the creation of a new services and wellbeing at work model centred around the new HQ, which will be the reference for the various operational realities of the Saipem Group. The app for the hoteling services is in the last developing stages and will allow employees to independently manage the booking of all the assets needed to better use the spaces and perform their work.

DIGITAL, ICT SERVICES

The first half of 2021 was very challenging for the Digital activities and ICT services area.
The continuation of the dual challenge of the COVID-19 pandemic and the slowdown of investments in the sector where Saipem operates required a rationalisation of the costs and optimisation of the investments in the Digital and ICT services area in order to ensure a balanced evolutionary roadmap, economically and financially sustainable. In this context, the effort as a team at a global level was successful in ensuring the development and adoption of digital solutions and the maintenance of adequate levels of service in the ICT area.
The approach followed in 2020 was substantially confirmed at the management level also for 2021:
> balanced and ongoing rephasing of the digital programme in order to guarantee a sustainable level of spending;
> acceleration of the increase in the adoption of services that could be used remotely;
> ongoing improvement of the level of service in the supply of IT services.

Supporting these management guidelines:
> the evolutionary guidelines of the 2020 digital programme, which currently remains focused mostly on improving the efficiency of the work processes, were confirmed;
> the digitalisation demand was reviewed in terms of priority and launching of the planned initiatives;
> specific goals were assigned at company level in order to promote the digital transformation process.

With regards to the main projects launched we have:
> confirmed and maintained a continual rate of transformation for all initiatives that relate to cluster 1, EPC Integration Model, which is key for our core business;
> continued to develop and strengthen the technological components supporting the digital transformation of our assets;
> developed and started production of several digital solutions supporting the staff functions (e.g. HSE, Marketing, Communication, HR, Corporate Procurement, etc.).

In relation to the EPC Integration initiative, it should be noted that already in 2020 two waves of digital solutions development were finalised in the EPC area, involving the 3 divisions Offshore E&C, Onshore E&C and XSIGHT, for a total of 8 use cases, with 4 being adopted by our projects and 4 in the testing stage.
In 2021, the adoption of the solutions implemented and the additional development of 3 new solutions were added as a company goal.
The main areas addressed by the EPC Integration Model can be summarised as follows:
> activities relating to the integrated visibility of the Supply Chain supporting contracted projects;
> optimised, assisted management of contractual variations and requirements;
> remotisation of the inspection and expediting activities;
> interaction in the "vendor data" and "document management" areas;
> introduction of a solution supporting the AWP (Advanced Work Package) construction methodology.

For those solutions, the testing stage was completed and the roll out started with the gradual adoption on business projects starting on the first quarter of 2021.
In relation to the digitalisation of our assets (Cluster 3, Digital Assets), we have designed and implemented our IoT (Internet of Things) platform, optimised on solutions included in our technological portfolio. We have also launched our fleet modernisation plan.
The cluster 3 activity programme, which includes IoT and Data Platform, is based on a paradigm for incrementing the levels of governance on the data generated by our managed assets and leveraging the advance analytics procedures to support the decision-making process and operational efficiency improvements (e.g. fuel management), as well as sustainability (e.g. GHG emissions).
The digital platform above consists of a cloud component for the centralised collection and processing of all data coming from our assets, which are equipped with an "Edge computing" installed on board in order to optimise the computational capacity and data transmission in suboptimal conditions.
Currently, that component is installed onboard the following assets: Scarabeo 9, Saipem 7000, Castorone, Saipem 10000, FDS, Pioneer, Sea Lion 7, Perro Negro 9, Scarabeo 8, Rig 5913, Perro Negro 7, FDS 2, Saipem 12000.
In order to increase the value of activities around the management of storage facilities, "Innovation Factory" created an initiative to optimise the management of storage facilities, articulated in two streams:
> the first stream will perform a digital Minimum Viable Product (MVP) allowing to optimise the inventory through a machine learning algorithm;
> the second stream studies the applicability of the additive technologies (e.g. 3D printing) for the manufacturing of components which can be used in the Oil&Gas sector.

In the Corporate area, we have launched, and in several cases completed, a number of digital initiatives including:
- extensive adoption of Office Collaboration tools, with the support of the Change Management function;
- start of the manufacturing of platforms dedicated to staff functions (e.g. HSE, Vendor Feedback, Insurance, etc.);
- dematerialisation of selected internal authorisation flows;
- introduction of new people care services on a specific platform;
- introduction of systems for recruiting external human resources supporting contracted projects;
- launch of a new portal dedicated to digital topics and a new chatbot communication channel (Saipup). Ongoing development activities of a gamification initiative intend to increase the company's engagement on digital topics;
- launch of the Smartphone Adoption plan, aiming to extend the activities that can be managed in mobility and smartworking;
- study of a prototype for implementing new internal communication portals;
- mapping of digital skills and review of roles and expected performances for a population involving all Divisions and some Corporate functions;
- revision of the ICT/Digital family operational model;
- introduction of a tool supporting the new digital demand collection and management process;
- introduction of tools for managing smart working 2.0;
- launch of the design of the digital platform and digital solutions for the workplace and the new Saipem SpA smart building;
- introduction of new technologies and cloud architectures intended to organise and centralise enterprise data;
- launch of a new platform for searching document contents based on the Natural Language processing.

It is worth highlighting how it is only thanks to the huge efforts of the ICT services that it was possible to guarantee continuity of the digital transformation and to learn and appreciate the new ways of working remotely.
Ongoing development and improvement of the roadmap of technological transformation, aiming to rationalise and modernise its ICT assets (e.g. applications, platforms, architectures and data infrastructures); this initiative is understood as a key enabler of the Digital programme focusing on data valorisation.
New initiatives have been started in the infrastructural area as regards the tools for optimising and managing centralised infrastructures, with which numerous areas of technical analysis were covered for correct analysis, configuration and management of IT systems.
Governance activities and compliance and security processes were all carried out successfully according to schedule during the year.

RISK MANAGEMENT

Saipem implements and maintains an adequate system of internal control and risk management, composed of instruments, organisational structures and procedures designed to safeguard Group assets and ensure the effectiveness and efficiency of internal processes, reliable financial reporting, as well as compliance with laws and regulations, the Articles of Association and Group procedures. To this end, Saipem has adopted and developed over time an Enterprise Risk Management model that constitutes an integral part of its internal control and risk management system. This model has done this with the aim of obtaining an organic and overall vision of the main risks for the Group that may impact strategic and management objectives, ensuring greater consistency of methodologies and tools to support risk management, and strengthening awareness, at all levels, of the fact that an adequate identification, assessment and management of risks may impact on the achievement of objectives and on the Group's value.
The structure of Saipem's internal control system, which is an integral part of the Group's organisational and management model, assigns specific roles to the Group's management bodies, compliance committees, control bodies, group management and all personnel. It is based on the principles contained in the Code of Ethics and the Corporate Governance Code, as well as on applicable legislation, the "CoSO Report" and national and international best practices.
Additional information on the internal control system and risk management, including details concerning its architecture, instruments and design, as well as the roles, responsibilities and duties of its key actors, is contained in the "Corporate Governance and Shareholding Structure Report" document.
The Saipem Enterprise Risk Management model provides for the identification, assessment and analysis of risks on a half-yearly basis at the Group, Corporate and division level and for the subsidiaries that are strategically relevant, which are identified on the basis of economic-financial and qualitative parameters. Risk assessment is performed by Saipem management through meetings and workshops coordinated by the Corporate and division Enterprise Risk Management functions. In particular, risk assessment is performed by assessing in detail the risk events that could impact Saipem's strategic and management objectives, taking into account the changes in the business and organisation model and Group procedures, developments in the external environment (specifically, political, economic, social, technological and legal aspects) and the relevant industry and competitors.
Furthermore, Saipem has developed a process to monitor the Group's main risks on a quarterly basis through specific monitoring indicators on the evolution of risk and related mitigation activities.
Starting from the analysis of materiality carried out by the Sustainability function (more information on this tool can be found in the specific, detailed section in the "Consolidated Non-Financial Statement"), a focus group was introduced to identify the main themes which, according to Saipem's senior managers, are the most risky for the Group and to assess the potential impact they may have.
Saipem is exposed to strategic, operational and external risk factors that may be associated with both business activities and the business sector in which it operates. The occurrence of such risks could have negative effects on the Group's business and operations and on the financial position, performance and cash flows of the Group. The following are the main risk factors identified, analysed, assessed and managed by Saipem management.
These risk factors have been assessed by management for each individual risk in the framework of drafting the financial statements and, where deemed necessary, the possible liability was provided for in an appropriate provision. See the "Notes to the consolidated financial statements" for information on liabilities for risks provided for and the section "Guarantees, commitments and risks - Legal proceedings" in the "Notes to the consolidated financial statements" for the most significant legal proceedings.
Regarding the ongoing COVID-19 pandemic worldwide, it continues to expose the internal and external staff to the risk of infection and consequent disease, affecting their health and the health of their family, and resulting in restrictions for commuting to work and business travel. As a result, in a number of cases, this pandemic has caused slowdowns of projects in the execution phase and also of commercial tenders with clients.
Lastly, it has been seen that the COVID-19 pandemic and consequent economic effects have led to an increase in political, social and economic instability in a number of the geographical areas in which the Group has offices and operating sites.
In the short term, Saipem has implemented specific treatment actions to reduce the impacts, such as: activation of the crisis response protocol, creation of a task force devoted to constant monitoring of the developments and escalation of the virus, and the identification of solutions to protect internal and external personnel and inform the entire Saipem staff in order to guarantee the maximum health and safety of the employees, clients and suppliers, in compliance with the indications provided by the Italian Ministry of Health and the Regions involved in the countries in which Saipem operates. Specifically, Saipem has sanitised its workplaces and drawn up detailed protocols on standards of behaviour and best practice for staff and management.
Saipem promptly adopted the smart working method for a significant number of its employees, cancelling or reducing to a minimum the business travels to and from the zones stricken by the epidemic, and has protected all the personnel deemed at greatest risk in the countries most exposed to the pandemic, while maintaining the continuity of the business unchanged.

Saipem strongly encourages all its employees to get the COVID-19 vaccination, noting, however, that the vaccination against the Coronavirus is voluntary and must comply with the national vaccination protocol of the Country of origin or assignment.
Within the scope of the analysis of the possible effects of the COVID-19 pandemic ("Coronavirus"), undertaken early in 2020 and still in progress due to the continuous evolution of the phenomenon, Saipem has identified, assessed and constantly monitored these effects at the level of every project currently under way.
On June 30, 2021, the expected value of the risks associated with the COVID-19 pandemic was substantially compared to the opportunities expected value, assessing as minimal the COVID effect on the Saipem risks portfolio.
To link all this with what has been written thus far, the impacts of the COVID-19 pandemic are indicated in the sections devoted to the individual risk factors.

List of risks

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

1. Financial risks

Description and impact

The volatility of market conditions and the possible deterioration of the financial position of clients can cause delays in both payments from the clients for the services provided based on the contractual provisions and acknowledgement and payment of change orders and claims relating to contracts under execution. These cash flow fluctuations may occur despite the fact that the contractor and client cooperate in the search for an agreement that satisfies both parties, with the aim of not compromising the correct performance of works and of not delaying the completion of the project. Therefore, Saipem is exposed to the risk of deterioration of working capital, which could lead to economic and financial impacts, as well as a deterioration of the reputation in the industry and in the financial markets.
Furthermore, the Group is exposed to numerous financial risks: (i) fluctuations in interest rates and exchange rates of foreign currency, as well as the volatility of prices for commodities such as copper and aluminium; (ii) the credit risk deriving from the possible default of a counterparty; (iii) the liquidity risk deriving from the lack of adequate financial resources to face short-term commitments; (iv) the risks connected with the issuance of the bank guarantees required by operating activities; (v) the risk of a downgrading of the credit rating by the main rating agencies; (vi) the loss or limitation of insurance coverage for the country risk, the risk of war and terrorist attacks on onshore assets, and the pandemic risk,in an insurance market characterised by a "hard market" phase.
Changes to national tax systems, tax incentives, rulings with tax authorities, international tax treaties and, in addition, risks associated with their application and interpretation in the countries where the Group's companies operate expose Saipem to tax risks, which could lead to fiscal disputes in certain countries (particularly those whose economies are most exposed to the deterioration of oil prices on the international markets).
Furthermore, the difficulties in obtaining adequate insurance cover for the risks linked to wars and terrorist attacks (with particular reference to the Group assets related to Onshore activities), pandemic risks and environmental risks could lead to economic-financial losses.
The risks of a financial nature are negatively affected by the COVID-19 pandemic, causing a potential worsening of the financial stress scenarios, which could be due to a deterioration of liquidity in general, delays in payments by clients, and the slowdown of operations on projects that would delay the relative invoicing to the clients.

Mitigation

The management, control and reporting of the financial risks are based on the Financial Risk Policy, issued and periodically updated at corporate level with the aim of standardising and coordinating the Saipem Group's financial risk policies. Specifically, financial risks are controlled through the periodic calculation of several Key Risk Indicators (KRI) which are subject to specific attention thresholds periodically updated according to the evolution of the Saipem Group's business. The control activities established by the Financial Risk Policy also include escalation procedure to be followed if the risk thresholds set by the KRIs are exceeded.

The Company has adopted various techniques to implement with clients beginning from the negotiation phase with the aim of achieving 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 all changes to contract or project execution to the client, so as to maintain positive or neutral cash flows during the various phases of the project execution; in addition, the fluctuation of net working capital is constantly monitored by the Group, and the top management is actively engaged in mitigating any situations that could have an impact on the Company's net working capital.
Saipem constantly monitors changes in tax regulations and compliance with them in order to minimise the impacts due to its operating activities in all countries of interest through internal resources and tax consultants.
Furthermore, the Group monitors the developments in the insurance market through a vast network of partners, aiming to identify the evolutions in the insurance and insurance products market (including alternative risk transfer products).
Finally, the Company management is constantly engaged in monitoring the evolution of the financial markets and in strengthening and increasing business relations with partners in the financial and insurance sector, as they are key players to mitigate financial risks.

(i) Market risk

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

Market risk - Exchange rates

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

- on the profit or loss due to the different counter value of costs and revenue denominated in foreign currency at the time of their recognition compared to the time when the price conditions were defined and as a result of the conversion and subsequent revaluation of trade receivables/payables or financial assets/liabilities denominated in foreign currencies;
- on the consolidated financial statements (economic results and equity), as a result of the conversion of the economic result, assets and liabilities related to subsidiaries with functional currency other than the euro.

Saipem Group's risk management objective is the minimisation of the impact deriving from fluctuations in exchange rates on profit or loss for the period.
Under monitoring and not under management is the impact on the year's result from exchange rate fluctuations resulting from the consolidation of the economic results of companies that prepare their financial statement in a currency different from the Group's functional currency. The exchange rate risk arising from the conversion of assets and liabilities of companies that prepare their financial statements in a currency different form the Group's functional one is partially managed, at consolidated level, with the designation in net investment hedges of long-term operating monetary.
Saipem adopts a strategy to reduce currency risk exposure by using derivative contracts. Hedging transactions may also be entered into in relation to future underlying contractual commitments, provided that these are considered as highly probable (so-called highly probable forecast transactions). To this end, different types of derivatives (outright and swaps in particular) are used. Such derivatives are measured at their fair value on the basis of standard market evaluation algorithms and market prices/contributions provided by primary info-providers. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the IFRS.
The measurement and control activities of the exchange rate risk are performed by calculating a series of periodically-monitored KRIs. Specifically, KRIs on exchange rate risk are defined as thresholds on the minimum hedging level on future contractual currency flows and the related maximum potential losses measured with Value at Risk (VaR) models.
Sensitivity analysis was performed for those currencies other than euro which may potentially impact the income statement of the first semester of 2021 and equity from an hypothetical positive and negative 10% variations of the exchange rates.
The sensitivity analysis was carried out in relation to the following financial assets and liabilities expressed in currencies other than the euro:

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

For derivative instruments on exchange rates, the sensitivity analysis on their fair value is carried out by comparing the forward counter-value fixed in the contracts with a spot counter-value stressed with a 10% positive or negative variation, and adjusted using interest rate curves consistent with the maturity dates of contracts and on the basis of market prices at year-end.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of contract assets from work in progress assessment because they do not represent a financial asset under IAS 32.
In light of the above, although Saipem adopts a strategy targeted at minimising exchange risk exposure through the use of various types of derivatives (outrights and swaps), it cannot be excluded that exchange rate fluctuations may significantly impact the Group's results and the comparability of results of individual years.
A depreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of -€10 million (-€85 million as of December 31, 2020) and an overall effect on equity, before related tax effects, of -€213 million (-€205 million as of December 31, 2020).
An appreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of €13 million (€86 million as of December 31, 2020) and an overall effect on equity, before related tax effects, of €216 million (€206 million as of December 31, 2020).
The increase/decrease with respect to the previous year is essentially due to variations in the exposed financial assets and liabilities.

Market risk - Interest rate

Interest rate fluctuations influence the market value of the Group's financial assets and liabilities and the level of net financial expense. The objective of risk management is to minimise the interest rate risk when pursuing financial structure objectives defined in the Financial Risk Policy.
In compliance with established risk management objectives, the Finance Department of Saipem assesses, when stipulating variable rate financing, where appropriate, to enter into Interest Rate Swap (IRS) transactions in order to manage fluctuations of the interest rates.
In addition, the Finance function of the Saipem Group, if appropriate and based on adequate internal assessments, negotiates derivative contracts to establish the interest rates and stabilize the impacts of the Group currencies hedging.
Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the IFRS. Although Saipem adopts a strategy targeted at minimising its exposure to interest rate risk through the pursuit of defined financial structure objectives, it is not to be excluded that interest rate fluctuations could significantly impact the Group's results and the comparability of the results of individual years.
Interest rate derivatives are measured by the Finance Department of Saipem at their fair value on the basis of market standard evaluation algorithms and market prices/contributions provided by primary public info providers.
The Saipem Group measures and controls the interest rate risk by calculating and monitoring a KRI that measures the impact of a fixed-rate debit including the possible related derivate financial instruments on total debt.
To measure the impact of interest rate risk a sensitivity analysis was performed. The analysis calculated the effect on the income statement and equity which would result from a positive and negative 100 basis point movement on interest rate levels.
The analysis was performed in relation to all financial assets and liabilities subject to interest rate fluctuations in relation in particular to the following items:
> interest rate derivatives;
> cash and cash equivalents;
> current and non-current financial liabilities.

For derivative financial instruments on interest rates, the sensitivity analysis on fair value was conducted by discounting the contractually expected cash flows with year-end market interest rate curves, with variations in excess of and less than 100 basis points. With reference to cash and cash equivalents and to variable rate financial liabilities, reference was made respectively to the stock at the closing of the year and to changes in exposure expected in the following 12 months. On this basis, a movement of interest rates has been applied in excess of and less than 100 basis points on interest rates.
A positive variation in interest rates would have produced an overall effect on pre-tax profit of €3 million (€6 million as of December 31, 2020) and an overall effect on equity, before related tax effects, of €4 million (€8 million as of December 31, 2020). A negative variation in interest rates would have produced an overall effect on pre-tax profit of -€4 million (-€7 million as of December 31, 2020) and an overall effect on equity, before related tax effects, of -€5 million (-€8 million as of December 31, 2020).
The increase/decrease with respect to the previous year is essentially due to variations in the financial assets and liabilities exposed to interest rate fluctuations.

Market risk - Commodity

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

In order to reduce commodity risk, in addition to implementing strategies at commercial level, Saipem also trades derivatives (swaps and bullet swaps) in particular on the organised ICE, NYMEX and LME markets where the relevant physical commodity market is closely correlated to the financial market and efficient in terms of pricing.
As regards commodity price risk management, derivative instruments on commodities were negotiated by Saipem to hedge underlying contractual commitments. Hedging transactions may also be entered into in relation to future underlying contractual commitments, provided that these are considered as highly probable (so-called highly probable forecast transactions). Despite the hedging activities performed to control and manage the commodity risks, Saipem cannot guarantee that they will be either efficient or adequate or that in future it will still be able to use such hedging instruments.
Commodity derivatives are measured at their fair value by the Finance Department of Saipem on the basis of market standard evaluation algorithms and market prices/contributions provided by public primary info providers.
With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on equity, before related tax effects, of €4 million. A 10% negative variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on equity, before related tax effects, of -€4 million.

(ii) Credit risk

Credit risk represents Saipem's exposure to potential losses deriving from the default of counterparties. Counterparty risk management in commercial contracts, is under the responsibility of Divisions and of specific corporate Finance and Administration departments on the basis of standard procedures for the evaluation of the credit worthiness of business partner. In relation to counterparty financial risk deriving from the investment of surplus liquidity, derivative contracts and other transactions with financial counterparties, Group companies operate under the requirements defined by the function in the Financial Risk Policy. Despite the measures implemented by Saipem to avoid risk concentrations and to identify the parameters and conditions to operate with hedging can operate, it is not possible to exclude the possibility that one of the Group's customers may delay payments, or fail to make payments, within the defined terms and conditions. Any delay or default in payment by the main customers may imply difficulties in the execution and/or completion of projects, or the need to recover costs and expenses through legal action.
Assessment of the recoverability of financial assets with counterparties of a commercial and financial nature was made on the basis of the so-called "expected credit loss model" illustrated in the paragraph entitled "Impairment losses on financial assets".
The Saipem Group measures and controls the credit risk of commercial counterparties by periodically calculating the KRIs aimed at measuring the Probability of Default ("PD") on trade receivables exposures, backlogs and guarantees granted. Credit risk towards financial counterparties is instead monitored and controlled through the periodic calculation of KRIs aimed at measuring exposure, maximum lending duration and the breakdown of financial assets by counterparty rating class.

(iii) Liquidity risk

The evolution of working capital and of financial needs is strongly influenced by the invoicing time frames for contract assets from work in progress assessment and the collection of the relevant receivables. Consequently, and despite the fact that the Group has implemented measures targeted at ensuring that adequate levels of working capital and liquidity are maintained, possible delays in the progress of projects and/or in the definition of situations being finalised with customers, may have an impact on the capacity and/or on the timing of cash flows generation.
Liquidity risk may be the risk that appropriate 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 (asset liquidity risk), and be unable to meet its short-term financial requirements and settlement obligations. Such situation could negatively impact the Group's results as may cause the Group to incur into higher borrowing expenses to meet its obligations or, under the worst scenario into, the inability to continue as a going concern. The objective of the Group's risk management to implement a financial structure, consistent with the business objectives and the limits defined in the Financial Risk Policy, guarantees an adequate level of liquidity and committed credit lines for the entire Group.
The risk management objective is to guarantee sufficient financial resources to cover short-term commitments and maturing obligations, as well as to ensure the availability of an adequate level of financial flexibility for Saipem's development programmes, maintaining a balance in terms of debt tenor and composition and an adequate structure of bank credit lines.
Saipem measures and controls the liquidity risk by continuously monitoring forecasted cash flows, the maturity profile of financial liabilities the Financial Covenants of the main bank credit facilities, and by periodically calculating KRIs. These indicators take into account the expected cash flow, and the maturity concentration of financial liabilities. At June 30, 2021, the Company has bank loan agreements, including a €1 billion Revolving Credit Facility, which contain Financial Covenant clauses requiring that the ratio of net financial debt to EBITDA, as measured annually on the basis of data at December 31, does not exceed 3.5 times. Considering the EBITDA value of the first half of the year and the expectations for the second half of the year, the Company intends to promptly examine with its lenders the most appropriate means of intervention.

For the control and efficient use of its liquidity, Saipem Group avails itself, among other things, of a central cash pooling system and automatic reporting tools.
Moreover, in order to ensure an adequate financial structure, in line with the Financial Risk Policy, Saipem adopts strategies to manage proactively maturing debt, through early refinancing or pre-funding transactions. In the context of those strategies, in March 2021, the Group Saipem Finance International BV issued a new bond for the amount of €500 million maturing in March 2028, for the early refinancing of €500 million bond maturing in April 2022. The issuance was carried out under the non-convertible bond issuance programme denominated Euro Medium Term Note Programme, established in April 2016 for a maximum amount of €2,000 million and subsequently increased to a maximum amount of €3,000 million. This programme is renewed every year based on the planned operations.
As a result of these financial transactions, the Group has structured its financing sources mainly on medium/long term maturities with an average duration, as of June 30, 2021, of 3.2 years; the portion of medium/long-term debt maturing in the next 12 months amounts to €634 million, of which €69 million during the second half of the year 2021 and the remaining part during the first half of 2022.
The maturity dates for the five bonds of €500 million each outstanding as of June 30, 2021 are set for 2022, 2023, 2025, 2026 and 2028.
Hence at present, through the management of flexible credit lines suitable for its business requirements, Saipem believes to have access to funding sources more than adequate to meet currently foreseeable financial requirements.
As of June 30, 2021, the Group's available cash totals €924 million, in addition to a committed Revolving Credit Facility of €1 billion, expiring in 2023, which has never been used to date.

(iv) Downgrading risk

S&P Global Ratings gave Saipem (on August 5, 2021) a "long term corporate credit rating" of "BB", with stable outlook; Moody's Investor Services gave Saipem (on August 3, 2021) a "corporate family rating" of "Ba2", with negative outlook. Both ratings are constantly updated based on the economic-financial performance of the company.
Credit ratings influence the ability of the Group to obtain new loans, as well as the related cost. Consequently, if one or more ratings agencies would lower the Group's rating, this could determine a worsening in the conditions for accessing financial markets.

Future payments for financial liabilities, trade payables and other liabilities

The following table shows the contractually-due payments related to financial debts and lease liabilities, with separate disclosure of principal and interest, and liabilities for derivative financial instruments.

	Maturity						
(€ million)	2022 (*)	2023	2024	2025	2026	Beyond	Total
Current financial liabilities	770	714	89	562	557	515	3,207
Non-current financial liabilities	193	-	-	-	-	-	193
Lease liabilities	168	88	48	25	17	34	380
Fair value of derivative instruments	71	5	-	-	-	-	76
Total	**1,202**	**807**	**137**	**587**	**574**	**549**	**3,856**
Interest on loans and borrowings	125	69	48	47	33	32	354
Interests on lease liabilities	15	6	3	2	2	3	31

(*) Includes the second half of 2021.

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

	Maturity			
(€ million)	2022 (*)	2023-2026	Beyond	Total
Trade payables	2,020	-	-	2,020
Other payables	332	-	1	333

(*) Includes the second half of 2021.

Future payments for outstanding contractual obligations

The investment commitments for projects for which procurement contracts have already been entered into, expiring in 2022, (including the values for the second half of 2021) equal €56 million.

2. Risks related to profit margins

Description and impact

Saipem operates mainly in the highly competitive sector of services for the energy and infrastructure industry, which is significantly influenced by the trend in the hydrocarbon prices in international markets, determining an impact on the demand for services offered by the Group and the margins associated with them.

For this reason, the energy and infrastructure services industry has shown increasing competition on prices for contracts known as lump sum turnkey in Offshore and Onshore Engineering & Construction services and for rates of vessels in the Offshore and Onshore Drilling market.

Specifically, the preparation of bids and the determination of prices are the outcome of an accurate, precise and timely estimation exercise that involves various group departments and which is further integrated by a risk assessment to cover the areas of uncertainty inevitably present in each bid (so-called contingency). Despite these efforts made by Saipem, over the life cycle of the contract the costs, revenue and, consequently, the margins that the Group realises on lump sum contracts, could vary significantly compared to the sums originally estimated for many reasons linked, for example, to: (i) bad performance/productivity of vendors and subcontractors; (ii) poor performance/productivity on the part of Saipem's workforce; (iii) changes in working conditions (so-called change order) not acknowledged by the client; (iv) worse weather conditions than those anticipated against the statistics available at the time; (v) a rise in the price of raw materials (e.g., steel, copper, fuel, etc.).

Furthermore, the worsening of the international macroeconomic scenario and, in particular, the COVID-19 pandemic, as well as the consequent variations in the clients' strategic choices, have brought further complexity.

All of these factors in addition to other risks inherent in the sectors in which Saipem operates may imply additional costs, lost revenue and the subsequent reduction in margins from those originally estimated, leading to a decrease, perhaps even a significant one, of profitability or to losses on projects. The result of such significant differences could worsen the Group's financial position and performance and damage Saipem's reputation in the relevant industry.

Mitigation

To align its cost and competitive profile with changes in the reference sectors, Saipem was able to count on a new business model based on five divisions.

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

3. Risks related to strategic positioning

Description and impact

The definition of strategies implemented by Saipem is based on analysis of macroeconomic and geopolitical scenarios and the relevant markets and the technological developments applied to them. Saipem operates in an industry strongly characterised by strategic changes, also through the ever greater concentration of competitors via mergers and acquisitions and the creation of joint ventures and alliances locally or internationally, as well as technology developments in services that are of interest to Saipem.

Furthermore, Saipem's strategic positioning can be influenced by changes in client requests and in general by changes in demand in the reference sectors (including the energy transition).

Therefore, Saipem is exposed to various kinds of risks, linked to its strategic positioning in both conventional services in the energy sector, particularly Oil&Gas, and in energy transition services, which in recent years have already emerged and will continue to play an increasingly important role in Saipem's short- and long-term strategic positioning.

In particular, changes linked to climate change and the consequent interventions are leading to a gradual shift from current energy sources (particularly oil, whose global demand has undergone significant reductions, also due to the COVID-19 pandemic) towards renewable sources.

The energy industry is in fact facing unprecedented pressure to show that its business model is compatible with the greenhouse gas emission reduction targets set out in the Paris Agreement on climate change. Climate change can have significant direct and indirect impacts on business operations: working in the energy sector, Saipem's business activities are intrinsically exposed to both physical climate risks and those related to the current energy transition.

Inadequate forecasts of the evolution of these scenarios, as well as the incorrect or delayed implementation of identified strategies, may expose the Group to the risk of not being able to adjust the asset portfolio and therefore its competitive positioning in the current energy transition in relation to the changes in scenarios.

Therefore, these risks potentially could result in a deterioration of strategic positioning within the sector, reducing market shares and the Group's margins. In addition, Saipem is exposed to risks linked to specific strategically significant geographical markets which may present a range of diverse peculiarities.

In addition, in February 2021, Saipem communicated to the market its first emission targets defined for the medium-long term, announcing a reduction by 50% of the total emissions of GHG Scope 1 and Scope 2 by 2035 (compared to the 2018 baseline). In relation to Scope 2, the Net-Zero goal should be reached by 2025.

Finally, for some specific business segments there is a risk of concentration with some clients in some geographical areas.

Mitigation
In order to ensure a strengthening of the Group's competitive positioning, in line with the changing strategies of the industry and the ever-changing competition, Saipem implemented a divisional business model.
In particular, the Group always strives to go beyond the limits of innovation to create valuable relations with its clients and guide them toward the future of energy, while respecting the values and professional ethics of Saipem.
Saipem avails itself of companies which are specialised in providing periodic analyses and estimates on relevant market segment trends and on macroeconomic, geopolitical and technological developments.
Furthermore, the Group created the Sustainability, Scenarios and Governance Committee, which is responsible for assisting the Board of Directors in its review and development of scenarios in order to prepare strategies.
Today, the fight against climate change is the main challenge not only for the energy sector but for society as a whole, and is therefore considered an integral part of Saipem's business model.
The strategy for fighting climate change is based firstly on the scenario analyses at 2050, drafted to identify the macro-trends and key drivers in the energy sector in terms of technologies, policies, legislation, socio-political aspects, etc., and how these will affect Saipem's business. These scenarios are updated at least annually and the results are presented to the Board of Directors and the Top Management in order to be developed in strategic guidelines.
Saipem's climate strategy includes a significant commitment to reducing dependence on fossil fuels, offering increasingly sustainable solutions to clients, investing in renewable technologies, developing more sustainable uses of fossil fuels and diversifying its activities (installation of offshore wind farms, development of technologies for producing energy from waste or raw scrap, implementation of solutions for the use of natural gas and systems that can limit the impacts deriving from the extraction, transport and use of fossil fuels).
To ensure that Saipem's strategic positioning is strengthened, the Group management pursues business opportunities with a broad focus on the various clients in the energy sector (International Oil Companies, National Oil Companies, Independents, Utilities), with a global perspective on the reference markets and with a broad portfolio of products in Oil&Gas, renewable energy and infrastructure (specifically high speed trains), maintaining a continuous focus on the pursuit of a gradual business shift to exploit the opportunities offered by the energy transition.
Saipem is working to research solutions in line with market demands and, at the same time, which aim to be as carbon-neutral as possible. In its capacity as a global service provider, Saipem plays an important enabling role in the transition from a fossil fuel-based economy to a "decarbonised" economy.
In the fight against climate change, Saipem wants to reduce its business dependence on fossil fuels with a new two-pillar strategy: becoming a key partner in the decarbonisation of clients and key players of its value-chain, extending the offering in industries with a lower environmental impact, and improving its assets and operations efficiency to reduce GHG emissions.
Regarding Scope 3 emissions (i.e. indirectly associated with Saipem value-chain activities), Saipem want to have a key role in supporting and stimulating all the players in the chain, from clients to suppliers, in an organic and synergic decarbonisation process.
In this context, Saipem's strategic priorities are orienting its business, on the one hand towards an overall reduction in greenhouse gas emissions and a general increase in efficiency, and on the other towards the development of the digital and human capital, which will lead to a more efficient productivity, changing our way of managing and tackling engineering and construction projects (more information is available on the company website in the specific section "Sustainable value" and in the document "Leading the path to energy transition", published in October 2020).

4. Legal risks

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

Mitigation
In order to maximise the mitigation of these risks, Saipem not only implements actions aiming to constantly strengthen its internal control system, but also makes use of specialised external consultants who assist the Group

in judicial, civil, tax or administrative proceedings. Furthermore, the Board of Directors of Saipem monitors the evolution of the main legal proceedings in an active and continuous manner.

5. Risks related to commercial positioning

Description and impact

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

Mitigation

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

6. Risks related to technological development

Description and impact

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

Mitigation

In order to maintain its competitive position, Saipem updates the technology, assets and licences at its disposal, with the aim of aligning its offer of services to the current and future needs of the market.
Therefore, in addition to the extremely important experience of incremental research and development, which continues to be a key strategic point, Saipem is in the process of rolling out an initiative called the "Innovation

Factory", which is an incubator of ideas to develop "disruptive" methods and technologies for dealing with the sector's challenges. An emerging area of interest for the "Innovation Factory" is linked to technologies aimed at increasing energy efficiency in operations and technologies in the decarbonisation of energy, for example renewable energy and carbon capture (more information in the specific section "Research and development") and production of green hydrogen.
In relation to the latter aspect, in 2020 Saipem purchased a proprietary carbon capture technology, continuing to investigate new technological frontiers.
Saipem is supported by companies specialised in analysing the technological evolution in the reference market segments and the prospective solutions that clients may require in the following years (for example, in the renewable energy sector), also evaluating strategic agreements (such as joint ventures and alliances) to exploit market opportunities; lastly, the Group enters into agreements of various kinds both with companies that develop technological solutions in the energy industry and also in other industries (for example, in the field of digitisation) and with universities and research centres.
In fact, Saipem is constantly engaged in studying and possibly developing technological agreements with various partners as regards technologies and licences in the energy sector, in addition to developing internally innovative technological solutions and patents through research and development projects with its own resources, as well as through cooperation with other organisations.

7. Risks related to health, safety and the environment

Description and impact

The activities carried out by Saipem in both operational projects and projects related to upgrades, maintenance or disposal of assets, using internal staff and/or subcontractors, expose the Group to potential accidents, that may cause negative impacts on the health and safety of people and the environment.
At the end of the asset useful life, the inadequate management of the scrapping by any purchaser could have an impact on the Company image and reputation.
Additionally, Saipem is subject to laws and regulations for the protection of health, safety and the environment at national and international level when conducting its operations.
Despite the maximum effort made by Saipem in the field of health, safety and the environment, it cannot be excluded that, in the course of normal group activities, events that could compromise the health of people or the environment may occur. Furthermore, the occurrence of such events could lead to civil and/or criminal sanctions against the parties responsible and, in some cases of violation of safety laws, to the application of the provisions of Italian Legislative Decree No. 231/2001, with subsequent costs linked to sanctions against Saipem and to the fulfilment of legal and regulatory obligations concerning health, safety and the environment, as well as an impact to Saipem's reputation.
Moreover, in order to execute EPCI projects, drilling services and other services in the energy industry, the Group owns numerous assets, in particular specialised naval vessels (for example, for laying pipelines and lifting structures), offshore and onshore drilling rigs, production/treatment/storage and transport vessels commonly referred to as FPSO, Onshore equipment (for example, for pipe laying), manufacturing yards and logistics bases. Therefore, the Group's assets are subject to the normal risks associated with ordinary operations and to catastrophic risks linked with the weather and/or natural disasters which can impact security and the safety of personnel and the environment. The risks connected with ordinary operations can be caused by: (i) mistaken or inadequate execution of manoeuvres and work sequences that lead to damage for assets or facilities; (ii) mistaken or inadequate ordinary and/or extraordinary maintenance. Despite the fact that Saipem has specific know-how and competencies constantly kept up-to-date, implements internal procedures for the execution of its operations and regularly carries out maintenance work on its assets in order to monitor their quality and level of reliability, it is not possible to exclude the occurrence of incidents on assets or facilities during the execution of works.

Mitigation

With reference to these risks, Saipem has developed an HSE (Health, Safety and Environment) management system which is in line with the requirements of laws in force and with international standards ISO 45001 for health and safety in the workplace and ISO 14001 for environmental management, and for which Saipem has obtained certification for the whole Group. Specifically, HSE risk management is based on the principles of prevention, protection, awareness, promotion, and participation; its aim is to guarantee the workers' health and safety and to protect the environment and the general well-being of the community.
Regarding the risks related to the safety and health of people, Saipem has introduced a series of specific mitigation initiatives, among which please note:
- the continuing and renewed implementation of the "Leadership in Health & Safety" (LiHS) programme, which aimsat strengthening the company culture of health and safety;
- various campaigns, for example "Life Saving Rules", aimed at promoting awareness of dangerous activities and actions that each individual can carry out to protect themselves and others, "Dropped Objects Prevention" and the "We Want Zero" and "Keep Your Hands Safe" (KYHS) campaigns;
- the development of advanced occupational health and health surveillance activities.

Regarding the risks associated with safeguarding the environment, Saipem has developed a structured system of prevention, management and response to spills.

Regarding the risks related to environmental protection, Saipem has introduced various specific mitigation initiatives, among which please note:

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

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

8. Risks related to the supply chain

Description and impact

In executing its projects, and in the normal course of its activities, the Group relies on numerous vendors of goods and services, subcontractors and partners. Any inadequate performances by vendors, subcontractors and partners, also due to significant periods of interruption of activities, could generate deficiencies in the supply chain and, consequently, lead to: additional costs linked to the difficulty in replacing vendors that provide goods and services, subcontractors and partners identified to carry out the activities; the procurement of goods and services at higher prices or delays in the completion and delivery of projects.
In addition, Saipem is exposed to risks related to any unethical behaviour by vendors, subcontractors and partners in the different countries in which it operates, as well as risks of poor performance in relation to health, safety and environment issues.
Therefore, this context may lead to a deterioration in relations with vendors, subcontractors and partners, with a consequent competitive disadvantage linked to Saipem's reduced negotiating power.
Finally, these supply chain risks could lead to longer times and higher costs, a worsening of contract terms and a deterioration of commercial relations with clients and economic-financial results, and a negative impact on Saipem's competitive position.
In addition, the COVID-19 pandemic had effects on the supply chain, primarily associated with the necessary audit and restructuration of the vendor lists available for procurement tenders, as well as more relational issues as a consequence of the various national and international protocols on workplace safeguards and safety, which together resulted essentially in a delay of the tenders timing.

Mitigation

With the aim of preventing and mitigating these risks, the Group has adopted a structured qualification and selection system in order to work with reliable vendors and subcontractors with a consolidated reputation. The services of vendors and subcontractors are also constantly controlled, and subject to feedback on all the work sectors with the supplier, in order to pursue continuous improvement in the procurement process. With reference to the COVID-19 pandemic, Saipem monitors its impacts on the supply chain at the level of the individual projects, in terms of continuity and timeliness of the supplies.
In addition, Saipem is assessing the implementation of specific IA tools for Supply Chain Risk Management, to monitor and eventually prevent impacts on our business through Bid Data analysis from several sources.
To mitigate and prevent the risks associated with unethical behaviour by vendors and subcontractors, Saipem uses various tools, checks and training programmes.
Additionally, Saipem requires its vendors, subcontractors and partners to read and accept the Model 231 in its entirety, including the Code of Ethics, which is inspired by the principles of the Universal Declaration of Human Rights of the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and to the OECD Guidelines for Multinational Enterprises.

9. Digital and IT risks

Description and impact

The execution and performance of Saipem's activities depend significantly on the IT system that has been developed over the years. Failure to take advantage of the opportunities linked to digitalisation and to process and operation automation, as well as inefficient use of innovative IT solutions by Saipem could compromise the Group's technological development and, as a result, the achievement of its short or long-term objectives (more information is available in the specific "Digital, ICT services" section).

Saipem is committed to taking on the digital challenge and the resulting risks related to the exploitation and enhancement of data and digital technologies in order to maintain and strengthen its competitive position in the Engineering & Construction, Drilling and high value engineering services sectors.

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

10. Risks related to business processes

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

Mitigation
The Group has launched several initiatives aimed at recovering efficiency and effectiveness in which particular emphasis was placed on the rationalisation of business processes. The divisionalisation process occurred at the same time with the aim of leading to a greater focus on business activities by allocating directly to the divisions many activities and processes that were previously monitored centrally in Corporate.
Finally, Saipem has embarked on a path to improve the work organisation model that – through a cultural, technological and digital change – can positively contribute to the achievement of corporate results, through increases in efficiency and effectiveness. In particular, in order to adapt quickly to these cultural changes, initiatives aimed at process dematerialisation and digitalisation are ongoing.

11. Risks related to political, social and economic and pandemic instability

Description and impact
Substantial portions of Saipem's operations are performed in countries which may be politically, socially or economically unstable or at risk of terrorist threats. Developments in the political framework, economic crises, internal social unrest and conflicts with other countries, terrorist attacks and embargoes may temporarily or permanently compromise the Group's ability to operate efficiently in such countries, as well as its ability to recover group assets therein, or may require specific measures (where possible in compliance with Saipem corporate policy) to be taken at an organisational or management level in order to enable the continuation of activities under way in conditions that differ from those originally anticipated. Moreover, Saipem's operations, staff, and assets are located in many countries which are potentially exposed to the threat of terrorism on a global scale by various types of extremist groups.
Additional risks associated with operations in these countries are: (i) the absence of a stable legislative framework and the change in the rules and regulations valid within the territory where it is operating, including laws that implement international protocols or conventions for that sector of activity; (ii) uncertainty over the protection of the foreign group's rights in the event of contractual violation by private companies or state entities; (iii) penalising developments or applications of laws, regulations, unilateral contract amendments which lead to reductions in the value of the assets, forced divestment and expropriation; (iv) restrictions of varying nature on the activities of construction, drilling, import and export; (v) changes in local regulations that impose the use of certain numbers of staff, and goods and services supplied by local companies (so-called 'local content').
Moreover, amongst other things the regulatory framework also impacts the methods with which Saipem carries out its activities. Any adoption of more restrictive or unfavourable regulations, or the imposition of obligations for compliance, or further requirements linked to Engineering & Construction and Drilling activities, may lead to changes in operating conditions and require an increase in investments, production costs or, at any rate, to a slow-down in the development of activities. Any violations of health, safety and environmental laws could lead to limitations to the Group's activities or to fines, sanctions or penalties in the event of non-compliance with environmental and health and safety laws and regulations.

In addition, in the current context, even in countries traditionally less exposed to political, economic and social instability, significant changes may occur that could impact the Saipem Group's current and future business activities, such as the conclusion of the Brexit process.
Lastly, considering that Saipem carries out its business activities in a global context characterised by the management of diversity deriving from socio-economic, political, industrial and regulatory contexts, the Group is exposed to multiple scenarios regarding relations with staff and, where present, with trade unions. Such relationships, if not properly managed, can generate extra costs and impact the timing of the activities carried out in Saipem's operational offices and projects, as well as having negative repercussions on Saipem's image and reputation.
The current macroeconomic global scenario is also negatively impacted by the criticalities generated by the pandemic, that has brought about increased social and economic instability in the countries where Saipem engages in operating activities and projects.

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

12. Business integrity risks

Description and impact
Although Saipem conducts its business with loyalty, fairness, transparency, integrity and in full compliance with laws and regulations, the Group is subject to the risk of fraud and/or illegal conduct by employees and third parties (for example, corruption, lack of transparency, leaking confidential information, non-compliance with group procedures and regulations).
Specifically, Saipem carries out its business activities together with subcontractors, vendors and partners that could commit fraudulent acts in concert with employees to the detriment of the Group. Furthermore, the Group operates in various countries characterised by a high level of fraud and corruption, referred to in the "Corruption Perception Index" of Transparency International.
In the context of risks related to possible fraud or illegal activities by employees or third parties, Saipem is also exposed, in particular, to risks related to the protection of information and know-how, as the Group in the performance of its activities relies on sensitive information, data and know-how, processed and contained in

documents and/or electronic format, whose unauthorised access and disclosure of by employees or third parties may represent fraud or illegal activities, and might as well cause damage to Saipem.
Lastly, it cannot be excluded that non-compliance issues or incorrect application of the European Data Protection Regulation (GDPR) may occur within the Group, which could result in the application of sanctions to the detriment of Saipem.

Mitigation

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

13. Cyber risks

Description and impact

In performing its activities in the offices and worksites onshore and offshore, Saipem uses a vast number of digital tools of various kinds; by effect of an increase in digitalisation and of the constant increase in cybernetic threats, the Group's IT systems are exposed to potential cyber attacks that can have a number of aims; the cyber attacks could endanger the operational continuity and damage Information Technology (IT) and Operational Technology (OT) systems, causing the loss and/or theft of data and information (even of a confidential nature), with significant impacts on corporate processes resulting in economic and financial damage, as well as damage to operations and to the company's reputation, particularly towards the clients.
In recent years, the emerging cyber risks have played and will continue to play an increasing role, due to the critical role of the various IT tools and the digitalisation process affecting the Group activities and processes.
Finally, the COVID-19 containment measures have led to the need to work remotely, using networks other than that of the company, with a consequent potential increase in the area open to attacks, which is not an optimal scenario in terms of cyber security, as the measures adopted by the Group to contain IT threats and attacks could become less effective.

Mitigation

Saipem has implemented measures of governance, response and monitoring of cyber attacks, as well as compliance processes carried out through the involvement of specialised internal and external personnel and an advanced use of IT security technologies. Saipem applies procedures and protocols based on the sector best practices and on consolidated, tested international standards, with the goal of preventing and mitigating its exposure to cyber risk, as well as security additions to meet clients' requirements.

In particular, for the prevention and mitigation of cyber risks, Saipem relies on providers of specialised services and uses the main prevention and defence instruments available on the market (more information is available in the specific "Digital, ICT services" section); moreover, Saipem is constantly engaged in implementing a cyber security plan, strengthening its activities of threat detection and response to cyber incidents, in the adoption of a platform that provides external and independent assessment of the Group's level of maturity of cyber security, in the assessment of cyber risks also in relation to Operational Technology (OT), in cyber awareness activities aiming to increase the level of training and knowledge of employees and, finally, in continuous collaboration with the main public and private stakeholders.

14. Risks related to human resources

Description and impact

The Saipem Group relies to a significant degree on the professional contribution of key management personnel and highly specialised individuals. Key management personnel means "Senior Managers with strategic responsibilities" (further information can be found in the specific detailed section in the "2021 Remuneration Report"). Highly specialised individuals, on the other hand, means personnel who, on the basis of their skills and experience, are vital to the execution of projects and to the growth and development of Saipem.
If this relationship between Saipem and one or more of the resources mentioned should be interrupted for any reason, there are no guarantees that the Group can restore it quickly using equally qualified individuals who can ensure the same operational and professional contribution in the short term.
The breaking off of relations with one of the key figures, the inability to attract and retain highly qualified personnel and competent management personnel, or to supplement the organisational structure with individuals capable of managing the growth of the Group, could have negative effects on Saipem's future business opportunities and projects in the execution phase.
Furthermore, working on international markets, the development of Saipem's future strategies will depend significantly on the Group's ability to attract and retain highly qualified and competent personnel with a high level of diversity in terms of age, nationality and gender. Lastly, the regulatory developments in labour law in the countries where Saipem operates exposes it to risks of various kinds in the management of human resources, which can cause internal inefficiencies and disputes.

Mitigation

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

Transfer of risks to the insurance market

In close cooperation with top management the Corporate insurance function annually defines the Saipem Group's guidelines on insurance coverage against residual risks of material damages and civil liability, and those deriving from contracts taken on.
An insurance programme is defined on the basis of the guidelines, which identifies specific excess and maximum limit coverage for each type of risk based on an analysis that takes into account claim records for recent years, industry statistics and conditions offered by the international insurance market.
The Saipem insurance programme is structured in such a way as to appropriately transfer risks deriving from operations to the insurance market, in particular the risks associated with the management of the fleet, equipment

and other assets, including third party liability risks, those relating to Saipem personnel, cyber security risks and risks deriving from the performance of contracts awarded by its clients.
Given the coverage that is offered by the insurance market and the changing circumstances on the energy market in which Saipem operates, it is not possible to guarantee that all circumstances and events will be adequately covered by the insurance programme. Equally, due to the volatility of the insurance market, it cannot be guaranteed that it will be possible in the future to reasonably maintain adequate insurance coverage at the current rates, terms and conditions.
Within the Saipem insurance programme, a distinction can be made between insurance cover for Group assets ("Corporate insurance policies") and the insurance cover connected with project execution.

Corporate insurance policies

The Corporate insurance programme is structured with an initial band of risk that is self-insured through a captive reinsurance group, with amounts in excess covered by a catastrophic insurance programme taken out on the insurance market.
The catastrophic insurance programme is composed of policies that cover damage to property, maritime and non-maritime third party liability, professional liability and cyber risks. Cover can be broken down as follows:

Material damages

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

Third-party liability

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

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

Insurance policies relating to the execution of projects

For all contracts assigned there must be specific project insurance coverage in place and said coverage generally falls within the client's contractual scope of responsibility.
In cases where such coverage instead falls within the contractor's scope of responsibility, Saipem defines an insurance suitable for covering all project-related risks, for the entire term.
Usually it takes out "Builders' All Risks" insurance, which covers the scope of work of the contract, i.e. damage to the works under construction, as well as to equipment, products and materials required for its construction and third party liability for all works to be performed by the Group during all phases of project execution (engineering, transportation, construction, assembly, testing) including the contractual guarantee period.

ADDITIONAL INFORMATION

Authorisation to repurchase treasury shares under the incentive plans

On April 30, 2021, the Ordinary Shareholders' Meeting resolved for the authorisation to repurchase of treasury shares, as follow:
- up to a maximum of 3,500,000 ordinary shares and, in any case, for a maximum amount of €9,800,000, to be assigned to the 2022 attribution of the Short-term Incentive Plan 2021-2023;
- up to a maximum of 22,000,000 ordinary shares and, in any case, for a maximum amount of €61,400,000, to be assigned to the 2021 attribution of the Long-term Incentive Plan 2019-2021.

The authorisations for the repurchase of treasury shares are requested for a period of eighteen months from the date of the resolution of the Shareholders' Meeting.

Short-term Incentive Plan 2021-2023

On April 27, 2021, the Board of Directors resolved, following a proposal of the Compensation and Nomination Committee, to implement for 2021 the short-term share-based incentive Plan 2021-2023 (the "Plan"), approved by the Shareholders' Meeting on April 29, 2020. The Board of Directors determined the total number of treasury shares necessary to service the Plan as 918,150. The Board of Directors and, for it, the CEO, will undertake the programme of purchase of treasury shares in service of the Plan, under the terms and conditions authorised by the Shareholders' Meeting on April 29, 2020, and, therefore, within a period of 18 months from the resolution Shareholders' Meeting, and for a maximum total amount, in any case, not exceeding €17,200,000.
Notice will be provided to the market regarding the effective start of the treasury share purchase programme.

New issuance of senior, unsecured fixed rate notes

On March 23, 2021, Saipem successfully issued a new fixed rate bond with maturity March 31, 2028 for a total amount of €500 million.
The notes, issued by Saipem Finance International BV under the EMTN Programme (Euro Medium Term Note Programme), pay a fixed annual coupon of 3.125% with a re-offer price of 100%.
The notes were purchased by institutional investors mainly located in Italy, France, United Kingdom and Germany and will be listed on the Euro MTF of the Luxembourg Stock Exchange.

Regulation on Markets

Article 15 (formerly Article 36) of Consob Regulation on Markets (adopted with Resolution No. 20249 of December 28, 2017): conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries

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

i. as of June 30, 2021, the regulatory provisions of Article 15 of the Regulation on Markets apply to the following 19 subsidiaries:
   - Saudi Arabian Saipem Ltd;
   - Snamprogetti Saudi Arabia Co Ltd Llc;
   - PT Saipem Indonesia;
   - Saipem Misr for Petroleum Services (S.A.E.);
   - Saipem Offshore Norway AS;
   - Saipem Drilling Norway AS;
   - Saipem Contracting Nigeria Ltd;
   - Petrex SA;
   - Saipem America Inc;
   - Saipem do Brasil Serviçõs de Petroleo Ltda;
   - Boscongo SA;
   - Saimexicana SA de Cv;
   - Saipem India Projects Private Ltd;
   - Saipem Services Mexico SA de Cv;
   - Sigurd Rück AG;

- Snamprogetti Engineering & Contracting Co Ltd;
- Global Petroprojects Services AG;
- Saipem Singapore Pte Ltd;
- Saipem Ltd.

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

Disclosure of transactions with related parties

On April 27, 2021, the Board of Directors of Saipem SpA updated, with the favourable and unanimous opinion of the Related Parties' Committee, the Management System Guidelines "Transactions involving the interests of Directors and Statutory Auditors and Transactions with Related Parties", to take into account the regulations introduced by Consob Resolution No. 21624 of December 10, 2020, which amended Consob Regulations on Related Party Transactions.
Directors, statutory auditors 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. Directors and statutory auditors release every six months and/or in the event of a change, a statement in which each potential interest is represented in relation to the parent and the Group and in any case report to the Chief Executive Officer (or the Chairman where the Chief Executive Officer is involved), who informs the other directors and the Board of Statutory Auditors of the individual transactions that the parent intends to perform, in which they have direct interests.
At June 30, 2021, Saipem SpA is not subject to the management and coordination of other parties, due to the make-up of its shareholding following the entry into force on January 22, 2016 of the Shareholders' Agreement between Eni and FSI (subsequently CDP Equity SpA and now CDP Industria SpA), aimed "at achieving joint control of Saipem by Eni and FSI". Saipem SpA manages and coordinates its own subsidiaries pursuant to Article 2497 ff. of the Italian Civil Code.
Transactions concluded by Saipem with related parties essentially regard the exchange of goods, the supply of services, the provision and utilisation of financial resources including entering into derivatives contracts. All transactions form part of ordinary operations, are settled at market conditions, i.e. at the conditions that would have applied between two independent parties, and are concluded in the interest of Group companies.
The values of transactions of a trade, financial or other nature entered into with related parties are illustrated in Note 36 of the "Notes to the condensed interim consolidated financial statements".

Business outlook

2021 remains conditioned by the uncertainty resulting from the persistence of the pandemic. In the first half of the year, the health crisis effects on business coupled with issues on a project specific impacting operational performance. The business outlook for 2021 inevitably remains influenced by these events.
Outlook for the second half of 2021:

- revenues of between €4.5 and €5 billion;
- positive adjusted EBITDA;
- capital expenditure expected between €200 and €300 million; and
- net debt post-IFRS 16 around €1.6 billion at year end.

This scenario does not account for a further and possible deterioration of the macroeconomic and business environment following, for example, the intensification of the COVID-19 pandemic.

Events after the reporting period

New contracts

As announced on July 30, 2021, Saipem has signed an agreement with Eni for the employment of Saipem 10000 drilling vessel in the Mediterranean waters.
The new drilling vessel Santorini, announced to the market on June 29 and joining the fleet in November 2021, will take over the contract currently held by Saipem 10000, for operations in the US sector of the Gulf of Mexico.
Furthermore, an agreement has been signed with Eni Angola for the employment of the semi-submersible Scarabeo 9 for drilling activities on three wells, in addition to three optional wells, offshore Angola.

Credit Rating Changes

Moody's Investor Services in a press release on August 3, 2021, communicated Saipem's Ba2 rating and indicated that it changed the Outlook from Stable to Negative. The decision does not have immediate effect on the existing credit lines, but could result in an increase of debt cost for new lines (or the issue of new bonds) or renewal of existing lines.

S&P Global Ratings in a press release on August 5, 2021, communicated a 1 “notch” downgrading for Saipem's rating, from “BB+/Stable” to “BB/Stable”. The rating assigned to Saipem by S&P (BB) is, therefore, now in line with Moody's rating (Ba2). The decision implies a slight increase of the cost of the “Revolving Credit Facility” line, and could also result in an increase of debt cost for new lines (or the issue of new bonds) or renewal of existing lines.

Additional information

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

Reconciliation of reclassified balance sheets used in the management report with the mandatory financial statements

Reclassified statement of financial position

(€ million)	Dec. 31, 2020		June 30, 2021	
Reclassified balance sheeet items (unless stated otherwise, the item is obtained from mandatory template)	Partial values from the mandatory statement	Values from the reclassified statement	Partial values from the mandatory statement	Values from the reclassified statement
A) Net property, plant and equipment		3,284		3,242
Note 12 - Net property, plant and equipment	*3,284*		*3,242*	
B) Net intangible assets		701		698
Note 13 - Intangible assets	*701*		*698*	
C) Right-of-Use assets		288		265
Note 14 - Right-of-use assets	*288*		*265*	
D) Equity investments		140		99
Note 15 - Equity investments	*166*		*128*	
Reclassified from F) - provisions for losses of investees	*(26)*		*(29)*	
E) Working capital		267		(40)
Note 7 - Other current financial assets	*344*		*496*	
Reclassified to M) - loan assets not related to operations	*(342)*		*(495)*	
Note 8 - Trade receivables and other assets	*1,991*		*1,833*	
Note 9 - Inventories and contract assets	*1,575*		*1,692*	
Note 10 - Current tax assets	*243*		*246*	
Note 10 - Other current tax assets	*189*		*192*	
Note 11 - Other current assets	*298*		*135*	
Note 11 - Other non-current assets	*35*		*28*	
Note 16 - Deferred tax assets	*240*		*245*	
Note 17 - Trade payables, other liabilities and contract liabilities	*(4,079)*		*(4,130)*	
Note 10 - Current tax liabilities	*(44)*		*(48)*	
Note 10 - Other current tax liabilities	*(136)*		*(119)*	
Note 18 - Other current liabilities	*(35)*		*(99)*	
Note 18 - Other non-current liabilities	*(2)*		*(6)*	
Note 16 - Deferred tax liabilities	*(10)*		*(10)*	
F) Provisions for risks and charges		(269)		(497)
Note 21 - Provisions for risks and charges	*(295)*		*(526)*	
Reclassified to D) - provisions for losses of investees	*26*		*29*	
G) Provisions for employee benefits		(237)		(215)
Note 22 - Employee benefits	*(237)*		*(215)*	
H) Assets held for sale		-		-
Note 24 - Assets held for sale	*-*		*-*	
EMPLOYED CAPITAL, NET		**4,174**		**3,552**
I) Equity		2,923		2,130
Note 25 - Equity attributable to the owners of the parent	*2,923*		*2,130*	
L) Non-controlling interests		25		25
Note 25 - Non-controlling interests	*25*		*25*	
M) Net financial debt pre-lease liabilities		872		1,101
Note 5 - Cash and cash equivalents	*(1,687)*		*(1,653)*	
Note 6 - Financial assets measured at fair value through OCI	*(68)*		*(56)*	
Note 7 - Other non-current financial assets	*(66)*		*(75)*	
Note 19 - Current financial liabilities	*257*		*193*	
Note 19 - Non-current financial liabilities	*2,577*		*2,513*	
Note 19 - Current portion of non-current financial liabilities	*201*		*674*	
Reclassified from E) - loan assets not related to operations (Note 7)	*(342)*		*(495)*	
N) Lease liabilities		354		296
Note 14 - Net lease liabilities	*354*		*296*	
O) Net debt		1,226		1,397
FUNDING		**4,174**		**3,552**

Reclassified income statement

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

> the items "financial income" (€121 million), "financial expense" (-€132 million) and "derivatives" (-€45 million), which are indicated separately in the mandatory template, are stated under the item "Net financial expense" (-€56 million) in the reclassified income statement.

All other items are unchanged.

Items of the reclassified statement of cash flows

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

- the items "depreciation and amortisation" (€249 million), "valuation effect using the equity method" (€25 million), "other changes" (-€60 million) and "change in employee benefits" (-€13 million), indicated separately and included in the net cash flows generated by operating activities in the mandatory template, are shown net under the item "depreciation/amortisation and other non-monetary items" (€201 million);
- the items "income taxes" (€60 million), "interest expense" (€57 million) and "interest income" (-€3 million), indicated separately and included in cash flows from working capital in the mandatory template, are shown net under the item "dividends, interests and taxes" (€114 million);
- the items regarding "trade receivables" (€364 million), changes in "inventories" (€5 million), "provisions for risk and charges" (€222 million), "trade payables" (-€204 million), "other contract assets and liabilities" (€51 million) and "other assets and liabilities" (€118 million), indicated separately and included in cash flows from working capital in the mandatory template, are shown net under the item "changes in working capital related to operations" (€556 million);
- the items "dividends received" (€21 million), "interest received" (€2 million), "income taxes paid net of refunds of tax credits" (-€59 million) and "interest paid" (-€42 million), indicated separately and included in cash flows generated by operating activities in the mandatory template, are shown net under the item "dividends received, income taxes paid and interest paid and received" (-€78 million);
- the items relating to investments in "property, plant and equipment" (-€133 million) and "intangible assets" (-€2 million), indicated separately and included in cash flows from investing activities in the mandatory template, are shown net under the item "capital expenditure" (-€135 million);
- the items "increase in non-current loans and borrowings" (€428 million), "increase (decrease) in current loans and borrowings" (-€67 million) and "decrease in non-current loans and borrowings" (-€19 million), indicated separately and included in net cash flows from financing activities in the mandatory template, are shown net under the item "changes in current and non-current loans and borrowings" (-€342 million).

All other items are unchanged.

GLOSSARY

Financial terms

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

Operational terms

- **Buckle detection** system that utilises electromagnetic waves during pipe laying in order to flag if the pipes laid on the bottom have collapsed or are deformed in any way.
- **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** an inactive plant with skeleton crew and maintenance.
- **Commissioning** series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.
- **Concrete coating** reinforced concrete coating for subsea pipelines in order to ballast and protect them from damage and corrosion.
- **Conventional waters** water depths of up to 500 metres.
- **Cracking** chemical-physical process, typically employed in dedicated refinery plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
- **Debottlenecking** removal of obstacles (in rigs/fields) which leads to higher production.
- **Deck** area of a vessel or platform where process plants, equipment, accommodation modules and drilling units are located.
- **Decommissioning** a process undertaken in order to wind down the operations of a gas pipeline and its associated plant and equipment. It is performed at the end of the useful life of the plant or vessel following an incident, for technical or financial reasons, for safety or environmental reasons.

> **Deep waters** water depths of over 500 metres.
> **Downstream** all operations that follow exploration and production operations in the oil sector.
> **Drillship** vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
> **Dry-tree** wellhead located above the water on a floating production platform.
> **Dynamically Positioned Heavy Lifting Vessel** vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, currents, etc.
> **EPC** (Engineering, Procurement, Construction) a type of contract typical of the Onshore Engineering & Construction segment, comprising the provision of engineering services, procurement of materials and construction. The term "turnkey" means when a plant is provided to customer ready for use, so already operational.
> **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 pipe lay vessel.
> **FEED** (Front-End Engineering and Design) basic engineering and preliminary activities carried out before beginning a complex project to evaluate its technical aspects and enable an initial estimate of the investment required.
> **Field Engineer** on-site engineer.
> **Flare** tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilise it on site or ship it elsewhere.
> **FLNG** Floating Liquefied Natural Gas unit used for the treatment, liquefaction and storage of gas which is subsequently transferred onto vessels for transportation to end-use markets.
> **Floatover** type of module installation on offshore platforms that does not require lifting operations. A specialised vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed. Once the module is in contact with the supports, the vessel disconnects and the module is subsequently secured to the support structure.
> **Flowline** pipeline used to connect individual wells to a manifold or to gathering and processing facilities.
> **FPSO vessel** Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the subsea wellheads to the on-board processing, storage and offloading systems.
> **FPU** Floating Production Unit.
> **FSHR** (Free Standing Hybrid Risers) system consisting of a vertical steel pipe ("riser"), which is kept under tension by a floating module position near the water whose buoyancy, ensures stability. A flexible pipe (jumper) connects the upper part of the riser to the Floating Production Unit (FPU), while the riser is anchored to the sea bottom by means of an anchoring system. A rigid pipe (riser base jumper) connects the lower part of the FSHR to the Pipe Line End Terminations (PLETs).
> **FSRU** (Floating Storage Regasification Unit) a floating terminal in which liquefied natural gas is stored and then re-gasified before being transported by pipeline.
> **Gas export line** pipeline for carrying gas from the subsea reservoirs to the mainland.
> **Grass Root Refinery** a refinery that is built from scratch with a planned capacity.
> **Hydrocracker** installation in which large hydrocarbon molecules are broken down into smaller ones.
> **Hydrotesting** operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
> **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
> **Ice Class** classification that indicates the additional level of upgrading and other criteria that make a ship sea worthy to sail in sea ice.
> **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
> **Jacket** platform underside structure fixed to the seabed using piles.
> **Jack-up** mobile self-lifting unit comprising a hull and retractable legs used for offshore drilling operations.
> **J-laying** method of pipe laying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter "J". This type of pipe laying is suitable for deep waters.
> **Lay-up** a laid-up vessel whereby its class certification validity is suspended.
> **Leased FPSO** FPSO (Floating Production, Storage and Offloading) vessel for which a lease contract is in place between a client/lessee (Oil Company) and a contractor/lessor, whereby the lessee (client/Oil Company) makes lease payments to the lessor for use of the vessel for a specific period of time. At the end of the lease term, the lessee has the option to purchase the FPSO.
> **LNG** (Liquefied Natural Gas), which is obtained at atmospheric pressure by cooling the natural gas down to -160 °C. It is turned to liquid form for ease of transport from its extraction location to where it will then be transformed and used. A tonne of LNG is equivalent to 1,500 cubic metres of gas.

- **Local Content** policy whereby a group develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.
- **LPG** (Liquefied Petroleum Gas) produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gas exists in a gaseous state at ambient temperatures and atmospheric pressure, but changes to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy-to-handle metal pressure vessels.
- **LTI** (Lost Time Injury) any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
- **Marginal fields** oil fields with scarce exploitable resources or that are recording a drop in production so it is sought to extend their use via low risk, cost effective technologies.
- **Midstream** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
- **Moon pool** an opening in the hull of a drillship for equipment to be lowered through.
- **Mooring buoy** offshore mooring system.
- **Multipipe subsea** subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deep water application).
- **National Oil Companies** State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.
- **NDT** (Non Destructive Testing) a series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** industrial sector that provides services and/or products to the National or International Oil Companies engaged in oil exploration, production, transportation and conversion.
- **Open Book Estimate** (OBE) type of contract where the lump-sum fee for the project (usually for turnkey or EPC projects) is agreed on with the client, with complete transparency, after the contract has been signed and during an advanced stage of the base engineering, on the basis of an overall project cost estimate.
- **P&ID** (Piping and Instrumentation Diagram) diagram showing all plant equipment, piping and instrumentation with associated shut-down and safety valves.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy back pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long and heavy steel pylon driven into the seabed. A system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- **Pipe-in-pipe** subsea pipeline system comprising 2 coaxial pipes, used to transport hot fluids (Oil&Gas). The internal pipe has the function of transporting the fluid. The space between the two pipes is insulated to reduce heat exchange with the external environment. The external pipe provides mechanical protection from the pressure of the water.
- **Pipe-in-pipe forged end** forged end of a coaxial double pipe.
- **Pipelayer** vessel used for subsea pipe laying.
- **Pipeline** pipes and auxiliary equipment used principally for transporting crude oil, oil products and natural gas to the point of delivery.
- **Pre Assembled Rack** (PAR) pipeline support beams.
- **Pre-commissioning** phase comprising pipeline clean-out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** geological formation present on the continental shelves offshore Brazil and Africa.
- **Pre-Travel Counselling** health and medical advice for anyone required to travel, providing them with adequate information on the specific risks in the country of destination and the relevant preventive measures to be taken.
- **PTS** (Pipe Tracking System) an electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Pulling** minor operations on oil wells due to maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit, as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.
- **ROV** (Remotely Operated Vehicle) unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- **Shale gas** unconventional gas extracted from shale deposits.
- **Shale oil** non-conventional oil obtained from bituminous shale.
- **Shallow water** sees Conventional waters.
- **Sick Building Syndrome** a cluster of symptoms in people working in a specific workplace. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites are thought to be contributing factors.
- **S-laying** method of pipe laying 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 pipe laying.
> **Slug catcher** equipment for the purification of gas.
> **Smart stacking** when rig is left idle to reduce operational costs and a preservation programme is put in place.
> **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 ends 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 sea-water directly on the seabed.
> **SURF** (Subsea, Umbilical, Risers, Flowlines) facilities, pipelines and equipment connecting the well or subsea system to a floating unit.
> **TAD** (Tender Assisted Drilling unit) an offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
> **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).
> **Tar sands** mixture of clay, sand, mud, water and bitumen. The tar is made up primarily of high molecular weight hydrocarbons and can be transformed into various petroleum products.
> **Template** rigid and modular subsea structure where the oilfield well-heads are located.
> **Tendons** pulling cables used on tension leg platforms to ensure platform stability during operations.
> **Termination for Convenience** the right to unilaterally terminate the contract at any time provided they pay the agreed termination fee to do so.
> **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
> **Tight oil** oil "trapped" in liquid form deep below the earth's surface in low permeability rock formations, which it is difficult to extract using conventional methods.
> **TLP** (Tension Leg Platform) fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
> **Topside** portion of a platform above the jacket.
> **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
> **Trenching** burying of offshore or onshore pipelines.
> **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
> **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
> **Upstream** relating to exploration and production operations.
> **Vacuum** second stage of oil distillation.
> **Warm Stacking** idle plant, but one ready to resume operations in the event that a new contract is acquired. Personnel are at full strength and ordinary maintenance is normally carried out.
> **Wellhead** fixed structure separating the well from the outside environment.
> **WHB** (Wellhead Barge) vessel equipped for drilling, workover and production (partial or total) operations, connected to process and/or storage plants.
> **Workover** major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

Other terms

> **CCUS** (Carbon Capture, Utilization and Storage) covers all the solutions making it possible to reduce or fully eliminate from the atmosphere greenhouse gas emissions of polluting treatment plants.
> **ESG** (Environmental Social Governance) refers to the consideration of the operations of a company in relation of its interactions with the environment and territory, community and company management.
> **ESMA** European Securities and Markets Authority.
> **OECD** (Organisation for Economic Co-operation and Development) composed of thirty-five developed countries having in common a democratic system of government and a free market economy.
> **OPEC** Organization of the Petroleum Exporting Countries.

SAIPEM
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

(€ million)	Note [1]	Dec. 31, 2020 Total	Dec. 31, 2020 *of which with related parties* [2]	June 30, 2021 Total	June 30, 2021 *of which with related parties* [2]
ASSETS					
Current assets					
Cash and cash equivalents	(No. 5)	1,687		1,653	
Financial assets measured at fair value through OCI	(No. 6)	68		56	
Other financial assets	(No. 7)	344	334	496	496
Lease assets	(No. 14)	16		15	
Trade receivables and other assets	(No. 8)	1,991	578	1,833	676
Inventories	(No. 9)	280		278	
Contract assets	(No. 9)	1,295		1,414	
Tax assets	(No. 10)	243		246	
Other tax assets	(No. 10)	189		192	
Other assets	(No. 11 and 23)	298	14	135	19
Total current assets		**6,411**		**6,318**	
Non-current assets					
Property, plant and equipment	(No. 12)	3,284		3,242	
Intangible assets	(No. 13)	701		698	
Right-of-Use assets	(No. 14)	288		265	
Equity-accounted investments	(No. 15)	166		128	
Other equity investments	(No. 15)	-		-	
Other financial assets	(No. 7)	66		75	
Lease assets	(No. 14)	51		45	
Deferred tax assets	(No. 16)	240		245	
Tax assets	(No. 10)	20		20	
Other assets	(No. 11 and 23)	35	1	28	-
Total non-current assets		**4,851**		**4,746**	
Assets held for sale	(No. 24)	-			
TOTAL ASSETS		**11,262**		**11,064**	
LIABILITIES AND EQUITY					
Current liabilities					
Current financial liabilities	(No. 19)	257	1	193	1
Current portion of non-current financial liabilities	(No. 19)	201		674	
Current portion of non-current lease liabilities	(No. 14)	151		112	
Trade payables and other liabilities	(No. 17)	2,463	191	2,352	436
Contract liabilities	(No. 17)	1,616	638	1,778	504
Tax liabilities	(No. 10)	44		48	
Other tax liabilities	(No. 10)	136		119	
Other liabilities	(No. 18 and 23)	35		99	
Total current liabilities		**4,903**		**5,375**	
Non-current liabilities					
Non-current financial liabilities	(No. 19)	2,577		2,513	
Non-current lease liabilities	(No. 14)	270	2	244	1
Provisions for risks and charges	(No. 21)	295		526	
Employee benefits	(No. 22)	237		215	
Deferred tax liabilities	(No. 16)	6		7	
Tax liabilities	(No. 10)	24		23	
Other liabilities	(No. 18 and 23)	2		6	
Total non-current liabilities		**3,411**		**3,534**	
TOTAL LIABILITIES		**8,314**		**8,909**	
EQUITY					
Non-controlling interests	(No. 25)	25		25	
Equity attributable to the owners of the parent:	(No. 25)	2,923		2,130	
- share capital	(No. 25)	2,191		2,191	
- share premium	(No. 25)	553		553	
- other reserves	(No. 25)	14		(1)	
- retained earnings		1,387		251	
- profit (loss) for the period		(1,136)		(779)	
- negative reserve for treasury shares in portfolio	(No. 25)	(86)		(85)	
Total equity		**2,948**		**2,155**	
TOTAL LIABILITIES AND EQUITY		**11,262**		**11,064**	

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

Income statement

(€ million)	Note	First half 2020 Total	First half 2020 of which with related parties [1]	First half 2021 Total	First half 2021 of which with related parties [1]
REVENUE					
Core business revenue	(No. 28)	3,675	765	3,200	1,252
Other income and revenue	(No. 28)	44		2	
Total revenue		**3,719**		**3,202**	
Operating expenses					
Purchases, services and other costs	(No. 29)	(2,592)	(225)	(2,753)	(750)
Net reversals of impairment losses (impairment losses) on trade receivables and other assets	(No. 29)	(5)		(50)	
Personnel expenses	(No. 29)	(851)		(788)	
Depreciation, amortisation and impairment losses	(No. 29)	(982)		(249)	
Other operating income (expense)	(No. 29)	-		-	
OPERATING PROFIT (LOSS)		**(711)**		**(638)**	
Financial income (expense)					
Financial income		142	1	121	-
Financial expense		(218)		(132)	
Derivative financial instruments		(19)		(45)	
Net financial income (expense)	(No. 30)	**(95)**		**(56)**	
Gains (losses) on equity investments					
Share of profit (loss) of equity-accounted investees		10		(25)	
Other gains (losses) from equity investments		-		-	
Net gains (losses) on equity investments	(No. 31)	**10**		**(25)**	
PRE-TAX PROFIT (LOSS)		**(796)**		**(719)**	
Income taxes	(No. 34)	(74)		(60)	
PROFIT (LOSS) FOR THE PERIOD		**(870)**		**(779)**	
Attributable to:					
- owners of the parent		(885)		(779)	
- non-controlling interests	(No. 33)	15		-	
Earnings (loss) per share for the period profit (loss) attributable to owners of the parent (€ per share)					
Basic earnings (loss) per share	(No. 34)	(0.89)		(0.78)	
Diluted earnings (loss) per share	(No. 34)	(0.88)		(0.78)	

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

Statement of comprehensive income

(€ million)	Note	First half 2020	First half 2021
Profit (loss) for the period		**(870)**	**(779)**
Other items of comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans for employees	(No. 25)	(2)	10
Change in the fair value of equity investments measured at fair value through OCI	(No. 25)	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans	(No. 25)	-	-
Income tax relating to items that will not be reclassified	(No. 32)	-	(2)
Items that may be reclassified subsequently to profit or loss			
Change in the fair value of cash flow hedges	(No. 25)	20	(60)
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	(No. 25)	-	-
Exchange differences arising from the translation into euro of financial statements in currencies other than euro	(No. 25)	(6)	24
Share of other comprehensive income of equity-accounted investees	(No. 25)	-	-
Income tax relating to items that will be reclassified	(No. 32)	(4)	13
Total other comprehensive income (expense) net of taxation		**8**	**(15)**
Comprehensive income (expense) for the period		**(862)**	**(794)**
Attributable to:			
- owners of the parent		(878)	(794)
- non-controlling interests		16	-

Statement of changes in equity

(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Fair value reserve (equity instruments)	Hedging reserve, net of tax	Fair value reserve (AFS financial assets (net of tax))	Translation reserve	Actuarial reserve, net of tax	Retained earnings (losses) carried forward	Profit (loss) for the period	Negative reserve for treasury shares in portfolio	Total	Non-controlling interests	Total equity
	Saipem shareholders' equity															
Balance as of December 31, 2019	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**(10)**	**1**	**(21)**	**(36)**	**1,395**	**12**	**(95)**	**4,032**	**93**	**4,125**
Profit (loss) for the first half of 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(885)**	**-**	**(885)**	**15**	**(870)**
Other items of comprehensive income																
Items that will not be reclassified subsequently to profit or loss																
Remeasurements of defined benefit plans for employees net of the tax effect	-	-	-	-	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Change in the fair value of equity investments measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**(2)**	**-**	**(2)**
Items that may be reclassified subsequently to profit or loss																
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	-	16	-	-	-	-	-	-	16	-	16
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences of financial statements in currencies other than euro	-	-	-	-	-	-	-	-	(11)	-	4	-	-	(7)	1	(6)
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**(11)**	**-**	**4**	**-**	**-**	**9**	**1**	**10**
Total comprehensive income (expense) for the first half of 2020	**-**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**(11)**	**(2)**	**4**	**(885)**	**-**	**(878)**	**16**	**(862)**
Owner transactions																
Dividend distribution first half of 2020	-	-	-	-	-	-	-	-	-	-	-	(10)	-	(10)	(59)	(69)
Retained earnings (losses)	-	-	-	-	-	-	-	-	-	-	2	(2)	-	-	-	-
Increase (reduction) of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**(12)**	**-**	**(10)**	**(59)**	**(69)**
Other changes in equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	2	-	(16)	(14)	-	(14)
Other changes	-	-	-	-	-	-	(1)	-	-	-	3	-	-	2	-	2
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**5**	**-**	**(16)**	**(12)**	**-**	**(12)**
Balance as of June 30, 2020	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**5**	**1**	**(32)**	**(38)**	**1,406**	**(885)**	**(111)**	**3,132**	**50**	**3,182**
Profit (loss) for the second half of 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(251)**	**-**	**(251)**	**4**	**(247)**
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	-	-	-	-	-	-	-	-	-	1	-	-	-	1	-	1
Change in the fair value of equity investments measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax effect	-	-	-	-	-	-	-	-	-	1	-	-	-	1	-	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**	**-**	**2**
Items that may be reclassified subsequently to profit or loss																
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

(€ million)	Saipem shareholders' equity														Non-controlling interests	Total equity
	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Fair value reserve (equity instruments)	Hedging reserve, net of tax	Fair value reserve (AFS financial assets (net of tax))	Translation reserve	Actuarial reserve, net of tax	Retained earnings (losses) carried forward	Profit (loss) for the period	Negative reserve for treasury shares in portfolio	Total		
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences of financial statements in currencies other than euro	-	-	-	-	-	-	(4)	-	(65)	-	1	-	-	(68)	(4)	(72)
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**-**	**(65)**	**-**	**1**	**-**	**-**	**37**	**(4)**	**33**
Total comprehensive income (expense) for the second half of 2020	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**-**	**(65)**	**2**	**1**	**(251)**	**-**	**(212)**	**-**	**(212)**
Owner transactions																
Dividend distribution second half of 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25)	(25)
Retained earnings (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (reduction) of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalisation of costs of share capital increase net of taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interestsi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	(16)	(16)	-	(16)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**	**(25)**	**(41)**
Other changes in equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	(17)	-	41	24	-	24
Other changes	-	-	-	-	-	-	1	-	(4)	1	(3)	-	-	(5)	-	(5)
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**(4)**	**1**	**(20)**	**-**	**41**	**19**	**-**	**19**
Balance as of December 31, 2020	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**107**	**1**	**(101)**	**(35)**	**1,387**	**(1,136)**	**(86)**	**2,923**	**25**	**2,948**
Profit (loss) for the first half of 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(779)**	**-**	**(779)**	**-**	**(779)**
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	-	-	-	-	-	-	-	-	-	8	-	-	-	8	-	8
Change in the fair value of equity investments measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax effect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**	**8**	**-**	**8**
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	-	-	-	-	-	-	(47)	-	-	-	-	-	-	(47)	-	(47)
Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences of financial statements in currencies other than euro	-	-	-	-	-	-	1	-	24	-	(1)		-	24	-	24
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(46)**	**-**	**24**	**-**	**(1)**	**-**	**-**	**(23)**	**-**	**(23)**
Total comprehensive income (loss) for the first half of 2021	**-**	**-**	**-**	**-**	**-**	**-**	**(46)**	**-**	**24**	**8**	**(1)**	**(779)**	**-**	**(794)**	**-**	**(794)**
Owner transactions																
Dividend distribution first half of 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings (losses)	-	-	-	-	-	-	-	-	-	-	(1,136)	1,136	-	-	-	-
Increase (reduction) of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,136)**	**1,136**	**-**	**-**	**-**	**-**
Other changes in equity																
Recognition of fair value of incentive plans	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1
Other changes	-	-	-	-	-	-	-	-	-	(1)	1	-	-	-	-	-
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**1**	**-**	**1**	**1**	**-**	**1**
Balance as of June 30, 2021	**2,191**	**553**	**(46)**	**88**	**-**	**-**	**61**	**1**	**(77)**	**(28)**	**251**	**(779)**	**(85)**	**2,130**	**25**	**2,155**

For details, see Note 25 "Shareholders' equity".

Statement of cash flows

(€ million)	Note	First half 2020	First half 2021
Profit (loss) for the period		(885)	(779)
Non-controlling interests		15	-
Adjustments to reconcile profit (loss) to cash flows from operating activities:			
- depreciation and amortisation	(No. 29)	313	249
- net impairment losses (reversals of impairment losses) on property, plant and equipment,intangible assets and Right-of-Use assets	(No. 29)	669	-
- share of profit (loss) of equity-accounted investees	(No. 31)	(10)	25
- net (gains) losses on disposal of assets		1	-
- interest income		(3)	(3)
- interest expense		75	57
- income taxes	(No. 32)	74	60
- other changes		(22)	(60)
Changes in working capital:			
- inventories		9	5
- trade receivables		356	364
- trade payables		(207)	(204)
- provisions for risks and charges		28	222
- contract assets and contract liabilities		(346)	51
- other assets and liabilities		(43)	118
Cash flows from working capital		*(203)*	*556*
Change in the provision for employee benefits		(9)	(13)
Dividends received		-	21
Interest received		3	2
Interest paid		(75)	(42)
Income taxes paid net of refunds of tax credits		(79)	(59)
Net cash flows from operating activities		**(136)**	**14**
of which with related parties [1]	(No. 36)	**564**	**515**
Investments:			
- property, plant and equipment	(No. 12)	(188)	(133)
- intangible assets	(No. 13)	(7)	(2)
- equity investments	(No. 15)	-	-
- securities for operating purposes		-	-
- loan assets for operating purposes		-	-
Cash flows from investments		*(195)*	*(135)*
Disposals:			
- property, plant and equipment		1	2
- out-of-scope entities and business units		-	-
- equity investments		-	-
- securities for operating purposes		-	-
- loan assets for operating purposes		-	-
Cash flows from disposals		*1*	*2*
Net variation of securities and loan assets not related to operations		*(14)*	*(148)*

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

cont'd **Statement of cash flows**

(€ million)	Note	First half 2020		First half 2021	
Net cash flows from investing activities		**(208)**		**(281)**	
of which with related parties [1]	(No. 36)		**(21)**		**(162)**
Increase in non-current loans and borrowings		143		428	
Decrease in non-current loans and borrowings		(673)		(19)	
Decrease in lease liabilities		(78)		(85)	
Increase (decrease) in current loans and borrowings		150		(67)	
		(458)		**257**	
Net capital contributions by non-controlling interests		-		-	
Sale (repurchase) of additional interests in consolidated subsidiaries		-		-	
Dividend distribution		(10)		(26)	
Sale (repurchase) of treasury shares		(16)		-	
Net cash flows from financing activities		**(484)**		**231**	
of which with related parties [1]	(No. 36)		**-**		**-**
Effect of changes in consolidation scope		-		-	
Effect of exchange differences and other changes on cash and cash equivalents		1		2	
Net variation in cash and cash equivalents		**(827)**		**(34)**	
Cash and cash equivalents - opening balance	(No. 5)	**2,272**		**1,687**	
Cash and cash equivalents - closing balance	(No. 5)	**1,445**		**1,653**	

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

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

Index of Notes to the condensed interim consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting" and have to be read jointly with last annual Group financial statements closed as of December 31, 2020. Specific notes are included to explain events and transaction which are relevant to understand variations to the equity and financial position and to the Group performance from last Annual Report.

The condensed interim consolidated financial statements as of June 30, 2021 have been prepared in accordance with the same basis of consolidation and accounting policies described in the 2020 Annual Report, to which reference should be made, with the exception of the amendments to the international accounting standards which entered into force on January 1, 2021, illustrated in the section "Recent issued international standards" of this Report.

The management and containment measures adopted by the Group to address the crisis generated by COVID-19 pandemic and the resulting changes in market conditions, allow the Directors to confirm that, with respect to a period of time spanning at least twelve months from the approval of the Interim Financial Report as of June 30, 2021, the going concern assumption underlying its preparation is guaranteed. From a financial point of view, the strong liquidity, strengthened by the early refinancing in the month of March of the bond loans maturing in April 2022, guarantee flexibility for tackling the general context and a strong foundation to address the expected complexity. From an operational standpoint the new Management promptly started a competitivity recovery programme which, associated with an increased and more diversified backlog allows the Group to face the challenges of the near future.

The condensed interim consolidated financial statements as of June 30, 2021, approved by Saipem's Board of Directors on July 29, 2021, were subjected to a review by the independent auditors KPMG SpA. A limited review is substantially less in scope than an audit performed in accordance with generally accepted auditing standards.

The condensed interim consolidated financial statement as of June 30, 2021 was integrated on August 5, 2021 with the ratings assigned to Saipem by Moody's Investor Services and S&P Global Ratings. More details are included in Note 39 "Business outlook and events after the reporting period".

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

Effects of COVID-19 on the basis of presentation including going concern

For more information on the effects of the pandemic and containment initiatives implemented by the Group, see the specific paragraph included in Note 2 "Accounting estimates and significant judgements".

Translation criteria

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

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

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

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

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

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

Currency	Exchange rate as of Dec. 31, 2020	Exchange rate as of June 30, 2021	Average exchange rate 2021
US Dollar	1.2271	1.1884	1.2053
British Pound Sterling	0.89903	0.85805	0.86801
Algerian Dinar	162.1071	159.6165	160.5409
Angolan Kwanza	800.345	773.837	776.701
Argentine Peso	103.2494	113.6435	110.0405
Australian Dollar	1.5896	1.5853	1.5626
Brazilian Real	6.3735	5.905	6.4902
Canadian Dollar	1.5633	1.4722	1.503
Croatian Kuna	7.5519	7.4913	7.5504
Egyptian Pound	19.3168	18.6281	18.9108
Ghanaian New Cedi	7.2047	6.9635	6.9804
Indian Rupee	89.6605	88.324	88.4126
Indonesian Rupee	17,240.76	17,280.3	17,225.82
Kazakhstan Tenghè	517.04	509.16	511.41
Malaysian Ringgit	4.934	4.9336	4.9387
Nigerian Naira	465.6845	486.8399	465.2324
Norwegian Kroner	10.4703	10.1717	10.1759
Peruvian New Sol	4.4426	4.6263	4.4925
Qatari riyal	4.4666	4.3258	4.3875
Romanian New Leu	4.8683	4.928	4.9016
Russian Ruble	91.4671	86.7725	89.5502
Saudi Arabian Riyal	4.6016	4.4565	4.5201
Singapore Dollar	1.6218	1.5976	1.6059
Swiss Franc	1.0802	1.098	1.0946

2 Accounting estimates and significant judgements

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires Management to make accounting estimates based on complex and/or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time of the valuation. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Accounting estimates are a critical factor in the preparation of financial statements and interim reports because they require the Management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain and complex. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results. Specifically, the persistence of the financial and economic crisis caused by COVID-19 emergency forced the Management to exercise significant judgement, particularly in assessing the items in the financial statements which are determined according to the assumption of estimates and which may require the recognition of losses due to actual or expected reductions in value and of the total lifetime costs of long-term projects evaluation (in particular with reference to the impacts of the pandemic in terms of extension of time and related costs).
As to the details of the accounting estimates and significant judgements adopted by the Management, reference should be made to the contents of the 2020 Annual Report.

Effects of COVID-19 on the basis of presentation including going concern

In line with the relevant chapter of the Annual Report of December 31, 2020, follows a general overview of Saipem's consideration regarding the effects identified and the main mitigation measures implemented as of today.
The spread of COVID-19 pandemic has significantly impacted the global economy and, as a result, the Saipem Group, since the energy sector was one of the worst affected sectors globally. During the first half of 2021, the energy sector showed some signs of recovery as the energy demand is growing, especially for oil. The consequence of this rebalancing of the market fundamentals, during the first half of 2021, was the price of oil, much higher than what was expected six months ago, even exceeding 2019 figures. The return to oil production is now happening gradually in different geographical areas, with a cautious recovery in both North America and the Middle East. In years to come, in line with the return to the pre-crisis levels, leading analysts forecast a price realignment to the pre-pandemic market values.

All in all, it is estimated that the current positive signals can be translated into a recovery of the investments in the Oil&Gas sector. This is also due to the operators' conservative strategy who confirm their goal of keeping their financial assets solid on the one hand, while trying to diversify their investment portfolios in order to respond to the growing market pressure in terms of energy transition and of CO_2 emissions reduction.

In the first half of 2021, Saipem Group continued an in-depth analysis of the possible effects of COVID-19, which is still ongoing as the situation continues to evolve: (i) evolution of regulatory frameworks and, in particular, monitoring the measures taken by the countries in which Saipem operates; (ii) relationship management with customers and partners; (iii) management of both active and passive contracts, by introducing and/or activating, where possible, specific contractual clauses to mitigate potential negative effects of the pandemic; (iv) impact on project execution, particularly on operations at construction sites and on vessels, due to changes in the availability of internal and external resources and/or other circumstances resulting, directly or indirectly, from the pandemic; (v) levels of performance and continuity of service by suppliers, subcontractors and partners.

Saipem has implemented from the beginning specific mitigation measures to contain the impact of the pandemic from the outset, activating a crisis response protocol by setting up a specific task force in charge of constantly monitoring the spread of the virus and finding solutions to inform and protect internal and external staff (employees, customers and suppliers) in the offices and work sites in Italy and in the countries where the Group operates, in accordance with the instructions of the Ministry of Health, and at the same time ensure the substantial continuity of its operations in the world. The Saipem Crisis Unit in Milan is always open; it is constantly in contact and it works in coordination with Local Crisis Units worldwide; it periodically reviews the situation and adjusts the status of the action plan with the Corporate Crisis Committee chaired by the Chief Executive Officer. Saipem continues to tackle the emergency by maintaining high monitoring levels and measures to prevent and contrast the spread of the pandemic, aiming to ensure people's health, which remains the top priority.

To offset the increase of costs related to COVID-19 as described above, the Management has promptly launched an adequate cost containment programme.

Financial aspects: Saipem is constantly monitoring the Group's current and prospective liquidity, through the calculation of specific KRIs (Key Risk Indicators) which take into account the expected cash generation and the concentration of financial liabilities maturity. As of June 30, 2021, there are bank financing contracts, including a committed Revolving Credit Facility of €1 billion, with Financial Covenant clauses which require the compliance with the ratio between net financial debt and EBITDA, determined every year based on the data as at December 31, not higher than 3.5. Considering the EBITDA of the first half of the year and the second half expectations, the Company intends to promptly assess with its lenders the most appropriate measures to be implemented.

For the control and efficient use of its liquidity, Saipem Group avails itself, among other things, of a central cash pooling system and automatic reporting tools.

As part of a strategy aimed at managing proactively the maturing debt through early refinancing or pre-funding operations, in March 2021 the Group company Saipem Finance International BV issued a new bond for the amount of €500 million maturing in March 2028, for the early refinancing of the next maturities. The notes were issued in the context of the Euro Medium Term Note Programme, established in April 2016 for a maximum amount of €2,000 million and subsequently increased to a maximum amount of €3,000 million. The programme is renewed on a yearly basis as function of the planned operations.

The total amount of notes currently outstanding is equal to €2,500 million, divided in five tranches of €500 million each, maturing in 2022, 2023, 2025, 2026 and 2028 respectively.

As a consequence, Saipem Group's financial debt is mainly structured over a medium term horizon.

As an additional safety margin to strengthen the liquidity position of the Group, at consolidated or JV companies, equal to €2.3 billion, Saipem has the availability of the committed Revolving Credit Facility of €1 billion, maturing in 2023 and never utilised at the present date.

As a result, Saipem currently believes to have access to sources of funding that are more than adequate to meet future financial needs. This, together with the control and efficient use of its liquidity, entails that no additional financial measures are foreseen.

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

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

With respect to trade receivables connected with the insolvency risk of customers, Saipem constantly monitors and assesses the risk indicators and the Probability of default for customers using third party information, in addition to assess debt recoverability.

Recoverability of non financial assets: the cash flows used for the impairment test were those of the 2021-2024 Strategic Plan, approved by the Board of Directors on February 24, 2021 and prepared using the best estimates available to date and confirmed during the Plan Safety Check as of June 30, 2021. It should be noted that flows have been normalised, where necessary, according to IAS 36. In particular, the long-term lease rates of the Offshore Drilling CGUs have been defined using the latest update reports available at the date and processed by external sources, normally used as a benchmark. The impairment test of June 30, 2021 did not show impairment losses.

Estimate process: with regard to revenue from contracts with customers as a result of COVID-19 crisis and changing market conditions, the circumstances relating to the possible (i) collection of payments that may no longer be highly probable and (ii) agreements between the parties that could modify certain aspects of the contract related to the subject matter or price of the transactions were assessed.

The enforceability of contractual rights and obligations and the likelihood of collecting the relevant payment are prerequisites for identifying a contract with customers for accounting purposes. In fact, in the absence of such conditions, according to IFRS 15, if these conditions are not met, the contract should not exist from an accounting point of view and revenue could not be

recognised. Given the current uncertainty, it is therefore necessary to check whether such conditions are met when entering into a contract, and whenever substantial changes in the relevant facts and circumstances are likely to occur.
Moreover, because of this situation of uncertainty, the valuation of the variable component of the payments has been revised since it is complex and requires a high degree of judgement due to the constraint envisaged by the principle that allows revenue to be recognised only for amounts that are very likely not to be reversed in the future. Likewise, the effects of the operational implications deriving from the pandemic have been assessed and where necessary, considered in the cost estimate for the duration of projects.
Within the scope of the analysis of the possible effects of COVID-19 pandemic, undertaken early in 2020 and still in progress due to the continuous evolution of the phenomenon, Saipem has identified, assessed and constantly monitored these effects at the level of every project currently under way.
Identifying the COVID-19 economic impact: with reference to contract assets from work in progress assessment, for which revenue are recorded "over time" according to input methods such as "cost to cost", the estimate of the final charges and the timing for fulfilling the performance obligations made it necessary to consider whether the costs linked to COVID-19 should be excluded from project progress.
For this purpose, also the first half of 2021, Saipem maintained the identification of three "clusters" in which the costs linked to COVID 19 have been allocated:
1. Costs directly related to COVID-19 (special items): these are costs directly related to COVID-19 as they were incurred, or will be incurred, to manage the emergency within the companies of the Group and at the project sites; these costs are to be borne by Saipem, since they cannot be contractually reimbursed by the customer. These costs are recognised on specific contracts separate from operating contracts and are recognised as costs in the income statement without generating contract progress (and therefore without recognising any contract assets) and without recognising any margin. In the first half of 2021, the costs directly attributable to COVID-19 amount to about €36 million (e.g. including: costs for stand-by resources in accordance with quarantine regulations and in the event that the activities of operational sites and vessels were stopped by authorities; costs of purchasing personal protective equipment in addition to standard practices; costs of sanitising work areas; costs of organising charter flights to bring the personnel home).
2. Costs indirectly related to COVID-19: these are costs incurred, or that will be incurred, for which it is impossible to establish with reasonable certainty whether they are due to the pandemic or to other causes such as, for instance, changing market conditions linked to fluctuations in crude oil prices. These are, by way of example, costs due to delays in project or site activities, which have continued notwithstanding the challenges due, for example, to personnel reductions, postponements in materials deliveries or delays by customers. These types of costs are included in the full-life estimates of job orders.
3. Costs "to be evaluated case by case": these are direct project costs for which the Company activates the "force majeure clause", or which were incurred for staff kept on stand-by due to lockdown, and whose allocation must be assessed on a case-by-case basis due to the peculiarity of the situation, of the customer, of the contract, etc. No specific and quantifiable cases of this type have been identified.
Relevant market: as for the possible future outlooks for the markets, the uncertainty of the global economic recovery continues despite some recovery signs in our sector, specifically related to the commodity price recovery.
It should be noted that Saipem designs and constructs systems commissioned by customers on the basis of long-term investment assessments, whose realisation from the initial concept phase of the initiative, through development and construction, takes on average between four and seven years, depending on the complexity of the project.
It should also be noted that, due to the nature of the business and its diversification in various segments, there is no direct correlation between the trend in oil prices and Saipem's financial results: as of June 2021, more than 78% of its E&C backlog was made up of non-oil projects, including LNG and renewables (energy efficiency).
Business outlook: 2021 remains conditioned by the uncertainty resulting from the persistence of the pandemic. In the first half of the year, the health crisis effects on business coupled with issues on a project specific impacting operational performance. The business outlook for 2021 inevitably remains influenced by these events. Outlook for the second half of 2021:
> revenue between €4.5 and €5 billion;
> positive adjusted EBITDA;
> capital expenditure expected between €200 and €300 billion; and
> net debt post-IFRS 16 around €1.6 billion at year end.

This scenario does not account for a further and possible deterioration of the macroeconomic and business environment following, for example, the intensification of the COVID-19 pandemic.
Despite the crisis caused by COVID-19 pandemic and the changing market conditions resulting from it, the going concern assumption used in the preparation of the condensed interim consolidated financial statement as of June 30, 2021 may, based on the information available as of today, be considered adequate also as a result of the management and containment measures implemented, as described above.

3 Changes to standards

Compared to the 2020 Annual Report, to which reference should be made, there have been no changes in the standards implemented by Saipem. As regards the adoption of the international accounting standards, refer to the details reported below.

Recent issued international standards

The following are the amendments to the International Financial Reporting Standards endorsed by the European Commission, already reported in the 2020 Annual Report, which are effective from January 1, 2021. In addition, the amendments made in the first half of the year, both approved and not yet approved by the European Commission, that will be effective starting January 1, 2022 or later, are also reported.

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

With Regulation No. 2020/2097, issued by the European Commission on December 16, 2020, the amendments to IFRS 4 "Insurance Contracts" were endorsed. The reason for the amendments is to address the temporary accounting consequences caused by the time lag between the effective date of IFRS 9 "Financial Instruments" and the effective date of the future IFRS 17 "Insurance Contracts". In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The provisions are effective as of January 1, 2021. At present the amendments described above had no impact on the Group.

With Regulation No. 2021/25, issued by the European Commission on January 13, 2021, the document "Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the amendments)" whereby IASB rolled out the second stage of the reform of benchmark rate changes were endorsed. These changes relate to the accounting to be applied if the basis for determining the contractual cash flows of financial assets or liabilities is changed and to the impact of such changes on hedging relationships affected by the IBOR reform (hedging instrument and/or hedged item). These changes are effective as of January 1, 2021.
At present the amendments described above had no significant impact on the Group.

With Regulation No. 2021/1080 issued by the European Commission on June 28, 2021, the documents "Annual Improvements to IFRS Standards 2018-2020 Cycle" and amendments to IAS 16 "Property, plant and equipment", IAS 37 "Provisions, contingent liabilities and contingent assets", IFRS 3 "Business combinations" were endorsed. The Annual Improvements and the amendments to the standards indicated are effective as of January 1, 2022.

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

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

On February 12, 2021, the IASB issued the document "Amendments to IAS 8, Definition of Accounting Estimates", which clarifies the notion of accounting estimates by removing the definition of change in accounting estimates. Under the new definition, accounting estimates are defined as monetary amounts subject to a measure of uncertainty; the amendments clarify how individual entities should distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively. The policy changes will be effective as of January 1, 2023 or later.

On February 12, 2021, the IASB issued the document "Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies" requiring individual entities to supply more information about their accounting policies, rather than accounting standards. The changes to the Practice Statement provide guidance on how to apply the concept of materiality to financial reporting. The policy changes will be effective as of January 1, 2023 or later.

On March 31, 2021, the IASB issued the document "Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021", extending of one year the amendment of May 2020 on the practical expedient by which lessees are permitted to account for rent concessions deriving from the COVID-19 pandemic as negative variable lease payments without having to remeasure the assets and liabilities for the lease. The practical expedient is granted if the following requirements are met: (i) the concessions refer to the reduction of only the payments due by June 30, 2022; (ii) the total contract payments, after the rent concessions, are equal to or less than the payments originally laid down in the contracts; and (iii) no other substantial amendments have been agreed with the lessor. The above provisions will be effective for 2021 Annual Report.

On May 7, 2021, the IASB issued the document "Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction", specifying the method of accounting for deferred tax liabilities related to some operations, like leasing operations and decommissioning obligations. The document also changes the IFRS 1 "First-time Adoption of International Financial Reporting Standards" with the introduction of a specific paragraph on the implementation date of those changes, and some paragraphs on Appendix B of IFRS 1. These changes will be effective on or after January 1, 2023.

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

4 Consolidation scope as of June 30, 2021

Parent company

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Saipem SpA	San Donato Milanese	EUR	2,191,384,693	Eni SpA CDP Industria SpA Saipem SpA Third parties	30.54 12.55 1.72 55.19		

Subsidiaries

Italy

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

Outside Italy

Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	20,494,210	Saipem SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Boscongo SA	Pointe-Noire (Congo)	XAF	6,190,600,500	Saipem SA	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
European Maritime Construction sas	Montigny le Bretonneux (France)	EUR	42,370	Saipem SA	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
North Caspian Service Co	Almaty (Kazakhstan)	KZT	375,350,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Lima (Peru)	PEN	469,359,045	Saipem International BV	100.00	100.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	372,778,100	Saipem International BV Third parties	99.99 0.01	99.99	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	5,922,304,200	Saipem SA	100.00	100.00	F.C.
Saipem (Beijing) Technical Services Co Ltd	Beijing (China)	USD	6,700,000	Saipem International BV	100.00	100.00	F.C.
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	87,033,500	Saipem International BV Third parties	41.94 58.06 (a)	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	Caniçal (Portugal)	EUR	299,278,738	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	1,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina de Perforaciones, Montajes y Proyectos Sociedad Anónima, Minera, Industrial, Comercial y Financiera (**) (***)	Buenos Aires (Argentina)	ARS	1,805,300	Saipem International BV Third parties	99.90 0.10	99.90	E.M.
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd	West Perth (Australia)	AUD	566,800,001	Saipem International BV	100.00	100.00	F.C.
Saipem Canada Inc	Montreal (Canada)	CAD	100,100	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Algérie SpA	Algiers (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Nigeria Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem do Brasil Serviçõs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	2,160,796,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Llc (***)	Moscow (Russia)	RUB	10,000	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	120,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	3,791,000,000	Saipem International BV Snamprogetti Netherlands BV	51.00 49.00	100.00	F.C.
Saipem Finance International BV	Amsterdam (Netherlands)	EUR	1,000,000	Saipem International BV Saipem SpA	75.00 25.00	100.00	F.C.
Saipem Guyana Inc	Georgetown (Guyana)	GYD	200,000	Saipem Ltd	100.00	100.00	F.C.
Saipem India Projects Private Ltd	Chennai (India)	INR	526,902,060	Saipem SA	100.00	100.00	F.C.
Saipem Ingenieria Y Construcciones SLU	Madrid (Spain)	EUR	80,000	Saipem International BV	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Ltd	Kingston upon Thames Surrey (United Kingdom)	EUR	7,500,000	Saipem International BV	100.00	100.00	F.C.

(a) Percentage of control. The percentage of ownership including preferential shares is 99.31% held by Saipem International BV and 0.69% by non-controlling investors.
(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the year.

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Moçambique Lda	Maputo (Mozambique)	MZN	535,075,000	Saipem SA Saipem International BV	99.98 0.02	100.00	F.C.
Saipem Norge AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	998,259,500	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem Romania Srl	Aricestii Rahtivani (Romania)	RON	29,004,600	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Saipem SA	Montigny le Bretonneux (France)	EUR	25,050,000	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	36,090,000	Saipem SA	100.00	100.00	F.C.
Saiwest Ltd	Accra (Ghana)	GHS	937,500	Saipem SA Third parties	49.00 51.00	49.00	F.C.
Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	130,000,000	Saipem International BV	100.00	100.00	F.C.
Saudi International Energy Services Ltd Co	Dhahran (Saudi Arabia)	SAR	1,000,000	International Energy Services SpA	100.00	100.00	F.C.
Sigurd Rück AG	Zurich (Switzerland)	CHF	25,000,000	Saipem International BV	100.00	100.00	F.C.
Snamprogetti Engineering & Contracting Co Ltd	Dhahran (Saudi Arabia)	SAR	10,000,000	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Engineering BV	Schiedam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	203,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Dhahran (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,217,783	Sofresid SA Third parties	99.99 0.01	100.00	F.C.
Sofresid SA	Montigny le Bretonneux (France)	EUR	26,454,765	Saipem SA	100.00	100.00	F.C.
Sonsub International Pty Ltd (**)	West Perth (Australia)	AUD	13,157,570	Saipem Australia Pty Ltd	100.00	100.00	F.C.

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

Associates and jointly controlled companies

Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
ASG Scarl	San Donato Milanese	EUR	50,864	Saipem SpA Third parties	55.41 44.59	55.41	E.M.
CCS JV Scarl ∆	San Donato Milanese	EUR	150,000	Servizi Energia Italia SpA Third parties	75.00 25.00	75.00	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	59.09 40.91	59.09	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	E.M.
Consorzio F.S.B. ∆	Venezia - Marghera	EUR	15,000	Saipem SpA Third parties	29.10 70.90	29.10	Co.
Consorzio Sapro ∆	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.
SCD JV Scarl ∆	San Donato Milanese	EUR	100,000	Servizi Energia Italia SpA Third parties	60.00 40.00	60.00	E.M.
Ship Recycling Scarl (**) ∆	Genoa	EUR	10,000	Saipem SpA Third parties	51.00 49.00	51.00	J.O.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Bally Solar Energy Ltd ∆	Dublin (Ireland)	EUR	100	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	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.
Gydan Lng Snc	Courbevoie (France)	EUR	9,000	Sofresid SA Third parties	15.00 85.00	15.00	E.M.
Gydan Yard Management Services (Shanghai) Co Ltd	Shanghai (China)	CNY	1,600,000	Saipem (Beijing) Technical Services Co Ltd Third parties	15.15 84.85	15.15	E.M.
Gygaz Snc	Courbevoie (France)	EUR	10,000	Sofresid SA Third parties	15.15 84.85	15.15	E.M.
Hazira Cryogenic Engineering & Construction Management Private Ltd ∆	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.
KWANDA Suporte Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem SA Third parties	40.00 60.00	40.00	E.M.
Mangrove Gas Netherlands BV ∆	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Novarctic Snc	Courbevoie (France)	EUR	9,000	Sofresid SA Third parties	33.33 66.67	33.33	E.M.
Petromar Lda ∆	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	E.M.
PSS Netherlands BV ∆	Leiden (Netherlands)	EUR	30,000	Saipem SpA Third parties	36.00 64.00	36.00	E.M.
Sabella SA	Quimper (France)	EUR	12,889,122	Sofresid Engineering SA Third parties	9.00 91.00	9.00	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.

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

Company	Registered office	Currency	Share capital	Shareholders	% owned	Saipem's consolidation (%)	Method of consolidation or evaluation principle (*)
Saipem - Hyperion Eastmed Engineering Ltd ∆	Nicosia (Cyprus)	EUR	85,000	Saipem International BV Third parties	45.00 55.00	45.00	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	E.M.
SAME Netherlands BV ∆	Amsterdam (Netherlands)	EUR	50,000	Servizi Energia Italia SpA Third parties	58.00 42.00	58.00	E.M.
Saren BV ∆	Amsterdam (Netherlands)	EUR	20,000	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	E.M.
Saren Llc ∆	Murmansk (Russia)	RUB	10,000	Saren BV	100.00	50.00	E.M.
Société pour la Réalisation du Port de Tanger Méditerranée ∆	Anjra (Morocco)	EUR	33,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
Southern Gas Constructors Ltd ∆	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Sud-Soyo Urban Development Lda (***) ∆	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
TMBYS SAS ∆	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
TSGI Mühendislik İnşaat Ltd Şirketi ∆	Istanbul (Turkey)	TRY	594,657,675	Saipem Ingenieria Y Construcciones SLU Third parties	33.33 66.67	33.33	E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - 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 (***) ∆	Londra (United Kingdom)	GBP	1,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.

As of June 30, 2021, the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and jointly controlled companies		
	Italy	Outside Italy	Total	Italy	Outside Italy	Total
Subsidiaries/Joint operations and their participating interests	**5**	**55**	**60**	**1**	**-**	**1**
Consolidated companies	5	55	60	-	-	-
Companies consolidated as a joint operation	-	-	-	1	-	1
Participating interests held by consolidated companies (1)	**1**	**1**	**2**	**8**	**30**	**38**
Accounted for using the equity method	-	1	1	6	30	36
Accounted for using the cost method	1	-	1	2	-	2
Total companies	**6**	**56**	**62**	**9**	**30**	**39**

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

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

Changes in the consolidation scope

There were no significant changes in the consolidation scope of the Group during the first six months of 2021 with respect to the 2020 Annual Report. Changes are shown below by order of occurrence.

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

- following a capital increase, the ownership of **Sabella SA**, is as follows: 9% held by Sofresid Engineering SA and 91% by third parties;
- **Sonsub International Pty Ltd**, consolidated, was placed into liquidation;
- **Saipem - Hyperion Eastmed Engineering Ltd**, with registered offices in Cyprus, was incorporated and accounted for using the equity method;
- **CCS Netherlands BV**, previously accounted for using the equity method, was removed from the Register of Companies;
- following a capital increase, the ownership of **Saipem (Malaysia) Sdn Bhd**, is as follows: 99.31% held by Saipem International BV and 0.69% by third parties;
- **Bally Solar Energy Ltd**, with registered offices in Ireland, was incorporated and accounted for using the equity method;
- following a share transfer by a third party, proportionally to the other shareholders, ownership of **SCD JV Scarl** is as follows: 60% held by Servizi Energia Italia SpA and 40% by third parties;
- **CCS LNG Mozambique Lda**, previously accounted for using the equity method, was placed into liquidation and then removed from the Register of Companies;
- **SAME Netherlands BV**, with registered offices in the Netherlands, was incorporated and accounted for using the equity method.

5 Cash and cash equivalents

Cash and cash equivalents amounted to €1,653 million, a decrease of €34 million compared with December 31, 2020 (€1,687 million).
Cash and cash equivalents at the end of the first half of the year, denominated in euros for 40%, US dollars for 32% and other currencies for 28%, were found to be remunerated at an average rate of 0.15%. Cash and cash equivalents included cash and cash on hand of €2 million (€3 million as of December 31, 2020).
Cash in the first half of the year included for a total of €729 million: (i) cash and cash equivalents of €515 million in current accounts of projects executed in partnership or joint venture; (ii) cash and cash equivalents of €210 million in current accounts denominated in currencies subject to movement and/or convertibility restrictions; (iii) cash and cash equivalents amounting to €4 million in current accounts frozen or subject to restrictions.
The breakdown of cash and cash equivalents of Saipem and other Group companies as of June 30, 2021 by geographical segment (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Italy	1,011	581
Rest of Europe	124	279
CIS	66	4
Middle East	63	284
Far East	108	79
North Africa	4	2
Sub-Saharan Africa	47	238
Americas	264	186
Totale	**1,687**	**1,653**

6 Financial assets measured at fair value through OCI

Financial assets measured at fair value through OCI amounted to €56 million (€68 million as of December 31, 2020) and were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Securities for non-operating purposes		
Listed bonds issued by sovereign states/supranational institutions	7	7
Listed bonds issued by industrial companies	61	49
Total	**68**	**56**

Listed bonds issued by sovereign states/supranational institutions as of June 30, 2021 of €7 million were as follows:

(€ million)	Notional amount	Fair value	Nominal rate of return (%)	Maturity	Standard & Poor's rating classification
Fixed rate bonds					
Poland	6	7	3.75-4.50	2022-2023	A
Total	**6**	**7**			

Listed bonds issued by industrial companies as of June 30, 2021 of €49 million were as follows:

(€ million)	Notional amount	Fair value	Nominal rate of return (%)	Maturity	Standard & Poor's rating classification
Fixed rate bonds					
Listed bonds issued by industrial companies	47	49	0.25-4.25	2021-2028	AA/BBB
Total	**47**	**49**			

The fair value of bonds is determined on the basis of market prices. The fair value hierarchy is level 1, that is, based on quotations in active markets. The bonds measured at fair value through OCI are held both to collect contractual cash flows and for future sale.
Listed bonds issued by sovereign states/supranational institutions and by industrial companies held by the Group fall within the scope of analysis for the determination of expected losses.

Given the high creditworthiness of the issuers (investment grade) the impact of expected losses on the bonds in question as of June 30, 2021 is irrelevant.

7 Other financial assets

Other current financial assets

Other current financial assets of €496 million (€344 million as of December 31, 2020) consist of the following:

(€ million)	Dec. 31, 2020	June 30, 2021
Loan assets for operating purposes	2	1
Loan assets for non-operating purposes	342	495
Total	**344**	**496**

Loan assets for operating purposes of €1 million (€2 million as of December 31, 2020) were related to receivables held by Saipem SpA from Serfactoring SpA.
Loan assets for non-operating purposes of €495 million (€342 million as of December 31, 2020) were related mainly to the portion of cash and cash equivalents recognised in the financial statements of the companies CCS JV Scarl which is carrying out a project in Mozambique (€419 million) and the company SCD JV Scarl which is carrying out a project in Nigeria (€75 million).
Other current financial assets from related parties are shown in Note 36 “Related party transactions”.

Other non-current financial assets

The other non-current financial assets that are not instrumental to operations equal to €75 million (€66 million as of December 31, 2020), include mainly the amount of two frozen bank accounts belonging to Saipem Contracting Algérie SpA for a total of €59 million (€60 million before discounting), classified as other non-current financial assets due to the protracted proceedings in Algeria.

8 Trade receivables and other assets

Trade receivables and other assets of €1,833 million (€1,991 million as of December 31, 2020) were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Trade receivables	1,663	1,435
Prepayments for services	199	245
Other receivables	129	153
Total	**1,991**	**1,833**

Receivables are stated net of a loss allowance of €749 million, whose movement is shown below:

(€ million)	Dec. 31, 2020	Accruals	Utilisations	Exchange differences	Other changes	June 30, 2021
Trade receivables	655	57	(8)	15	-	719
Other receivables	30	-	-	-	-	30
Total	**685**	**57**	**(8)**	**15**	**-**	**749**

Trade receivables amounted to €1,435 million, representing a decrease of €228 million compared to 2020.
The credit exposure to the top five clients is in line with the Group’s operations and represents around 37% of total trade receivables.
The Group is paying particular attention to monitoring revenue since, as is well known, its major clients are the main Oil Companies in the reference sector, especially affected by the current uncertain scenario characterised by the pandemic.
The recoverability of trade receivables is checked using the so-called “expected credit loss model”.
As of June 30, 2021, the effect of expected losses on trade receivables, determined on the basis of the assessment of the creditworthiness of the client, amounted to €121 million (€131 million as of December 31, 2020) on the total loss allowance of €719 million (€655 million as of December 31, 2020).
As of June 30, 2021, transactions were carried out for the assignment without recourse, with or without notification of trade receivables not past due, amounting to €73 million (€162 million as of December 31, 2020). Saipem SpA manages the collection of the receivables assigned without notification and the transfer of the amounts received to factoring companies.
Trade receivables included retentions guaranteeing contracts of €144 million (€192 million as of December 31, 2020), of which €86 million were due within twelve months and €58 million due after twelve months.
As of June 30, 2021, there were no trade receivables relating to projects in dispute, as for December 31, 2020.
Advances for services not yet rendered amounted to €245 million as of June 30, 2021, relating mainly to advances to suppliers on ongoing operational projects, an increase of €46 million compared to December 31, 2020.

Other receivables of €153 million were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Receivables from:		
- employees	41	36
- guarantee deposits	13	12
- national insurance/social security contributions	7	10
Other	68	95
Total	**129**	**153**

Other assets amounting to €153 million are shown net of the impairment allowance of €30 million, in line with the previous year, and relates mainly to the write-down of a receivable from a subcontractor.
Trade receivables and other assets from related parties are detailed in Note 36 “Related party transactions”.
The fair value of trade receivables and other assets did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

9 Inventories and contract assets

Inventories

Inventories amounted to €278 million (€280 million as of December 31, 2020) and were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Raw and auxiliary materials and consumables	280	278
Total	**280**	**278**

The item “Raw and auxiliary materials and consumables” includes spare parts for drilling and construction activities, as well as consumables for internal use and not for sale. The item is stated net of a provision for impairment of €150 million.

(€ million)	Dec. 31, 2020	Accruals	Utilisations	Other changes	June 30, 2021
Raw and auxiliary materials and consumables allowance	147	8	(7)	2	150
Total	**147**	**8**	**(7)**	**2**	**150**

Contract assets

Contract assets for €1,414 million (€1,295 million as of December 31, 2020) consisted of the following:

(€ million)	Dec. 31, 2020	June 30, 2021
Contract assets (from work in progress)	1,303	1,423
Allowance for impairment on contract assets (from work in progress)	(8)	(9)
Total	**1,295**	**1,414**

Contract assets (from work in progress), equal to €1,423 million, representing an increase of €120 million due to the recognition of revenue based on the operational progress of the projects to be invoiced during 2021 for €379 million, largely offset by €280 million deriving from the recognition of milestones by clients, plus the effect of write-downs deriving from the continuous legal and commercial monitoring of claim and change order amounts considered in the whole life for the evaluation contracts purposes for €2 million, and other positive changes for €23 million, due to exchange rates effect.
The effects relative to IFRS 9 applied to contract assets amounted to €9 million.

10 Tax assets and liabilities

Current income tax assets and liabilities

Current income tax assets and liabilities consisted of the following:

	Dec. 31, 2020		June 30, 2021	
(€ million)	Assets	Liabilities	Assets	Liabilities
Italian tax authorities	58	-	57	-
Foreign tax authorities	185	44	189	48
Total current income taxes	**243**	**44**	**246**	**48**

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

Other current tax assets and liabilities

Other current tax assets and liabilities consisted of the following:

	Dec. 31, 2020		June 30, 2021	
(€ million)	Assets	Liabilities	Assets	Liabilities
Italian tax authorities	2	26	2	4
Foreign tax authorities	187	110	190	115
Total other current taxes	**189**	**136**	**192**	**119**

Other current tax assets from Italian tax authorities amounting to €2 million (€2 million as of December 31, 2020) relate to VAT assets.
Other current tax assets from foreign tax authorities amounting to €190 million (€187 million as of December 31, 2020) relate to VAT assets for €142 million (€144 million as of December 31, 2020) and to indirect tax assets for €48 million (€43 million as of December 31, 2020).
Other current tax liabilities from Italian tax authorities amounting to €4 million (€26 million as of December 31, 2020) relate to VAT liabilities (VAT liabilities for €14 million and other indirect tax liabilities for €12 million as of December 31, 2020).
Other current tax liabilities from foreign tax authorities amounting to €115 million (€110 million as of December 31, 2020) relate to VAT liabilities for €55 million (€46 million as of December 31, 2020) and to indirect tax liabilities for €60 million (€64 million as of December 31, 2020).

Non-current income tax assets and liabilities

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

	Dec. 31, 2020		June 30, 2021	
(€ million)	Assets	Liabilities	Assets	Liabilities
Italian tax authorities	-	-	-	-
Foreign tax authorities	20	24	20	23
Total non-current income taxes	**20**	**24**	**20**	**23**

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

11 Other assets

Other current assets

Other current assets amounted to €135 million (€298 million as of December 31, 2020) and were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Fair value of derivative financial instruments	156	30
Other assets	142	105
Total	**298**	**135**

The fair value of derivative financial instruments is commented in Note 23 “Derivative financial instruments”.
Other assets as of June 30, 2021 amounted to €105 million, representing a decrease of €37 million compared to December 31, 2020, and consisted mainly of prepayments related to the preparation of vessels to be used on contracts and insurance costs.

Other non-current assets

Other non-current assets of €28 million (€35 million as of December 31, 2020) were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Fair value of derivative financial instruments	2	1
Other receivables	8	8
Other assets	25	19
Total	**35**	**28**

The fair value of derivative financial instruments is commented in Note 23 "Derivative financial instruments".
The other receivables amount to €8 million, in line with 2020, relating to security deposits of various kinds, mainly security deposits paid for property leases and for the investigation of legal proceedings.
Other assets as of June 30, 2021 amounted to €19 million, a decrease of €6 million compared to December 31, 2020, and related mainly to prepayments, for the preparation of vessels to be used on contracts.
Other non-current assets from related parties are shown in Note 36 "Related party transactions".

12 Property, plant and equipment

Property, plant and equipment amounted to €3,242 million (€3,284 million as of December 31, 2020) and consisted of the following:

(€ million)	Property, plant and equipment
Gross amount as of December 31, 2020	13,060
Depreciation and impairment losses as of December 31, 2020	9,776
Carrying amount as of December 31, 2020	**3,284**
Capital expenditure	133
Depreciation and amortisation	(191)
Net impairment reversals of impairment losses	-
Disposals	(2)
Change in the consolidation scope	-
Business unit transactions	-
Exchange differences	18
Other changes	-
Carrying amount as of June 30, 2021	**3,242**
Gross amount as of June 30, 2021	13,272
Depreciation and impairment losses as of June 30, 2021	10,030

Capital expenditure in the first half of 2021 amounted to €133 million (€305 million as of December 31, 2020) and mainly related to:

- €76 million in the Offshore Engineering & Construction sector: upgrading of the barge vessel Saipem Endeavour (€13 million), extraordinary maintenance of the FDS (€17 million) and FDS 2 (€8 million) vessels, extraordinary maintenance of Castoro 12 (€9 million) and maintenance and upgrading of the existing assets;
- €4 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;
- €41 million in the Offshore Drilling sector: extraordinary maintenance of the drillship Saipem 10000 and jack-up Perro Negro 8 platform, in addition to maintenance and upgrading of the existing assets;
- €12 million for Onshore Drilling: upgrading of rigs for operations in Saudi Arabia and South America, as well as the maintenance and upgrading of the existing assets.

No financial expenses were capitalised during the first half of the year.
Net exchange losses due to the translation of financial statements prepared in currencies other than euro amounted to €18 million.
As of June 30, 2021, all property, plant and equipment was unencumbered by collateral.
Commitments for investments relating to projects for which procurement contracts expiring in 2022 have already been placed, total €56 million, including the amounts for the second half of 2021.

Impairment

In monitoring impairment indicators, the Group considers, among other factors, the relationship between its market capitalisation and equity. In particular, as of June 30, 2021, the Group's market capitalisation was lower than its net assets as of March 31, 2021 (the last reporting period of the Group) by approximately €737 million; this situation indicates a potential impairment of goodwill and/or of other assets.

Therefore the impairment test provided for ascertaining the recoverable amount of all the "CGUs".

The impairment test was carried out on 15 CGUs and they were: one FPSO unit (leased FPSO Cidade de Vitoria), the Offshore Engineering & Construction Division, the Onshore Engineering & Construction Division excluding the leased FPSO Cidade de Vitoria, the XSIGHT Division, the Onshore Drilling Division and the individual rigs of the Offshore Drilling Division (10 individual offshore rigs, unchanged number compared to December 31, 2020).

The CGUs were tested for impairment by comparing the carrying amount with the relative recoverable amount which is determined on the basis of the value in use obtained by discounting future cash flows generated by each CGU at the weighted average cost of capital ("WACC") specific to each business segment in which the individual CGU operates. In fact, considering the nature of Saipem's assets, the fair value of the CGUs cannot be determined from information directly observable on the market, and its estimate based on alternative techniques, such as market multiples, would be of limited reliability in general and, in many cases, not readily applicable.

The cash flows employed for purposes of the impairment test were those of the 2021-2024 Strategic Plan, approved by the Board of Directors of the month of February 2021 (hereafter "Strategic Plan") properly updated replacing the first year Strategic Plan with the results expected for the second half of the year, estimated based on the second forecast and integrating the effects of the last assumptions included in the Sanity Check notes from the Division Managers, approved by the Board of Directors on July 14, 2021; they are based on the best information available and on the expectations at the time of the estimate. These forecasts take account of the future expectations of the division managements in relation to the respective reference markets and also of the actual results.

These estimates, in accordance with the provisions of IAS 36, do not consider cash inflows or outflows deriving from: (i) a future restructuring still to be approved or to which the Group is not committed yet, or (ii) the improvement or optimisation of business performance on the basis of initiatives still to be undertaken or approved, or for which there is still no commitment towards third parties for the increase of production capacity with respect to current capacity.

For the following years after Plan horizon, the cash flows are calculated on the basis of a terminal value, determined:

> for the Offshore Engineering & Construction, Onshore Engineering & Construction excluding the leased FPSO Cidade de Vitoria, XSIGHT and Onshore Drilling CGUs using the perpetuity model, applying to the terminal free "normalised" cash flow (to take into consideration the dynamics of the business and/or the cyclical nature of the sector) a long term growth rate of 2% (not exceeding nominal growth rates expected in the long term for relevant energy sectors which consider market expectations in terms of real growth and inflation);

> for the leased FPSO Cidade de Vitoria CGU and for the Offshore Drilling rigs, considering beyond the Plan horizon (on the basis of the residual economic and technical life of the individual assets, or, if earlier, the expected expiry date of the last cyclical maintenance): (i) long-term lease rates defined as part of the planning process, by the related division, through an estimate procedure based on managerial assessments on collected information (both internal and external), inflated by 2% over the projection period; in particular the long-term lease rates of the Offshore Drilling CGUs have been defined using the latest available reports processed by external sources, normally used by the division as a reference benchmark; (ii) "normalised" idle days; (iii) operating costs based on figures of the last year of the plan, inflated by 2% (in line with revenue); (iv) investments and related plant down times for cyclical maintenance and replacements estimated by the divisions on the basis of the planned schedule for cyclical and intermediate maintenance.

Value in use as of June 30, 2021 was calculated by discounting post-tax cash flows with a discount rate, specific to each business segment as shown in the table below:

(%)	WACC Dec. 31, 2020	WACC June 30, 2021
Offshore E&C	8.0	8.2
Onshore E&C	7.8	8.0
XSIGHT	7.8	8.0
Leased FPSO	6.3	6.4
Offshore Drilling	9.7	6.0
Onshore Drilling	7.8	8.1

The discount rates used (WACC) reflect market assessments of the time value of money and the systematic risks specific to the activities of the individual CGUs that are not reflected in the estimate of future cash flows and have been estimated for each business segment taking into account: (i) a cost of debt consistent with the average estimated in the four-year period of the Plan adjusted in light of the credit spread, observed on the market, relating to a panel of operators assembled to take into consideration the specific business segment; (ii) median leverage of the same panel of operators (based on the latest data regarding debt and market capitalisation of the last 6 months); (iii) the median beta of the securities of companies belonging to the same panel estimated on a long-term historical horizon. Post-tax cash flows and discount rates were used as they produce outcomes which are equivalent to those resulting from a valuation using pre-tax cash flows and discount rates.

The assumptions made take into account the interest rates over the last six months, the risks of individual assets already included in the cash flow, as well as the long-term growth expectations in the businesses.

The impairment test carried out on June 30, 2021 has not identified any impairment.
The following table summarises the overall results of the test carried out on the individual CGUs:

(€ million)	Offshore	Onshore	Offshore Drilling	Onshore Drilling	Leased FPSO	XSIGHT
Headroom (impairment loss)	1,662	4,843	343	127	12	37

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

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

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

- an increase in the discount rate of 1% would not produce an impairment;
- decreases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce an impairment loss of €20 million;
- decreases in long-term day rates of 20% compared with the rates assumed in the plan projections would produce an impairment loss of €241 million;
- an increase in long-term euro/dollar exchange rate of 0.1 compared to the scenario assumed in plan projections amounting to 1.3 would produce an impairment loss of €2 million.

Sensitivity analysis on the Onshore Drilling CGU

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

- decrease by 23.8% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 9.8%;
- use of a negative terminal growth rate.

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

13 Intangible assets

Intangible assets of €698 million (€701 million as of December 31, 2020) consisted of the following:

(€ million)	Intangible assets with finite useful lives	Other intangible assets with indefinite useful lives	Total intangible assets
Gross amount as of December 31, 2020	270	-	270
Depreciation and impairment losses as of December 31, 2020	(235)	-	(235)
Carrying amount as of December 31, 2020	**35**	**666**	**701**
Capital expenditure	2	-	2
Depreciation	(6)	-	(6)
Net impairment reversals of impairment losses	-	-	-
Exchange differences and other changes	-	1	1
Carrying amount as of June 30, 2021	**31**	**667**	**698**
Gross amount as of June 30, 2021	272	-	272
Depreciation and impairment losses as of June 30, 2021	(241)	-	(241)

Goodwill of €667 million related mainly to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€629 million), Sofresid SA (€21 million) and the Moss Maritime Group (€12 million) on the date that control was acquired.

For impairment purposes, goodwill has been allocated to the following CGUs:

(€ million)	Dec. 31, 2020	June 30, 2021
Offshore E&C	403	403
Onshore E&C	231	231
XSIGHT	32	33
Total	**666**	**667**

The recoverable amount of the three CGUs was determined based on value in use, calculated by discounting the future cash flows expected to be generated by each CGU.
The basis of the cash flow estimate, the discount rate used and the terminal growth rate for the estimate of the recoverable amount of the CGUs to which goodwill is allocated are described in the "Impairment" section of Note 12 "Property, plant and equipment".
The table below shows, as of June 30, 2021, the amounts by which the recoverable amounts of the Offshore Engineering & Construction, Onshore Engineering & Construction and XSIGHT CGUs exceed their carrying amounts, including allocated goodwill.

(€ million)	Offshore	Onshore	XSIGHT	Total
Goodwill	403	231	33	**667**
Amount by which recoverable amount exceeds carrying amount	1,662	4,843	37	**6,542**

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

Sensitivity analysis on the Offshore Engineering & Construction CGU

The excess of the recoverable amount of the Offshore Engineering & Construction CGU over its carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstance:
> decrease by 43.1% in the operating result, over the entire plan period and in perpetuity;
> use of a discount rate of 12.4%;
> use of a negative terminal growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the Offshore Engineering & Construction CGU would decrease but would still remain positive in the event that working capital flows were zeroed.

Sensitivity analysis on the Onshore Engineering & Construction CGU

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

Sensitivity analysis on the XSIGHT CGU

The excess of the recoverable amount of the XSIGHT CGU over its carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstances:
> decrease by 43.5% in the operating result, over the entire plan period and in perpetuity;
> use of a discount rate of 11.7%;
> use of a negative terminal growth rate.

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

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

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

		Lease assets		Lease liabilities	
(€ million)	**Right-of-Use asset**	Current	Non-current	Current	Non-current
Dec. 31, 2020					
Opening balance	**584**	**8**	**8**	**149**	**477**
Increases	113	-	29	-	142
Decreases and cancellations	(215)	(14)	-	(162)	(182)
Depreciation	(147)	-	-	-	-
Net impairment reversals of impairment losses	(38)	-	-	-	-
Exchange differences	(5)	(2)	(3)	(6)	(17)
Interest	-	1	-	23	-
Other changes	(4)	23	17	147	(150)
Final value	**288**	**16**	**51**	**151**	**270**
June 30, 2021					
Opening balance	**288**	**16**	**51**	**151**	**270**
Increases	31	-	-	-	30
Decreases and cancellations	(4)	(10)	-	(100)	(4)
Depreciation	(52)	-	-	-	-
Net impairment reversals of impairment losses	-	-	-	-	-
Exchange differences	2	-	2	1	2
Interest	-	1	-	6	-
Other changes	-	8	(8)	54	(54)
Final value	**265**	**15**	**45**	**112**	**244**

Current leasing liabilities and assets in the first half of 2021 showed a variation of €90 million due to the payment of the fees for the period and the updating of the debt related to the early termination of a contract during 2020.
As of June 30, 2021, no Right-of-Use asset is a stand-alone CGU. For the purposes of determining the recoverable amount, the Right-of-Use assets have been allocated to the relevant CGUs and tested as described in the paragraph "Impairment" of Note 12 "Property, plant and equipment".
On the basis of business assessments, renewal options relating to land and property totalling €128 million (€124 million as of December 31, 2020) are not considered in the determination of the total lease term and lease liability as of June 30, 2021.
Lease assets refer to subleases of vessels.
The other changes in financial liabilities for leasing refer to the reclassification of financial liabilities from non-current to current.
The analysis by maturity of net lease liabilities as of June 30, 2021 is as follows:

		Non-current portion					
(€ million)	Current portion 2021	2022	2023	2024	2025	After	Total
Lease liabilities	112	49	82	45	23	45	356
Lease assets	15	9	20	14	2	-	60
Total	**97**	**40**	**62**	**31**	**21**	**45**	**296**

The average marginal loan rate used for discounting the "Right-of-Use" and financial liabilities for leasing, was 3.7% as of June 30, 2021 (4% as of December 31, 2020).

15 Equity investments

Equity investments accounted for using the equity method

Equity investments accounted for using the equity method of €128 million (€166 million as of December 31, 2020) were as follows:

(€ million)	Opening carrying amount	Acquisitions and subscriptions	Sales and reimbursements	Share of profit of equity-accounted investees	Share of loss of equity-accounted investees	Deduction for dividends	Change in the consolidation scope	Exchange differences	Movements in reserves	Other changes	Closing carrying amount	Loss allowance
Dec. 31, 2020												
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	67	4	-	42	(12)	-	-	(9)	1	(4)	89	-
Investments in associates	66	-	-	18	(3)	-	-	(4)	-	-	77	-
Total	**133**	**4**	**-**	**60**	**(15)**	**-**	**-**	**(13)**	**1**	**(4)**	**166**	**-**
June 30, 2021												
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	89	-	-	5	(35)	(8)	-	2	-	-	53	-
Investments in associates	77	-	-	13	(3)	(13)	-	1	-	-	75	-
Total	**166**	**-**	**-**	**18**	**(38)**	**(21)**	**-**	**3**	**-**	**-**	**128**	**-**

Equity investments accounted for using the equity method are detailed in Note 4 "Consolidation scope as of June 30, 2021".
The share of profit of equity-accounted investees of €18 million included profits for the period of €5 million recorded by the joint ventures and €13 million for the period recorded by associates.
The share of loss of equity-accounted investees of €38 million included losses for the period of €35 million recorded by the joint ventures and €3 million for the period recorded by associates.
Deductions following the distribution of dividends of €21 million related for €8 million to a joint venture and €13 million to an associate company.
The carrying amount of equity investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Carrying amount as of Dec. 31, 2020	Carrying amount as of June 30, 2021
Petromar Lda	70.00	37	43
Rosetti Marino SpA	20.00	28	24
Gygaz Snc	15.15	13	24
Saipem Taqa Al Rushaid Fabricators Co Ltd	40.00	34	23
PSS Netherlands BV	36.00	23	7
Saren BV	50.00	26	-
Other		5	7
Total equity investments accounted for using the equity method		**166**	**128**

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

Other equity investments

Other equity investments are not individually significant as of June 30, 2021.

16 Deferred tax assets and liabilities

Deferred tax assets of €245 million (€240 million as of December 31, 2020) are shown net of offsettable deferred tax liabilities (offset €89 million).
Deferred tax liabilities of €7 million (€6 million as of December 31, 2020) are shown net of offsettable deferred tax assets of €89 million.
The movements of deferred tax assets and deferred tax liabilities were as follows:

(€ million)	Dec. 31, 2020	Accruals	Utilisations	Exchange differences in exchange rates	Other changes	June 30, 2021
Deferred tax assets	240	15	(29)	2	17	245
Deferred tax liabilities	(6)	(1)	18	-	(18)	(7)
Total deferred tax assets (liabilities)	**234**	**14**	**(11)**	**2**	**(1)**	**238**

The item "Other changes" in deferred tax assets, up €17 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (up €28 million); (ii) the tax effects (up €1 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) the tax effects (down €1 million) of remeasurements of defined benefit plans for employees reported in equity; (iv) other changes (down €11 million).
The item "Other changes" in deferred tax liabilities, up €18 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (up €28 million); (ii) the tax effects (down €12 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) the tax effects (up €1 million) of remeasurements of defined benefit plans for employees reported in equity; (iv) other changes (up €1 million).
Net deferred tax assets consisted of the following:

(€ million)	Dec. 31, 2020	June 30, 2021
Deferred tax liabilities	(123)	(96)
Offsettable deferred tax assets	117	89
Net deferred tax liabilities	**(6)**	**(7)**
Non-offsettable deferred tax assets	240	245
Net deferred tax assets (liabilities)	**234**	**238**

Deferred tax assets recognised in the financial statements as of June 30, 2021 relating to tax losses amount to €128 million and are considered recoverable in the next 4 years.
Taxes are shown in Note 32 "Income taxes".

17 Trade payables, other liabilities and contract liabilities

Trade payables and other liabilities

Trade payables and other liabilities of €2,352 million (€2,463 million as of December 31, 2020) consisted of the following:

(€ million)	Dec. 31, 2020	June 30, 2021
Trade payables	2,193	2,020
Other liabilities	270	332
Total	**2,463**	**2,352**

Trade payables amounted to € 2,020 million, representing a decrease of €173 million compared to December 31, 2020.
Trade payables and other liabilities to related parties are shown in Note 36 "Related party transactions".

Other liabilities of €332 million were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Liabilities to:		
- employees	133	162
- national insurance/social security contributions	58	54
- insurance companies	2	3
- consultants and professionals	5	4
- Directors and Statutory Auditors	1	1
- shareholders	25	-
Other	46	108
Total	**270**	**332**

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

Contract liabilities

Contract liabilities of €1,778 million (€1,616 million as of December 31, 2020) consisted of the following:

(€ million)	Dec. 31, 2020	June 30, 2021
Contract liabilities (from work in progress)	924	885
Advances from clients	692	893
Total	**1,616**	**1,778**

Contract liabilities (from work in progress) of €885 million (€924 million as of December 31, 2020) relate to adjustments in revenue invoiced on long-term contracts, in order to comply with the principle of accruals, in application of the accounting policies based on the contractual amounts accrued.

In particular, contract liabilities (from work in progress) decreased by €39 million due to the recognition of revenue for the current period of €243 million adjusted at the end of the previous year, partially offset by the adjustments in revenue invoiced during the first six months following the evaluation on the basis of the operational progress of the projects for €200 million to which is added the impact of the negative exchange rate effect of €4 million.

Advances from clients of €893 million (€692 million as of December 31, 2020) refer to amounts received, in previous years and in the first half of the year, on contracts in execution eroded on the basis of contractual milestone.

Contract liabilities to related parties are shown in Note 36 “Related party transactions”.

18 Other liabilities

Other current liabilities

Other current liabilities amounted to €99 million (€35 million as of December 31, 2020) and were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Fair value of derivative financial instruments	32	71
Other liabilities	3	28
Total	**35**	**99**

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

Other liabilities amounted to €28 million (up €25 million from December 31, 2020) and included mainly the registration of insurance premium reserves.

Other liabilities to related parties are shown in Note 36 “Related party transactions”.

Other non-current liabilities

Other non-current liabilities of €6 million (€2 million at December 31, 2020) were as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Fair value of derivative financial instruments	1	5
Other liabilities	1	1
Other liabilities	-	-
Total	**2**	**6**

19 Financial liabilities

Financial liabilities were as follows:

	Dec. 31, 2020				June 30, 2021			
(€ million)	Financial liabilities short-term	Current portion of financial liabilities long-term	Financial liabilities long-term	Total	Financial liabilities short-term	Current portion of financial liabilities long-term	Financial liabilities long-term	Total
Banks	220	167	584	971	133	132	521	786
Ordinary bonds	-	34	1,993	2,027	-	542	1,992	2,534
Other financial institutions	37	-	-	37	60	-	-	60
Total	**257**	**201**	**2,577**	**3,035**	**193**	**674**	**2,513**	**3,380**

As of June 30, 2021, there are bank financing contracts with Financial Covenant clauses requiring compliance with the ratio between net financial debt and EBITDA, determined every year based on the December 31 data, not higher than 3.5 times. Taking into account the EBITDA of the first half of the year and the second half expectations, the Company wants to promptly review with its financial institutions the most appropriate measures.
It should be noted that there are "change of control" clauses for which reference is made to the "Corporate Governance and Shareholding Structure Report 2020".
The analysis by maturity of non-current financial liabilities as of June 30, 2021 is as follows:

(€ million)

Type	Maturity range	2022	2023	2024	2025	After	Total non-current financial liabilities
Banks	2022-2027	87	214	86	63	71	521
Ordinary bonds	2022-2028	-	496	-	497	999	1,992
Total		**87**	**710**	**86**	**560**	**1,070**	**2,513**

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

			Long-term maturity						
(€ million)	Carrying amount value as of June 30, 2021	Short-term maturity June 30, 2022	2022 second half	2023	2024	2025	2026	After	Total future payments as of June 30, 2021
Banks	653	135	90	214	89	62	57	15	662
Ordinary bonds	2,534	545	-	500	-	500	500	500	2,545
Other financial institutions	-	-	-	-	-	-	-	-	-
Total	**3,187**	**680**	**90**	**714**	**89**	**562**	**557**	**515**	**3,207**

The difference of €20 million between the carrying amount of the non-current financial liabilities recognised in the financial statements as of June 30, 2021 and the total of future payments is due to the measurement using the amortised cost method.
The analysis of financial liabilities by currency with an indication of the interest rate is as follows:

(€ million)

	Dec. 31, 2020						June 30, 2021					
		Interest rate %			Interest rate %			Interest rate %			Interest rate %	
Currency	Financial liabilities short-term	from	to	Liabilities financial long-term and short-term portion	from	to	Financial liabilities short-term	from	to	Liabilities financial long-term and short-term portion	from	to
Euro	136	0.00	0.50	2,778	0.84	3.75	58	0.00	0.50	3,187	0.81	3.75
US Dollar	-	-	-	-			-	-	-	-		
Other	121	variable		-			135	variable		-		
Total	**257**			**2,778**			**193**			**3,187**		

Non-current financial liabilities, including the current portion, mature between 2021 and 2028.
As of June 30, 2021, Saipem had unused uncommitted short-term credit lines amounting to €290 million (€194 million as of December 31, 2020) and unused committed long-term credit lines amounting to €1,000 million (€1,000 million as of December 31, 2020).

Commission fees on unused lines of credit were not significant.
There were no financial liabilities secured by mortgages or liens on real estate of consolidated companies and by pledges on securities.
The fair value of non-current financial liabilities, including the current portion, amounted to €3,297 million (€2,884 million as of December 31, 2020) and was calculated by discounting the actual future cash flows in the main currencies of the loan at the following, approximate rates:

(%)	**2020**	**2021**
Euro	0.16-2.31	0.24-2.59

The market value of listed financial instruments was calculated using the closing stock price at the last available date of the year.
The following table lists the comparison between the notional value, the carrying amount and the fair value of non-current financial liabilities:

	Dec. 31, 2020			**June 30, 2021**		
(€ million)	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Banks	760	751	760	660	652	657
Ordinary bonds	2,000	2,027	2,124	2,500	2,535	2,640
Other financial institutions	-	-	-	-	-	-
Total	**2,760**	**2,778**	**2,884**	**3,160**	**3,187**	**3,297**

Based on the provisions of the "Disclosure Initiative" (amendments to IAS 7) the following is a reconciliation between the initial and final values of finance debt and the net financial position:

			Non-cash changes				
(€ million)	Dec. 31, 2020	Variation in cash flows	Acquisitions	Exchange differences in exchange rates	Variation in fair value	Other non-monetary changes	June 30, 2021
Current financial liabilities	257	(67)	-	3	-	-	193
Non-current financial liabilities and current portion thereof	2,778	409	-	-	-	-	3,187
Net lease liabilities (assets)	354	(85)	-	1	-	26	296
Total net liabilities deriving from financing activities	**3,389**	**257**	**-**	**4**	**-**	**26**	**3,676**

Financial liabilities to related parties are shown in Note 36 "Related party transactions".

20 Analyses of net financial debt

The financial debt statement prepared according to the new provisions established in the Consob document 5/21 of April 29, 2021, integrating the ESMA Guidelines, is included and compared with the December 31, 2020 statement, which, for comparability, is expressed in the same format.

	Dec. 31, 2020			June 30, 2021		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	**1,687**	**-**	**1,687**	**1,653**	**-**	**1,653**
B. Cash and cash equivalents	**-**	**-**	**-**	**-**	**-**	**-**
C. Other current financial assets:	**410**	**-**	**410**	**551**	**-**	**551**
- Financial assets measured at fair value through OCI	68	-	68	56	-	56
- Loan assets	342	-	342	495	-	495
D. Liquidity (A+B+C)	**2,097**	**-**	**2,097**	**2,204**	**-**	**2,204**
E. Current financial debt:	**408**	**-**	**408**	**305**	**-**	**305**
- Current financial liabilities with banks	220	-	220	133	-	133
- Current financial liabilities with related parties	1	-	1	1	-	1
- Other current financial liabilities	36	-	36	59	-	59
- Lease liabilities	151	-	151	112	-	112
F. Current portion of the non-curren financial debt:	**201**	**-**	**201**	**674**	**-**	**674**
- Non-current financial liabilities	167	-	167	132	-	132
- Ordinary bonds	34	-	34	542	-	542
G. Current financial debt (E+F)	**609**	**-**	**609**	**979**	**-**	**979**
H. Net current financial debt (G-D)	**(1,488)**	**-**	**(1,488)**	**(1,225)**	**-**	**(1,225)**
I. Non-current financial debt:	**-**	**854**	**854**	**-**	**765**	**765**
- Non-current financial liabilities	-	584	584	-	521	521
- Non-current financial liabilities with related parties	-	-	-	-	-	-
- Lease liabilities	-	270	270	-	244	244
J. Debt instruments:	**-**	**1,993**	**1,993**	**-**	**1,992**	**1,992**
- Ordinary bonds	-	1,993	1,993	-	1,992	1,992
K. Trade payables and other non-current debts	**-**	**-**	**-**	**-**	**-**	**-**
L. Non-current financial debt (I+J+K)	**-**	**2,847**	**2,847**	**-**	**2,757**	**2,757**
M. Total financial debt as set out in Consob document No. 5/21, April 29, 2021 (H+L)	**(1,488)**	**2,847**	**1,359**	**(1,225)**	**2,757**	**1,532**
N. Non-current loan assets	**-**	**66**	**66**	**-**	**75**	**75**
O. Lease assets	**16**	**51**	**67**	**15**	**45**	**60**
P. Net financial debt (M-N-O)	**(1,504)**	**2,730**	**1,226**	**(1,240)**	**2,637**	**1,397**

Net financial debt includes a financial liability relating to the interest rate swap, equal to €1 million, but does not include the fair value of derivatives indicated in Note 11 "Other assets" and Note 18 "Other liabilities".
The variation in net financial debt before net lease liabilities is €296 million (€354 million as of December 31, 2020). This shows an increase of €229 million compared to December 31, 2020, mainly due to certain projects slowing down and the contribution of newly acquired projects being postponed.
Loan assets are explained in Note 7 "Other financial assets".

21 Provisions for risks and charges

Provisions for risk and charges of €526 million (€295 million as of December 31, 2020) consisted of the following:

(€ million)	Opening balance	First application of IFRIC 23	Accruals	Utilisations	Other changes	Closing balance
Dec. 31, 2020						
Provisions for taxes	15	-	-	(1)	(1)	13
Provisions for disputes	120	-	24	(60)	(10)	74
Provisions for losses on investments	27	-	8	-	(9)	26
Provision for contractual expenses and losses on long-term contracts	49	-	113	(19)	1	144
Provisions for redundancy incentives	1	-	2	(5)	2	-
Other provisions	41	-	11	(11)	(3)	38
Total	**253**	**-**	**158**	**(96)**	**(20)**	**295**
June 30, 2021						
Provisions for taxes	13	-	2	(1)	-	14
Provisions for disputes	74	-	91	(8)	5	162
Provisions for losses on investments	26	-	8	(3)	(2)	29
Provision for contractual expenses and losses on long-term contracts	144	-	146	(13)	1	278
Provisions for redundancy incentives	-	-	5	(2)	-	3
Other provisions	38	-	3	(1)	-	40
Total	**295**	**-**	**255**	**(28)**	**4**	**526**

The **provisions for taxes** amounted to €14 million and related principally to disputes concerning indirect taxes with foreign tax authorities that are ongoing and take into account the results of recent assessments.
The Group operates in numerous countries with complex tax laws to which it adheres thanks also to the support of local tax consultants. In some of these jurisdictions, the Group is handling, through appeals, some requests made by the tax authorities, from which the Directors believe that no further significant charges will arise with respect to what has already been set aside.
The **provisions for disputes** amounted to €162 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes. The main amounts are related to the dispute with Husky - Sunrise Energy Project in Canada and to a lawsuit with a supplier for a project in Saudi Arabia.
The **provisions for losses on investments** amounted to €29 million and related to provisions for losses of investees accounted for using the equity method.
The **provision for contractual expenses and losses on long-term contracts** amounted to €278 million and included the estimate of losses for €256 million and the provision for final project costs for the amount of €22 million, relating to the Offshore and Onshore E&C divisions. The change is due to provision for future losses for projects with operational problems and delays in execution times.
The **provisions for redundancy incentives** amounted to €3 million and referred to provisions of a foreign subsidiary.
Other provisions amounted to €40 million and are for other contingencies.
For further information, see Note 27 “Guarantees, commitments and risks”.

22 Employee benefits

Employee benefits amounted to €215 million (€237 million as of December 31, 2020).

23 Derivative financial instruments

	Dec. 31, 2020		June 30, 2021	
(€ million)	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Derivatives qualified for hedge accounting				
Interest rate contracts (Spot component)				
- purchases	-	1	-	1
- sales	-	-	-	-
Currency forwards (Spot component)				
- purchases	29	18	11	7
- sales	58	1	3	20
Currency forwards (Forward component)				
- purchases	(4)	-	3	2
- sales	(5)	-	(1)	6
Commodity forwards (Forward component)				
- purchases	4	-	4	3
- sales	-	-	-	-
Total derivatives qualified for hedge accounting	**82**	**20**	**20**	**39**
Derivatives not qualified for hedge accounting				
Currency forwards (Spot component)				
- purchases	15	12	6	4
- sales	68	1	4	32
Currency forwards (Forward component)				
- purchases	-	-	1	-
- sales	(7)	1	-	2
Commodity forwards (Forward component)				
- purchases	-	-	-	-
- sales	-	-	-	-
Total derivatives not qualified for hedge accounting	**76**	**14**	**11**	**38**
Total derivatives	**158**	**34**	**31**	**77**
Of which:				
- current	156	32	30	71
- non-current (includes IRS, Note 20 "Analyses of net financial debt")	2	2	1	6

The derivative contracts' fair value hierarchy is level 2.
During the first half of 2021 the market was characterised by a generalised volatility on exchange rates and raw material prices. Specifically the US dollar gained strength over the Euro going from a EUR/USD exchange rate of 1.2271 as of December 31, 2020 to 1.1884 as of June 30, 2021. This context together with an increase of the derivatives stock held by the Saipem Group, led to a significant variation of the fair value compared to December 2020.
Purchase and sale commitments on derivatives are detailed as follows:

	Dec. 31, 2020		June 30, 2021	
(€ million)	Assets	Liabilities	Assets	Liabilities
Purchase commitments				
Derivatives qualified for hedge accounting:				
- interest rate derivatives	-	112	-	94
- currency contracts	617	1,145	1,103	1,257
- commodity contracts	-	32	-	44
Derivatives not qualified for hedge accounting:				
- currency contracts	530	736	782	1,465
	1,147	**2,025**	**1,885**	**2,860**
Sale commitments				
Derivatives qualified for hedge accounting:				
- currency contracts	1,377	36	311	2,444
Derivatives not qualified for hedge accounting:				
- currency contracts	1,847	659	473	2,909
	3,224	**695**	**784**	**5,353**

The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on year-end market data (exchange and interest rates).
The fair value of forward contracts (forwards, outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding as of June 30, 2021, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the year-end exchange rate and the respective forward interest rate curves.
A liability of €1 million (€1 million as of December 31, 2020) relating to the fair value of an interest rate swap has been recorded under Note 20 "Analyses of net financial debt". The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding as of June 30, 2021 with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.
Cash flow hedging transactions related to forward purchase and sale transactions (forwards, outrights and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions as of June 30, 2021 are expected to occur up until 2023.
During the first half of 2021, there were no significant cases of hedged items being no longer considered highly probable.
The positive fair value of derivatives qualified for hedge accounting as of June 30, 2021 totalled €20 million (€82 million as of December 31, 2020). For these derivatives, the spot component, amounting to €14 million (€87 million as of December 31, 2020), was suspended in the hedging reserve for an amount of €13 million (€85 million as of December 31, 2020) and recorded as financial income and expense for €1 million (€2 million as of December 31, 2020), while the forward component, not designated as a hedging instrument, was recorded as financial income and expense for €2 million (-€9 million as of December 31, 2020). With regard to commodities contracts, the fair value of €4 million was suspended in the hedging reserve.
The negative fair value on derivative hedging contracts as of June 30, 2021, amounted to €39 million (€20 million as of December 31, 2020). The spot component of these derivatives of €27 million (€19 million as of December 31, 2020), was suspended in the hedging reserve for an amount of €24 million and recorded as financial income and expense for €3 million (€19 million as of December 31, 2020), while the forward component was recorded as financial income and expense for €8 million. With regard to commodities contracts, the fair value of €3 million was suspended in the hedging reserve.
The hedging reserve, related to currency contracts, is positive for €62 million with an average weighted exchange of the hedging components of 1.169 over the US dollar (USD), 0.2391 over the Saudi riyal (SAR) and 0.3464 over the Kuwaiti dinar (KWD). The hedging reserve related to commodity contracts is positive for €18 million, with an average weighted price of the hedging instruments of 5.696 USD/MT related to copper and 380 USD/MT for fuel.
During the first half of 2021, core business revenue and expenses were adjusted by a net positive amount of €19 million to reflect the effects of hedging.

24 Assets held for sale

As of June 30, 2021 there were no assets held for sale.

25 Equity

Non-controlling interests

Non-controlling interests as of June 30, 2021 amounted to €25 million (€25 million as of December 31, 2020).

Equity attributable to the owners of the parent

Equity attributable to the owners of the parent as of June 30, 2021 amounted to €2,130 million (€2,923 million as of December 31, 2020) and was as follows:

(€ million)	Dec. 31, 2020	June 30, 2021
Share capital	2,191	2,191
Share premium	553	553
Legal reserve	88	88
Hedging reserve	107	61
Fair value reserve	1	1
Translation reserve	(101)	(77)
Actuarial reserve	(35)	(28)
Other	(46)	(46)
Retained earnings	1,387	251
Profit (loss) for the year	(1,136)	(779)
Negative reserve for treasury shares in portfolio	(86)	(85)
Total	**2,923**	**2,130**

Equity attributable to the owners of the parent as of June 30, 2021 included distributable reserves of €457 million.
Some of these reserves are subject to taxation upon distribution. A deferred tax liability has been recorded in relation to the share of reserves that may potentially be distributed (€25 million).

Share capital
As of June 30, 2021, the share capital of Saipem SpA, fully paid up, amounted to €2,191,384,693 million, corresponding to 1,010,977,439 shares, none with a nominal amount (1,010,977,439 as of December 31, 2020), of which 1,010,966,841 ordinary shares (1,010,966,841 as of December 31, 2020) and 10,598 saving shares (10,598 as of December 31, 2020).

Share premium
This interim amounts to € 553 million as of June 30, 2021 (€553 million as of December 31, 2020).

Other reserves
As of June 30, 2021, "Other reserves" amounted to a negative €1 million (positive for €14 million as of December 31, 2020) and consisted of the following items:

(€ million)	Dec. 31, 2020	June 30, 2021
Legal reserve	88	88
Hedging reserve	107	61
Fair value reserve	1	1
Translation reserve	(101)	(77)
Actuarial reserve	(35)	(28)
Other	(46)	(46)
Total	**14**	**(1)**

Legal reserve
As of June 30, 2021, the legal reserve stood at €88 million. This represents the portion of profits of the parent Saipem SpA, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends.

Hedging reserve
This reserve showed a positive balance of € 61 million (positive balance of €107 million as of December 31, 2020), which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges as of June 30, 2021.
The hedging reserve is shown net of tax effects of €18 million (€30 million as of December 31, 2020).

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

Translation reserve
This reserve amounted to -€77 million (-€101 million as of December 31, 2020) and related to exchange differences arising from the translation into euro of financial statements denominated in currencies other than euro (mainly the US dollar).

Actuarial reserve
This reserve has a negative balance of €28 million (-€35 million as of December 31, 2020), net of the tax effect of €8 million.
This reserve, in accordance with the provisions of IAS 19, includes the actuarial gains and losses relative to the employee defined benefit plans. These remeasurements are not allocated to the income statement. This reserve for benefit plans for employees includes a negative value of €1 million related to equity investments accounted for using the equity method.

Other
Other with a negative balance of €46 million (negative for €46 million as of December 31, 2020), consisted of the following items:
> positive for €2 million with regard to the revaluation reserve consisting of the positive revaluation balance following the application of Law No. 413 of December 30, 1991, Article 26 (in the case of distribution, 5% of the reserves contribute to forming the taxable profit of the Company and are subject to the tax rate of 24%);
> negative for €48 million for the effect recognised as a reserve following the acquisition of a non-controlling interest in consolidated subsidiaries.

Negative reserve for treasury shares in portfolio
The reserve amounts to €85 million (€86 million as of December 31, 2020) and it includes the value of treasury shares for the implementation of long-term incentive plans for the Group's Senior Managers.

The breakdown of treasury shares is as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares held as of January 1, 2021	17,532,670	4.917	86	1.73
Purchases in 2021	-	-	-	-
Allocation	(149,853)	4.917	(1)	(0.01)
Treasury shares held as of June 30, 2021	**17,382,817**	**4.917**	**85**	**1.72**

As of June 30, 2021 the number of shares in circulation was 993,594,622 (993,444,769 as of December 31, 2020).

26 Additional information

Disclosure on the statement of cash flows

There were no cash flows in the first half of 2021 associated to investments or disposals in companies joining/exiting the scope area and company branches.

27 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,891 million (€7,019 million as of December 31, 2020), and were as follows:

	Dec. 31, 2020			June 30, 2021		
(€ million)	Unsecured	Other personal guarantees	Total	Unsecured	Other personal guarantees	Total
Joint ventures and associates	121	254	375	120	253	373
Consolidated companies	53	526	579	59	881	940
Own	-	6,065	6,065	-	6,578	6,578
Total	**174**	**6,845**	**7,019**	**179**	**7,712**	**7,891**

Other personal guarantees issued for consolidated companies amounted to €881 million (€526 million as of December 31, 2020), which and related to independent guarantees given to third parties mainly to bid bonds and performance bonds.
Guarantees issued to/through related parties are detailed in Note 36 "Related party transactions".

Commitments

Saipem SpA has commitments with clients and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries, associates and joint ventures in the event of non-performance and payment of any damages arising from non-performance.
These commitments, which are performance obligations, guarantee contracts whose overall value amounted to €71,682 million (€65,624 million as of December 31, 2020), including both work already performed and the relevant portion of the backlog of orders as of June 30, 2021.
The repayment obligations of bank loans granted to Saipem Group companies are generally supported by guarantees issued by the parent company Saipem SpA and other Group companies. The repayment obligations of the Group's bond issues are covered by guarantees issued by the parent company Saipem SpA, and other Group companies.

Risk management

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

Additional information on financial instruments

INFORMATION ON FAIR VALUE

The classification of financial assets and liabilities is given below; these are measured at fair value in the statement of financial position, according to the fair value hierarchy defined according to the significance of the inputs used in the assessment process.
In particular, depending on the characteristics of the inputs used for assessment, the fair value hierarchy has the following levels:
a) level 1: prices (not subject to variations) listed on active markets for the same financial assets or liabilities;
b) level 2: assessments made on the basis of inputs, other than the listed prices referred to in the preceding point, which, for the measured asset/liability, can be observed directly (prices) or indirectly (derived from prices). The inputs used include spot and forward exchange rates, interest rates and forward commodity prices; and
c) level 3: inputs not based on observable market data.

In relation to the above, the financial instruments measured at fair value as of June 30, 2021 were as follows:

	June 30, 2021			
(€ million)	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) held for trading:				
- non-hedging derivatives	-	(27)	-	(27)
Financial assets available for disposal:				
- financial assets measured at fair value through OCI	56	-	-	56
Net hedging derivative assets (liabilities)		(19)	-	(19)
Total	**56**	**(46)**	**-**	**10**

During the first half of 2021, there were no transfers between the different levels of the fair value hierarchy.

Legal proceedings

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

ALGERIA

Investigations in Italy: on February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Code of Criminal Procedure. This related to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of "international corruption" specified in the request is one of the offences punishable under Legislative Decree No. 231 of June 8, 2001 in connection with the direct responsibility of collective entities for certain crimes committed by their own employees.
Collection of documentation commenced immediately in compliance with the request, and on February 16, 2011, Saipem filed such documentation.
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, also at Eni SpA offices, to obtain additional documentation relating to intermediary agreements and subcontracts entered into by Saipem in connection with its Algerian projects. The subject of the investigations are allegations of corruption which, according to the Milan Public Prosecutor, occurred up until and after March 2010 in relation to a number of contracts the Company was awarded in Algeria.
Several former employees of the Company were involved in the proceedings, including the former Deputy Chairman and CEO in office until December 5, 2012, the former Chief Operating Officer of the Engineering & Construction Business Unit in office until December 5, 2012 and the former Chief Financial Officer in office until August 1, 2008. The Company collaborated fully with the Prosecutor's Office and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that may have resulted in the course of the proceedings. In agreement with the Board of Statutory Auditors and the Internal Control Bodies, and having duly informed the Prosecutor's Office, Saipem looked into the contracts that are subject to investigation, and to this end appointed an external legal firm. On July 17, 2013, the Board of Directors analysed the conclusions reached by the external consultants following an internal investigation carried out in relation to a number of brokerage contracts and subcontracts regarding projects in Algeria. The internal investigation was based on the examination of documents and interviews of personnel from the Company and other companies in the Group, excluding those, that to the best knowledge of the Company, would be directly involved in the criminal investigation so as not to interfere in the investigative activities of the Prosecutor. In July 2013, the Board of Directors, confirming its full cooperation with the investigative authorities, decided to convey the findings of the external consultants to the Public Prosecutor of Milan, for any appropriate assessment and initiatives under its responsibility in the wider context of the ongoing investigation. The consultants reported to the Board: (i) that they found no evidence of payments to Algerian public officials through the brokerage contracts or subcontracts examined; (ii) that they found violations, deemed detrimental to the interests of the Company, of internal rules and procedures – in force at the time – in relation to the approval and management of brokerage contracts and subcontracts examined and a number of activities in Algeria. In July 2013, the Board of Directors 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. As part of these legal actions, the Milan Court of Appeal, on February 11, 2021, sentenced the former Chief Operating Officer of the Engineering & Construction Business Unit in office until December 5, 2012 to pay Saipem SpA the sum of €10 million by way of compensation for damages, as well as interest and revaluation.
On June 14, 2013, January 8, 2014 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 in office until December 5, 2012, and another former manager of Saipem, who are both under investigation in the criminal proceedings. After the request was granted, the Judge for the Preliminary Hearing in Milan set hearings for December 1 and 2, 2014. On January 15, 2015, Saipem SpA defence counsel received notice from the Milan Public Prosecutor's office of the conclusion of preliminary investigations, pursuant to Article 415-*bis* of the Italian Code of Criminal Procedure. Notice was also

received by eight physical persons and the legal person of Eni SpA. In addition to the crime of "international corruption" specified in the request from the Milan Public Prosecutor's office, the notice also contained an allegation against seven physical persons of a violation of Article 3 of Legislative Decree No. 74 of March 10, 2000 concerning the filing of fraudulent tax returns, in connection with the recording in the books of Saipem SpA of *"brokerage costs deriving from the agency agreement with Pearl Partners signed on October 17, 2007, as well as Addendum No. 1 to the agency agreement entered into August 12, 2009"*, which is alleged to have led subsequently *"to the inclusion in the consolidated tax return of Saipem SpA of profits that were lower than the real total by the following amounts: 2008: -€85,935,000; 2009: -€54,385,926"*.

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

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

(i) ruling not to proceed for lack of jurisdiction in regard to one of the accused;
(ii) ruling of dismissal in regard to all of the accused in relation to the allegation that the payment of the commissions for the MLE project by Saipem (approximately €41 million) may have served to enable Eni to acquire the Algerian ministerial approvals for the acquisition of First Calgary and for the expansion of a field in Algeria (CAFC). This measure also contains the decision to acquit Eni, the former CEO of Eni and an Eni executive in regard to any other charge;
(iii) a decree that orders trial, among others, for Saipem and three former Saipem employees (the former Deputy Chairman and CEO in office until December 5, 2012, the former Chief Operating Officer of the Engineering & Construction Business Unit in office until December 5, 2012 and the former Chief Financial Officer in office until August 1, 2008) with reference to the charge of international corruption formulated by the Public Prosecutor's office according to which the accused were complicit in enabling Saipem to win seven contracts in Algeria on the basis of criteria of mere favouritism. For the physical persons only (not for Saipem) the committal for trial was pronounced also with reference to the allegation of fraudulent statements (tax offences) brought by the Public Prosecutor's office.

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

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

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

On November 11, 2015, on the occasion of publication of the 2015 corporate liability report of the office of the Public Prosecutor in Milan, it was affirmed that: *"a ruling was recently issued by the Judge for the Preliminary Investigation for the preventive seizure of assets belonging to the accused parties for the sum of €250 million. The ruling confirms the freezing previously decided upon by the foreign authorities of monies deposited in bank accounts in Singapore, Hong Kong, Switzerland and Luxembourg, totalling in excess of €100 million"*. Saipem was not target of such measures, it came to its attention that the seizure in question involved the personal assets of the Company's former Chief Operating Officer in office until December 5, 2012 and two other persons accused.

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

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

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

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

Once the hearings on evidence finished with the hearing of February 12, 2018, in the subsequent hearings of February 19, 2018 and February 26, 2018, the Public Prosecutor proceeded with the indictment.

Generic extenuating circumstances were not considered to be initially attributable to the defendants and, conversely, that the aggravating circumstance of the transnational crime allegedly subsisted, the Public Prosecutor formulated sentencing requests for the accused individuals.

With regard to Saipem SpA and Eni SpA the Public Prosecutor requested a fine of €900,000 as the sentence for each company. Furthermore, the Public Prosecutor requested a "seizure of assets", equal to currently seized assets, relating to some seizures

previously carried out against certain natural persons accused. Therefore, the request for seizure of assets did not concern Saipem SpA.
At the hearing of March 5, 2018:
(i) the Italian Revenue Agency has requested the conviction of only the physical persons indicted as was requested by the Public Prosecutor with the conviction of only the physical persons charged for compensation of the pecuniary and non pecuniary damage in favour of the Italian Revenue Agency to be liquidated on an equitable basis and with a provisional amount of €10 million;
(ii) Sonatrach has requested the conviction of the accused Samyr Ourayed and sentencing of the latter to the compensation of the damage to be liquidated in equitable way.

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

Proceedings in Algeria: in 2010, proceedings were initiated in Algeria regarding various matters and involving 19 parties investigated for various reasons (so-called "Sonatrach 1 investigation"). The Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures SpA ("Sonatrach") appeared as plaintiff in these proceedings and the Algerian Trésor Public also applied to appear as a plaintiff.
The Algerian company Saipem Contracting Algérie SpA ("Saipem Contracting Algérie") is also part of these proceedings regarding the manner in which the GK3 contract was awarded by Sonatrach. In the course of these proceedings, some bank accounts denominated in local currency of Saipem Contracting Algérie were frozen.
In particular, in 2012 Saipem Contracting Algérie received formal notice of the referral to the Chambre d'accusation at the Court of Algiers of an investigation underway into the company regarding allegations that it took advantage of the authority or influence of representatives of a government-owned industrial and trading company in order to inflate prices in relation to contracts awarded by that company. The GK3 contract was awarded in June 2009 and had an equivalent value of €433.5 million (at the exchange rate in effect when the contract was awarded).
At the beginning of 2013, the "Chambre d'accusation" ordered Saipem Contracting Algérie to stand trial and further ordered that the aforementioned bank accounts remain frozen. According to the prosecution, the price offered was 60% over the market price. The prosecution also claimed that, following a discount negotiated between the parties subsequent to the offer, this alleged increase was reduced by up to 45% of the price of the contract awarded. In April 2013 and in October 2014, the Algerian Supreme Court rejected a request to unfreeze the bank accounts that had been made by Saipem Contracting Algérie in 2010. The documentation was then transmitted to the Court of Algiers which, in the hearing of March 15, 2015, adjourned the proceedings to the hearing of June 7, 2015, during which, in the absence of certain witnesses, the Court officially handed over the case to a criminal court. The trial commenced with the hearing fixed for December 27, 2015. In the hearing of January 20, 2016, the Algiers Public Prosecutor requested the conviction of all 19 defendants accused in the "Sonatrach 1" trial.
The Algiers Public Prosecutor requested that Saipem Contracting Algérie be fined 5 million Algerian dinars (approximately €40,000 at the current rate of exchange).
The Algiers Public Prosecutor also requested the confiscation of the alleged profit 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 approximately €40,000) and allow, in the case of the alleged offence, additional sanctions such as the confiscation of the profit arising from the alleged offence (which would be the equivalent of the amount allegedly over the market price of the GK3 contract as far as the profit is ascertained by the judicial authority) and/or disqualification sanctions.
On February 2, 2016, the Court of Algiers issued the first instance ruling. Amongst other things, this ruling ordered Saipem Contracting Algérie to pay a fine of approximately 4 million Algerian dinars (corresponding to approximately €30,000). In particular, Saipem Contracting Algérie was held to be responsible, in relation to the call for bids for the construction of the GK3 gas pipeline, of "an increase in price during the awarding of contracts signed with a public company of an industrial and commercial character in a way that causes benefit to be derived from the authority or influence of representatives of said company", an act punishable under Algerian law. The ruling also returned two bank accounts denominated in local currency to Saipem Contracting Algérie. These held a total of approximately €60.2 million (amount calculated at the exchange rate as of June 30, 2021), which were frozen in 2010.
The client Sonatrach, which appeared as plaintiff in the proceedings, reserved the right to pursue its claims in the civil courts. The request by the Algerian Trésor Civil to appear as plaintiff was rejected.
Pending the filing of the reasons thereof, the ruling of February 2, 2016 of the Court of Algiers was challenged in the Court of Cassation: by Saipem Contracting Algérie (which requested acquittal and had announced that it would challenge the decision); by the Prosecutor General (who had requested the imposition of a fine of 5 million Algerian dinars and the confiscation, requests that were rejected by the Court, which, as said, fined Saipem Contracting Algérie the lesser amount of approximately 4 million Algerian dinars); by the Trésor Civil (whose request to be admitted as plaintiff against Saipem Contracting Algérie had been – as already stated – rejected by the Court); by all the other parties sentenced, in relation to the cases concerning them.
Owing to these challenges, the decision of the Court of Algiers was fully suspended and pending the ruling of the Court of Cassation:

- the payment has been suspended of the fine of approximately €30,000; and
- the unfreezing of the two banks accounts has been suspended containing a total of approximately €60.2 million (amount calculated at the exchange rate as of June 30, 2021). Sonatrach has not challenged the decision of the Court, consistently with its request, accepted by the Court, to be allowed to claim compensation subsequently in civil proceedings. This civil action was not initiated by Sonatrach.

With the judgement handed down on July 17, 2019, the Algerian Court of Cassation has fully overruled the decision of the Tribunal of Algiers of February 2, 2016, meaning that the Tribunal of Appeal of Algiers will have to rule on the matter following a new trial. The future Tribunal of Appeal's decision can be challenged before the Algerian Court of Cassation.
The reasons for the judgement of the Algerian Court of Cassation were made available on October 7, 2019. The sentence of the Algerian Court of Cassation decrees the total annulment of the decision of the Court of Algiers of 2016, following the acceptance of the appeals filed by all applicants (including the appeal by Saipem Contracting Algérie). The beginning of the new proceedings before the Tribunal of Appeal is neither known nor predictable at the date of the preparation of this report.
The Tribunal of Appeal of Algiers has set the hearing for the discussion of the case on February 17, 2021.
At the hearing of February 17, 2021, the Court of Appeal of Algiers postponed the hearing to a date to be determined. The Tribunal of Appeal of Algiers postponed the hearing to June 16, 2021.
At the hearing of June 16, 2021, the Court of Appeal of Algiers postponed the hearing to the 2021 fall session. The date of the next hearing has not yet been scheduled.
Ongoing Investigation - Algeria - Sonatrach 2: 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 Anticorruption Law No. 01/2006". The investigating judge also requested documentation (Articles of Association) and other information concerning Saipem Contracting Algérie, Saipem and Saipem SA. After this summons, no further activities or requests followed.

On October 16 and 21, 2019, Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA have been summoned by the investigating judge at the Supreme Court.

This investigation is in its initial phase, despite concerning events dating back to 2008 (award of the GNL3 Arzew contract). Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA were further summoned on November 18, 2019 by the General Public Prosecutor at the Supreme Court of Algiers to provide information and documents relating to the GNL3 Arzew contract awarded by Sonatrach in 2008.

A further hearing of the representative of Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA took place on November 18, 2019, at which the General Public Prosecutor of Algiers was provided with the information and documentation he had requested and asked to provide further documentation by December 4, 2019. Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA promptly filed the documentation requested by the deadline of December 4, 2019.

The Algiers General Public Prosecutor also summoned a representative of Saipem SpA. On November 20, 2019, the General Public Prosecutor of Algiers informed Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA that the Algerian Trésor Public has been admitted as plaintiff in the case under initial investigations.

On December 9, 2020, took place the hearing with the local representative of Saipem SpA.

Saipem SpA, Saipem Contracting Algérie and the Algiers Branch of Snamprogetti were again called on December 16, 2020. Investigations in Algeria relating to the award and execution of the GNL3 Arzew contract are continuing.

Amicable Settlement of Mutual Differences - Saipem Sonatrach agreement: on February 14, 2018, Sonatrach and Saipem announced the amicable settlement of mutual differences, decided to settle their mutual differences amicably and signed an agreement to put an end to litigations in course concerning the contract for the construction of a gas liquefaction plant in Arzew (Arzew); the contract for the realisation of three trains of LPG, of an oil separation unit (LDPH) and of installations for the production of condensates in Hassi Messaoud (LPG); the contract for the realisation of the LZ2 24" LPG pipeline (line and station) in Hassi R'Mel (LZ2); and the contract for the construction of a gas and production unit in the Menzel Ledjmet field on behalf of the association Sonatrach/FCP (MLE). This agreement is the result of constructive dialogue and represents an important step forward in relations between the two companies. Sonatrach and Saipem have expressed their satisfaction at having reached a definitive agreement that puts an end to litigations that were detrimental to both parties.

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

On August 12, 2015, the Public Prosecutor's office of Milan served Saipem SpA with a notice of investigation and a request for documentation in the framework of new criminal proceedings, for the alleged crime of international corruption, initiated by the Court of Milan in relation to a contract awarded in 2011 by the Brazilian company Petrobras to Saipem SA (France) and Saipem do Brasil (Brazil). Investigations are still underway.

According to what was learned only through the press, this contract is being looked into by the Brazilian judicial authorities in relation to a number of Brazilian citizens, including a former associate of Saipem do Brasil.

In particular, on June 19, 2015, Saipem do Brasil learned through the media of the arrest (in regard to allegations of money laundering, corruption and fraud) of a former associate, as a result of a measure taken by the Brazilian Public Prosecutor's office of Curitiba, in the framework of a judicial investigation in progress in Brazil since March 2014 ("Lava Jato" investigation). On July 29, 2015, Saipem do Brasil then learned through the press that, in the framework of the conduct alleged against the former associate of Saipem do Brasil, the Brazilian Public Prosecutor's office also alleges that Petrobras was unduly influenced in 2011 to award Saipem do Brasil a contract called "Cernambi" (for a value, at the current exchange rate, of approximately €56 million). This has been purportedly deduced from the circumstance that in 2011, in the vicinity of the Petrobras headquarters, said former associate of Saipem do Brasil claims to have been the target of a robbery in which approximately 100,000 reals (approximately €26,000) just withdrawn from a credit institution were stolen from him. According to the Brazilian Prosecutor, the robbery allegedly took place in a time period prior to the award of the aforesaid "Cernambi" contract.

Saipem SpA has cooperated fully with the investigations and has started an audit with the assistance of a third-party consultant. The audit examined the names of numerous companies and persons reported by the media as being under investigation by the Brazilian judicial authorities. The audit report, issued on July 14, 2016, recognised the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.

The witnesses heard in the criminal proceedings underway in Brazil against this former associate, as well as in the framework of the works of the parliamentary investigative committee set up in Brazil on the "Lava Jato" case, have stated that they were unaware of any irregularities regarding Saipem's activities.

Petrobras appeared as a plaintiff ("Assistente do Ministerio Publico") in the proceedings against the three individuals charged. The proceedings were then resumed on June 9, 2017 as the Brazilian Attorney General considered that the conditions for keeping confidential an agreement signed in October 2015 by the former associate of Saipem do Brasil – who, with such agreement committed himself to substantiating with evidence some of the statements made – had ceased. The Attorney General noted in particular that attempts to substantiate such statements had not been successful, the reason why the content of the statements contained in the additional agreement had not been maintained confidential. At the hearing on June 9, 2017, the depositions of the three defendants were obtained, among them the former associate of Saipem do Brasil and a former Petrobras official.

Saipem do Brasil's former associate, with regard to the theft of 100,000 Brazilian reals (approximately €26,000) in October 2011, said that money was needed to pay the costs of real estate for a company he was managing on behalf of a third party vis-à-vis Saipem (that is, the former Petrobras official charged in the same proceeding who confirmed that statement).

The former Saipem do Brasil associate also stated that the Saipem Group did not pay any bribes because Saipem's compliance system prevented this from happening. That statement was confirmed by the former Petrobras official charged in the same proceeding. The former associate of Saipem do Brasil and the former Petrobras official charged in the same proceeding, while offering a reconstruction of the facts which was partially different, reported, that the possibility of some inappropriate payments was discussed with reference to certain contracts of Saipem do Brasil but in any case no payment was made by the Saipem Group. The former Saipem do Brasil associate and the former Petrobras official charged in the same proceeding stated that the contracts awarded by the client to the Saipem Group were won through regular bidding procedures. The proceedings in Brazil against the former associate of Saipem do Brasil and another two defendants has not yet ended with a final ruling. During the proceedings against the former associate of Saipem do Brasil, no evidence of irregularities emerged in the management of tenders assigned by Petrobras to Saipem Group and/or evidence of illegal payments by Saipem Group in relation to tenders assigned by Petrobras to Saipem Group and/or evidence of damages suffered by Petrobras in relation to tenders assigned to Saipem Group. Saipem Group has not been involved in this proceeding.
The audit that was concluded in 2016 was relaunched with the support of the same third-party consultant used earlier and with the same methodology in order to analyse some of the information mentioned during the depositions of June 9, 2017.
The audit report, issued on July 18, 2018, confirmed the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.
With the press release dated May 30, 2019, Saipem SpA has informed as follows:
"Saipem: notification of administrative proceedings in Brazil to the subsidiaries Saipem SA and Saipem do Brasil in relation to a contract awarded in 2011.
San Donato Milanese (Milan), May 30, 2019 - Saipem SpA informs that today its French subsidiary Saipem SA and its Brazilian subsidiary Saipem do Brasil were notified by the competent Brazilian administrative authority (Controladoria-Geral da União through the Corregedoria-Geral da União) about the opening of administrative proceedings with respect to alleged irregularities in relation to the award by the Brazilian oil company Petrobras, as leader of the "Consortium BMS 11", in December 2011, of the contract (whose value was equal to approximately 249 million Brazilian reals, currently equivalent to approximately €56 million) for the installation of the underwater gas pipeline connecting the Lula and Cernambi fields in Santos Basin.
Saipem SA and Saipem do Brasil will cooperate in the administrative proceedings by providing all the clarifications requested by the competent administrative authority and have confidence in the correctness of the award of the above-mentioned contract and in the absence of circumstances to affirm the administrative liability of the companies".
As part of the aforementioned administrative proceedings, on June 21, 2019, Saipem do Brasil and Saipem SA presented their initial defence statements before the competent administrative authority (Controladoria-Geral da União through Corregedoria Geral da União).
With a communication dated August 21, 2019, the competent administrative authority (Controladoria-Geral da União through Corregedoria-Geral da União) informed Saipem do Brasil and Saipem SA that, following the preliminary investigation carried out up to that moment, the administrative procedure has not been closed and invited Saipem do Brasil and Saipem SA to present further defence statements by September 20, 2019.
Saipem do Brasil and Saipem SA submitted their defence statements by the set deadline. On April 24, 2020, the competent Brazilian Administrative Authority (Controladoria-Geral da União through the Corregedoria-Geral da União) ordered a 180-day postponement for the conclusion of the administrative procedure.
On November 30, 2020, Saipem SA and Saipem do Brasil submitted further defence statements before the Brazilian Administrative Authority (Controladoria-Geral da União through the Corregedoria-Geral da União).
The administrative proceeding is still ongoing.
On June 8, 2020, the Brazilian Federal Prosecutor's office issued a press release informing of a new charge against a former President of Saipem do Brasil, who left the Saipem Group on December 30, 2009. The charge concerns alleged episodes of corruption and money laundering that allegedly occurred between 2006 and 2011 in relation to two contracts awarded by Petrobras Group companies to Saipem Group companies (the Mexilhao contract signed in 2006 and the Uruguà-Mexilhao contract signed in 2008).
The new charge was made only against individuals (not Saipem Group companies) and involves, in addition to the former President of Saipem do Brasil, some former Petrobras officials.
On July 6, 2020, the Brazilian Federal Court of Curitiba accepted the charge filed by the Brazilian Federal Prosecutor against the former President of Saipem do Brasil (who left the company on December 30, 2009) and a former official of Petrobras, against whom a criminal proceeding will be started in Brazil. Petrobras was admitted as plaintiff ("Assistente do Ministerio Publico") in the same proceeding against the two accused persons. No company of the Saipem Group is party to this proceeding.

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

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

Prosecutor's office in order to fulfil the above-mentioned request for documents received on August 2, 2018. It was recently learned that in Italy the proceedings were defined with a provision for dismissal in favour of – among others – Saipem SpA. The dismissal of the proceedings was issued by the Judge for the Preliminary Investigation on April 28, 2021 on demand of the Public Prosecutor of Milan who filed the request of dismissal under Article 746-*quater* c.p.p., given the above mentioned pending investigations in the United States of America.

FOS CAVAOU

With regard to the Fos Cavaou ("FOS") project for the construction of a regasification terminal, the client Société du Terminal Méthanier de Fos Cavaou ("STMFC", now Fosmax LNG) in January 2012 commenced arbitration proceedings before the International Chamber of Commerce in Paris ("Paris ICC") against the contractor STS [a French "société en participation" made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)]. On July 11, 2011, the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, because Fosmax LNG refused to extend the deadline.
The brief filed by Fosmax LNG in support of its request for arbitration included a demand for payment of approximately €264 million for damages allegedly suffered, penalties for delays and costs for the completion of works ("mise en régie"). Of the total sum demanded, approximately €142 million was for loss of profit, an item excluded from the contract except for cases of wilful misconduct or gross negligence. STS filed its defence brief, including a counterclaim for compensation for damage due to excessive interference by Fosmax LNG in the execution of the works and for the payment of extra work not approved by the client (and reserving the right to quantify the amount as the arbitration proceeds). On October 19, 2012, Fosmax LNG lodged a "Mémoire en demande". Against this, STS lodged its own Statement of Defence on January 28, 2013, in which it filed a counterclaim for €338 million. The final hearing was held on April 1, 2014. On the basis of the award issued by the Arbitration Panel on February 13, 2015, Fosmax LNG paid STS the sum of €84,349,554.92, including interest on April 30, 2015. 50% of this amount is due to Saipem SA. On June 26, 2015, Fosmax LNG challenged the award before the French Conseil d'Etat, requesting its annulment on the alleged basis that the Arbitration Panel had erroneously applied private law to the matter instead of public law. On November 18, 2015, a hearing was held before the Conseil d'Etat. Subsequently to the submission of the Rapporteur Public, the judges concluded the discussion phase. The Rapporteur requested a referral to the Tribunal des Conflits. With its judgement of April 11, 2016, the Tribunal des Conflits held that the Conseil d'Etat had jurisdiction for deciding on the dispute regarding the appeal to overrule the arbitration award of February 13, 2015. On October 21, 2016, a hearing was held before the Conseil d'Etat and on November 9, the latter issued its own ruling, with which it partially nullified the award of February 13, 2015 for only the mise en régie costs (quantified by Fosmax in €36,359,758), stating that Fosmax should have relinquished such costs back to an arbitration tribunal, unless otherwise agreed by the parties.
Parallel with the aforementioned appeal before the Conseil d'Etat, on August 18, 2015, Fosmax LNG also filed an appeal with the Court of Appeal of Paris to obtain the annulment of the award and/or the declaration of nullity of the relevant exequatur, the enforceability of which had been recognised and of which Fosmax had been notified on July 24, 2015. On February 21, 2017, the Court of Appeal declared itself incompetent to decide on the annulment of the award and stated that it would postpone the subsequent decision on the alleged nullity of the exequatur. On July 4, 2017, the Court annulled the exequatur issued by the President of the Tribunal de grande instance and sentenced STS to pay the costs (€10,000) of the proceeding in favour of Fosmax.
On June 21, 2017, Fosmax notified Sofregaz, Tecnimont SpA and Saipem SA, of a request for arbitration, requesting that the aforementioned companies (as members of the société en partecipation STS) be jointly and severally condemned to pay the mise en régie costs as quantified above beyond delays and legal fees. The Arbitration Tribunal was officially constituted on January 19, 2018 when the Chairman was confirmed and, in accordance with the calendar agreed between the Parties, on April 13, 2018 Fosmax filed its Mémoire en demande in which it detailed its demands at €35,926,872 in addition to interest for late payments of approximately €4.2 million. STS filed its brief and response on July 13, 2018, with which it has made the counter claim that Fosmax be ordered to pay €2,155,239 in addition to interest for loss of profit and €5,000,000 for non material damage.
Hearings were held from February 25 to February 27, 2019 and the award was communicated to the lawyers of the parties on July 3, 2020. The Arbitration Tribunal fully rejected the counterclaims made by the STS members and sentenced them, jointly and severally, to pay Fosmax: (i) €31,966,704 for "en règie" works made by Fosmax; (ii) default interest on the aforementioned amount at the annual rate EURIBOR 1 month plus two basis points, starting from the 45th day from the issue of the accepted invoices and up to complete payment; (iii) USD 204,400 as a partial refund of the advance paid by Fosmax for the costs of the arbitration procedure; and (iv) €1,343,657 as compensation for legal defence costs. With an addendum to the award, the Arbitral Tribunal provided some clarification on the application of the default interest.
On July 30, 2020, Saipem SA paid Fosmax its share of the principal capital of the award, equal to €16,744,610. Tecnimont has not yet paid its share and has communicated that it has challenged the award. Saipem is not part of this process.
By letter dated November 16, 2020, Fosmax's defence jointly notified Tecnimont SpA and Saipem SA to pay the outstanding part of the award within 15 days, quantifying the interest and VAT at €11,374,761. However, they have not disclosed the methods used to calculate interest and apply VAT and this matter is still under discussion between the parties. Saipem SA, on November 25, 2020, asked Tecnimont SpA to hold Saipem SA harmless from payment for the part of the award (50%) pertaining to Tecnimont SpA itself.

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

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

(i) offence pursuant to Article 185 of Legislative Decree No. 58/1998 (in conjunction with Article 114 of Legislative Decree No. 58/1998 and Article 68, paragraph 2, of the Issuers Regulation), allegedly committed on October 24, 2012, with reference to the press release published for the approval of the quarterly report at September 30, 2012 by Saipem SpA and the related conference call of October 24, 2012 with external analysts;

(ii) offence pursuant to Article 2622 of the Civil Code (continuing illegal offence with Article 2622, paragraphs 1, 3 and 4, old civil code formulation was in force at the time of the facts), allegedly committed on April 30, 2013, with reference to the 2012 consolidated and statutory financial statements of Saipem SpA approved by the Board of Directors on March 13, 2013 and by the Shareholders' Meeting on April 30, 2014;

(iii) offence pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from March 13, 2013 to April 30, 2013, with reference to press releases issued to the public regarding the approval of the 2012 consolidated and statutory financial statements of Saipem SpA.

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

- for the alleged crime under (i): the two Chief Executive Officers and the Chief Operating Officer of the Engineering & Construction Business Unit of Saipem SpA in office at the date of the press release of October 24, 2012, as they *"through the press release dated October 24, 2012 issued on the occasion of the approval by the Board of Directors of the quarterly report as at September 30, 2012 and during the related conference call..., they spread false news – which was incomplete and reticent – concerning the economic and financial situation of Saipem SpA,..., capable of causing a significant alteration of the price of its ordinary shares"*; and
- for the alleged crimes under (ii) and (iii): the Chief Executive Officer and the Officer responsible for financial reporting, who was in office at the date of approval of the 2012 consolidated and statutory financial statements of Saipem SpA as they:

  in relation to the alleged offence (ii), they would have *"disclosed in the consolidated and statutory financial statements of Saipem SpA, approved by the Board of Directors and by the Shareholders' Meeting on March 13, 2013 and April 30, 2013, material facts that do not correspond to the truth, although subject to evaluation, as well as the omission of information on the economic, asset and financial situation of Saipem SpA, the reporting of which is required by law,..., and, in particular:*

  - *in contrast to the provisions of paragraphs 14, 16, 17, 21, 23, 25, 26 and 28 of IAS 11, no extra costs related to delays in the execution of activities and late penalties were recorded in the costs for the entire lifespan of the project,... for a total of €245 million:*

  and the effect was:

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

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

On April 11, 2018, Saipem SpA received the notice of hearing set for October 16, 2018, together with the request for indictment against Saipem SpA formulated on April 6, 2018 by the Public Prosecutor.

On October 16, 2018, the trial began before the Judge for the Preliminary Hearing in Milan during which two individuals were presented as plaintiffs.

At the hearing of January 8, 2019, the Judge for the Preliminary Hearing granted the establishment of a civil suit against the accused individuals and rejected the second request for the constitution of a civil suit against all the defendants. No civil suit has been granted against Saipem SpA.

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

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

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

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

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

On May 23, 2019, the first instance proceedings began before the Criminal Court of Milan (R.G.N.R. 5951/2019). The hearing was postponed on June 4, 2019 as the first instance proceedings were assigned to a new section of the Criminal Court of Milan. On June 4, 2019, after the formalities of the first hearing including the filing of the requests for the admission as plaintiffs by some parties, the Court adjourned the proceedings to the September 26, 2019 hearing, in order to allow the parties to better understand the terms and the conditions of the requests for the admission as plaintiffs and the requests to summon Saipem SpA as the civilly liable party ("responsabile civile"). At the hearing scheduled on September 26, 2019, the Court has merely postponed the ruling on the requests for the admission as plaintiffs and on the requests to summon Saipem SpA as the civilly liable party ("responsabile civile") to a hearing on October 17, 2019. The requests for the admission as plaintiffs have been proposed by more than 700 private investors. The overall amount referred to in the requests has not been determined. At the hearing of October 17, 2019, at the request of the plaintiffs, the Court ordered the summons of Saipem SpA as the civilly liable party at the hearing of December 12, 2019.

At the hearing of December 12, 2019, Saipem SpA was admitted as the civilly liable party in the proceedings.

The Court also invited the parties to formulate their preliminary statements.

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

During the debate phase, continuing from 2019 to 2021, the Court proceeded with calling the witnesses indicated by the Prosecutor and the parties' lawyers.

On May 13, 2021, the Prosecutor submitted his conclusions summarised below: (i) ruling of acquittal, under Article 530, section 2, Code of Criminal Procedure, because the fact was not committed toward the Chief Operating Officer of Saipem Business Unit Engineering & Construction, in office at the date of October 24, 2012, in relation to the offence charged under Article 185 of Legislative Decree No. 58/1998; (ii) conviction to 4 years of detention and €90,000 of pecuniary fine against the CEO in office on October 24, 2012, in relation to the offence under Article 185 of Legislative Decree No. 58/1998; (iii) ruling not to proceed for the expiry of the statute of limitations in regard to the CEO and the Manager in charge of preparing the accounting and corporate documents in office at the date of the approval of the December 31, 2012 consolidated and statutory financial statements of Saipem SpA in relation to the offence under Article 2622, Civil Code; (iv) conviction to 2 years of detention and €60,000 of pecuniary fine against the CEO and the Manager in charge of preparing the accounting and corporate documents in office at the date of the approval of the December 31, 2012, consolidated and statutory financial statements of Saipem SpA in relation to the offence under Article 185, Legislative Decree No. 58/1998; (v) payment of a €600,000 of pecuniary fine against Saipem SpA in relation to administrative offences under Articles 5, 6, 7, 8, 25-*ter*, lett. b) and 25-*sexies*, Legislative Decree No. 231/2001.

Also on May 13, 2021, the 49 plaintiffs admitted by the Court filed written conclusions, specifically:

- No. 10 plaintiffs sought judgment against the defendants with the penalty provided by law, and compensation for property and moral damages jointly with Saipem SpA civilly liable party to be settled in a separate proceeding, with a request of a provisional amount of €10,000 immediately payable to each plaintiff;
- No. 39 plaintiffs sought judgment against the defendants with the penalty provided by law, and compensation for property and moral damages jointly with Saipem SpA civilly liable party. The property damage was determined in the amount equal to the value of the shares held, or, alternatively, a different amount deemed equitable plus interests and reassessment of the amount owed. Regarding moral damages, the amount calculated was at least 1/5 of the property damage or, alternatively, an amount to be determined on an equitable basis. In this case also a request was submitted for the payment of a provisional amount equal to 20% of the property damage suffered, or, alternatively, a different amount deemed to be fair.

At the hearing of June 10, 2021 and July 6, 2021, the defence of Saipem SpA as civilly liable party was discussed, as well as the defence of Saipem SpA as defendant under Legislative Decree 231/2001, and the defence of the individual parties. Lastly, the Court adjourned the hearing to September 28, 2021, for the parties' replies and for the judgment.

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

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

(the so-called "Second Notice"). Saipem SpA appeared in court, case number R.G. 28789/2015, fully disputing the adverse party's requests, challenging their admissibility and, in any case, their lack of grounds.
As per the order made by the Judge at the hearing of May 31, 2017, the parties proceeded to deposit the briefs referred to in Article 183, paragraph 6, c.p.c. (Civil Procedure Code). With the same order, the Court set a hearing for February 1, 2018 for the possible admission of the evidence.
With the same order of May 31, 2017, the Court ordered the separation of the judgement for five of the parties involved in the proceedings and this separate proceeding – number R.G. 28177/2017 – was discontinued pursuant to Article 181 of the Italian Civil Procedure Code on November 7, 2017.
At the hearing on February 1, 2018, the Judge, by order dated February 2, 2018, postponed the proceeding to the hearing of July 19, 2018. pursuant to Article 187, paragraph 2, c.p.c. During the hearing, after the parties clarified the conclusions, the judge assigned said parties the deadline for filing the final briefs and the replies.
On October 2, 2018, Saipem filed the final brief and on October 22, 2018 Saipem filed the reply.
On November 9, 2018, the Court filed the first instance ruling No. 11357, rejecting the merit of the request by the parties. The Court has indeed ruled that there is lack of evidence of ownership of Saipem shares by said actors in the period indicated above and has condemned them to pay €100,000 in favour of Saipem, by way of reimbursement of legal expenses.
On December 31, 2018, the institutional investors challenged the aforementioned sentence before the Court of Appeal of Milan, requesting that Saipem be ordered to pay approximately €169 million. The first hearing before the Court of Appeal of Milan was held on May 22, 2019. The Appeal's Judge adjourned the hearing to July 15, 2020, for the parties to file their final conclusions.
At the hearing of July 15, 2020, the parties clarified their respective conclusions and the Court of Appeal fixed the terms of October 14, 2020 for filing their final conclusions and of November 3, 2020 for filing their replies.
The Court of Appeal, with an order issued on November 16, 2020, requested the remittal by parties of the translation of some documents to be filed at an ad-hoc hearing set for January 20, 2021.
At the hearing on January 20, 2021, the Judge, after verifying the filing of the required documents, set a new hearing for February 10, 2021. At that hearing, the case was held in decision without terms for further conclusive statements. On February 23, 2021, the Judge ordered an integrative evidence phase which is ongoing.
With a writ of summons dated December 4, 2017, twenty-seven corporate investors took legal action before the Court of Milan section specialised in the field of corporate law, against Saipem SpA. and two former Chief Executive Officers of said company, requesting that they are jointly condemned to pay compensation (with respect to the two former members of the company, limited to their periods of stay in office) for compensation for damages, material and non-material, allegedly suffered due to an alleged manipulation of information released to the market during the period between January 2007 and June 2013.
Saipem SpA's liability was calculated pursuant to Article 1218 of the Civil Code (contractual liability) or pursuant to Article 2043 of the Civil Code (non-contractual liability) or, pursuant to Article 2049 of the Civil Code (owner and client liability) for the illegal conduct committed by the two former company representatives.
Damages were not initially quantified by the investors, who reserved the right to quantify damages during the trial.
The Company appeared in court to contest the claims in full, pleading inadmissibility and in any case the groundlessness in fact and in law.
On June 5, 2018, the first hearing was held. In this hearing the judge assigned terms for evidence pleadings, reserving judgement until said pleadings could be examined.
The parties proceeded to deposit the pleadings referred to in Article 183, paragraph 6, c.p.c. In the evidence pleading pursuant to Article 183, paragraph 6, No. 1, c.p.c., the plaintiffs provided for the quantification of damages allegedly suffered in the amount of approximately €139 million. In its evidence pleading, Saipem and the other defendants remarked, in particular, on the lack of evidence regarding the acquisition of Saipem shares on the secondary markets by the plaintiffs. Therefore, due to this lack of evidence from the plaintiffs, all the defendants asked the Court to set a hearing to clarify the conclusions pursuant to Article 187, c.p.c. One of the plaintiffs by filing its pleading pursuant Article 183, paragraph 6, n. 3, declared to waive the action pursuant to Article 306, c.p.c.
On November 9, 2018, the Company filed sentence No. 11357 issued by the Court of Milan on November 9, 2018 at the outcome of case R.G. No. 28789/2015, as this provision decided the same preliminary issues of merit raised by Saipem and the other defendants in the case under consideration, in particular with reference to the failed proof of purchase of Saipem shares.
On November 9, 2019, Saipem SpA produced in the proceedings the order of the Criminal Court of Milan dated October 17, 2019, with reference to the pending criminal judgment R.G.N.R. 5951/2019, which declared inadmissible in this case the civil suit brought by approximately 700 civil parties.
In a note dated October 23, 2019, the plaintiffs filed an application with the judge to authorise the filing of a pro veritate opinion in relation to Saipem's filing of November 9, 2018.
With note dated October 25, 2019, Saipem SpA has challenged the inadmissibility of the filing of the aforementioned opinion brought by the plaintiffs.
The Court set the hearing for the parties' clarification of their conclusions on November 3, 2020, having deemed it necessary to remit the decision on all questions and exceptions made by the parties to the Court.
The hearing of November 3, 2020 was postponed to February 9, 2021 with the written discussion of the case.
At the hearing on February 9, 2021, the Judge held the case in decision, setting the legal terms for the filing of the final statements and the replies which were respectively filed on April 12 and May 3, 2021. The Court's decision is therefore expected.
Demands for out-of-court settlement and mediation proceedings: with regard to the alleged delays in providing information to the markets, over 2015, 2016, 2017, 2018, 2019, 2020 and in the first months of 2021, 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 approximately €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 approximately €159 million; 5 of these institutional investors together with another 5, presented applications for mediation in relation to the total amount of approximately €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 approximately €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 approximately €21.9 million); (iii) over 2015 by two private investors amounting respectively to approximately €37,000 and €87,500; (iv) during the month of July 2017 from some institutional investors for approximately €30 million; (v) on December 4, 2017 by 141 institutional investors for an unspecified amount (136 of these investors on June 12, 2018 renewed their out-of-court request, again for an unspecified amount); (vi) on April 12, 2018 for approximately €150-200 thousand by a private investor; (vii) on July 3, 2018 by a private investor for approximately €330,000; (viii) on October 25, 2018 for approximately €8,800 by a private investor; (ix) on November 2, 2018 for approximately €48,000 by a private investor; (x) on May 22, 2019 for approximately €53,000 by a private investor; (xi) on June 3, 2019 for an unspecified amount by a private investor; (xii) on June 5, 2019, for an unspecified amount by two private investors; (xiii) in February 2020 by a private investor for damages of €1,538,580; (xiv) in March 2020 by two private investors who did not indicate the value of their claims for compensation; (xv) in April 2020 by two private investors who have not indicated the value of their claims for compensation and by a private investor claiming alleged damages of approximately €40,000; (xvi) in May 2020 by a private investor who did not indicate the value of the claimed compensation; (xvii) in June 2020 by a private investor who did not indicate the value of the claimed compensation; (xviii) in June 2020 by twenty-three private investors who did not indicate the value of their claim for compensation; (xix) in July 2020 by eighteen investors claiming damages of approximately €22.4 million; (xx) in July 2020 by thirty-four private investors who did not indicate the value of their claim for compensation; (xxi) in August 2020: (a) by four private investors who did not indicate the value of their claim for compensation, (b) by three institutional investors, on their own behalf and/or on behalf of the funds they manage, for an amount of approximately €7.5 million; (xxii) in September 2020 by ten private investors who did not state the value of their claim; (xxiii) in October 2020: (a) by twelve private investors who have not indicated the value of their claim, (b) by one private investor, who claims damages to the value of €113,810, (c) by six hundred and forty-four associated private investors, who have not indicated the value of their claim and (d) by three institutional investors, on their own behalf and/or on behalf of the funds they manage, for a total amount of €115,000; (xxiv) in November 2020: (a) by eleven private investors, who have not indicated the value of their claim, (b) by two institutional investors, on their own behalf and/or on behalf of the funds they manage, for an amount of approximately €166,000; (xxv) in December 2020 by ten private investors who have not indicated the value of their claim and by one private investor, who claims to have suffered damages of €234,724; (xxvi) in January 2021, by four private investors who have not indicated the value of their claim; (xxvii) in March 2021: (a) by three investors who have not indicated the value of their claims and (b) by five associated private investors, who have not indicated the value of their claim; (xxviii) (a) in April 2021 by a private investor who have not indicated the value of his claim, (b) by fourteen institutional investors acting on their own behalf and/or on behalf of the funds managed for a total amount of approximately 3 million euro; (xxix) in May 2021: (a) by two private investors who have not indicated the value of their claim, (b) by a private investor who has indicated the value of his claim for approximately €100,000 and (c) by a private investor who has indicated the value of his claim for approximately €84,000; (xxx) by a private investor who has indicated the value of their claim for approximately €92,000.

Those applications where mediation has been attempted, but with no positive outcome, involve seven 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 approximately €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 approximately €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 approximately €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 approximately €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 approximately €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 approximately €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 approximately €159 million without specifying the value of the compensation sought by each investor/fund); (e) by a private investor in April 2017 for approximately €40,000; (f) in 2018-2019 by a private investor for approximately €48,000; (g) in December 2020 by a private investor who started the mediation, requesting compensation for an unspecified value. Saipem SpA verified the aforementioned requests for out-of-court claims and mediation and found them to be groundless and denying all liability. At the date of approval of the Interim Financial Report as of June 30, 2021 by the Board of Directors, the aforementioned demands for out-of-court settlements and/or mediation were not subject to legal action, except for the matters specified above in relation to the two cases pending before the Court of Milan and the Court of Appeal of Milan, for another case with a value of €3 million in which Saipem was summoned in the course of 2018 by the defendant in court and (for which the claim against Saipem had been rejected by the Court in the first instance), recently the Court of appeal accepting the defence statements of Saipem SpA, rejected the counterparty appeal and declared the end of the dispute, sentencing the latter to a payment in favour of Saipem SpA of the legal expenses, for another pending case with a claim value of approximately €40,000 and another case notified to Saipem with a claim value of approximately €200,000.

DISPUTE WITH HUSKY - SUNRISE ENERGY PROJECT IN CANADA

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

During the execution of the works, the parties agreed several times to modify the contractual payment formula. Specifically: (i) in October 2012, the parties established that the works were to be paid for on a lump-sum basis, agreeing the amount of CAD 1.3 billion (approximately €849 million) as contract price; (ii) subsequently, in early 2013, an incentive system was agreed that provided for Saipem's right to receive additional payments upon achieving certain objectives; (iii) starting from April 2014, the parties entered into numerous written agreements whereby Husky accepted to reimburse Saipem for the costs incurred in excess of the lump sum amount previously agreed, thus determining, according to Saipem, a contract change from lump sum to reimbursable. As the end of the works approached, however, Husky stopped paying what it owed as reimbursement and, in March 2015, finally terminated the Contract, claiming that Saipem had not complied with the contractual deadline for conclusion of the works.
In light of the above, on March 16, 2015, Saipem took legal action citing Husky, the aforesaid partnerships and the related members before the Court of Queen's Bench of Alberta, requesting, among other things, that the court declare the illegitimacy of the termination of the Contract by Husky and sentence it to the payment of: (i) more than CAD 800 million (approximately €522 million) for damages that include the payments not made on a reimbursable basis, damages resulting from the termination of the contract, lost profits and the unjustified enrichment of Husky at the expense of Saipem; or, alternatively, (ii) the market value of the services, materials and financing rendered.
In September 2015, Husky notified Saipem of a Request for Arbitration (Alberta Arbitration Act), affirming that, as a result of the reduction of the scope of work requested by Husky, the contractual lump sum price agreed with Saipem should be reduced proportionally on the basis of a specific contractual provision in this sense. On the basis of this, Husky asked that Saipem be ordered to pay the related value, quantifying this claim as CAD 45,684,000 (approximately €29.8 million).
On October 6, 2015, Husky sued Saipem in the Court of Queen's Bench of Alberta, claiming, among other things: (i) that the payments it had made to Saipem, which were in excess of the lump sum amount agreed between the parties, were justified by Saipem's alleged threats to abandon the works if such additional payments were not made (economic duress); and (ii) that even after the execution of such payments, the performances of Saipem did not improve, forcing Husky to terminate the contract and complete the works on its own. As a result, Husky asked the Canadian court to order Saipem to pay CAD 1.325 billion (approximately €865 million) for alleged damages, an amount that includes, among other things: (i) payments in excess with respect to the agreed lump sum price; (ii) costs to complete the works following termination of the contract; (iii) damages for lost profits and the penalty for alleged delay in completion of the Project.
In the hearing of January 14, 2016, Saipem requested that the pending proceedings be heard jointly before the Queen's Bench Court of Alberta and that arbitration be suspended in order to include the relative claims in the proceedings to be heard jointly. On May 27, 2016, Saipem filed a short reply requesting that the Court declare invalid the arbitration proceedings commenced by Husky. At the hearing for the discussion of this petition, held on July 4, 2016, the Judge rejected the request to declare the arbitration procedure invalid initiated by Husky which is ongoing.
In March 2018, the parties entered into an arbitration agreement by which they agreed to unite all the disputes pending between them, as described above, in a single "ad hoc" arbitration proceeding based in Canada.
In the Statement of Claim filed by Saipem on April 30, 2018 in the new arbitration procedure, Saipem requested: (i) damages for over CAD 508 million (approximately €331 million); (ii) damages to be calculated by the court following adjustments to the contract price due to additional work resulting from the contractual breaches by Husky, or on a quantum meruit basis; (iii) punitive damages to be determined; (iv) interest in the amount of CAD 90 million (approximately €58.7 million) (or to be calculated by the court); (v) legal expenses; (vi) any other damages awarded by the court. In the Statement of Claim filed on April 30, 2018, Husky asked: (i) compensation for approximately CAD 1.37 billion (approximately €909 million) as compensation for alleged damages (this amount includes, inter alia, payments allegedly in excess of the agreed lump-sum price; the costs for completing the work after the termination of the contract; the loss of profit and the liquidated damages for delay for the alleged delayed completion of the Project); (ii) interest to be calculated by the court; (iii) legal expenses; (iv) any other damages awarded by the court. On June 8, 2018, the parties filed their respective Statements of Defence. On September 13, 2019, the parties exchanged their respective witness statements, expert reports and memorials. In particular, in their respective memorials: (i) Saipem reduced its claims to CAD 166 million (approximately €108 million), these claims relate to the costs incurred up to the termination of the contract and associated damages; while (ii) Husky introduced an application for the repayment of alleged overstated payments, initially quantifying them in a range from CAD 75 million (approximately €48 million) to CAD 125 million (approximately €81.6 million). Upon the exchange of supplemental memorials, which took place on January 31, 2020, Husky specified its latest request in approximately CAD 122.5 million (approximately €80 million). During subsequent exchanges, the parties clarified their claims, also submitting reports by their technical consultants. In particular: (i) Saipem's claim is now CAD 128,877,844 (approximately €87.5 million) (net of CAD 19,733,283, equal to approximately €13.4 million, part of Husky's claim which Saipem recognised limited to this amount, to be offset against the greater amount that Saipem claims it is due from Husky); while (ii) Husky's claim now amounts to CAD 730,249,451 (approximately €496 million).
Hearings were held in February 2021. On March 24, 2021 and April 7, 2021, the post hearing memorials were exchanged. Since the month of April 2021 the arbitration panel has not made any new requests. The award is expected to be issued by the end of 2021.

ARBITRATION WITH NATIONAL COMPANY FOR INFRASTRUCTURE PROJECTS DEVELOPMENT CONSTRUCTION AND SERVICES KSC (CLOSED), FORMERLY KHARAFI NATIONAL CLOSED KSC ("KHARAFI") - JURASSIC PROJECT

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

(1) to return KWD 25,018,228 (approximately €68,243,008), cashed by Kharafi through the enforcement of a performance bond following the termination of the contract with Saipem;
(2) to refund KWD 20,135,373 (approximately €54,922,842) for costs deriving from the suspension of the procurement activities, particularly those connected with the purchase by Saipem of 4 turbines;

(3) to refund KWD 10,271,409 (approximately €28,009,394) for engineering costs borne by Saipem prior to the termination of the contract by Kharafi;

for a total of KWD 55,425,010 (equal to approximately €153,065,479 on the basis of the exchange rate at December 31, 2017).
Kharafi responded to Saipem's request for arbitration rejecting the claims therein and demanding, by way of counterclaim, that Saipem be sentenced to pay an amount not yet quantified but including, among other things:

(1) the costs allegedly sustained by Kharafi due to Saipem's alleged non-fulfilment of the contract (more than KWD 32,824,842, i.e. approximately €89,510,985); and
(2) the damage allegedly suffered by Kharafi following the enforcement of a guarantee in a sum equivalent to KWD 25,136,973 issued by Kharafi to the final client of the Jurassic project.

On April 28, 2017, Saipem filed its Statement of Claim and on October 16, 2017 Kharafi filed its Statement of Defence and Counterclaim. The Kharafi counterclaim was set out in KWD 102,737,202 (approximately €283 million). Saipem filed its response on February 6, 2018 and Kharafi the related Reply and Defence to Counterclaim on April 6, 2018.
On November 14, 2018, the parties filed their expert reports. At that time, Kharafi produced a report prepared by an external consulting company in which, for the first time, it claimed that the company would have suffered damages for equal to approximately €1.3 billion, allegedly attributable to Saipem related to the failure of the Jurassic and BS171 projects (in which Kharafi was a subcontractor of Saipem). Subsequently, Saipem filed an appeal with the Arbitral Tribunal requesting that the expert report in question, as well as the related request, be thrown out as late and without foundation.
On February 5, 2019, the Arbitral Tribunal pronounced that the report in question was inadmissible and, with it, the new claim for compensation brought by Kharafi for the equivalent of €1.3 billion.
On March 1, 2019, Kharafi appealed against the decision of the Arbitral Tribunal which stated that the aforementioned report was inadmissible before the High Court of Justice in London. At the hearing on July 6, 2019, the High Court of Justice in London ruled in favour of Saipem, fully rejecting the request of Kharafi and ordering Kharafi to pay, within 14 days from the ruling, GBP 79,000 (approximately €91,329) as legal expenses.
With their last filing the parties specified their demands, based on the final quantifications performed by the experts, indicating as follows: (i) Saipem, KWD 46,069,056.89 (approximately €125,611,591); and (ii) Kharafi, KWD 162,101,263 (approximately €441,984,259).
Hearings were held in London from February 18 to March 1, 2019. The award was issued on November 8, 2019 and notified to the parties in the following days. In the award, the Arbitral Tribunal sentenced Kharafi to pay Saipem the amount of the guarantee deemed unfairly enforced by Kharafi, namely KWD 25,018,228 (approximately €68.1 million), in addition to interest at 7%, rejecting all Kharafi's claims and sharing among the parties the legal costs. At present, Kharafi has not paid Saipem the amount referred to in the award.

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

In August 2017, CPB notified Saipem SA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda ("Saipem") of a request for arbitration.
The dispute stems from the construction of the jetty of an LNG plant for the Gorgon LNG project in Western Australia. The main contract for engineering and construction of the pier ("Jetty Contract") was signed on November 10, 2009 by CPB, Saipem SA, Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda and Chevron Australia Pty Ltd ("Chevron").
CPB, based on alleged contractual breaches by Saipem SA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda, has requested that Saipem be ordered to pay approximately AUD 1.39 billion (approximately €900 million). Saipem sustains that the CPB claims are totally unfounded and has filed its statement in which it has requested the rejection of all the claims made by CPB and filed a counterclaim for AUD 37,820,023 (approximately €24.5 million), subsequently increased to approximately AUD 50 million (approximately €32.4 million), for payments related to the consortium agreement, extra costs related to non-compliance and delays by CPB in the execution of the works and backcharges. Subsequently, the parties specified their claims. In particular: (i) CPB clarified its demands by making a claim of approximately AUD 1 billion (approximately €649 million) for alleged violations of the consortium agreement between the parties and another alternative claim of approximately AUD 1.46 billion (approximately €948 million) based on the assumption that CPB would not have entered into the Jetty Contract (and would not have suffered the related damages), if Saipem had not violated the consortium contract; (ii) Saipem has now quantified its claims in a total amount of approximately AUD 30 million (approximately €19.4 million). The first set of hearings was held in December 2020, while subsequent hearings will be held from March 9 to April 1,2021 and from October 11 to October 20, 2021. Barring postponements, the arbitration should end in 2022.
It is noted that, with reference to the same project, in 2016 Chevron initiated a separate arbitration proceeding against the consortium between CPB and Saipem, requesting payment of liquidated damages and back-charges for an amount currently equal to approximately AUD 54 million (approximately €35 million). In this arbitration, both CPB and Saipem filed separate counterclaims against Chevron, quantified, respectively, at AUD 1.9 billion (approximately €1.2 billion) (it is noted that the items of damages proposed by CPB against Chevron appear, in large part, superimposable to those proposed by CPB against Saipem in the arbitration between the latter two, referred to in the first part of this paragraph) and AUD 23 million (approximately €14.9 million). The hearings of these proceedings were held in November 2019.
On October 20, 2020, the partial award was notified in this second arbitration (it is a partial ruling as it did not rule on the Australian GST – goods and services tax – interest and arbitration costs). This award recognised: (i) to Saipem, USD 8,835,710 (approximately €7.3 million) and €99,460; (ii) to CPB, AUD 65,803,183 (approximately €42.7 million); and (iii) to Chevron, AUD 34,570,936 (approximately €22,465,976). The award, however, does not distinguish between Saipem and CPB, treating the two parties as a single entity. By offsetting the credits and debits indicated above, the Arbitration Panel therefore indicated the Saipem/CPB consortium as the creditor for the following amounts AUD 31,232,247 (approximately €20,296,323), USD 8,835,710 USD (approximately €7.3 million) and €99,460, leaving it to the members of the Saipem/CPB Consortium to agree on the relevant

sharing of these sums between them. The members of the Saipem/CPB Consortium have then reached an internal agreement based on which the amounts due to Saipem are equal to €99,460.47 and USD 7,464,454.02 (approximately €6.1 million), without prejudice to the rights of the members of the consortium to claim a different split in court. Saipem collected the amount it was owed by Chevron.
On April 21, 2021, the Arbitral Tribunal issued the final award on costs and interests. By applying setoffs among the credits and debits of the parties, the tribunal has established that Chevron shall pay the Consortium: AUD 6,560,564.84, USD 2,894,266.25 and €38,136.56. However, the tribunal has not distinguished between the amounts to be assigned to each of the Consortium parties, leaving to Saipem and CPB to agree on the relevant split. The Consortium members are now negotiating the amount to be assigned to each of them.

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

On March 18, 2019, the International Chamber of Commerce of Paris, at the request of the National Company for Infrastructure Projects Development Construction and Services KSC (Closed) (formerly Kharafi National KSC, for convenience, hereinafter "Kharafi") notified Saipem SpA of a request for arbitration, in which Kharafi requested that Saipem be ordered to pay sums of at least KWD 38,470,431 (approximately €104,843,488) as extra-costs deriving from alleged breaches of contract, in addition to KWD 8,400,000 (approximately €22,893,337) by way of refund of the amount collected by Saipem in 2016 following the enforcement (illegitimate according to Kharafi) of the bond issued by Kharafi to guarantee project performance.
The dispute pertains to subcontract No. 526786 signed by Saipem and Kharafi on August 27, 2010, relating to the BS171 project (final client KOC) terminated by Saipem on July 30, 2016 for serious breaches and delays by Kharafi in the execution of the works, with consequent enforcement of the aforementioned performance guarantee.
Appearing in court, on May 17, 2019, Saipem filed its response to the request for arbitration, contesting the requests by Kharafi and making a counterclaim, which involves: (i) a payment of KWD 14,964,522 (approximately €40,783,154); and (ii) the recognition of Saipem's enforcement of the performance bond and the consequent rejection of the reimbursement claim for the same amount (KWD 8,400,000) made by Kharafi.
In the Schedule of Loss filed by Kharafi in March 2020, the claim was reduced to KWD 31,824,929 (approximately €86,734,625) in addition to interest and costs, including KWD 8,400,000 (approximately €22.893,337) by way of return of the performance bond. Saipem should have filed its Statement of Defence and Counterclaim on April 9, 2020. However, the deadline was postponed due to the COVID-19 emergency. Finally, on September 18, 2020, Saipem filed its defence and counterclaim, contesting the opposing claims and quantified its counterclaim in KWD 23,431,109 (approximately €63,861,514) plus interest and expenses. Kharafi should have filed its reply by December 4, 2020; however, on the same date, Kharafi's lawyers sent a letter to the ICC Arbitral Tribunal in which they informed that, due to economic difficulties, Kharafi would no longer have any legal representation in the BS171 arbitration, would not be able to produce further documentation in the proceeding and would not participate in any future arbitration hearings. Despite this, Kharafi invited the Court not to consider its claim as withdrawn or Saipem's claim as admitted, asking that the arbitration proceeding be continued in absentia and that the Arbitral Tribunal rule on the basis of the deeds and documents filed to date by both parties. On December 16, 2020, Saipem sent its response to the Court, asking that the Court: (i) reject Kharafi's request of a proceeding tried in absentia to be decided on the sole basis of the available documentation; and (ii) reject Kharafi's claims, as Kharafi was no longer able to support such claims in the proceedings. The Arbitral Tribunal gave Kharafi a deadline of January 7, 2021 to respond to Saipem's request, then extended it to January 18, 2021, given Kharafi's inaction. Kharafi, however, did not file any replies. On February 1, 2021, the Arbitral Tribunal decided to proceed in Kharafi's absentia and to set three hearing days (instead of three weeks in March 2022, as initially foreseen by the arbitration calendar), inviting the parties to provide comments on the decision. Saipem expressed its agreement. The Court, then, scheduled the hearings for March 14 through 16, 2022.

ARBITRATION INITIATED BY NORMAND MAXIMUS OPERATIONS LTD ("NORMAND MAXIMUS")

Normand Maximus has initiated two arbitration proceedings under the London Maritime Arbitrators Association and London Arbitration Act 1996 against Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda ("SPCM") and Saipem SpA. The arbitration against SPCM relates to the charter agreement of the vessel Normand Maximus dated June 6, 2014 and subsequent amendments (the "Agreement"), whilst that against Saipem SpA concerns the parent company guarantee issued by Saipem SpA. on October 26, 2016, with which the latter guaranteed SPCM's obligations under the Contract.
Normand Maximus' claims in the two arbitrations amount to a total of USD 48,173,144 (approximately €39.7 million) (for the termination fee, hire differential claim and unused maintenance days claim allegedly accrued following the termination of the Contract by SPCM), in addition to expenses and interest. SPCM and Saipem SpA pleaded that they did not receive the notification of the requests for arbitration in a timely manner and therefore obtained a postponement to February 12, 2021 for the filing of the respective Defences and Counterclaim Submissions.
On February 12, 2021, SPCM filed its Defence and Counterclaim submission, requesting, by way of a counterclaim, USD 43,714,805 (approximately €36 million) (or other amount determined by the Court) plus interest and expenses, deriving from breaches by Normand Maximus and associated damages to SPCM due to the non-compliance of the vessel with respect to the contractual specifications. On the same date, Saipem SpA filed its Defence and Counterclaim submission in the arbitration relating to the parent company guarantee, denying any breach by SPCM in relation to the contract for which the guarantee was issued. SPCM and Saipem SpA also claimed their right to offset the amounts requested by Normand Maximus with the amounts due by the latter by way of damages caused to SPCM/Saipem SpA for the above reasons.
On March 12, 2021, Normand Maximus filed its reply and defence to counterclaim whereby it has: (i) claimed that SPCM and Saipem SpA have no right to set off any amount claimed by Normand Maximus with any possible amount owed to SPCM and Saipem SpA for damages; (ii) rejected SPCM and Saipem SpA's position on the non-conformity of the vessel to the contractual specifications; and (iii) challenged the quantification of the damages made by SPCM and Saipem.

Normand Maximus has also filed a separate application in which it has asked the Arbitral Tribunal to determine as preliminary issues: (i) the correct measure of SPCM and Saipem SpA's losses; and (ii) whether SPCM and Saipem SpA are entitled to set-off the sums counterclaimed. Normand Maximus also seeks an immediate partial award on their claims in such sum as the Arbitral Tribunal may determine. On May 20, 2021, the parties settled amicably the dispute. The arbitration has therefore ended.

ARBITRATION INITIATED BY SAUDI ARABIAN KENTZ CO LTD ("KENTZ")

On November 27, 2020, Kentz sent Snamprogetti Saudi Arabia Co Ltd ("Snamprogetti") a request for arbitration under the rules of the International Chamber of Commerce ("ICC").
In this request for arbitration, Kentz, a Snamprogetti subcontractor in the Khurais Central Processing Facilities for the Area Facilities Expansion and Sat GOSP project, requested an extension of time and the payment of SAR 329,020,474 (approximately €72.9 million) (plus interest and legal costs) for the alleged costs of delay, disruption, acceleration, substitution, head office overheads, finance costs, milestone and back-charges, which Kentz believes were illegally applied by Snamprogetti. On January 25, 2021, Snamprogetti filed its response to Kentz's request for arbitration, rejecting the latter's claims and requesting, in counterclaim, the following amounts: (i) SAR 18.4 million (approximately €4 million) for liquidated damages; (ii) SAR 25,380,189 (approximately €5.5 million) for additional costs incurred when Snamprogetti had to replace Kentz in some activities relating to the project; (iii) SAR 1,048,276 (approximately €232,000) for costs related to additional resources that Snamprogetti had to dedicate to the Project due to Kentz's default; and (iv) interest and expenses. On February 27, 2021, Kentz has submitted its Reply to Answer and Counterclaims in which it has rejected Snamprogetti's position and insisted with its claims. On May 28, 2021, the parties settled amicably the dispute. The arbitration has therefore ended.

LITIGATION INITIATED BY ISIODU COMMUNITY IN EMOHUA LOCAL GOVERNMENT AREA OF RIVERS STATE + OTHERS

HRH Eze Jacob O Ugwugwueli, Chief Tobin Iregbundah, Chief Robinson Chukwu, Chief Sunday P. Azundah, Elder Clifford Ikpo, Chief Samuel C. Azundah (on its own and on behalf of the Council of Chiefs and people of Isiodu Community in Emohua Local Government Area of Rivers State (together the "Plaintiffs") sued Saipem Contracting Nigeria Ltd ("SCNL"), Shell Petroleum Development Co Nigeria Ltd ("SPCD"), Patyco Global Concept Ltd, the Nigerian Federal Ministry of Environment and the Nigerian Department of Petroleum Resources before the Federal High Court of Port Harcourt (Nigeria) alleging that toxic substances deriving from the realisation of the Southern Swamp Associated Gas Solutions project in Nigeria were illegally spilled into the territory of their community by the Nigerian company Patyco Global Concept Ltd, a subcontractor appointed by SCNL/SPDC to dispose of the waste deriving from the realisation of this project. The Plaintiffs requested that all the defendants be sentenced to pay, jointly and severally, compensation of: (i) USD 60 million (approximately €49.5 million) for the alleged damage to the environment and the health/life of the Plaintiffs; (ii) USD 3 billion (approximately €2.47 billion) for the alleged special damages for all of the related consequences and recovery activities that would allegedly derive from them; (iii) legal fees and interest at 20%. The defendants contest any responsibility vis-à-vis the claims put forth by the Plaintiffs, and have filed documents and reports to such extent. The first hearing, initially scheduled for March 17, 2021, has been adjourned to May 26, 2021 and subsequently to October 5, 2021.

CONSOB RESOLUTION OF MARCH 2, 2018

With reference to Consob Resolution No. 20324 of March 2, 2018 ("the Resolution") the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob offices dated April 6, 2018", the Board of Directors of Saipem resolved on March 5, 2018 to appeal the Resolution in the competent courts.
The appeal to the TAR-Lazio was filed on April 27, 2018. Following access to the administrative proceedings, on May 24, 2018 Saipem filed with the TAR-Lazio additional grounds for appeal against the aforementioned Resolution.
On June 15, 2021, a hearing was held before the TAR-Lazio to discuss Saipem's appeal against the Consob Resolution of March 2, 2018.
On July 6, 2021, the TAR-Lazio rejected the appeal filed by Saipem SpA on April 27, 2018.
On July 6, 2021, Saipem SpA issued the following press release:
"Saipem SpA informs that the Regional Administrative Court ("TAR") of Lazio, through the decision filed today, has rejected the appeal presented on April 27, 2018 by the Company against Consob Resolution No. 20324 dated March 2, 2018 (of which the markets were informed with the Press Release dated March 5, 2018, the "Resolution").
*With the Resolution (the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018" of the Annual Report December 31, 2020 of Saipem SpA) Consob has stated the non-compliance of Saipem's 2016 Annual Statutory and Consolidated Reports with the regulations which govern their preparation, concerns in particular: (i) the incorrect application of the accrual basis of accounting affirmed by IAS 1; (ii) the non-application of IAS 8 in relation to the correction of errors with reference to the financial statements of 2015; and (iii) the estimation process of the discount rate pursuant to IAS 36.*
*With the Resolution Consob has therefore asked the Company, pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998, to disclose the following elements of information to the markets: (A) the weaknesses and non-compliance identified by Consob in relation to the accounting correctness of the financial statements mentioned above; (B) the applicable international accounting standards and the violations detected in relation thereto; (C) the illustration, in an appropriate pro forma consolidated income statements and balance sheet – with comparative data – of the effects that accounting in compliance with the regulations would have produced on the 2016 balance sheet, income statement and shareholders' equity, for which incorrect information was supplied.*
Saipem SpA on April 16, 2018 issued a press release providing a pro forma consolidated income statements and balance sheet at December 31, 2016 with the only aim to comply with the Resolution.
The TAR of Lazio has rejected the appeal presented by Saipem SpA requesting the annulment of the Resolution.
Saipem reserves its right to appeal the decision of the TAR of Lazio before the Council of State".

CONSOB RESOLUTION OF FEBRUARY 21, 2019

With reference to Consob Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 ("the Resolution") the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018", The Board of Directors of Saipem resolved on April 2, 2019 to appeal Resolution No. 20828 before the Milan Court of Appeal. On April 12, 2019, Saipem SpA appealed, pursuant to Article 195 TUF, against the Resolution before the Milan Court of Appeal, requesting its cancellation. A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Officer responsible for financial reporting in office at the time of the events. The first hearing before the Milan Court of Appeal was held on November 13, 2019.
On that day, the Milan Court of Appeal postponed the discussion on November 4, 2020.
On October 23, 2020, Saipem SpA and the two individuals sanctioned submitted an application to the Court of Appeal, to be allowed to file documents required to debate the appeal by November 4, 2020.
On November 2, 2020, the Court of Appeal authorised the filing of the documents requested on October 23, 2020 by the parties, also granting Consob a deadline to submit any counter-arguments on those documents by December 15, 2020 and postponed the hearing to discuss the appeal to January 27, 2021.
On January 20, 2021, Saipem SpA and the two individuals sanctioned presented a new application to the Court of Appeal, to be allowed to file additional documents required to debate the appeal by January 27, 2021 and to be authorised to propose new grounds for the appeal. which came to light when new documents were found.
On January 21, 2021, the Court of Appeal accepted the applications by Saipem and the individuals and authorised the filing of the documents requested on January 20, 2021. The Court also upheld the proposal of additional grounds, to be submitted through written filings by February 26, 2021, and also granted Consob the right to submit its counter filings by March 25, 2021. The hearing for the discussion will be held on April 21, 2021.
At the hearing of April 21, 2021 the appeals were discussed.
The Milan Court of Appeal has partially upheld the appeals, whilst it rejected the remaining:
- reducing from €200,000 to €150,000 the administrative financial fine imposed by Consob in 2019 against the former Chief Executive Officer of the Company in office from April 30, 2015 until April 30, 2021;
- reducing from €150,000 to €115,000 the administrative financial fine imposed by Consob in 2019 against the former CFO and officer responsible for the Company's financial reporting in office at the time of the 2016 capital increase until June 7, 2016; and
- consequentially reducing from €350,000 to €265,000 the condemnation of Saipem SpA to the payment of the afore mentioned administrative financial fines, as the party jointly and severally liable pursuant to Article 195, paragraph 9, of the Italian Consolidated Law on Finance (Legislative Decree No. 58/1998).

Saipem reserves its right to review the reasons underpinning the ruling of the Milan Court of Appeal and to appeal against it before the Italian Supreme Court (Corte di Cassazione).

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

On January 22, 2019, the Public Prosecutor's office of Milan notified Saipem SpA of a *"local search warrant and seize notice of investigation"*, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's office of Milan had notified the following individuals that they were under investigation: the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), as well as, for various reasons, one manager and two former managers (the former Officer responsible for financial reporting in office until June 7, 2016 and the former Officer responsible for financial reporting in office until May 16, 2019). The investigation concerns the following offences: (i) false accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.
On December 18, 2020, the Milan Public Prosecutor's office served the notice of conclusion of the preliminary investigations to the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), to a former executive (the Officer responsible for financial reporting in office until June 7, 2016) and to Saipem SpA.
Saipem SpA is charged with reference to the hypothesis of an administrative offence referred to in Articles 5, 6, 7, 8 and 25-*ter* of Legislative Decree No. 231/2001 *"for having failed to prepare an organisational model suitable to prevent the crimes of false accounting"*, pursuant to Article 2622 of the Italian Civil Code, allegedly committed from March 16, 2016 until July 27, 2016 with reference to the Financial Statements at December 31, 2015 and the Half-Year Report at June 30, 2016 and the administrative offence referred to in Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001 *"for having failed to prepare an organisational model suitable to prevent the crimes of false statements in the prospectus"*, pursuant to Article 173-*bis* of Legislative Decree No. 58/1998, and "market manipulation", pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from October 27, 2015 until July 27, 2016.
From the notice of conclusion of the preliminary investigations, the following offences are waged against the two individuals still under investigation (the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) and a former Executive who held the role of Executive Officer responsible for financial reporting in office until June 7, 2016): (i) false accounting pursuant to Article 2622 of the Italian Civil Code in relation to the Financial Statements at December 31, 2015 (with reference to both suspects) and the First Half Report at June 30, 2016 (with reference only to the Chief Executive Officer of the Company appointed by Shareholders' Meeting on April 30, 2015) and on May 3, 2018); (ii) false statements in the

Prospectus pursuant to Article 173-*bis* of Legislative Decree No. 58/1998 with reference to both suspects, issued with reference to the documentation for the offer of the capital increase in January 2016, from January 22, 2016 to February 5, 2016; (iii) market manipulation pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for financial reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016.

On March 29, 2021, the Judge for the Preliminary Hearing of the Tribunal of Milan has notified to Saipem SpA that the preliminary hearing is scheduled for May 10, 2021, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter*, letter B) of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the offence of false accounting, allegedly committed from March 16, 2016 to July 27, 2016, as well as in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the crimes of false statement in the prospectus and manipulation of the market, allegedly committed from October 27, 2015 to July 27, 2016.

This notification follows the issue of the notice of completion of the preliminary investigations and the subsequent request for indictment by the Public Prosecutor of Milan, notified together with the decree scheduling the preliminary hearing, against Saipem SpA, the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) and a former executive of the Company (the CFO and Officer responsible for the Company's Financial Reporting in office until June 7, 2016).

The Public Prosecutor of Milan in the request for indictment alleges the following offences: (i) false accounting pursuant to Article 2622 of the Italian Civil Code relating to the financial statements at December 31, 2015, allegedly committed by both individuals, and the First Half Report at June 30, 2016 allegedly committed only by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018); (ii) manipulation of the market pursuant to Article 185 of Legislative Decree No. 58/1998 allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for financial reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016; and (iii) false statement in the prospectus pursuant to Article 173-*bis* of Legislative Decree No. 58/1998 allegedly committed from January 22, 2016 until February 5, 2016 by both individuals with reference to the documentation for the offer of a capital increase in January 2016.

At the May 10, 2021, hearing before the Milan Judge of the Preliminary Hearing, more than 500 plaintiff applications (*"richieste di costituzione di parte civile"*) were filed, both in the name and on behalf of Saipem SpA shareholders, and on behalf of associations representing diffuse interests. The Judge of the Preliminary Hearing adjourned the next hearings to September 21, 2021, in order to allow the parties lawyers to review the plaintiff applications filed and to formulate their remarks, and consequentially to decide on their admissibility. The Judge of the Preliminary Hearing also scheduled the hearing for October 19, 2021.

28 Revenues

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

Core business revenue

Core business revenue was as follows:

	First half	
(€ million)	2020	2021
Revenue from sales and E&C services	3,254	2,875
Revenue from sales and Drilling services	421	325
Total	**3,675**	**3,200**

Net sales by geographical segment were as follows:

	First half	
(€ million)	2020	2021
Italy	236	134
Rest of Europe	189	343
CIS	291	220
Middle East	1,389	721
Far East	413	352
North Africa	259	27
Sub-Saharan Africa	691	1,123
Americas	207	280
Total	**3,675**	**3,200**

As described in the in the paragraph "Contract assets and contract liabilities", to which we refer, in consideration of the nature of the contracts and the type of works performed by Saipem, the individual obligations contractually identified are mainly satisfied over time. The revenue that measures the progress of the work is determined, in line with the provisions of IFRS 15, by using an input method based on the percentage of costs incurred with respect to the total contractually estimated costs ("cost-to-cost" method).
Contract revenue includes the amount agreed in the initial contract, plus revenue from change orders and claims.
The change orders consist of additional fees deriving from changes to the contractually agreed works requested by the customer; price revisions (claims) consist of requests for additional fees deriving from higher charges incurred for reasons attributable to the customer. Change orders and claims are included in the amount of revenue when the changes to the agreed works and/or price have been approved, even if their definition has not yet been agreed on and in any case for a total amount not exceeding €30 million. Any pending revenue reported for a period longer than one year, with no changes in the negotiations with the customer, is impaired, despite the confidence in recovery of the business. Amounts higher than €30 million are reported only if supported by outside technical-legal expert opinions.
The cumulative amount of variations orders and claims (pending revenues) in the Engineering & Construction, determined with reference to the progress of the projects also in previous years, is of €376 million as at 30 June 2021 (€275 million as at December 31, 2020 and €157 million as at June 30, 2020). There are no additional amounts relating to ongoing legal proceedings.
The contractual obligations to be fulfiled by the Saipem Group (order backlog), which as at June 30, 2021 amounted to €23,602 million, are expected to generate revenue of €4,025 million in 2021 while the remainder will be generated in subsequent years.
The share of revenue for leasing in the item "Core business revenue" does not have a significant impact on the overall amount of core business revenue, as it amounts to less than 3% and it refers to the Drilling and Leased FPSO sectors.
Revenue from related parties are shown in Note 36 "Related party transactions".

Other income and revenue

Other income and revenue were as follows:

	First half	
(€ million)	2020	2021
Gains on disposal of assets	-	1
Indemnities	-	-
Other income	44	1
Total	**44**	**2**

29 Operating expenses

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

Purchases, services and other costs

Purchases, services and other costs included the following:

	First half	
(€ million)	2020	2021
Raw, ancillary and consumable materials and goods	754	589
Services	1,601	1,767
Use of third party assets	198	191
Net accruals to (utilisation of) the provisions for risks and charges	28	218
Other expenses	11	(1)
less:		
- internal work capitalised	(9)	(15)
- changes in inventories of raw, ancillary and consumable materials and goods	9	4
Total	**2,592**	**2,753**

During the first half of 2021 no brokerage fees were incurred.
Research and development costs that do not meet the requirements for capitalisation amounted to €15 million (€15 million in the first half of 2020).
"Use of third party assets" equal to €191 million, refer to €184 million for lease contracts, of which €128 million relate mainly to "Short-term Leases" with a term of less than or equal to 12 months, €35 million relate to "Intangible leasing software", €18 million relate to "Variable payments" and €3 million relate to "Low value".
Net accruals to/utilisations of the provisions for risks and charges for a total of €218 million refer to the provisions for risks related to disputes, provision for contractual expenses and losses on long-term contracts and other provisions included in Note 21 "Provisions for risks and charges".
Purchases, services and other costs to related parties are shown in Note 36 "Related party transactions".

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

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

(€ million)	June 30, 2020	June 30, 2021
Trade receivables	(2)	(49)
Other receivables	-	-
Contract assets	(3)	(1)
Total	**(5)**	**(50)**

Personnel expenses

Personnel expenses were as follows:

	First half	
(€ million)	2020	2021
Personnel expenses	856	793
less:		
- internal work capitalised	(5)	(5)
Total	**851**	**788**

Personnel expenses include net accruals to/utilisation of provisions for redundancy incentives which amounted to €3 million, as commented in Note 21 "Provisions for risks and charges".

Share-based incentive plans

In order to create a system of incentives and loyalty among Group's Senior Managers, Saipem SpA, defined, among other things, incentive plans starting from 2016, through the free allocation of Saipem SpA ordinary shares which was implemented in three-year cycles.
As of June 30, 2021, existing plans include (i) long-term incentive plans (2016-2018 and 2019-2021) and (ii) short-term incentive plans (2021-2023), respectively approved by the Ordinary Shareholders' Meetings of April 29, 2016, April 30, 2019 and April 29, 2020.

All plans provide for the free allocation of Saipem ordinary shares to the executives of Saipem SpA and its subsidiaries, holders of organizational positions with significant impact on the achievement of business results, also in relation to performance expressed and professional skills.
The 2021-2023 short term plan provides for the awarding of monetary incentives for the three-year period 2021-2023 to resources who achieve the annual performance goals assigned. In this paragraph only the share-based component will be discussed.
For additional information about the characteristics of the two plans, please see the disclosure made available to the public on the company's website (www.saipem.com), under the current law (Article 114-*bis* of Legislative Decree No. 58/1998 and Consob implementing regulations).
The cost is determined with reference to the fair value of the option assigned to the manager, while the portion of the year is determined pro-rata temporis throughout the period associated to the incentive (so called vesting period and co investment period/retention premium).
The fair value for the year as of June 30, 2021, relative to all the implementations made, is €3 million.
The composition of the fair value as of June 30, 2021 is represented as follows:

	Fair value of payroll costs
ILT Plan 2016-2018: Implementation 2017	449,555
ILT Plan 2016-2018: Implementation 2018	5,397,633
ILT Plan 2019-2021: Implementation 2019 [a]	(4,869,427)
ILT Plan 2019-2021: Implementation 2020	1,432,912
IBT Plan 2021-2023: Implementation 2021	117,128
	2,527,801

(a) The fair value for the 2019 implementation was positive due to the partial reclassification of the expenses following the new assumptions of achievement of the non-market conditions.

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

ILT Implementation for 2020

	No. of managers	No. of shares [1]	Share portion (%)	Unit fair value TSR E&C (weight 35%)	Unit fair value TSR Drilling (weight 15%)	Unit fair value NFP (weight 25%)	Unit fair value ROAIC (weight 25%)	Fair value overall (€)	Fair value as of June 30, 2020 [2] (€)	Fair value as of June 30, 2021 [2] (€)
Strategic senior managers (vesting period)	84	4,068,100	75	0.90	1.54	1.37	1.37	6,252,318	-	875,686
Strategic senior managers (co-investment period)			25	1.79	3.04	1.35	1.35			
Non-strategic senior managers	293	3,763,000	100	0.90	1.54	1.37	1.37	4,648,996	-	774,141
Chief Executive Officer (vesting period)	1	505,700	75	0.90	1.54	1.37	1.37	777,231	-	108,857
Chief Executive Officer (Retention Premium period)			25	1.79	3.04	1.35	1.35			
Total	**378**	**8,336,800**						**11,678,545**	**-**	**1,758,684**

(1) The number of shares shown in the table corresponds to the number assigned at the assignment date. The number of shares used for total fair value and fair value calculation as of June 30, 2021 on the other hand, is 8,939,335 shares and reflects the assumptions of achievement of the non-market conditions at the end of the plan.
(2) The fair value for the period is measured as of the observation date.

IBT implementation for 2021

	No. of managers	No. of shares	Share portion (%)	Unit fair value	Fair value overall (€)	Fair value as of June 30, 2020 (€)	Fair value as of June 30, 2021 (€)
Senior managers	132	918,150	100	2.15	1,976,785	-	117,128
Total	**132**	**918,150**				**-**	**117,128**

The evolution of the share plan is as follows:

	2020			2021		
	Number of shares	Average price financial year [a] (€ thousand)	Market price [b] (€ thousand)	Number of shares	Average price financial year [a] (€ thousand)	Market price [b] (€ thousand)
Options outstanding as of January 1	**16,530,530**	**-**	**72,005**	**19,481,230**	**-**	**42,956**
New options granted	8,336,800	-	-	918,150	-	2,075
(Options exercised during the period) [c]	(5,125,615)	-	12,115	(149,853)	-	339
(Options expiring during the period)	(260,485)	-	616	(678,782)	-	1,534
Options outstanding at the end of the period	**19,481,230**	**-**	**42,956**	**19,570,745**	**-**	**40,081**
Of which:						
- exercisable as of June 30, 2021	-	-	-	-	-	-
- exercisable at the end of the vesting period	16,058,330	-	-	16,890,429	-	-
- exercisable at the end of the co-investment/Retention Premium period	3,422,900	-	-	2,680,316	-	-

(a) As these are grants, the strike price is zero.
(b) The market price of shares underlying options granted, exercised or expiring during the year corresponds to the average market value. The market price of shares underlying the grants outstanding at the beginning and end of the period is the price recorded as of January 1 and December 31 for 2020 and as of January 1 and June 30 for 2021.
(c) The options exercised in the first half of 2021 chiefly represent the shares allocated to the beneficiaries of the 2017 and 2018 implementations of the 2016-2018 plan, in accordance with the plan rules. In addition, shares assigned in cases of consensual termination of employment are included. Under the 2016-2018 plan, beneficiary retains the right to the incentive to a reduced extent, in relation to the period elapsed between the allocation of shares and the occurrence of such event (Article 4.8 of the plan regulations).

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

Average number of employees

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

	First half	
(number)	2020	2021
Senior managers	400	398
Junior managers	4,258	4,387
White collars	16,763	15,825
Blue collars	11,171	9,793
Seamen	249	241
Total	**32,841**	**30,644**

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are detailed below:

(€ million)	First half 2020	First half 2021
Depreciation and amortisation:		
- property, plant and equipment	225	191
- intangible assets	6	6
- Right-of-Use assets	82	52
Total depreciation and amortisation	**313**	**249**
Impairment losses:		
- property, plant and equipment	630	-
- intangible assets	-	-
- Right-of-Use assets	39	-
Total impairment losses	**669**	**-**
Total	**982**	**249**

Other operating income (expense)

During the first half of 2021 and the first half of 2020 no operating income (expense) were recorded.

30 Financial income (expense)

This item includes:

(€ million)	First half 2020	First half 2021
Financial income (expense)		
Financial income	142	121
Financial expense	(218)	(132)
Total	**(76)**	**(11)**
Derivative financial instruments	(19)	(45)
Total	**(95)**	**(56)**

Net financial income (expense) was as follows:

(€ million)	First half 2020	First half 2021
Net exchange gains (losses)	**-**	**43**
Exchange gains	138	118
Exchange losses	(138)	(75)
Financial income (expense) related to net financial debt	**(73)**	**(52)**
Interest income from banks and other financial institutions	2	2
Interest income on leases	1	1
Interest and other expense due to banks and other financial institutions	(61)	(49)
Interest expense on leases	(15)	(6)
Other financial income (expense)	**(3)**	**(2)**
Other financial income from third parties	1	-
Other financial expense to third parties	(3)	(1)
Financial income (expense) on defined benefit plans	(1)	(1)
Net financial income (expense)	**(76)**	**(11)**

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

(€ million)	First half 2020	First half 2021
Exchange rate derivatives	(19)	(45)
Interest rate derivatives	-	-
Total	**(19)**	**(45)**

Net losses on derivatives of €45 million (losses of €19 million in the first half of 2020) mainly related to the recognition in profit or loss of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.
Financial income (expense) with related parties are shown in Note 36 "Related party transactions".

31 Gains (losses) on equity investments

Effect of accounting using the equity method

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

	First half	
(€ million)	2020	2021
Share of profit of equity-accounted investees	26	18
Share of loss of equity-accounted investees	(8)	(38)
Net utilisations of (accruals to) the provisions for losses related to equity-accounted investees	(8)	(5)
Total	**10**	**(25)**

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

Other gains (losses) from equity investments

There were no other gains (losses) on equity in the first half of 2021.

32 Income taxes

Income taxes consisted of the following:

	First half	
(€ million)	2020	2021
Current taxes:		
- Italian subsidiaries	33	18
- foreign subsidiaries	58	45
Net deferred taxes:		
- Italian subsidiaries	(21)	(2)
- foreign subsidiaries	4	(1)
Total	**74**	**60**

	First half	
(€ million)	2020	2021
Income taxes recognised in the income statement	74	60
Income tax related to items of other comprehensive income that will be reclassified to profit or loss	4	13
Of which:		
- tax effect due to the change in the fair value of cash flow hedges	4	13
- tax effect due to the change in the fair value of financial assets, other than equity investments, measured at fair value through OCI	-	
Income tax related to items of other comprehensive income that will not be reclassified to profit or loss	-	(2)
Of which:		
- tax effect due to the remeasurement of defined benefit plans for employees	-	(2)
Tax on comprehensive income (loss)	**78**	**71**

33 Non-controlling interests

There was no income by non-controlling interests during the first half of 2021 (€15 million during the first half of 2020).

34 Earnings (loss) per share

Basic earnings (loss) per ordinary share are calculated by dividing profit or loss for the period attributable to the Group's shareholders by the weighted average of Saipem SpA ordinary shares outstanding during the period, excluding treasury shares.

Reconciliation of the average number of outstanding shares used for the calculation of basic and diluted earnings and losses per share is as follows:

		June 30, 2020	June 30, 2021
Weighted average number of outstanding shares used for the calculation of the basic earnings (loss) per share		**989,956,700**	**993,480,557**
Number of potential shares following long-term incentive plans		16,449,630	19,570,745
Number of savings shares convertible into ordinary shares		10,598	10,598
Weighted average number of outstanding shares used for the calculation of the diluted earnings (loss) per share [(a)]		**1,006,416,928**	**993,491,155**
Earnings (loss) attributable to the owners of the parent	(€ million)	(885)	(779)
Basic earnings (loss) per share	(€ per share)	(0.89)	(0.78)
Diluted earnings (loss) per share	(€ per share)	(0.88)	(0.78)

(a) It should be noted that, with reference to the first half of 2021, the number of potential shares following long-term incentive plans was not considered when computing the weighted average number of outstanding shares used for the calculation of the diluted earnings (loss) per share.

35 Information by sector of activity and geographical area

Reporting by business segment

(€ million)	Offshore E&C	OnshoreE&C	Offshore Drilling	Onshore Drilling	Unallocated	Total
First half 2020						
Core business revenue	1,926	1,948	319	286	-	4,479
less: intra-group sales	441	179	134	50	-	804
Net revenue	**1,485**	**1,769**	**185**	**236**	**-**	**3,675**
Operating profit (loss)	(38)	(37)	(610)	(26)	-	(711)
Depreciation, amortisation and impairment losses	195	61	653	73	-	982
Gains (losses) on equity investments	(4)	14	-	-	-	10
Capital expenditure	124	5	33	33	-	195
Property, plant and equipment and intangible assets	2,621	455	558	514	-	4,148
Right-of-Use assets	249	99	36	11	-	395
Equity investments [(a)]	108	8	-	2	-	118
Current assets	1,377	2,159	230	174	2,227	6,167
Current liabilities	1,489	2,545	132	140	800	5,106
Provisions for risks and charges [(a)]	87	135	2	7	19	250
First half 2021						
Core business revenue	1,536	2,046	301	185	-	4,068
less: intra-group sales	504	203	134	27	-	868
Net revenue	**1,032**	**1,843**	**167**	**158**	**-**	**3,200**
Operating profit (loss)	(428)	(188)	10	(32)	-	(638)
Depreciation, amortisation and impairment losses	124	35	31	59	-	249
Gains (losses) on equity investments	4	(29)	-	-	-	(25)
Capital expenditure	77	5	41	12	-	135
Property, plant and equipment and intangible assets	2,546	436	552	406	-	3,940
Right-of-Use assets	159	80	12	14	-	265
Equity investments [(a)]	90	8	-	1	-	99
Current assets	1,191	2,103	214	159	2,651	6,318
Current liabilities	1,444	2,710	111	71	1,039	5,375
Provisions for risks and charges [(a)]	270	196	5	8	18	497

(a) See the section "Reconciliation of reclassified statement of financial position, income statement and statement of cash flows with the mandatory templates" on page 81.

For more details on the information by sectors please see the specific sections of the "Interim Directors' Report".

Reporting by geographical segment

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single year, it is difficult to allocate assets to a specific geographic segment. As a result, certain assets have been deemed not directly attributable.
The unallocated part of property, plant and equipment and intangible assets and capital expenditure relates to vessels and their related equipment and goodwill.

The unallocated part of current assets pertained to inventories related to vessels.
A breakdown of revenue by geographical segment is provided in Note 28 "Revenue".

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	Sub-Saharan Africa	Americas	Unallocated	Total
December 31, 2020									
Capital expenditure	25	8	-	30	-	-	29	230	322
Property, plant and equipment and intangible assets	74	33	31	444	-	32	211	3,160	3,985
Right-of-Use assets	77	79	2	67	2	15	10	36	288
Identifiable assets (current)	1,496	495	186	2,284	66	796	465	623	6,411
First half 2021									
Capital expenditure	3	7	-	12	-	-	7	106	135
Property, plant and equipment and intangible assets	68	45	30	405	1	31	207	3,153	3,940
Right-of-Use assets	72	70	2	38	1	15	10	57	265
Identifiable assets (current)	1,226	674	132	2,076	39	1,078	475	618	6,318

Current assets were allocated by geographical segment using the following criteria: (i) cash and cash equivalents and loan assets were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventories were allocated on the basis of the country in which onshore storage facilities were situated (i.e. excluding inventories in storage facilities situated on vessels); (iii) trade receivables and other assets were allocated to the geographical segment to which the related project belonged.
Non-current assets were allocated on the basis of the country in which the asset operates, except for offshore drilling and construction vessels, which were included under "Unallocated".

36 Related party transactions

From January 22, 2016, following the entry into force of the transfer of 12.5% of Saipem SpA's share capital from Eni SpA to CDP Equity SpA (formerly Fondo Strategico Italiano SpA), Eni SpA no longer has sole control over Saipem SpA, which has been replaced by the joint control exercised by Eni SpA and CDP Equity SpA (taken over on December 13, 2019 by CDP Industria SpA), on the basis of the shareholders' agreement, with a resulting variation in the scope of related parties.
Eni SpA and CDP Industria SpA neither exercise sole control over Saipem pursuant to Article 93 of Legislative Decree No. 58/1998.
Both Eni SpA and CDP Industria SpA are subject to the indirect joint control of the Italian Ministry of Economy and Finance ("MEF"). Specifically: (i) MEF, directly and indirectly, holds a 30.33% stake in Eni SpA's share capital (a 4.37% stake is held directly and a 25.96% stake is held through CDP SpA, a company also controlled by MEF, which holds a stake of approximately 82.77% in it; (ii) CDP SpA holds a direct 100% stake in the share capital of CDP Industria SpA.
Transactions with related parties entered into by Saipem SpA and/or companies within the consolidation scope concern mainly the supply of services, the exchange of goods with joint ventures, associates and unconsolidated subsidiaries, with subsidiaries, jointly-controlled entities and associates of Eni SpA, with several jointly-controlled entities and associates of CDP Industria SpA (who took the place of CDP Equity SpA from December 13, 2019), and with entities controlled by the Italian State, in particular companies of the Snam Group. These transactions are an integral part of ordinary day-to-day business and are carried out under market conditions which would be applied between independent parties. All transactions were carried out for the mutual benefit of the Saipem SpA companies involved.
Directors, auditors, general managers and key management personnel must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party. Directors and Statutory Auditors release every six months and/or in the event of a change, a statement in which each potential interest is represented in relation to the parent and the Group and in any case report to the Chief Executive Officer (or the Chairman where the Chief Executive Officer is involved), who informs the other directors and the Board of Statutory Auditors of the individual transactions that the parent intends to perform, in which they have direct interests.
Saipem SpA is not under the management or coordination of any other company. Saipem SpA manages and coordinates its subsidiaries pursuant to Article 2497 of the Civil Code.
Within the framework of related party transactions and pursuant to disclosure requirements of Consob Regulation No. 17221 of March 12, 2010, during 2021 the following transactions were carried out, which exceeded the relevance threshold in compliance with the aforementioned Regulation in the Saipem SpA Management System Guideline "Transactions involving interests held by board directors and statutory auditors and transactions with related parties" for transactions of greater importance:

> on January 14, 2021, the documents known as "Indemnity and Guarantee Agreement" between SACE SpA ("SACE") on one hand, and the company Saipem Contracting Nigeria Ltd ("SCNL"), SCD JV Scarl ("SCD") and Saipem SpA ("Saipem") on the other, were signed in relation to the "Nigeria LNG Train 7 Project" (the "Project") the goal of which is the building of the Train 7 of the LNG plant in Bonny Island, Rivers State, Nigeria.
For this project, on May 14, 2020, SCNL (in joint venture with Daewoo Nigeria Ltd) and SCD had entered into separate contracts, each for its own activities, with Nigeria LNG Ltd ("NLNG", the "Client").
The project is partially financed through an Export Financing scheme implemented by way of a financing contract (the "Finance Agreement"), signed between the Client and a pool of banks coordinated by Deutsche Bank Luxembourg SA.

The willingness of the lending banks to provide the Client with financing was based on the assumption that 100% of the repayment of the financed sums was guaranteed through the coverage offered by the Export Credit Agencies, both Korean (K-SURE and K-EXIM) – given the Client's presence in the consortium in charge of the Project of companies belonging to the Korean group Daewoo Engineering & Construction – and Italian (SACE), given the Client's presence in the consortium in charge of the Project of companies belonging to the Italian group Saipem SpA. SACE's involvement is to back a credit line of approximately $750 million (the "Cover").
In order to grant the Cover and to allow the Client to use the credit line, SACE, in accordance with its own regulations and established practice for Export Finance transactions, required SCNL, SCD and Saipem SpA (as Italian "guarantor") to sign two Indemnity and Guarantee Agreements (the "Agreements"), which have a standard content and an identical form.
Therefore, considering that: (i) Saipem SpA fully controls SCNL and has an important indirect equity of SCD; (ii) Saipem SpA is in turn jointly controlled by Eni SpA ("Eni") and CDP Industria SpA, the latter controlled by Cassa Depositi e Prestiti SpA ("CDP"); (iii) SACE SpA is also a company controlled by CDP; (iv) the Ministry of Economy and Finance ("MEF") in turn indirectly controls Eni and CDP; the transaction relating to the signing of the Agreements qualifies as a Related Party Transaction, as it is entered into with companies under common, or joint, control with Saipem SpA (Section 2 of the Procedure).
The signing of the Agreements, although qualified as a "major significance" transaction , since it exceeds the value significance index (amounting to €76 million, with reference to the Group's shareholders' equity as at September 30, 2020) – is configured as an "ordinary" transaction completed at equivalent market or standard conditions, and is, therefore, exempt from the procedural and reporting obligations established for major significance transactions, not included in the exemption cases under the Regulation and the Procedure implemented by Saipem SpA (Chapter 9).
The transaction which is the subject of this communication: (i) represents a contractual obligation assumed by SCNL and SCD towards the Client; (ii) is based on a standard template used by SACE in its insurance coverages; (iii) was carried out in connection with the performance of transactions falling within the ordinary course of business of Saipem SpA and its subsidiaries, including when they are associated with third parties, as they relate to the performance of engineering services, supply of materials and construction activities, the content of which is part of the typical business of the Saipem Group, and in particular of the Onshore E&C Division; (iv) was concluded at market equivalent or standard conditions, under contractual terms and conditions in line with international practice;

- on March 17, 2021, SACE SpA ("SACE") on the one hand, and the companies CCS JV Scarl ("CCS JV"), Saipem SpA ("Saipem") and McDermott International Ltd ("MIL") on the other, signed the document known as "Indemnity and Guarantee Agreement", related to the "Total Mozambique Area 1 LNG" project (the "Project") for the construction of two natural gas liquefaction trains and associated support infrastructure in Cabo Delgado, Mozambique.
On June 5, 2019, two contracts were signed for the implementation of this Project between CCS JV and Anadarko Mozambique Area 1, Lda, the latter subsequently replaced by Total E&P Mozambique Area 1, Lda (the "Client").
The project is partially financed through an Export Financing scheme implemented by way of a financing contract (the "Finance Agreement"), signed between the Client and a pool of banks coordinated by Standard Chartered Bank which includes, as a Security Agent, Standard Bank of South Africa.
The willingness of the lending banks to provide the Client with financing was based on the assumption that 100% of the repayment of the financed sums was guaranteed through the coverage offered by several Export Credit Agencies ("ECA"), including the Italian SACE, due to its presence in the consortium in charge of the Project of Italian companies belonging to the Saipem SpA Group.
SACE's involvement is to back a credit line of approximately $950 million, according to a mechanism similar to that used by other ECAs to cover their respective national exporters.
In order to grant the cover and to allow the Client to use the credit line, SACE, in accordance with its own regulations and established practice for Export Finance transactions, required CCS JV, Saipem and MIL (as "guarantors") to sign the above-mentioned Indemnity and Guarantee Agreement (the "Agreement"), which has a standard content.
Therefore, considering that: (i) Saipem SpA controls and has an important indirect equity of CCS JV; (ii) Saipem SpA is in turn jointly controlled by Eni SpA ("Eni") and CDP Industria SpA, the latter controlled by Cassa Depositi e Prestiti SpA ("CDP"); (iii) SACE SpA is also a company controlled by CDP; (iv) the Ministry of Economy and Finance ("MEF") in turn indirectly controls Eni and CDP; the transaction relating to the signing of the above-mentioned Agreements qualifies as a Related Party Transaction, as it is entered into with companies under common, or joint, control with Saipem SpA (Section 2 of the Procedure).
The signing of the Agreement, although qualified as a "major significance" transaction , since it exceeds the value significance index (amounting to €73 million, with reference to the Group's shareholders' equity as of December 31, 2020) – is configured as an "ordinary" transaction completed at equivalent market or standard conditions, and is, therefore, exempt from the procedural and reporting obligations established for major significance transactions, not included in the exemption cases under the Regulation and the Procedure implemented by Saipem SpA (Chapter 9).
The transaction which is the subject of this communication (i) represents a contractual obligation assumed by CCS JV towards the Client; (ii) is based on a standard template used by SACE in its insurance coverages; (iii) was carried out in connection with the performance of transactions falling within the ordinary course of business of Saipem SpA and its subsidiaries, including when they are associated with third parties, as they relate to the performance of engineering services, supply of materials and construction activities, the content of which is part of the typical business of the Saipem Group, and in particular of the Onshore E&C Division; (iv) was concluded at market equivalent or standard conditions, under contractual terms and conditions in line with international practice;
- on May 5, 2021, Contract No. 5000019418 was signed. The object is the "Supply and Installation of Flowlines, Installation of Subsea Production Systems including Umbilicals for Agogo Early Production (Phase 2) development" (hereinafter "the Contract") in a consortium between Saipem SA (86%), Saipem Luxembourg SA Angola branch (7%) and Petromar Lda (7%) (hereinafter "the Companies") on the one hand, and client Eni Angola SpA (the "Client") on the other.

The Contract signed with the Client regards the second phase of development of the Agogo project ("the Project"), relating to the West Hub oil field located in the Angolan offshore, Block 15/06.
The scope of the Agogo Phase 2 project consists of: (i) engineering, procurement, construction, installation of subsea pipelines (flowlines); (ii) engineering, procurement, construction, installation of subsea structures (PLET - Pipeline End Termination); (iii) transport and installation of flexible subsea structures; (iv) installation of subsea production systems, including umbilicals.
Operations are scheduled to run from May 2022 to November 2022.
The parties signed the Contract on May 5, 2021, and are required to issue, on a subsequent date, both bank guarantees and guarantees from the Parent Company (Parent Company Guarantees).
The assignment of the Project was carried out following an international call for tender procedure that saw the participation of numerous operators in the Oil&Gas sector.
In relation to the Project, the Client has taken on financial commitments which will increase in time, and has postponed the signing of the contract to a future phase; the assignment of the works to implement the Project initially took place through a binding letter of intent (so-called "LOI") of progressively increasing value, to cover the performance of activities in proportion with the amount of the investment approved by the Client from time to time.
In particular, the issuance of an initial letter of intent relating to the Project took place on February 9, 2021 for an initial amount of $4.9 million, subsequently increased on April 1, 2021 to $50 million. This amount was below the limit for the identification of "major significance" transactions with related parties, pro tempore in force, which is now €69 million, with reference to the Company's capitalisation as of March 31, 2021.
By entering into the Project Contract, the total asset value was increased to $274.3 million, of which $250 million concern the Saipem Group, divided as follows: Project Agogo Phase 2: $274.3 million plus options worth approximately $32.6 million.
The amount of the Agreement is therefore higher than the aforementioned limit for identifying "major significance" transactions with related parties, i.e. €69 million.
Considering the fact that: (i) Saipem SA and Saipem Luxembourg SA are controlled (one directly, one indirectly) by Saipem SpA, and Petromar Lda is in any case a jointly controlled subsidiary of Saipem and third parties; (ii) Saipem SpA is in turn controlled jointly by Eni SpA and CDP Industria SpA; and (iii) Eni Angola SpA is a 100% Eni SpA subsidiary, the transaction concerned is configured as a transaction with related parties, as it is implemented with companies subject to common and joint control (Chapter 2 of the Procedure).
The transaction object of this communication, although qualified as a "major significance" transaction since it exceeds the value significance index, is configured as an ordinary transaction completed at equivalent market or standard conditions, and is, therefore, exempt from the procedural and reporting obligations established for "major significance" transactions, not included in the exemption cases under the Regulation and the Procedure implemented by the Company (Chapter 9).
The Contract which is the subject of this communication: (i) falls within the ordinary exercise of operational activities, relating to engineering services, the supply of materials and construction activities, the contents of which are part of the typical business of the Saipem Group, and particularly of the Offshore E&C Division; (ii) the award of the Project is in line with the usual practices applicable to international tendering rules used in the Offshore E&C sector; (iii) the Contract is consistent with the application of contractual conditions in line with international practice; and (iv) the Contract was undersigned at economic, technical and contractual conditions that are in line with the practices used by the Offshore E&C Division for similar projects, and in any case at economic, technical and contractual conditions that are equivalent to those applied in the market, comparable with nine other projects (analysed by Saipem's Offshore E&C Division for the purpose of confirming this assessment) and of comparable scope and complexity, to be carried out with different clients (not related parties);

- on June 10, 2021, Saipem SpA ("Saipem") and SACE SpA ("SACE") signed the "Mandate and Indemnity Agreement" (the "Agreement") in the terms set out below.
The signing of the Agreement is linked to the issuance of a performance guarantee for the implementation of the project "P79 - FPSO Supply Project - Buzios Field" (the "Project") for the Brazilian client Petroleo Brasilero SA ("Petrobras").
The overall value of the Project is approximately $2.35 billion (Saipem's share is approximately $1.3 billion) and the works are expected to last approximately 55 months.
Saipem announced the signing of the contract with Petrobras ("the Contract") in a press release on June 11, 2021.
The Contract was signed on June 11, 2021 between Petrobras and the Dutch-registered company SAME Netherlands BV ("SAME"), formed by: (i) Servizi Energia Italia SpA, a subsidiary entirely owned by Saipem SpA (with a 58% interest in SAME) ("SEI"); and (ii) Daewoo Shipbuilding & Marine Engineering Co Ltd (with a 42% interest in SAME) ("DSME").
With the signing of the Contract, BNP Paribas SpA (the "Issuing Bank") issued a performance guarantee for the amount of $234,830,000 by way of a SBLC (Standby Letter of Credit, "SBLC") in favour of Petrobras, to back the contractual obligations subscribed by SAME.
On June 10, 2021, an agreement was signed between Saipem and SACE whereby SACE agreed to issue its own counter guarantee in favour of the Issuing Bank for the amount of $183,999,872.35 (equivalent to 78.3545% of the SBLC total value).
The portion of Saipem's risk not covered by the Agreement, corresponding to $50,830,127.65 (equivalent to 21.6455% of the SBLC total), was instead the responsibility of the Issuing Bank, as per the agreement signed on June 10, 2021 between Saipem and the Issuing Bank (the "Guarantee and Indemnity Request").
Under the terms of the Agreement and the Guarantee and Indemnity Request, Saipem has therefore committed to indemnify SACE (for the amount of $183,999,872.35) and the Issuing Bank (for the amount of $50,830,127.65), respectively, should the SBLC issued to Petrobras be enforced.
Considering that: (i) Servizi Energia Italia SpA is fully controlled by Saipem SpA which is jointly controlled by Eni SpA ("Eni") and CDP Industria SpA, the latter controlled by Cassa Depositi e Prestiti SpA ("CDP"); (ii) SACE SpA is also a company controlled by CDP; (iii) the Ministry of Economy and Finance ("MEF") in turn indirectly controls Eni and CDP; the transaction relating to the signing of the Agreement qualifies as a Related Party Transaction, carried out between companies under common, or joint, control with Saipem SpA (Chapter 2 of the Procedure).

The signing of the Agreement with SACE, although qualified as a "major significance" transaction, since it exceeds the value significance index (amounting to €69 million, with reference to the Group's shareholders' equity as at March 31, 2021), is configured as an "ordinary" transaction completed at equivalent market or standard conditions, and is, therefore, exempt from the procedural and reporting obligations established for major significance transactions, not included in the exemption cases under the Regulation and the Procedure implemented by Saipem SpA (Chapter 9), in view of the following circumstances: (i) the transaction subject of the Agreement falls within the ordinary course of business of Saipem and its subsidiaries, and in particular of the Onshore E&C Division, for the performance of engineering services, supply of materials and construction activities, for which the delivery to the client at the time of the signing of the contract of a bank guarantee on first demand equal to 10% of the value of the contract with the client is a standard practice; (ii) the transaction subject of the Agreement was finalised according to standard general terms and conditions in line with widely established international practice; (iii) the annual commission rate agreed with SACE for assuming the Saipem risk is identical to that agreed with the Issuing Bank for the portion of the Saipem risk not covered by SACE; (iv) the commission rate agreed with SACE is also in line with the commissions paid by Saipem to unrelated counterparties for transactions with similar characteristics as better indicated in the attached Internal Communication dated June 14, 2021.

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

- unconsolidated subsidiaries;
- joint ventures and associates;
- companies controlled by Eni and CDP Industria SpA;
- associates and jointly-controlled companies of Eni and CDP Industria SpA;
- companies controlled by the State and other related parties.

Trade and other transactions

Trade and other transactions consisted of the following:

(€ million)

	Dec. 31, 2020			First half 2020			
				Expenses		Revenues	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services (1)	Goods and services	Other
Unconsolidated subsidiaries							
Smacemex Scarl	5	4	-	-	-	-	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total unconsolidated subsidiaries	**5**	**4**	**-**	**-**	**-**	**-**	**-**
Joint ventures and associates							
ASG Scarl (2)	1	(3)	-	-	2	-	-
CCS JV Scarl (2)	172	469	-	-	175	235	-
CCS LNG Mozambique Lda	-	-	-	-	-	2	-
CEPAV (Consorzio Eni per l'Alta Velocità) Due (2)	51	215	315	-	33	38	-
CEPAV (Consorzio Eni per l'Alta Velocità) Uno (2)	-	1	60	-	2	-	-
Gydan Lng Snc	10	-	-	-	-	7	-
Gygaz Lng Snc	2	-	-	-	-	1	-
KWANDA Suporte Logistico Lda	3	4	-	-	-	2	-
Novartic Snc	8	-	-	-	-	5	-
Petromar Lda	9	1	-	-	1	4	-
PSS Netherlands BV	27	9	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	13	11	-	-	(4)	1	-
Saipon Snc	1	-	-	-	-	-	-
Saren BV	21	19	-	-	-	-	-
SCD JV Scarl (2)	49	39	-	-	-	-	-
TSGI Mühendislik İnşaat Ltd Şirketi	17	-	-	-	-	1	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total joint ventures and associates	**384**	**765**	**375**	**-**	**209**	**296**	**-**
Companies controlled by Eni/CDP Industria SpA							
Eni SpA (3)	24	4	19	3	-	12	-
Ecofuel	-	-	-	-	-	-	-
Eni Angola SpA	10	-	42	-	-	88	-
Eni Congo SA	15	6	2	-	-	19	-
Eni East Sepinggan Ltd	22	2	11	-	-	22	-
Eni Gas e Luce SpA	-	-	-	-	-	-	-
Eni Ghana E&P	-	-	2	-	-	9	-
Eni Iraq BV	-	-	2	-	-	-	-
Eni México, S. de R.L. de Cv	7	-	-	-	-	19	-
Eni Muara Bakau BV	-	-	-	-	-	1	-
Eni North Africa BV	1	-	-	-	-	1	-
EniProgetti SpA	1	-	-	-	-	2	-
EniServizi SpA	-	(1)	-	-	11	-	-
Floaters SpA	1	-	-	-	-	3	-
Ieoc Exploration BV	-	-	2	-	-	-	-
Ieoc Production BV	-	-	-	-	-	11	-
Naoc - Nigerian Agip Oil Co Ltd	12	19	-	-	-	5	-
Nigerian Agip Exploration Ltd	-	-	-	-	-	(1)	-
Versalis SpA	2	-	11	-	-	-	-
Other (for transactions not exceeding €500 thousand)	-	-	-	1	1	-	-
Total companies controlled by Eni/CDP Industria SpA	**95**	**30**	**91**	**4**	**12**	**191**	**-**

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.
(2) Revenue from limited liability consortium companies refer to the retrocession of fees that these companies invoice to the client and that on the basis of the consortium nature of the investee company are attributed to the consortium partner.
(3) The item "Eni SpA" includes also the transactions with Eni SpA Divisione Exploration & Production, Eni SpA Divisione Gas & Power, Eni SpA Divisione Refining & Marketing.

Trade and other transactions consisted of the following:

(€ million)

	Dec. 31, 2020			First half 2020			
				Expenses		Revenues	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services [1]	Goods and services	Other
Eni/CDP Industria SpA associates and jointly-controlled companies							
Blue Stream Pipeline Co BV	-	-	-	-	-	-	-
Greenstream BV	-	-	-	-	-	1	-
Mellitah Oil&Gas BV	-	-	2	-	-	-	-
Mozambique Rovuma Venture SpA (ex Eni East Africa SpA)	3	-	-	-	-	35	-
Petrobel Belayim Petroleum Co	23	5	267	-	-	202	-
PetroJunìn SA	-	-	2	-	-	-	-
Raffineria di Milazzo	1	-	1	-	-	2	-
Var Energy AS	11	-	-	-	-	-	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	1	-
Total Eni/CDP Industria SpA associates and jointly-controlled companies	**38**	**5**	**272**	**-**	**-**	**241**	**-**
Total Eni/CDP Industria SpA companies	**133**	**35**	**363**	**4**	**12**	**432**	**-**
Companies controlled or owned by the State	**56**	**25**	**50**	**-**	**-**	**37**	**-**
Total related party transactions	**578**	**829**	**788**	**4**	**221**	**765**	**-**
Overall total	**1,991**	**4,079**	**7,019**	**754**	**1,810**	**3,675**	**44**
Incidence (%)	**29.03**	**20.32**	**11.23**	**0.53**	**12.21**	**20.82**	**-**

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

Trade and other transactions as of June 30, 2021 consisted of the following:

(€ million)

	June 30, 2021			First half 2021			
				Expenses		Revenues	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services [1]	Goods and services	Other
Unconsolidated subsidiaries							
Smacemex Scarl	5	4	-	-	-	-	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total unconsolidated subsidiaries	**5**	**4**	**-**	**-**	**-**	**-**	**-**
Joint ventures and associates							
ASG Scarl [2]	1	3	-	-	-	-	-
CCS JV Scarl [2]	101	462	-	-	627	704	-
CEPAV (Consorzio Eni per l'Alta Velocità) Due [2]	73	230	314	-	82	67	-
CEPAV (Consorzio Eni per l'Alta Velocità) Uno [2]	-	-	59	-	-	-	-
Gydan Lng Snc	12	-	-	-	-	7	-
Gydan Yard Management Services (Shanghai) Co Ltd	2	-	-	-	-	1	-
Gygaz Lng Snc	2	-	-	-	-	-	-
KWANDA Suporte Logistico Lda	3	5	-	-	1	2	-
Novartic Snc	1	-	-	-	-	1	-
Petromar Lda	12	1	-	-	1	4	-
PSS Netherlands BV	34	4	-	-	-	12	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	14	12	-	-	-	-	-
Saipon Snc	1	-	-	-	-	-	-
Saren BV	72	16	-	-	-	37	-
SCD JV Scarl [2]	95	122	-	-	32	54	-
TSGI Mühendislik İnşaat Ltd Şirketi	19	-	-	-	-	1	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total joint ventures and associates	**442**	**855**	**373**	**-**	**743**	**890**	**-**

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.
(2) Revenue from limited liability consortium companies refer to the retrocession of fees that these companies invoice to the client and that on the basis of the consortium nature of the investee company are attributed to the consortium partner.

Trade and other transactions consisted of the following:

(€ million)

	June 30, 2021			First half 2021			
				Expenses		Revenues	
Name	Trade receivables and other assets	Trade payables, other liabilities and contract liabilities	Guarantees	Goods	Services [1]	Goods and services	Other
Companies controlled by Eni/CDP Industria SpA							
Eni SpA [2]	22	1	16	-	-	24	-
Eni Angola SpA	41	1	67	-	-	79	-
Eni Congo SA	16	3	1	-	(3)	18	-
Eni East Sepinggan Ltd	7	12	6	-	-	28	-
Eni Ghana E&P	8	-	2	-	-	12	-
Eni Iraq BV	-	-	2	-	-	-	-
Eni México, S. de R.L. de Cv	3	-	-	-	-	19	-
Eni New Energy SpA	1	-	-	-	-	1	-
EniProgetti SpA	1	-	-	-	-	2	-
Eni Rewind SpA	-	-	-	-	-	1	-
EniServizi SpA	-	(1)	-	-	8	-	-
Floaters SpA	2	-	-	-	-	2	-
Ieoc Exploration BV	-	-	1	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	3	38	-	-	-	6	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	1	-
Total companies controlled by Eni/CDP Industria SpA	**104**	**54**	**95**	**-**	**5**	**193**	**-**
Eni/CDP Industria SpA associates and jointly-controlled companies							
Greenstream BV	-	-	-	-	-	1	-
Mellitah Oil&Gas BV	-	-	4	-	-	-	-
Mozambique Rovuma Venture SpA (ex Eni East Africa SpA)	29	-	-	-	-	46	-
Petrobel Belayim Petroleum Co	52	7	115	-	-	48	-
PetroJunìn SA	-	-	2	-	-	-	-
Raffineria di Milazzo	2	-	1	-	-	-	-
Var Energy AS	11	-	-	-	-	42	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total Eni/CDP Industria SpA associates and jointly-controlled companies	**94**	**7**	**122**	**-**	**-**	**137**	**-**
Total Eni/CDP Industria SpA companies	**198**	**61**	**217**	**-**	**5**	**330**	**-**
Companies controlled or owned by the State	**31**	**20**	**47**	**-**	**2**	**32**	**-**
Total related party transactions	**676**	**940**	**637**	**-**	**750**	**1,252**	**-**
Overall total	**1,833**	**4,130**	**7,891**	**589**	**1,957**	**3,200**	**2**
Incidence (%)	**36.88**	**22.76**	**8.07**	**-**	**38.32**	**39.13**	**-**

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.
(2) The items "Eni SpA" includes also the transactions with Eni SpA Divisione Exploration & Production, Eni SpA Divisione Gas & Power, Eni SpA Divisione Refining & Marketing.

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

Other transactions consisted of the following:

(€ million)	Dec. 31, 2020		June 30, 2021	
	Other assets	Other liabilities	Other assets	Other liabilities
CCS JV Scarl	14	-	19	-
Other (for transactions not exceeding €500 thousand)	1	-	-	-
Total related party transactions	**15**	**-**	**19**	**-**
Overall total	**333**	**37**	**163**	**105**
Incidence (%)	**4.50**	**-**	**11.66**	**-**

Financial transactions

Financial transactions, excluding net lease liabilities, for 2020 consisted of the following:

(€ million)

Name	Dec. 31, 2020				First half 2020		
	Cash and cash equivalents	Loan assets [1]	Loans and borrowings	Commitments	Expenses	Income	Derivative financial instruments
CCS JV Scarl	-	320	-	-	-	1	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	-	-	1	-	-	-	-
SCD JV Scarl	-	12	-	-	-	-	-
Serfactoring SpA	-	2	-	-	-	-	-
Other (for transactions not exceeding €500 thousand)	-	-	-	-	-	-	-
Total related party transactions	**-**	**334**	**1**	**-**	**-**	**1**	**-**

(1) Shown in the statement of financial position under "Other current financial assets".

Financial transactions, excluding net lease liabilities, as of June 30, 2021 consisted of the following:

(€ million)

Name	June 30, 2021				First half 2021		
	Cash and cash equivalents	Loan assets [1]	Loans and borrowings	Commitments	Expenses	Income	Derivative financial instruments
CCS JV Scarl	-	419	-	-	-	-	-
Saipon Snc	-	-	1	-	-	-	-
SCD JV Scarl	-	75	-	-	-	-	-
Serfactoring SpA	-	1	-	-	-	-	-
Other (for transactions not exceeding €500 thousand)	-	1	-	-	-	-	-
Total related party transactions	**-**	**496**	**1**	**-**	**-**	**-**	**-**

(1) Shown in the statement of financial position under "Other current financial assets".

The incidence of financial transactions and positions with related parties was as follows:

(€ million)	Dec. 31, 2020			June 30, 2021		
	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Current financial liabilities	257	1	0.39	193	1	0.52
Non-current financial liabilities (including current portion)	2,778	-	-	3,187	-	-
Total	**3,035**	**1**	**-**	**3,380**	**1**	**-**

(€ million)	First half 2020			First half 2021		
	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Financial income	142	1	-	121	-	-
Financial expense	(218)	-	-	(132)	-	-
Derivative financial instruments	(19)	-	-	(45)	-	-
Other operating income (expense)	-	-	-	-	-	-
Total	**(95)**	**1**	**-**	**(56)**	**-**	**-**

Financial lease transactions

Financial lease transactions for 2020 consisted of the following:

(€ million)

	Dec. 31, 2020			First half 2020		
Name	Cash and cash equivalents	Loan assets	Loans and borrowings	Commitments	Expenses	Income
Eni SpA	-	-	1	-	-	-
Consorzio F.S.B.	-	-	1	-	-	-
Total related party transactions	**-**	**-**	**2**	**-**	**-**	**-**

Financial lease transactions as of June 30, 2021 consisted of the following:

(€ million)

	June 30, 2021			First half 2021		
Name	Cash and cash equivalents	Loan assets	Loans and borrowings	Commitments	Expenses	Income
Eni SpA	-	-	-	-	-	-
Consorzio F.S.B.	-	-	1	-	-	-
Total related party transactions	**-**	**-**	**1**	**-**	**-**	**-**

The incidence of transactions or positions with related parties relating to financial lease transactions is as follows:

	Dec. 31, 2020			June 30, 2021		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Long-term leases liabilities (including portion of short-term leases)	421	2	0.48	356	1	0.28
Total	**421**	**2**		**356**	**1**	

The main cash flows with related parties were as follows:

(€ million)	June 30, 2020	June 30, 2021
Revenue and income	765	1,252
Costs and other expenses	(225)	(750)
Financial income (expenses) and derivatives	1	-
Change in trade receivables and payables	23	13
Net cash flows from operating activities	**564**	**515**
Change in loan assets	(21)	(162)
Net cash flows from investing activities	**(21)**	**(162)**
Change in loans and borrowings	-	-
Net cash flows from financing activities	**-**	**-**
Total cash flows with related parties	**543**	**353**

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

	June 30, 2020			June 30, 2021		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Cash flows from operating activities	(136)	564	414.71	14	515	3,678.57
Cash flows from investing activities	(208)	(21)	10.10	(281)	(162)	57.65
Cash flows from financing activities (*)	(458)	-	0.00	257	-	

(*) Cash flows from financing activities do not include dividends distributed, net repurchases of treasury shares or capital contributions by non-controlling interests.

Information on jointly controlled entities

Jointly-controlled companies classified as joint operations do not have a significant value.

37 Significant non-recurring events and operations

Significant non recurring events or operations took place in the first half of 2021 as reported in Note 1 “Basis of presentation” in the paragraph “Effects of COVID-19 on the basis of presentation including going concern”.

38 Transactions deriving from atypical or unusual transactions

No atypical and unusual transactions were reported in the first half of 2020 and in the first half of 2021.

39 Business outlook and events after the reporting period

The 2021 remains conditioned by the uncertainty resulting from the persistence of the pandemic. In the first half of the year, the health crisis effects on business coupled with issues on a project specific impacting operational performance. The business outlook for 2021 inevitably remains influenced by these events.

Outlook for the second half of 2021:

- revenues of between €4.5 and €5 billion;
- positive adjusted EBITDA;
- capital expenditure expected between €200 and €300 million; and
- net debt post-IFRS 16 around €1.6 billion at year end.

This scenario does not account for a further and possible deterioration of the macroeconomic and business environment following, for example, the intensification of the COVID-19 pandemic.

New contracts

As announced on July 30, 2021, Saipem has signed an agreement with Eni for the employment of Saipem 10000 drilling vessel in the Mediterranean waters.

The new drilling vessel Santorini, announced to the market on June 29 and joining the fleet in November 2021, will take over the contract currently held by Saipem 10000, for operations in the US sector of the Gulf of Mexico.

Furthermore, an agreement has been signed with Eni Angola for the employment of the semi-submersible Scarabeo 9 for drilling activities on three wells, in addition to three optional wells, offshore Angola.

Credit Rating Changes

Moody’s Investor Services in a press release on August 3, 2021, communicated Saipem’s Ba2 rating and indicated that it changed the Outlook from Stable to Negative. The decision does not have immediate effect on the existing credit lines, but could result in an increase of debt cost for new lines (or the issue of new bonds) or renewal of existing lines.

S&P Global Ratings in a press release on August 5, 2021, communicated a 1 “notch” downgrading for Saipem’s rating, from “BB+/Stable” to “BB/Stable”. The rating assigned to Saipem by S&P (BB) is, therefore, now in line with Moody’s rating (Ba2). The decision implies a slight increase of the cost of the “Revolving Credit Facility” line, and could also result in an increase of debt cost for new lines (or the issue of new bonds) or renewal of existing lines.

INFORMATION REGARDING CENSURE BY CONSOB PURSUANT TO ARTICLE 154-*TER*, SUBSECTION 7, OF LEGISLATIVE DECREE NO. 58/1998 AND THE NOTICE FROM THE CONSOB OFFICES DATED APRIL 6, 2018

On January 30, 2018, Consob, having concluded its inspection commenced on November 7, 2016 (which ended on October 23, 2017) and about which Saipem gave information in the Annual Report 2016, has informed Saipem that it has detected non compliances in "the Annual Report 2016, as well as in the Interim Consolidated Report as of June 30, 2017" with the applicable international accounting standards (IAS 1 "Presentation of Financial Statements"; IAS 34 "Interim Financial Reporting"; IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", par. 5, 41 and 42; IAS 36 "Impairment of Assets", par. 31, 55 57) and, consequently, has informed Saipem about the commencement "of proceedings for the adoption of measures pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998".
With notes of February 13 and 15, 2018, the Company transmitted to Consob its own considerations in relation to the remarks formulated by the offices of Consob, highlighting the reasons for which it does not share such remarks.
On March 2, 2018, the Commission of Consob, partially accepting the remarks of the offices of Consob, informed Saipem of its own Resolution No. 20324 (the "Resolution"), with which it ascertained the "non-compliance of Saipem's Annual Report 2016 with the regulations governing their preparation", without censuring the correctness of the Interim Consolidated Report as of June 30, 2017.
According to the Resolution, the non-compliance of Saipem's Annual Report 2016 with the regulations which govern its preparation, concerns in particular: (i) the incorrect application of the accrual basis of accounting affirmed by IAS 1; (ii) the non application of IAS 8 in relation to the correction of errors with reference to the financial statements of 2015; and (iii) the estimation process of the discount rate pursuant to IAS 36.
Consob has therefore asked the Company, pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998, to disclose the following elements of information to the markets:
(A) the weaknesses and non-compliance identified by Consob in relation to the accounting correctness of the financial statements mentioned above;
(B) the applicable international accounting standards and the violations encountered in relation thereto;
(C) the illustration, in an appropriate pro forma consolidated income statement and balance sheet – with comparative data – of the effects that accounting in compliance with the regulations would have produced on the 2016 balance sheet, income statement and shareholders' equity, for which incorrect information was supplied.

A. Weaknesses and non-compliance identified by Consob regarding the correctness of accounting in the consolidated and statutory financial statements of 2016.
The weaknesses and non-compliance identified by Consob with regard to the 2016 consolidated and statutory financial statements can be substantially attributed to the following two items:
(a) non-compliance of the "2016 consolidated and statutory Saipem SpA financial statements with reference to the comparative data for 2015";
(b) non-compliance of the process of estimation of the discount rate underpinning the 2016 impairment test with IAS 36 which requires that the Company must "apply the appropriate discount rate to [...] future cash-flows".
With regard to point (a), the contestation concerns the non-compliance of the 2016 consolidated and statutory financial statements with:
(i) IAS 1, par. 27, according to which "an entity shall prepare its statements, except for cash flow information, using the accrual basis of accounting" and par. 28, according to which "when the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework"; and
(ii) IAS 8, par. 41, according to which "[...], material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period" and par. 42 according to which "the entity shall correct the material prior period errors retrospectively in the first financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the year/years prior to the one in which the error occurred [...]".
In substance, in Consob's opinion, the circumstances at the basis of some of the impairment losses recognised in the 2016 financial statements already existed, wholly or in part, when preparing 2015 financial statements. Indeed, Consob alleges that the Company approved 2016 consolidated and statutory financial statements without having corrected the "material errors" contained in the consolidated and statutory financial statements of the previous administrative period, in relation to the following items:
- "property, plant and equipment";
- "inventories";
- "tax assets".
With regard to point sub (b), Consob alleges that the Company, for the purposes of the impairment test: (i) used a single rate to discount business unit cash flows, characterised by a different risk profile; (ii) did not consider the country risk in relation to some assets operating in specific geographical areas over a long period of time; (iii) did not take into account the changes in the Company risk profile subsequent to the transaction that determined the deconsolidation of Saipem from the Eni Group.

B. The applicable accounting standards and the violations encountered in relation thereto.
Consob holds that the 2016 consolidated and statutory financial statements of Saipem at December 31, 2016, were not compliant with the following standards: IAS 1, IAS 8 and IAS 36.

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

- "property, plant and equipment";
- "inventories";
- "tax assets".

With reference to the item "Property, plant and equipment" at December 31, 2015, Consob alleges the incorrect application of IAS 16 "Property, plant and equipment" and of IAS 36.

Specifically, Consob alleges that some impairment losses carried out by the Company on "property, plant and equipment" in the 2016 consolidated financial statements should have been accounted for, at least in part, in the previous year.

In particular Consob alleges:

(i) the incorrect application of IAS 36 with reference to the impairment test of some assets recognised as "property, plant and equipment" of the Offshore Drilling business unit and with respect to the assets recognised in the Offshore and Onshore Engineering & Construction business units. Consob's remarks refer to the methods used to estimate the cash flows expected from the use of said assets for the purposes of the application of the impairment test with respect to 2015 and specifically to the incorrect application of IAS 36: (a) par. 33, lett. a), according to which "in measuring value in use an entity shall: (a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence"; (b) par. 34 in the part that requires that management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past cash flow projections and current cash flows. Management shall ensure that the assumptions on which its current cash flow projections are based are consistent with past actual outcomes, provided the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated make this appropriate; (c) par. 35 in the part that refers to the approach to be followed when using cash flow projections over a period longer than five years, highlighting that said approach is allowed "if [the entity] is confident that these projections are reliable and it can demonstrate its ability, based on past experience, to forecast cash flows accurately over a longer period";

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

As a consequence of the above mentioned remarks, Consob likewise does not agree with the recognition of the impairment losses included in the 2016 consolidated and statutory financial statements with reference to some inventories and to a deferred tax asset related to the items criticised by Consob for which the items of the impairment loss according to Consob should have been accounted for in 2015.

Consob notes in this regard:

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

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

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

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

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

C. Illustration, in appropriate pro-forma consolidated statement of financial position and income statement – supported by comparative data – of the effects that accounting in compliance with the regulations would have produced on the company's financial position and on equity at December 31, 2016 and the income statement for the year then ended, for which incorrect information was supplied.
   While not sharing the judgement of non-compliance of the 2016 consolidated and statutory financial statements put forward by Consob in its Resolution, Saipem points out that the 2016 consolidated and statutory financial statements of the Company were approved by the Board of Directors on March 16, 2017 and by the Shareholders' Meeting on April 28, 2017 and were subject to audit pursuant to Legislative Decree No. 39 of January 27, 2010, Articles 14 and 16, and the report was issued on April 3, 2017.
   In addition, with the press release of March 6, 2018, Saipem reported that "the Board of Directors of Saipem, in disagreement with the Resolution of Consob, resolved on March 5, 2018 to appeal the Resolution in the competent courts".
   In the press release dated March 21, 2018, Saipem reported that for the purposes of ensuring a correct interpretation, and in order to implement the findings of the Resolution, today the Company has filed a petition with Consob in order to obtain interpretative clarifications suitable for overcoming the technical and evaluation complexities related to the findings of the Authority and to be able, in this way, to inform the market correctly, reaffirming that it does not share – and has no intention of accepting – the judgement of non-compliance of the consolidated and statutory financial statements as at December 31, 2016.

On April 27, 2018, Saipem lodged an appeal with the Regional Administrative Court ("TAR") of Lazio requesting the annulment of the Resolution and of any other presumed or related act and/or provision.
On May 24, 2018, Saipem filed with the TAR-Lazio additional grounds for appeal against the aforementioned Resolution.
On June 15, 2021, a hearing was held before the TAR-Lazio to discuss Saipem's appeal against the Consob Resolution of March 2, 2018.
On July 6, 2021, the TAR-Lazio rejected the appeal filed by Saipem SpA on April 27, 2018.
On July 6, 2021, Saipem SpA issued the following press release:
"Saipem SpA informs that the Regional Administrative Court ("TAR") of Lazio, through the decision filed today, has rejected the appeal presented on April 27, 2018 by the Company against Consob Resolution No. 20324 dated March 2, 2018 (of which the markets were informed with the Press Release dated March 5, 2018, the "Resolution").
*With the Resolution (the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018" of the Annual Report December 31, 2020 of Saipem SpA) Consob has stated the non-compliance of Saipem's 2016 Annual Statutory and Consolidated Reports with the regulations which govern their preparation, concerns in particular: (i) the incorrect application of the accrual basis of accounting affirmed by IAS 1; (ii) the non-application of IAS 8 in relation to the correction of errors with reference to the financial statements of 2015; and (iii) the estimation process of the discount rate pursuant to IAS 36.*
*With the Resolution Consob has therefore asked the Company, pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998, to disclose the following elements of information to the markets: (A) the weaknesses and non-compliance identified by Consob in relation to the accounting correctness of the financial statements mentioned above; (B) the applicable international accounting standards and the violations detected in relation thereto; (C) the illustration, in an appropriate pro forma consolidated income statements and balance sheet – with comparative data – of the effects that accounting in compliance with the regulations would have produced on the 2016 balance sheet, income statement and shareholders' equity, for which incorrect information was supplied.*
Saipem SpA on April 16, 2018 issued a press release providing a pro forma consolidated income statements and balance sheet at December 31, 2016 with the only aim to comply with the Resolution.
The TAR of Lazio has rejected the appeal presented by Saipem SpA requesting the annulment of the Resolution.
Saipem reserves its right to appeal the decision of the TAR of Lazio before the Council of State".

On April 16, 2018, Saipem issued a press release regarding the pro-forma consolidated income statements and statement of financial position as at December 31, 2016 for the sole purpose of complying with the Resolution.

On April 6, 2018, after the closure of the market, the Offices of the Italian securities market regulator Consob (Divisione Informazione Emittenti - Issuer Information Division) announced with their communication No. 0100385/18 (the "Communication"), that they started an administrative sanctioning procedure, claiming some violations pursuant to Articles 191 and 195 of Italian Legislative Decree No. 58/1998 (the "Financial Law"), relating to the offer documentation (Prospectus and Supplement to the Prospectus) made available to the public by Saipem on the occasion of its capital increase operation, which took place in January and February 2016. The alleged violations were exclusively addressed to the members of the Board of Directors and the Chief Financial Officer/Officer responsible for financial reporting in office at that time.
The Offices of Consob, in communicating their allegations to the interested parties also pointed out that, if the alleged violations were ascertained by the Commission of Consob at the outcome of the procedure, said violations *"would be punishable by an administrative fine between €5,000 and €500,000"*.
Saipem received notice of the communication solely as guarantor ex lege for the payment *"of any economic fines that may eventually be charged to the company executives at the outcome of the administrative procedure"*.
The allegations follow Consob Resolution No. 20324 of March 2, 2018 (the "Resolution"), the content of which was communicated to the market by the Company with its press release of March 5, 2018. The Resolution – with which, as also communicated to the market, the Company disagreed and that it will appeal before the Regional Administrative Tribunal (TAR) of Lazio – alleged, among other things, *"the inconsistency of the assumptions and elements underlying the Strategic Plan for 2016-2019 with respect to the evidence at the disposal of the administrative bodies"*, as the indicators of possible impairment of value of the assets, later

impaired by Saipem in its nine-month interim report as of September 30, 2016 would already have existed, in the opinion of Consob, at the time of approval of the consolidated financial statements of 2015.
With its Communication, the Offices of Consob have charged the company executives who, at the time of the capital increase, performed management functions, with the violations that are the subject of the Resolution and have already been communicated to the market, as stated above. The Offices of Consob further claim certain *"elements relative to the incorrect drafting of the declaration on the net working capita*l" required by the standards in force applicable to the prospectus.
The foregoing would imply, according to the Offices of Consob, *"the inability of the offer documentation to ensure that the investors would be able to formulate a well-grounded opinion about the equity and financial position of the issuer, its economic results and prospects, pursuant to Article 94, sections 2 and 7, of the Financial Law, with regard to the information concerning: a) estimates of the Group's results for 2015 (Guidance 2015 and underlying assumptions)"; "b) forecast of the Group results drawn from the Strategic Plan for 2016-2019 and underlying assumptions"; "c) the declaration on the Net Working Capital"*.
Also according to the Offices of Consob, Saipem would have additionally omitted, in violation of Article 97, section 1 and Article 115, section 1, letter a), of the Financial Law, to report to Consob *"information pertaining to: (i) the assumptions underlying the declaration on its Net Working Capital; (ii) the availability of an updated "Eni Scenario" on the price of oil; and (iii) the existence of significant amendments to the assumptions underlying the Strategic Plan for 2016-2019"*.
On July 4, 2018, Saipem, as guarantor ex lege for the payment *"of any fines that may eventually be charged to the company executives at the outcome of the administrative procedure"*, submitted its defence to Consob.
Saipem and all the company executives who have received the Communication have proceeded to file their defences with the Consob Offices.
Consob, with its Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 and adopted at the outcome of the procedure for application of a fine initiated on April 6, 2018, applied the following fines: a) €200,000 on the company CEO; b) €150,000 on the Officer responsible for financial reporting in office at the time of the capital increase in 2016.
Consob also sentenced Saipem SpA to a payment of €350,000, as the party jointly liable for payment of the aforementioned administrative fines with the two persons fined pursuant to Article 195, section 9, of the Finance Law (in force at the time of the alleged violations), with obligation to recourse against the authors of the alleged breaches.
Consob ordered the filing of the procedure launched on April 6, 2018, against the non-executive Directors in office at the time of the facts alleged.
The Board of Directors of Saipem resolved on April 2, 2019 to appeal the Resolution No. 20828 before the Court of Appeal.
A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Officer responsible for financial reporting in office at the time of the events. The first hearing before the Milan Court of Appeal was held on November 13, 2019.
On that day, the Milan Court of Appeal postponed the discussion on November 4, 2020.
On October 23, 2020, Saipem SpA and the two individuals sanctioned submitted an application to the Court of Appeal, to be allowed to file documents required to debate the appeal by November 4, 2020.
On November 2, 2020, the Court of Appeal authorised the filing of the documents requested on October 23, 2020 by the parties, also granting Consob a deadline to submit any counter-arguments on those documents by December 15, 2020 and postponed the hearing to discuss the appeal to January 27, 2021.
On January 20, 2021, Saipem SpA and the two individuals sanctioned presented a new application to the Court of Appeal, to be allowed to file additional documents required to debate the appeal by January 27, 2021 and to be authorised to propose new grounds for the appeal. which came to light when new documents were found.
On January 21, 2021, the Court of Appeal accepted the applications by Saipem and the individuals and authorised the filing of the documents requested on January 20, 2021. The Court also upheld the proposal of additional grounds, to be submitted through written filings by February 26, 2021, and also granted Consob the right to submit its counter filings by March 25, 2021. The hearing for the discussion will be held on April 21, 2021.
At the hearing of April 21, 2021, the appeals were discussed.
The Milan Court of Appeal has partially upheld the appeals, whilst it rejected the remaining:
- reducing from €200,000 to €150,000 the administrative financial fine imposed by Consob in 2019 against the former Chief Executive Officer of the Company in office from April 30, 2015 until April 30, 2021;
- reducing from €150,000 to €115,000 the administrative financial fine imposed by Consob in 2019 against the former CFO and Officer responsible for the Company's financial reporting in office at the time of the 2016 capital increase until June 7, 2016; and
- consequentially reducing from €350,000 to €265,000 the condemnation of Saipem SpA to the payment of the afore mentioned administrative financial fines, as the party jointly and severally liable pursuant to Article 195, paragraph 9, of the Italian Consolidated Law on Finance (Legislative Decree No. 58/1998).

Saipem reserves its right to review the reasons underpinning the ruling of the Milan Court of Appeal and to appeal against it before the Italian Supreme Court (Corte di Cassazione).

Ongoing investigations. Public Prosecutor's Office of Milan - 2015 and 2016 Financial Statements. Prospectus of the January 2016 capital increase

On January 22, 2019, the Public Prosecutor's office of Milan notified Saipem SpA of a *"local search warrant and seize notice of investigation"*, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's office of Milan had notified the following individuals that they were under investigation: the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), as well

as, for various reasons, one manager and two former managers (the former Officer responsible for financial reporting in office until June 7, 2016 and the former Officer responsible for financial reporting in office until May 16, 2019). The investigation concerns the following offences: (i) false accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.

On December 18, 2020, the Milan Public Prosecutor's office served the notice of conclusion of the preliminary investigations to the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), to a former executive (the Officer responsible for financial reporting in office until June 7, 2016) and to Saipem SpA.

Saipem SpA is charged with reference to the hypothesis of an administrative offence referred to in Articles 5, 6, 7, 8 and 25-*ter* of Legislative Decree No. 231/2001 *"for having failed to prepare an organisational model suitable to prevent the crimes of false accounting"*, pursuant to Article 2622 of the Italian Civil Code, allegedly committed from March 16, 2016 until July 27, 2016 with reference to the Financial Statements at December 31, 2015 and the Half-Year Report at June 30, 2016 and the administrative offence referred to in Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001 *"for having failed to prepare an organisational model suitable to prevent the crimes of false statements in the prospectus"*, pursuant to Article 173-*bis* of Legislative Decree No. 58/1998, and "market manipulation", pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from October 27, 2015 until July 27, 2016.

From the notice of conclusion of the preliminary investigations, the following offences are waged against the two individuals still under investigation (the Chief Executive Officer of the Company appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018 and a former Executive who held the role of Executive Officer responsible for financial reporting in office until June 7, 2016): (i) false accounting pursuant to Article 2622 of the Italian Civil Code in relation to the Financial Statements at December 31, 2015 (with reference to both suspects) and the First Half Report at June 30, 2016 with reference only to the Chief Executive Officer of the Company appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018); (ii) false statements in the Prospectus pursuant to Article 173-*bis* of Legislative Decree No. 58/1998 with reference to both suspects, issued with reference to the documentation for the offer of the capital increase in January 2016, from January 22, 2016 to February 5, 2016; (iii) market manipulation pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for financial reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016.

On March 29, 2021, the Judge for the Preliminary Hearing of the Tribunal of Milan has notified to Saipem SpA that the preliminary hearing is scheduled for May 10, 2021, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter*, letter B) of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the offence of false accounting, allegedly committed from March 16, 2016 to July 27, 2016, as well as in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the crimes of false statement in the prospectus and manipulation of the market, allegedly committed from October 27, 2015 to July 27, 2016.

This notification follows the issue of the notice of completion of the preliminary investigations and the subsequent request for indictment by the Public Prosecutor of Milan, notified together with the decree scheduling the preliminary hearing, against Saipem SpA, the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) and a former executive of the Company (the CFO and Officer responsible for the Company's Financial Reporting in office until June 7, 2016).

The Public Prosecutor of Milan in the request for indictment alleges the following offences: (i) false accounting pursuant to Article 2622 of the Italian Civil Code relating to the financial statements at December 31, 2015, allegedly committed by both individuals, and the First Half Report at June 30, 2016 allegedly committed only by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018); (ii) manipulation of the market pursuant to Article 185 of Legislative Decree No. 58/1998 allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for financial reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016; and (iii) false statement in the prospectus pursuant to Article 173-*bis* of Legislative Decree No. 58/1998 allegedly committed from January 22, 2016 until February 5, 2016 by both individuals with reference to the documentation for the offer of a capital increase in January 2016.

At the May 10, 2021, hearing before the Milan Judge of the Preliminary Hearing, more than 500 plaintiff applications ("richieste di costituzione di parte civile") were filed, both in the name and on behalf of Saipem SpA shareholders, and on behalf of associations representing diffuse interests. The Judge of the Preliminary Hearing adjourned the next hearings to September 21, 2021, in order to allow the parties lawyers to review the plaintiff applications filed and to formulate their remarks, and consequentially to decide on their admissibility. The Judge of the Preliminary Hearing also scheduled the hearing for October 19, 2021.

CERTIFICATION PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5 OF THE LEGISLATIVE DECREE NO. 58/1998 (TESTO UNICO DELLA FINANZA)

1. The undersigned Francesco Caio and Antonio Paccioretti in their quality as Chief Executive Officer (CEO) and Manager responsible for the preparation of financial reports of Saipem SpA, also pursuant to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998, certify that internal controls over financial reporting in place for the preparation of the condensed interim consolidated financial statements as of June 30, 2021 and during the period covered by the report, were:

- adequate to the Company structure, and
- effectively applied during the process of preparation of the report.

2. Internal controls over financial reporting in place for the preparation of the 2021 condensed interim consolidated financial statements 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 Condensed interim consolidated financial statements as of June 30, 2021:

a) have been prepared in accordance with applicable international accounting standards adopted by the European Commission pursuant to Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002;

b) correspond to the accounting books and entries;

c) fairly and truly represent the financial position, the performance and the cash flows of the issuer and the companies included in the consolidation as of, and for, the period presented in this report.

3.2 The interim operating and financial review includes a reliable analysis of the material events occurred during the first half of 2021 and their impact on condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the second half of the year. The interim operating and financial review contains a reliable analysis of the disclosure on significant related-party transactions.

July 29, 2021

/signed/ Francesco Caio
Francesco Caio
CEO

/signed/ Antonio Paccioretti
Antonio Paccioretti
Manager responsible for the preparation of the financial reports of Saipem SpA

INDEPENDENT AUDITORS' REPORT

KPMG

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the Shareholders of
Saipem S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Saipem Group comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2021. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

KPMG

Saipem Group
Report on review of condensed interim consolidated financial statements
30 June 2021

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Saipem Group as at and for the six months ended 30 June 2021 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 6 August 2021

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit

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Publications
Relazione finanziaria annuale (in Italian)
Annual Report (in English)

Interim Financial Report as of June 30
(in Italian and English)

Ready for the transition - Enabling a green future
- Sustainability Report 2020 (in English)

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