saipem

Annual Report 2014

Mission

Pursuing the satisfaction of our clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.
We entrust our competent and multi-local teams to provide sustainable development for our Company and for the communities where we operate.

Our core values

Commitment to health and safety, openness, flexibility, integration, innovation, quality, competitiveness, teamwork, humility, internationalisation, responsibility and integrity.

Countries in which Saipem operates

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

AMERICAS
Bolivia, Brazil, Canada, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Peru, Suriname, Trinidad and Tobago, United States, Venezuela

CIS
Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

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

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

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

Annual Report 2014

Disclaimer

Shareholders' Meeting of April 30, 2015
Notice of the Shareholders' Meeting was published in the daily newspaper Il Sole 24 Ore on March 20, 2015

Letter to the Shareholders

Dear Shareholders,

2014 saw an improvement in the world economy. However, with the lingering global oil supply glut causing a significant decline in oil prices during the second half of the year, Oil Companies began to review their investments, cancelling activities and postponing new project awards. On the whole though, spending on new initiatives by Oil Companies remained healthy in 2014, particularly in West Africa and the Middle East.

For Saipem, 2014 was a year of transition, during which the Company focused on the execution of legacy contracts and on rebuilding the profitability of the business by improving its management and execution of major projects and by acquiring new contracts in line with the strict commercial strategy adopted in 2013.
The key Company results for 2014 were: adjusted EBIT back to profit at €465 million, which included a reduction of €130 million due to a write-down of pending revenues relating to old contracts; a reduction in net debt for the first time since 2011 to €4,424 million; and, finally, an excellent order intake, with new contracts acquired worth €17,971 million, which represents an all-time high for Saipem.

These results will help Saipem continue in the transitional process it is engaged in towards the recovery of full stability and profitability.

In the light of the deterioration in the market scenario and the drop in market capitalisation of Saipem and its main competitors, impairment testing was performed on all of the Group's cash generating units, which also took into consideration impairment indicators on other individual corporate assets. The test resulted in a reduction of net invested capital of €410 million, while goodwill was not considered impaired.

The year saw good progress made in mitigating risks arising from the ongoing execution of the low-margin legacy contracts cited in previous profit warnings. The fourth quarter of 2014 brought the positive outcome of a number of negotiations with clients regarding pending revenues of approximately €200 million, although in other cases, the changed market environment caused an increased rigidity in client attitudes, resulting in a revision of our estimates and to a write-down of €130 million of expected revenues on these contracts. By the end of the year, pending revenues on low-margin legacy contracts had fallen to €1.1 billion.

In the Offshore Engineering & Construction sector, revenues rose by 40%, with the highest volumes of activity recorded in Central and South America, Australia and West Africa. The adjusted EBIT contribution was €435 million, showing a significant improvement from the €91 million registered in 2013.

The operating result (EBIT) for 2014 amounted to €275 million, on account of a devaluation of offshore fleet assets amounting to €160 million.

The Onshore Engineering & Construction sector reported revenues of €3,765 million. Adjusted EBIT was -€281 million (against -€404 million in 2013), due to the anticipated slower recovery in profit margins compared with the Offshore sector and especially to the further deterioration of a number of low-margin legacy contracts in the fourth quarter of 2014 caused mainly by unexpected extra costs incurred during the final commissioning and testing phases of a number of projects under completion. Additionally, the still limited positive contribution from new projects in their initial phase was unable to offset structural costs. 2014 EBIT amounted to -€411 million, which included a write-down of €130 million in pending revenues relating to onshore projects.

The Drilling sector posted a positive performance, with adjusted EBIT totalling €441 million, a slight decrease compared to 2013, while EBIT amounted to €161 million, including impairment losses recorded in relation to a number of offshore drilling assets.

In terms of health and safety, the Company's LTIFR (Lost Time Injury Frequency Rate) increased slightly from the previous year's 0.26 to 0.28, although the longer term performance trend remained excellent. Unfortunately, one fatality was recorded during the year. While it is true that the comparative figure for 2013 was six fatalities, this is not a result we can in any way be satisfied with and, accordingly, attention to safety and new awareness and training programmes remains high at all of the main sites and yards at which Saipem operates.

Capital expenditure in 2014 amounted to €694 million.
This mainly related to the final phases of development of the new logistics base in Brazil, the purchase of equipment and the maintenance of existing naval assets in the Engineering & Construction sector, class reinstatement works for the drilling vessels jack-up Perro Negro 7 and the semi-submersible rig Scarabeo 7, the purchase of two new onshore drilling rigs due to operate in Saudi Arabia and, finally, upgrades and modifications on other drilling rigs due to work in Saudi Arabia and South America.

The significant cost cuts announced by oil companies may have an impact on negotiations for new contract acquisitions, both in terms of timing of awards and reductions in work scope, as well as – in the drilling sector – reductions in charter rates. In addition, the changed market scenario will inevitably affect the attitude of Saipem's clients towards negotiating commercial and economic issues related to ongoing projects. In particular, in 2015 Saipem will still have to execute €1.8 billion of legacy contracts acquired

prior to 2012 which are more exposed to this type of risk. In addition, a significant part of Saipem's revenues and margins will depend on the outcome of the South Stream project, which is currently suspended.
The above factors and uncertainties are reflected in the range estimates of the 2015 guidance.

Saipem expects revenues of between €12 and €13 billion. This range mainly reflects the uncertainties connected to the South Stream contract while we wait for clear indications from the client on the future of the project.

EBIT is expected to be in a range between €500 and €700 million, while net profit is expected to come in at between €200 and €300 million.

Capital expenditure is expected at around €650 million. This is slightly below the previous long-term guidance due to the adoption of measures to improve efficiency and contribute to net debt reduction.

Finally, Saipem is targeting net debt below €4 billion, excluding the potential impact of currency fluctuations.

March 10, 2015

On behalf of the Board of Directors

The Chairman
Francesco Carbonetti

The Chief Executive Officer (CEO)
Umberto Vergine

BOARD OF DIRECTORS[1]

Chairman
Francesco Carbonetti

Chief Executive Officer (CEO)[3]
Umberto Vergine

Directors
Fabrizio Barbieri[4]
Rosario Bifulco
Nella Ciuccarelli
Francesco Gattei[6]
Guido Guzzetti
Federico Ferro-Luzzi
Enrico Laghi
Nicla Picchi

BOARD OF STATUTORY AUDITORS[2]

Chairman
Mario Busso

Statutory Auditors
Anna Gervasoni
Massimo Invernizzi

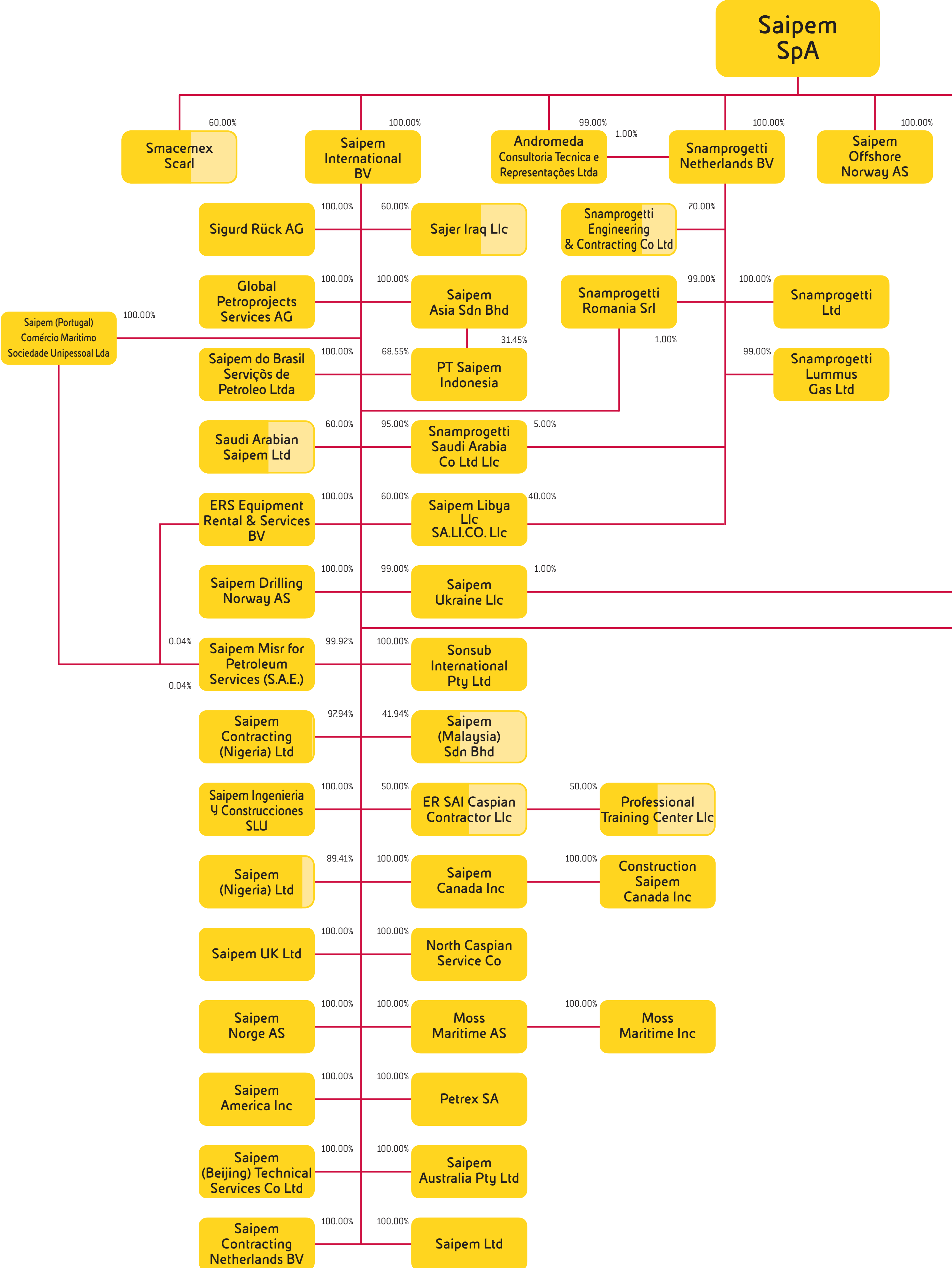
Alternate Auditors
Elisabetta Maria Corvi[5]
Paolo Sfameni

Independent Auditors
Reconta Ernst & Young SpA

(1) Appointed by the Shareholders' Meeting on May 6, 2014 for 2014 and up until the approval of the financial statements as at December 31, 2014.
(2) Appointed by the Shareholders' Meeting on May 6, 2014 up until the approval of the financial statements as at December 31, 2016.
(3) Appointed as Chief Executive Officer by the Board of Directors on May 9, 2014.
(4) Resigned post on August 6, 2014.
(5) Resigned post on January 14, 2015.
(6) Appointed as Director by the Board of Directors on September 23, 2014.

Saipem is a subsidiary of Eni SpA

Saipem Group structure
(subsidiaries)


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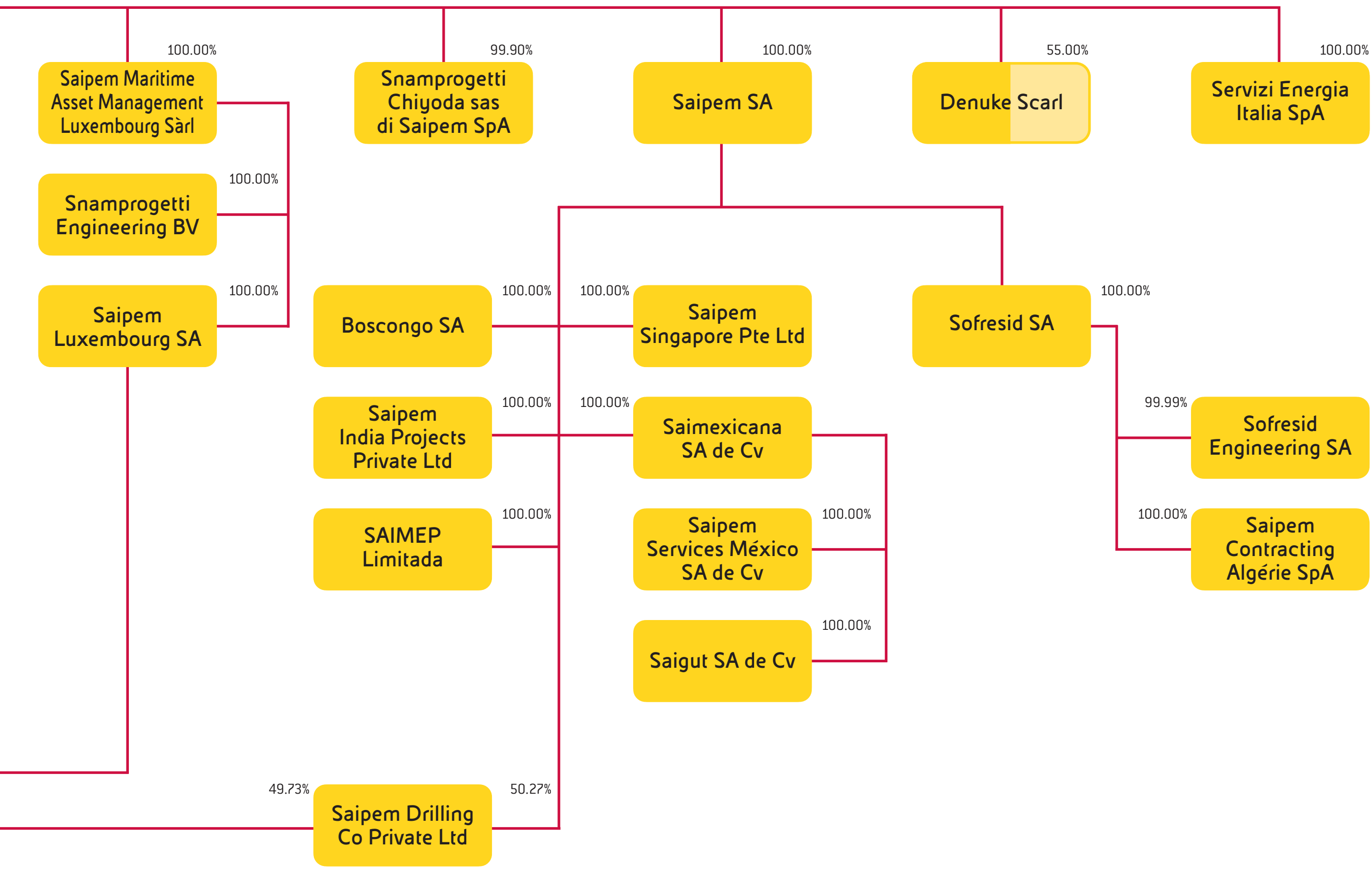
Saipem Ltd



The chart only shows subsidiaries

Directors' Report

Saipem SpA share performance

During the course of 2014, the price of Saipem ordinary shares on the Italian Stock Exchange fell 43%, from €15.50 on January 2, to €8.77 on December 30. In the same period, the FTSE MIB index, which records the performance of the 40 most liquid and capitalised Italian stocks, reported a gain of 0.4%.
On May 6, the Saipem Board of Directors approved the payment of a preferential dividend of €0.05 per share on savings shares only, in accordance with the limit of 5% of the nominal value of the share, pursuant to Article 6 of the Articles of Association.
During the first month of the year, the share reversed the downward trend seen in the final part of 2013, registering growth during the whole of the first half of 2014. This was driven above all by the excellent level of new contract awards in the first and second quarters, amounting to over €12 billion, which not only helped restore investors' confidence in Saipem's ability to attract new business but also raised visibility of future prospects, following the difficulties encountered in 2013. In early June, the share price rose back above the €20 mark after a year, hitting the 2014 year high of €20.89 on June 20.
The second half of the year was impacted by a series of factors that led to increased share volatility and drove down the share price. These included international political tensions in the wake of the sanctions imposed on Russia, which heightened the fears of the financial community with regard to the likelihood of the South Stream project going ahead and its sustainability. The share performance was also affected by uncertainties surrounding the timing and the form of the deconsolidation of Saipem, which Eni confirmed at the end of July.
The second half of 2014 also saw oil prices begin a downward trajectory, with Brent crude losing almost 50% of its value by year-end 2014. This had a knock-on effect, dragging down share prices across the whole of the energy sector. As a consequence, market prospects for oil service companies and their stock market performance worsened, as oil companies looked to rein in their spending, bringing the prospect of a potential fall in investment in exploration and development.
The Saipem share fell from approximately €19 at the start of July to around €16 at the start of October. It then registered a further drop down to under €13 with the announcement of the third quarter results, which saw the Company adjust its 2014 EBIT and revenue guidance towards the lower end of the range announced at the start of 2014 and at the same time revise its net debt guidance upwards.
Between the end of November and early December, the decision by OPEC not to cut back oil production to prop up falling prices and the announcement that offshore operations on the South Stream project were being suspended by the client led to another sharp fall in the share price to below €10. The Saipem

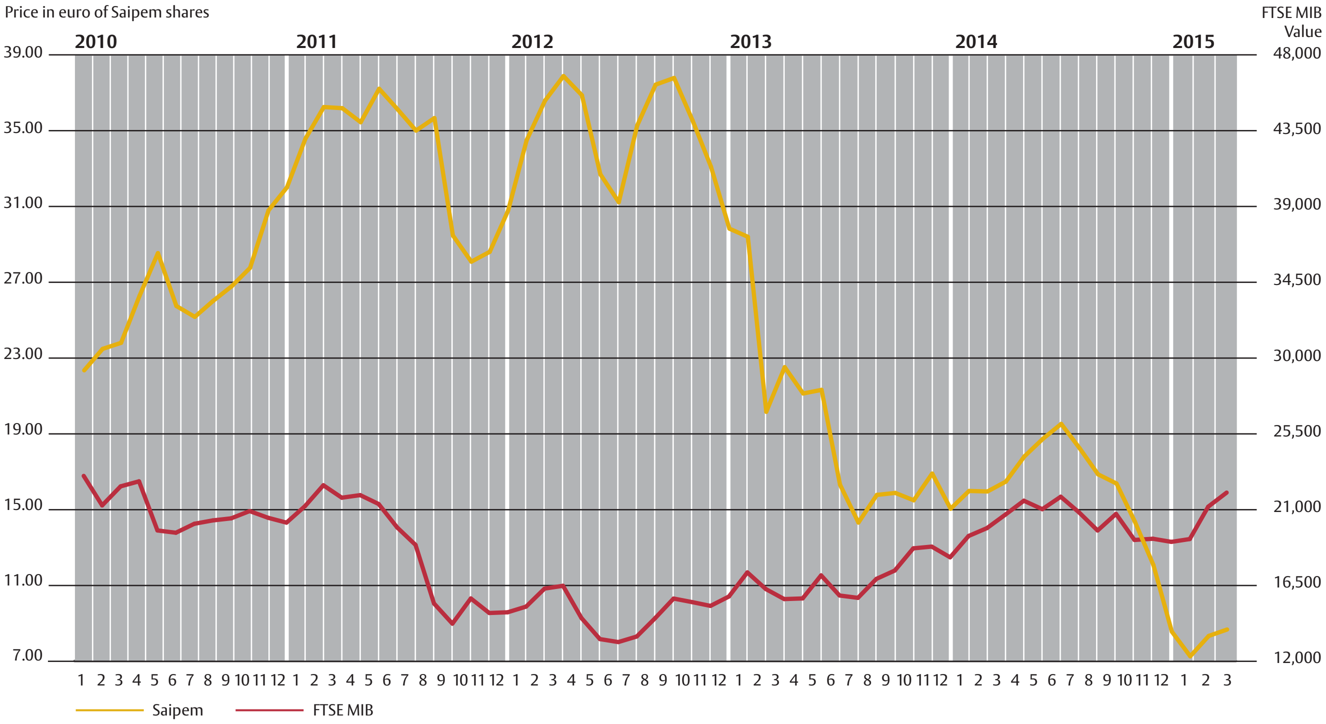
Stock exchange data and indices		Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014
Share capital	(€)	441,410,900	441,410,900	441,410,900	441,410,900	441,410,900
Ordinary shares	(No.)	441,270,452	441,275,452	441,297,465	441,297,615	441,301,574
Savings shares	(No.)	140,448	135,448	113,435	113,285	109,326
Market capitalisation	(€ million)	16,288	14,447	12,983	6,860	3,873
Gross dividend per share:						
- ordinary shares	(€)	0.63	0.70	0.68	-	-
- savings shares	(€)	0.66	0.73	0.71	0.05	0.05
Price/earnings ratio per share: (1)						
- ordinary shares	(€)	19.30	15.69	14.39	..	..
- savings shares	(€)	19.09	14.38	17.13	..	..
Price/cash flow ratio per share: (1)						
- ordinary shares	(€)	11.97	9.24	7.97	12.45	4.18
- savings shares	(€)	11.84	8.47	9.49	13.70	8.59
Price/adjusted earnings ratio per share:						
- ordinary shares	(€)	19.67	15.69	14.39	..	21.51
- savings shares	(€)	19.46	14.38	17.13	..	44.26
Price/adjusted cash flow ratio per share:						
- ordinary shares	(€)	12.11	9.24	7.97	12.45	4.18
- savings shares	(€)	11.98	8.47	9.49	13.70	8.59

(1) Figures pertain to the consolidated financial statements.

share hit its 2014 year low of €8.31 on December 13. It then levelled off at slightly above this figure and finally closed the year at €8.77.
Saipem's market capitalisation at the end of the year was approximately €3.9 billion. In terms of share liquidity, shares traded during the year totalled approximately 951 million, versus the 847 million registered in 2013. The average number of shares traded daily for the year totalled approximately 3.8 million (3.4 million in 2013). The value of shares traded amounted to just above €14 billion, compared with €16 billion in 2013.
The price of savings shares, which are convertible at par with ordinary shares, and are of limited number (109,326 at December 31, 2014), increased by 6% over the year, closing at €18.05 at December 31, 2014. The dividend distributed on savings shares was €0.05, amounting to 5% of the nominal value, pursuant to Article 6 of the Articles of Association.

Share prices on the Milan Stock Exchange	(€)	2010	2011	2012	2013	2014
Ordinary shares:						
- maximum		37.27	38.60	39.78	32.18	20.89
- minimum		23.08	23.77	29.07	12.60	8.31
- average		28.16	33.89	35.52	19.31	16.59
- year end		36.90	32.73	29.41	15.54	8.77
Savings shares:						
- maximum		37.00	39.25	39.40	35.00	20.99
- minimum		23.00	30.00	30.00	16.00	16.22
- average		29.80	34.89	34.72	24.50	18.58
- year end		36.50	30.00	35.00	17.10	18.05

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



Glossary

Financial terms

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

Operational terms

- **Buckle detection** system that utilises electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.
- **Carbon Capture and Storage** technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating carbon dioxide emissions into the atmosphere.
- **Central Processing Facility** production unit performing the first transformation of crude oil or natural gas.
- **Commissioning** series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants or equipment.
- **Concrete coating** reinforced concrete coating for subsea pipelines in order to ballast and protect them from damage and corrosion.
- **Conventional waters** water depths of up to 500 metres.
- **Cracking** chemical-physical process, typically employed in dedicated refinery plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
- **Deck** area of a vessel or platform where process plants, equipment, accommodation modules and drilling units are located.
- **Decommissioning** process undertaken in order to end operations of a gas pipeline, associated plant or equipment. Decommissioning may occur at the end of the life of the plant, following an accident, for technical or financial reasons, and/or on environmental or safety grounds.
- **Deep waters** water depths of over 500 metres.
- **Downstream** all operations that follow exploration and production operations in the oil sector.
- **Drillship** vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
- **Dry-tree** wellhead located above the water on a floating production platform.
- **Dynamically Positioned Heavy Lifting Vessel** vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, current, etc.
- **EPC** (Engineering, Procurement, Construction) type of contract typical of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' is used to indicate that the system is delivered to the client ready for operations, i.e. already commissioned.
- **EPCI** (Engineering, Procurement, Construction, Installation) type of contract typical of the Offshore construction sector, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities for the start-up of operations.
- **Fabrication yard** yard at which offshore structures are fabricated.
- **Facilities** auxiliary services, structures and installations required to support the main systems.
- **FDS** (Field Development Ship) dynamically-positioned multi-purpose crane and pipelay vessel.
- **FEED** (Front-End Engineering and Design) basic engineering and preliminary activities carried out before beginning a complex project to evaluate its technical aspects and enable an initial estimate of the investment required.
- **Flare** tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilise it on site or ship it elsewhere.

- **FLNG** Floating Liquefied Natural Gas unit used for the treatment, liquefaction and storage of gas which is subsequently transferred onto vessels for transportation to end-use markets.
- **Floatover** type of module installation on offshore platforms that does not require lifting operations. A specialised vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed. Once this has been completed, the vessel backs off and the module is secured to the support structure.
- **Flowline** pipeline used to connect individual wells to a manifold or to gathering and processing facilities.
- **FPSO vessel** Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the subsea wellheads to the on-board processing, storage and offloading systems.
- **FSRU** (Floating Storage Regasification Unit) a floating terminal in which liquefied natural gas is stored and then regasified before being transported by pipeline.
- **Gas export line** pipeline for carrying gas from the subsea reservoirs to the mainland.
- **LNG** Liquefied Natural Gas, obtained by cooling natural gas to minus 160° C. at normal pressure. The gas is liquefied to facilitate its transportation from the place of extraction to that of processing and/or utilisation. A tonne of LNG is equivalent to 1,500 cubic metres of gas.
- **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.
- **Hydrocracker** installation in which large hydrocarbon molecules are broken down into smaller ones.
- **Hydrotesting** operation involving high pressure water being pumped into a pipeline to ensure that it is devoid of defects.
- **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
- **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
- **Jacket** platform underside structure fixed to the seabed using piles.
- **Jack-up** mobile self-lifting unit comprising a hull and retractable legs used for offshore drilling operations.
- **J-laying** method of pipelaying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter 'J'. This configuration is suited to deep water pipe laying.
- **Leased FPSO** FPSO vessel for which a lease contract is in place between a client/lessee (i.e. an oil company) and a contractor/lessor, whereby the lessee makes lease payments to the lessor for use of the vessel for a specific period of time. At the end of the lease term, the lessee has the option to purchase the FPSO.
- **Local Content** policy whereby a company develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.
- **LTI** (Lost Time Injury) any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
- **Midstream** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
- **Moon pool** opening in the hull of a drillship to allow for the passage of operational equipment.
- **Mooring buoy** offshore mooring system.
- **Multipipe system** subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deep water application).
- **National Oil Companies** State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.
- **NDT** (Non Destructive Testing) series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** companies that provide services to the oil exploration and production sector but which are not directly engaged themselves in oil production.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy backed pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long, heavy steel pylon driven into the seabed. A system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- **Pipe-in-pipe** subsea pipeline system comprising 2 coaxial pipes, used to transport hot fluids (oil and gas). The inner pipe transports the fluid, whereas the outer pipe carries the insulating material necessary to reduce heat loss to the sea. The outer pipe also protects the pipeline from water pressure.
- **Pipe-in-pipe forged end** forged end of a coaxial double pipe.
- **Pipelayer** vessel used for subsea pipelaying.
- **Pipeline** pipes and auxiliary equipment used principally for transporting crude oil, oil products and natural gas to the point of delivery.
- **Pipe Tracking System** (PTS) an electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Piping and Instrumentation Diagram** (P&ID) diagram showing all plant equipment, piping and instrumentation with associated shutdown and safety valves.
- **Pre-commissioning** phase comprising pipeline cleaning out and drying.

- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** geological formation present on the continental shelves offshore Brazil and Africa.
- **Pre-Travel Counselling** health and medical advice designed to take into account the health of the individual worker and ensure that he/she is furnished with adequate information on the specific risks present in his/her country of destination and the preventive measures that should be adopted.
- **Pulling** minor operations on oil wells for maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit, as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.
- **ROV** (Remotely Operated Vehicle) unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- **Shale gas** unconventional gas extracted from shale deposits.
- **Shallow waters** see Conventional waters.
- **Sick Building Syndrome** a combination of ailments associated with a person's place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites may be contributing factors.
- **S-laying** method of pipelaying that utilises the elastic properties of steel, making the pipe configuration resemble the letter 'S', with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipelaying.
- **Slug catcher** equipment for the purification of gas.
- **Sour water** water containing dissolved pollutants.
- **Spar** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
- **Spare capacity** relationship between crude oil production and production capacity, i.e. quantity of oil that is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of two pipelines.
- **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
- **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
- **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
- **Subsea treatment** new process for the development of marginal fields. The system involves the injection and treatment of sea-water directly on the seabed.
- **SURF** (Subsea, Umbilicals, Risers, Flowlines) facilities, pipelines and equipment connecting the well or subsea system to a floating unit.
- **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).
- **Tar sands** mixture of clay, sand, mud, water and bitumen. The bitumen in tar sands is composed principally of high molecular weight hydrocarbons and can be converted into a variety of oil products.
- **Template** rigid modular subsea structure where the oilfield well-heads are located.
- **Tender Assisted Drilling unit** (TAD) offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tendon** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **Tension Leg Platform** (TLP) fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
- **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
- **Tight oil** oil 'trapped' in liquid form deep below the earth's surface in low permeability rock formations, which it is difficult to extract using conventional methods.
- **Topside** portion of a platform above the jacket.
- **Trenching** burying of offshore or onshore pipelines.
- **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.
- **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
- **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
- **Upstream** relating to exploration and production operations.
- **Vacuum** second stage of oil distillation.
- **Wellhead** fixed structure separating the well from the outside environment.
- **Wellhead Barge** (WHB) vessel equipped for drilling, workover and production (partial or total) operations, connected to process and/or storage plants.
- **Workover** major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

Operating review

As a result of the introduction of the accounting standards IFRS 10 and IFRS 11, the rules for consolidating Saipem Group investments have been redefined. IFRS 11 requires investments in joint ventures to be accounted for using the equity method, from January 1, 2014. Previously, these shareholdings were consolidated using the proportional method. Operating data for the Group is presented here using the new consolidation rules. Prior period data has been adjusted for comparative purposes.

Market conditions

The Saipem Group's core markets were buoyed in 2014 by rising energy demand, which ensured robust levels of new contract awards, and levels of investment better than those registered in 2013. This result was achieved despite market conditions characterised by numerous difficulties, including international political tensions, and unrest in a number of countries in the Middle East and North Africa, the conflict in Ukraine and the sanctions imposed by the EU on Russia, rising costs that forced a number of clients to review their budgets and postpone project start dates, and finally, oil prices that collapsed from over 100 US dollars a barrel in the first eight months of the year to below 50 US dollars a barrel, due to supply outstripping demand. The current supply glut is the combined result of various factors, including an increase in oil production levels from non-conventional sources in the USA, growth in demand that was below expectations, principally in Asia, and the refusal by OPEC countries to control oil prices by curbing their production, so as not to risk losing market share.

A number of industry operators reviewed the most significant investments in their portfolios, particularly during the second half of the year, leading to numerous project award postponements. In a sign of growing caution on the part of industry operators with regard to new investments, the year also saw a slowdown in the number of FEED projects awarded. A climate of uncertainty continues therefore to prevail about future market conditions in the coming years in terms of investments by oil companies, particularly with regard to the upstream sector.

Worldwide oil company spending focused on mainly in Africa and the Middle East, while Saipem won its highest volumes of new contract awards in Saudi Arabia, Angola, Russia, Azerbaijan and Brazil.

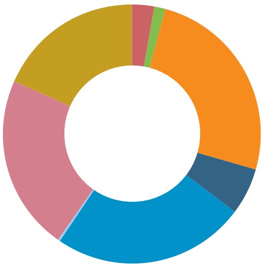
New contracts and backlog

Saipem Group - New contracts awarded during the year ended December 31	2013		2013 restated		2014	
(€ million)	Amount	%	Amount	%	Amount	%
Saipem SpA	1,590	15	1,626	16	5,729	32
Group companies	9,063	85	8,436	84	12,242	68
Total	**10,653**	**100**	**10,062**	**100**	**17,971**	**100**
Offshore Engineering & Construction	5,777	54	5,581	55	10,043	56
Onshore Engineering & Construction	2,566	24	2,193	22	6,354	36
Offshore Drilling	1,401	13	1,401	14	722	4
Onshore Drilling	909	9	887	9	852	4
Total	**10,653**	**100**	**10,062**	**100**	**17,971**	**100**
Italy	591	6	547	5	529	3
Onshore	10,062	94	9,515	95	17,442	97
Total	**10,653**	**100**	**10,062**	**100**	**17,971**	**100**
Eni Group	1,514	14	1,514	15	1,434	8
Third parties	9,139	86	8,548	85	16,537	92
Total	**10,653**	**100**	**10,062**	**100**	**17,971**	**100**

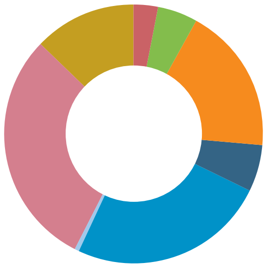
New contracts awarded to the Saipem Group in 2014 amounted to €17,971 million (€10,062 million in 2013).
56% of all contracts awarded were in the Offshore Engineering & Construction sector, 36% in the Onshore Engineering & Construction sector, 4% in the Offshore Drilling sector and 4% in the Onshore Drilling sector.

New contracts to be carried out abroad made up 97% and contracts awarded by Eni Group companies 8% of the overall figure. Orders awarded to the parent company Saipem SpA amounted to 32% of the overall total.
The backlog of the Saipem Group as at December 31, 2014 stood at €22,147 million.

New contracts by geographical area
(€17,971 million)



Backlog by geographical area
(€22,147 million)



The breakdown of the backlog by sector was as follows: 50% in the Offshore Engineering & Construction sector, 30% in the Onshore Engineering & Construction sector, 14% in Offshore Drilling and 6% in Onshore Drilling.

97% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 11% of the overall backlog. The parent company Saipem SpA accounted for 32% of the total order backlog.

Saipem Group - Backlog as at December 31	2013		2013 restated		2014	
(€ million)	Amount	%	Amount	%	Amount	%
Saipem SpA	5,189	30	5,189	30	7,167	32
Group companies	12,325	70	11,876	70	14,980	68
Total	**17,514**	**100**	**17,065**	**100**	**22,147**	**100**
Offshore Engineering & Construction	8,447	48	8,320	49	11,161	51
Onshore Engineering & Construction	4,436	25	4,114	24	6,703	30
Offshore Drilling	3,390	20	3,390	20	2,920	13
Onshore Drilling	1,241	7	1,241	7	1,363	6
Total	**17,514**	**100**	**17,065**	**100**	**22,147**	**100**
Italy	784	4	784	5	689	3
Onshore	16,730	96	16,281	95	21,458	97
Total	**17,514**	**100**	**17,065**	**100**	**22,147**	**100**
Eni Group	2,261	13	2,261	13	2,458	11
Third parties	15,253	87	14,804	87	19,689	89
Total	**17,514**	**100**	**17,065**	**100**	**22,147**	**100**

Capital expenditure

Capital expenditure in 2014 amounted to €694 million (€902 million in 2013) and included:
- €260 million in the Offshore Engineering & Construction sector, relating mainly to the continuation of construction work on the new base in Brazil and the maintenance and upgrading of the existing asset base;
- €55 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and the maintenance of existing assets;
- €180 million in the Offshore Drilling sector, mainly relating to class reinstatement works for the jack-up Perro Negro 7 and the semi-submersible rig Scarabeo 7, in addition to the maintenance and upgrade of the existing asset base;
- €199 million in the Onshore Drilling sector mainly relating to the purchase of two new rigs due to operate in Saudi Arabia and South America, as well as the upgrading of the existing asset base.

The following table provides a breakdown of capital expenditure in 2014:

Capital expenditure	2013	2013 restated	2014
(€ million)			
Saipem SpA	157	157	117
Other Group companies	751	745	577
Total	**908**	**902**	**694**
Offshore Engineering & Construction	398	393	260
Onshore Engineering & Construction	125	124	55
Offshore Drilling	174	174	180
Onshore Drilling	211	211	199
Total	**908**	**902**	**694**

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

Offshore Engineering & Construction

General overview

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

The latest addition to the fleet is the Castorone – a 330-metre long, 39-metre wide mono-hull pipelay vessel equipped with a class 3 dynamic positioning (DP) system, an S-lay system and features allowing for the installation of a J-lay tower.
The Castorone has been designed for challenging large-diameter, deep-water pipelay projects, but it also possesses the flexibility and productivity necessary for effective deployment on less complex projects.
The vessel's distinctive features include a class 3 DP system, the capacity to fabricate and lay triple joint pipes of up to 48' in diameter (60' including coating) with a tensioning capacity of up to 750 tonnes (up to 1,500 tonnes in conditions of pipe flooding using a special patented clamp), a highly automated firing line made up of 7 workstations (3 welding and 4 completion/inspection stations), an articulated stinger for pipelaying in shallow and deep water with an advanced control system, and the capacity to operate in extreme environments (Ice Class A0).

Meanwhile, the current trend for deep-water field developments continues to drive the success of the FDS 2, which is a 183-metre long, 32-metre wide mono-hull equipped with a cutting-edge class 3 DP system and a pipeline fabrication system. The FDS 2 has a vertical J-lay tower with a holding capacity of 2,000 tonnes capable of laying quad joint sealines of up to 36' in diameter and also possesses the capability to lay pipes in S mode.
With its 1,000 tonne crane and two 750 and 500 tonne capstan winches (the latter featuring a heave compensation system), the FDS 2 is suited to even the most challenging of deep-water projects.
Saipem's fleet of technologically advanced vessels also includes the Saipem 7000, which is equipped with a dynamic positioning system, has a 14,000-tonne lifting capacity, is capable of laying subsea pipelines in ultra-deep waters using the J-lay system and can handle a suspended load of up to 1,450 tonnes during pipelay operations. The fleet further comprises the Castoro Sei, a semi-submersible pipelay vessel capable of laying large diameter subsea pipelines, the Field Development Ship (FDS), which is a special purpose vessel used in the development of deep-water fields, equipped with a dynamic positioning system, a 600-tonne lifting capacity crane and a vertical pipelaying system capable of operating in water depths of over 2,000 metres and the Saipem 3000, which is capable of laying flexible pipelines and installing umbilicals and mooring systems in deep waters and installing subsea structures of up to 2,200 tonnes.

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

During the year, work was completed in Brazil on the development of a fabrication yard for subsea and floating facilities, as well as a logistics base on a 35-hectare area purchased in October 2011 and located in the district of Guarujá.
The area is situated strategically at about 350 km from the Santos Basin, the offshore Brazilian region where Pre-Salt fields have been discovered in ultra-deep water, and at 650 km from the Campos Basin, the other of Brazil's most important offshore basins.
Saipem's work in the new yard is designed to complement the services offered by the highly specialised ultra-deep water fleet that the Company has developed over the last few years and to enable Saipem to meet the particularly stringent local content requirements imposed in Brazil in the hi-tech ultra-deep water development sector.

During the year, the Karimun fabrication yard in Indonesia continued construction work on various Group projects.
Saipem also enjoys a strong position in the subsea market, thanks to its use of highly sophisticated technologies, such as subsea ROVs and specially equipped robots capable of carrying out complex deep-water pipeline operations.
Finally, the Company is active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitoria, and the Gimboa.
During the fourth quarter, Saipem recorded a write-down of assets totalling €160 million.

Market conditions

The subsea developments segment registered a marked increase in installations in 2014 compared with the previous year. This was driven in particular by activities in West Africa – particularly Nigeria and Angola, where the year saw production start-ups on major projects Clov and West Hub and ongoing construction activities on the Egina project – and South America, where the Pre-Salt field developments are contributing to steady growth in activities in deep and ultra-deep waters. Meanwhile levels of activity in the North Sea continued to be below those registered in previous years as a result of recent production start-ups on a number of major projects. Among the project awards made in the segment during 2014, the Kaombo subsea development in Angola stood out for both complexity and size. Other production start-ups on major projects during 2014 included Liwan (Husky Energy and CNOOC), which at an approximate depth of 1,500 metres is the first Chinese deep-water project.

In the small diameter pipeline segment, the positive performance levels registered in 2013 in terms of kilometres installed were maintained. The biggest increases compared with 2013 were seen in South America and West Africa. The activities recorded in these two areas drove the continued growth of the ultra-deep water segment, which accounted for approximately 15% of installed kilometres in 2014.
In the large pipeline segment, the Asia-Pacific area was particularly active with a number of major projects underway, such as Ichthys (Inpex) and Wheatstone (Chevron). The Gulf of Mexico however registered a decline in levels of activity after the intense levels registered in recent years which in turn led to a fall in deep-water activity levels. Tensions between Europe and Russia over gas market regulations, as well as the worsening of relations in the light of the conflict in Ukraine led to the suspension of the important South Stream project in the Black Sea, which may have an impact on volumes of activities in the large pipeline segment in 2015.

The fixed platform installation segment saw a slight slowdown compared with the volumes registered in 2013. This negative trend was driven by the Asia-Pacific area, which saw a drop in levels after the results registered in previous years.

The floaters sector maintained a positive performance, with a number of major projects underway in Indonesia, such as Jangrik and Madura, and in Angola, where 2014 saw the award of three units (Kaombo 1 and 2, and East Hub). Levels of activity picked up in South America, where the bankruptcy of OGX had previously seen experts revising their forecasts for the area downwards. Petrobras continued to pursue its ambitious plans for the future, signing two contracts for the Tartaruga and Libra fields during the year. 2014 saw two project awards on the FLNG market, namely Rotan FLNG (Petronas) and Golar Hilli (Golar), the latter representing the first successful conversion of an LNG carrier into an FLNG unit, taking the number of FLNG units under construction in 2014 to a total of five. This notwithstanding, a number of initiatives at the study stage are currently encountering difficulties securing a final investment decision (FID) from operators, with the technical complexity of FLNG projects continuing to be one of the principal barriers in the sector. In addition, the recent fall in oil prices, which has led to a drop in LNG prices, has raised doubts about the economic viability of a number of projects.

New contracts

The most significant contracts awarded to the Group in 2014 were:
- the Kaombo Field Development Project for Total in Angola, comprising engineering, procurement and commissioning of two FPSO vessels, plus a seven-year contract for operation and maintenance services for the two vessels.
- for South Stream Transport BV in Russia:
  - a contract for the installation design and the construction of the first line of the South Stream Offshore Pipeline, from Russia to Bulgaria across the Black Sea, plus the shallow water parts, the shore crossings, the landfall and the associated facilities for the four pipelines. Pipeline construction will be carried out by the Saipem 7000;
  - a contract to provide supporting works relating to the construction of the second line of the South Stream Offshore Pipeline, including engineering, coordination of pipe storage yards, cable crossing preparation, and connecting the offshore pipeline to the landfall sections using the above-water tie-ins;
- for BP, in Azerbaijan, a T&I contract involving the transportation and installation of jackets, topsides and subsea production systems and subsea structures for stage 2 of the Shah Deniz field development project;
- for Pemex, in the Gulf of Mexico, an EPCI project for the development of the Lakach field. The contract encompasses the engineering, procurement, construction and installation of the system connecting the offshore field with the onshore gas conditioning plant;
- for Petrobras, in Brazil, the Lula Norte, Lula Sul and Lula Extremo Sul project, which encompasses the engineering, procurement, fabrication and installation of three offshore pipelines;
- for Eni Muara, in Indonesia, an EPCI contract for a Floating Production Unit (FPU) for the Jangrik Complex Project development. The scope of work includes engineering, procurement, fabrication of the FPU and the installation of a mooring system, as well as hook-up, commissioning and assistance to the start-up;
- for Petrobras, in Brazil, an extension to the lease of the FPSO Cidade de Vitoria located on the Petrobras Golfinho field in the Espìrito Santo Basin, in addition to a contract for the upgrade and expansion of the vessel. The FPSO Cidade de Vitoria is owned and operated by Saipem and has been on lease to Petrobras since 2005. The lease has been extended for a further four years until 2022. The modification works carried out by Saipem on the vessel will increase the produced water treatment capacity and allow the connection of two additional gas wells with a high level of condensates by the first quarter of 2016;
- for Eni E&P, in Italy, a T&I contract involving the transportation and installation of a platform and a subsea pipeline in the Mediterranean Sea;

- for Sonangol P&P, in Angola, an extension of the Gimboa FPSO lease and operation contract. The Gimboa FPSO is owned and operated by Saipem, and has been under a lease and operation contract in Block 4/05 since 2006. The contract has been extended for a further two years until the first quarter of 2017;
- for Aker Solutions, in Congo, a contract for the fabrication of subsea structures, including suction anchors, for the Moho project;
- for Protexa, in Mexico, a T&I contract for the installation of various offshore structures, including two platform decks.

Capital expenditure

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

Work performed

The biggest and most important projects underway or completed during 2014 are described below.

In Saudi Arabia, for Saudi Aramco:
- installation work is underway as part of the **Al Wasit Gas Program** for the development of the Arabiyah and Hasbah offshore fields. The contract encompasses the engineering, procurement, construction and installation of 15 fixed platforms, an export pipeline, offshore lines, and subsea and control cables. Operations are also underway under the same contract supplementing the scope of work with the engineering, procurement, transport, installation and commissioning of 2 trunklines in the Arabiyah and Hasbah fields;
- under the **Long Term Agreement** for the engineering, procurement, construction, transport and installation of structures, platforms and pipelines, construction work was completed on two jackets and two pipelines, while work is underway on the construction and installation of three decks;
- work is underway on the **Marjan Zuluf** contract for the engineering, procurement, fabrication, transport and installation of new offshore facilities, including three platforms, three jackets and associated pipelines and subsea cables.

In Iraq, work was completed for South Oil Co on **Iraq Crude Oil Export Expansion - Phase 2**, within the framework of the expansion of the Basra Oil Terminal. The contract encompassed the engineering, procurement, construction and installation of a Central Metering and Manifold Platform (CMMP), along with associated facilities.

In the Far East:
- engineering and design work was completed on the **Masela FLNG** project for Inpex Masela Ltd, in Indonesia, which encompasses Front-end Engineering and Design (FEED);
- work continued for Husky Oil China Ltd, in China, on the **Liwan 3-1** project encompassing the engineering, procurement and installation of two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform;
- works are ongoing for Eni Muara in Indonesia on the **Jangrik** EPCI project, which encompasses engineering, procurement and fabrication of the FPU and the installation of a mooring system, as well as hook-up, commissioning and assistance to the start-up.

Engineering and logistical preparation work continued in Australia for INPEX on the **Ichthys LNG** project, which consists of the engineering, procurement, construction and installation of a subsea pipeline connecting the offshore central processing facility to the onshore processing facility in Darwin.

In West Africa:
- activities were completed offshore Nigeria on the **Bonga North West** contract for Shell Nigeria Exploration and Production Co Ltd (SNEPCo). The contract encompassed the engineering, procurement, construction, installation and pre-commissioning services for pipe-in-pipe production flowlines, flowlines for injecting water into fields, as well as related subsea production facilities;
- work was completed for MPNU (Mobil Producing Nigeria Unlimited) on the **Usari Idoho** project, which encompassed the transportation and installation of a shallow water pipeline connecting the Idoho and Usari platforms;
- work is underway for Total Upstream Nigeria Ltd on the EPCI contract for the subsea development of the **Egina** field. The scope of work includes engineering, procurement, fabrication, installation and pre-commissioning of subsea oil production and gas export pipelines, flexible jumpers, and umbilicals;
- project management and procurement work continued for Total, in Angola, on the **Kaombo** Field Development Project, which comprises engineering, procurement and commissioning of two FPSO vessels;
- work is underway for Eni Congo, in Congo, on two contracts – WP4 and WP10 – encompassing the engineering, procurement, fabrication and transportation of the **Litchendjili** jacket, piles and related appurtenances;
- work is underway for ExxonMobil, in Angola, on the **Kizomba Satellite Phase 2** project at the yards in Soyo and Ambriz. The scope of work includes engineering, procurement, fabrication and installation of production and water injection pipelines and flowlines, rigid jumpers and other related subsea structures;
- work continued for Total Exploration and Production on the **GirRI (Girassol Resources Initiatives)** contract, in Block 17, in Angola, which encompasses engineering, procurement, fabrication, installation and commissioning of changes to the topside of the pumping system on the FPSOs Girassol and Dalia;
- work continued for Cabinda Gulf Oil Co Ltd (CABGOC), in Angola, on the **Mafumeira 2** project, comprising engineering, procurement, fabrication, installation and pre-commissioning of URF (umbilical, riser and flowline) facilities and export pipelines;

- work continued for CABGOC on the third installation campaign of the **Congo River Crossing Pipeline** project, in Angola, which comprises engineering, procurement, fabrication and the installation of three subsea pipelines and subsea spools, as well as trenching and crossing works. The project is being carried out off the coasts of Angola and the Democratic Republic of the Congo;
- work is underway for Hyundai Heavy Industries on the **Hyundai Moho** contract for the fabrication of offshore structures in Congo. The scope of work encompasses the fabrication of the conductor pipes and of the mooring and tendon piles for a tension leg platform;
- work is underway for CABGOC, in Angola, on the EPCI 3 contract encompassing the engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-ins on the existing **Mafumeira Norte** platform and the future **Mafumeira Sul** production platforms;
- work started for Aker Solutions, in Congo, on the fabrication of subsea structures, including suction anchors, for the **Moho Nord** project.

Work was completed for the Burullus Gas Co, in Egypt, on a contract encompassing the engineering, procurement, installation, pre-commissioning and commissioning support of subsea facilities in the **West Delta Deep Marine Concession**.

In the North Sea:
- final umbilical tie-in operations were completed for GDF Suez, in the UK, on the **Cygnus phase 2** project, which encompassed the installation of an infield flowline, an export pipeline and umbilicals in the Southern Gas Basin;
- work continued for Det Norske Oljeselskap ASA on a contract encompassing the transportation and installation of the **Ivar Aasen jacket** and **topside**, in the Norwegian sector of the North Sea;
- work continued for Dong E&P, in the Danish sector of the North Sea, on the **Hejre** project, which encompasses engineering, procurement, construction and installation of two pipelines that will connect the Hejre field to the Hejre platform;
- in addition, various structures were installed using the Saipem 7000 for ConocoPhillips (**Eldfisk**), Statoil (**Lundin** and **Statoil decommissioning**), and Nexen (**Golden Eagle**).

In Russia:
- work commenced for South Stream Transport BV on the **South Stream** project, encompassing the installation design and the construction of the first line of the South Stream Offshore Pipeline, from Russia to Bulgaria across the Black Sea.
  On December 30, 2014, South Stream Transport BV announced the suspension of the contract until further notice;
- work is underway for Lukoil-Nizhnevolzhskneft on the **Filanovsky** contract for the engineering, procurement, fabrication and installation of an oil pipeline and a gas pipeline in a maximum water depth of 6 metres, along with related onshore pipelines connecting the riser block in the offshore field to the onshore shut-off valves. Work is also underway on the additional scope of work comprising the transport and installation of four platforms.

In Azerbaijan:
- in the framework of the **Under Water Operation**, subsea inspection, maintenance and repair works were completed for BP Exploration (Caspian Sea) Ltd on BP offshore infrastructures in the Azeri offshore, including platforms installed by BP in previous years. In addition, work was completed for AIOC on the transportation and installation of a jacket and topside as part of the **Chirag Oil Project**;
- work started for BP on a **T&I** contract involving the transportation and installation of jackets, topsides, subsea production systems and subsea structures for stage 2 of the Shah Deniz field development project.

In Kazakhstan:
- work continued for Teniz Burgylau Llp on the fabrication, outfitting and commissioning of a jack-up rig in consortium with **Keppel Kazakhstan Llp**;
- following the completion of the **Hook-Up and Commissioning** project, which encompassed the fabrication and completion of modules at the Kuryk Yard, logistical support work continued for Agip KCO as part of the programme for the development of the Kashagan field;
- work continued for North Caspian Production Operations Co BV on the **Major Maintenance Services** project. The contract encompasses the provision of maintenance and services for Offshore (D island) and Onshore (OPF) facilities;
- work continued for Agip Kazakhstan North Caspian Operating Co NV on the contract for the **EP Clusters 2 and 3** project in the framework of the Kashagan field development. The contract includes engineering, procurement, fabrication, and transportation of three topside production manifold modules.

In addition, in Kazakhstan, for Agip KCO (consortium in which Eni, ExxonMobil, Shell, Total and KazMunaiGas hold shares of 16.81% each, with smaller stakes also held by CNPC and Inpex), Saipem undertook the **Trunkline and Production Flowlines** project in accordance with client specifications, completing the requested work in 2010.
After leakages were detected in a section of the pipelines, the client asked Saipem to address the issue under the warranty. However, Saipem, having received advice from qualified external legal consultants, did not at any point consider itself obliged to perform these works. In June 2014, following a request from the client, the two parties entered into negotiations for a contract to lay two new pipelines. On February 6, 2015, the negotiations led to the signing of a new contract, as described in the section 'Events subsequent to year end'. Concomitantly with the contract signature, the client also issued the Final Acceptance Certificates for the work performed by Saipem under the previous contract.

In the Gulf of Mexico:
- work was completed for Discovery Producers Llc on the contract for the transport and installation of the gas export pipeline **Keathley Canyon Connector**;
- work was completed for Enbridge Big Foot Oil Export Lateral on the **Big Foot** project, which encompassed the engineering,

procurement, construction, transportation and installation of a gas pipeline;
- pipelay work was completed for Chevron on the **Jack Saint Malo** project, which encompassed the transport and installation of an export pipeline connecting the floating platform Jack Saint Malo;
- work was completed for William's Field Services - Gulf Coast Co LP on the **William's Gulfstar** project, which encompassed the transportation and installation of a topside;
- for **Dragados**, in Mexico, work was completed on two contracts for the transport and installation of two offshore platforms in Mexican waters in the Gulf of Mexico. The platforms were installed using the float-over method, which had never been used before in the Gulf of Mexico;
- installation work on 3 decks and 1 platform was completed for **Permaducto SA de Cv** in the Golfo de Campeche.

In Brazil, for Petrobras:
- work was completed on the **P55-SCR** contract, which encompassed the transportation and offshore installation of flowlines and risers serving the semi-submersible platform P-55 in the Roncador field, in the Campos Basin, off the coast of Rio de Janeiro State in Brazil;
- work was completed on the **Lula NE Cernambi** project, which comprised the engineering, procurement, construction and installation of a gas pipeline in the Santos Basin;
- work continued on the contract for the construction of the **Rota Cabiúnas** gas export trunkline, situated in the Santos Basin Pre-Salt region. The development comprises the engineering and procurement of subsea equipment and the installation of a gas pipeline in a maximum water depth of 2,200 metres. The pipeline will connect the Central Gathering Manifold in the Lula field, in the Santos Basin, to the onshore Processing Plant of Cabiúnas, located in the Macaé district, in the State of Rio de Janeiro;
- work continued on the **Sapinhoà Norte and Cernambi Sul** project, encompassing the engineering, procurement, fabrication, installation and pre-commissioning of the SLWR (Steel Lazy Wave Riser) for the collection system at the Sapinhoà Norte field, and of the FSHR (Free Standing Hybrid Risers) for the gas export systems at the Sapinhoà Norte and Cernambi Sul fields. Work also continued on the Sapinhoà Norte and Iracema Sul project.

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

In Italy:
- work for OLT Offshore LNG Toscana to convert the gas carrier ship, **Golar Frost**, was completed. The contract comprises the conversion of the gas carrier vessel provided by the client into a floating LNG regasification terminal, in addition to all offshore works necessary for installation and commissioning;
- work was completed for Eni E&P as part of its **2014 Offshore Campaign** on a T&I contract for the transportation and installation of a platform and a subsea pipeline in the Mediterranean Sea.

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

Offshore fleet at December 31, 2014

Saipem 7000	Self-propelled, semi-submersible, dynamically positioned crane and pipelay vessel capable of lifting structures of up to 14,000 tonnes and J-laying pipelines at depths of up to 3,000 metres.
Saipem FDS	Dynamically positioned vessel utilised for the development of deep-water fields at depths of over 2,000 metres. Capable of launching 22" diameter pipes in J-lay configuration with a holding capacity of up to 550 tonnes (upgrade to 750 tonnes currently underway) and a lifting capacity of up to 600 tonnes.
Saipem FDS 2	Dynamically positioned vessel utilised for the development of deep-water fields, capable of launching pipes with a maximum diameter of 36" in J-lay mode with a holding capacity of up to 2,000 tonnes. Also capable of operating in S-lay mode with a lifting capacity of up to 1,000 tonnes.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipe at depths of up to 1,000 metres.
Castoro Sette	Semi-submersible lay barge capable of laying large diameter pipe at depths of up to 1,000 metres.
Castorone	Self-propelled, dynamically positioned pipe-laying vessel operating in S-lay mode with a 120-metre long S-lay stern ramp composed of 3 articulated and adjustable stinger sections for shallow and deep-water operation, a holding capacity of up to 750 tonnes (expandable to 1,000 tonnes), pipelay capability of up to 60 inches, onboard fabrication facilities for triple and double joints and large pipe storage capacity in cargo holds.
Castoro Otto	Derrick pipelay ship capable of laying pipes of up to 60" diameter and lifting structures weighing up to 2,200 tonnes.
Saipem 3000	Self-propelled, dynamically positioned derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and lifting structures of up to 2,200 tonnes.
Bar Protector	Dynamically positioned, multi-purpose support vessel used for deep-water diving operations and offshore works.
Semac 1	Semi-submersible pipelay barge capable of laying large diameter pipe in deep waters.
Castoro II	Derrick lay barge capable of laying pipe of up to 60" diameter and lifting structures of up to 1,000 tonnes.
Castoro 10	Trench/pipelay barge capable of burying pipes of up to 60" diameter and of laying pipes in shallow waters.
Castoro 12	Pipelay barge capable of laying pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
S355	Derrick lay barge capable of laying pipe up to 42" diameter and lifting structures of up to 600 tonnes.
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.
Saibos 230	Derrick pipelay barge capable of laying pipe of up to 30" diameter, equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1	Heavy lifting barge equipped with 2 crawler cranes, capable of carrying out installations whilst grounded on the seabed. The lifting capacities of the 2 crawler cranes are 300 and 1,800 tonnes, respectively.
Ersai 2	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Ersai 3	Support barge with storage space, workshop and offices for 50 people.
Ersai 4	Support barge with workshop and offices for 150 people.
Ersai 400	Accommodation barge for up to 400 people, equipped with antigas shelter for H_2S leaks.
Castoro 9	Cargo barge.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
Castoro 15	Cargo barge.
S42	Cargo barge, currently used for storing the J-lay tower of the Saipem 7000.
S43	Cargo barge.
S44	Launch cargo barge, for structures of up to 30,000 tonnes.
S45	Launch cargo barge, for structures of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
S 600	Launch cargo barge, for structures of up to 30,000 tonnes.
FPSO - Cidade de Vitoria	FPSO unit with a production capacity of 100,000 barrels a day.
FPSO - Gimboa	FPSO unit with a production capacity of 60,000 barrels a day.

Onshore Engineering & Construction

General overview

The Saipem Group's Onshore Engineering & Construction expertise is focused on the execution of large 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 and gas, complex civil and marine infrastructure and environmental markets. In many of the areas in which it operates, the Company places great emphasis on maximising the use of local content during project execution activities.

Market conditions

The **Upstream** segment saw investments fall compared with the previous year. In particular, the year was marked by the absence of the medium to large scale investments in North America that had been registered in previous years.
The Middle East once more underlined its strategic importance value in 2014, with major contracts awarded in Iraq, Saudi Arabia, the UAE and Oman, while the North African market also showed a certain degree of dynamism, with awards made in Algeria.
In the medium to long term, once there has been a recovery from the current low oil price environment, the Upstream segment is expected to show good growth potential driven by gas and oil field discoveries and developments, particularly in relation to what is likely to be a pressing need for investments to maintain gradually declining production levels in existing fields.
The **Pipeline** segment registered good contracting levels, driven by the award of contracts for the construction of a gas pipeline in Turkey (Tanap - Trans-Anatolia project) and the Azerbaijani section of BP's Shah Deniz Stage 2 - South Caspian Pipeline Expansion project. Other important pipeline projects were assigned in Saudi Arabia and Azerbaijan (gas) and Kenya (oil).
With the pipeline segment heavily driven by the abundance of available gas and, consequently, by the need to transport the gas from the production fields to the end user markets, recent years have seen projects to build new gas pipelines or to expand existing ones outnumbering oil pipeline initiatives. This trend is expected to continue in the short to medium term, particularly in countries opting to develop non-conventional fields, as this will require them to make investments to upgrade their distribution infrastructure.
The **LNG** segment registered a peak in activities in 2014, with numerous project awards made in 2011-2012 (mainly in Australia) entering the construction phase during the year. In 2013-2014, the focus of the market, commercially speaking, shifted from the Asia-Pacific area to North America, where a number of major projects were awarded. In coming years, however, it is thought that rising costs for clients and the technical complexity of undertaking LNG projects may lead to more selectivity being applied in relation to new project initiatives.
In North America, investments in the LNG segment are currently being driven by a continuous abundance of gas from non-conventional fields, which is enabling natural gas to be produced at low cost. Consequently, US gas market prices are much lower than gas prices on the rest of the world's markets, and this is expected to lead in the short to medium term to opportunities for investments in LNG export terminal projects.
During the year, the major LNG project planned for the Yamal peninsula in Russia entered the implementation phase, although the initiative risks potentially being affected by the sanctions applied to Russian companies.
In the **Refining** segment, there were important contract awards in a number of geographical areas. The Middle East, however, was where the biggest investments were located, with Kuwait topping the list through KNPCs' Clean Fuels Project 2020. Awards were also made in Iraq (Karbala and Quyarah) and in Saudi Arabia (Jazan refinery). The Asia-Pacific area saw the award of a project to construct a CTL (Coal to Liquid) fuel plant in Ningdong in China's Ningxia province, while in Malaysia, Petronas announced the award of its Rapid Refinery Project in Pengerang. There were also important EPC contract awards in Latin America (Barrancabermeja refinery upgrade project in Colombia and the Talara refinery modernisation project in Peru), in North America (Edmonton in Canada), in Mexico (the Salina Cruz refinery clean fuels project for Pemex) and, finally, in Central Africa (the Sonara phase 2 expansion project in Cameroon).
The growing demand for oil products continues to spur investments in the refining segment. However, the increasingly strict environmental legislation in force, particularly in OECD countries (and especially in Europe), is forcing European operators to spend heavily to equip their refineries with more efficient process technologies and equipment. The effect of this has been to encourage small and medium size investments, the closure of outdated refineries and the construction of new Mega Export Refineries in crude producing countries, particularly in the Middle East.
Following a sharp decline in spending in 2013, the **Petrochemical** segment registered a significant volume of new contracts in 2014, with important awards made in Egypt, Saudi Arabia, Malaysia, USA and Turkmenistan. Growth in demand for petrochemical products (ethylene and propylene), especially in the Asia-Pacific area and the Middle East, coupled with steadily rising plant utilisation rates is expected to stimulate new investments in the segment, through expansions and/or modernisations of existing facilities and the construction of new plants.

2014 brought a fall in investments in large facilities in the **Fertilizers** segment. The US's non-conventional gas fields and very cheap gas continue however to offer favourable market conditions, with 2014 seeing the award of a fertilizer facility construction project. Other awards were recorded during the year in the Middle East (Iran and Iraq), and in South America, for an ammonia facility in Brazil.
With spending in the segment tending to be cyclical, forecast worldwide growth in demand over the short to medium term is expected to drive investments in the construction of new facilities, while small and medium sized investments in expansions and modernisations of existing facilities will continue.
Finally, the rapid economic development occurring in emerging countries is creating an important new market for large-scale civil and port **Infrastructures**, which Saipem is approaching speculatively in selected geographic regions.

New contracts

The most significant contracts awarded to the Group during 2014 were:

- for Saudi Aramco:
  - two EPC contracts in Saudi Arabia. The first two contracts relate to the Jazan Integrated Gasification Combined Cycle and include engineering, procurement, construction, pre-commissioning, assistance to commissioning and performance tests of the concerned facilities;
  - an EPC contract relating to the expansion of the onshore production centres at the Khurais, Mazajili and Abu Jifan fields in Saudi Arabia;
  - an EPC contract encompassing the detailed design, engineering, procurement, installation, commissioning and start-up assistance for Sections 4 and 5 of the Shedgum-Yanbù pipeline in Saudi Arabia;
- in consortium with Daewoo Shipbuilding & Marine Engineering Co, in the Caspian Sea region, a contract encompassing yard engineering, fabrication, and pre-commissioning activities, as well as the load-out of 55,000 tonnes of pipe racks for a major oil and gas production facility;
- for CNRL (Canadian Natural Resources), in Canada, three contracts for the development of the Hydrotreater Phase 3 as part of the Horizon Oil Sands project, in the Athabasca region, encompassing engineering, procurement and construction of a combined hydrotreating unit, a sour water concentrator unit and a sulphur recovery train unit, along with the construction works of supporting units;
- for Eni Congo, a contract encompassing engineering, procurement, construction, transport, early gas production, pre-commissioning, commissioning and start-up of an onshore treatment facility. The facility will treat the feed stream from the Litchendjili Offshore Platform located south of Pointe-Noire which, transported through a dedicated pipeline, will produce treated gas and stabilised condensate;
- for the Shah Deniz consortium, a contract encompassing the construction in Azerbaijan of a pipeline loop and associated above ground installations and the construction in Georgia of a second pipeline loop and associated above ground installations;
- for Versalis, in Italy, a contract for the construction of a fourth production line to operate alongside three existing lines, in addition to increasing production capacity and upgrading the plant's outside battery limit auxiliary systems.

Capital expenditure

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

Work performed

The biggest and most important projects underway or completed during 2014 were:

In Saudi Arabia:

- work continued for Saudi Aramco and Sumitomo Chemical on the contract for the Naphtha and Aromatics Package of the **Rabigh II** project, which encompasses the engineering, procurement and construction of two processing units: a naphtha reformer unit and an aromatics complex;
- procurement and construction work was completed on the **Stormwater Drainage Program - Package 8** project for the Emirate of Makkah Province, which encompasses the procurement, installation, construction and assistance during the commissioning of a new rainwater drainage system, serving the northern side of the city of Jeddah;
- work began for Saudi Aramco on two EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project to be undertaken approximately 80 km from the city of Jazan, in southwestern Saudi Arabia. The Package 1 contract comprises the gasification, soot/ash removal, acid gas removal and hydrogen recovery units. The Package 2 contract includes six sulphur recovery units (SRU) trains and relevant storage facilities. The scopes of work of both packages include engineering, procurement, construction, pre-commissioning, assistance to commissioning and performance tests of the concerned facilities;
- work continued for Safco on the **Safco V** contract, which encompasses the engineering, procurement and construction of a urea production plant, together with associated utilities and off-site systems and interconnecting structures to existing plants.

In the United Arab Emirates:

- construction work for the three product lines (sales gas, natural gas liquids and condensate), as well as commissioning has almost been completed on the contract for Abu Dhabi Gas Development Co Ltd forming part of the development of the high sulphur content **Shah** sourgas field. The development project encompasses the treatment of 28 million cubic metres of gas a day from the Shah field, the separation of the sulphur from the gas, the transportation of the gas product lines by

pipeline to Habshan (where it is injected into the national gas network) and to Ruwais, and the transportation of the sulphur by separate pipeline to the granulation facility at Habshan and then from there to Ruwais by railway;
- work continued on a project for the Etihad Rail Co in Abu Dhabi encompassing the engineering and construction of a **railway line** for the transportation of granulated sulphur, linking the natural gas production fields of Shah and Habshan (located inland) to the port of Ruwais.

In Kuwait, work continued for Kuwait Oil Co (KOC) on the **BS 171** contract, which encompasses the engineering, procurement, construction and commissioning of a new gas booster station comprising three high and low-pressure gas trains for the production of dry gas and condensate.

In Iraq:
- work was completed for Basrah Gas Co (BGC) on the rehabilitation of two terminals (Marine and Storage) at Umm Qasr port in **Basrah** province;
- work is underway for Fluor Transworld Services Inc and Morning Star for General Services Llc on the **West Qurna** project. The contract comprises engineering, procurement, construction, pre-commissioning and commissioning of water treatment and conveyance infrastructure, a pipeline and a water injection system;
- work started for Shell Iraq Petroleum Development on the **FCP GAS** project, encompassing the installation of two turbocompressors and auxiliary equipment, as well as tie-ins to existing facilities. The facilities will supply gas to the North Rumaila power plant;
- work continued on the **Zubair Gathering System** project for Morning Star for General Services Llc and ExxonMobil Iraq Ltd, which encompasses the construction of a gathering system, flowlines and interconnecting facilities, as well as the distribution node.

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

In Algeria, work was completed for Sonatrach on the projects **GK3 - lot 3**, **Hassi Messaoud**, **Menzel Ledjmet East** and **LNG GL3Z Arzew**, while warranty period activities continued to be carried out.

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

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

In Italy, work is underway for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group) on the contract for the detailed engineering, project management and construction of a 39-km section of **high-speed railway line** and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation.

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

In Canada:
- work was completed on the **Sunrise** contract for Husky Oil, which encompassed the engineering, procurement and construction of the Central Processing Facilities, comprising two plants;
- works are underway for Canadian Natural Resources Ltd in the Athabasca region, in Alberta, on the engineering, procurement and construction of a Secondary Upgrader plant, under a contract included in the **Horizon Oil Sands - Hydrotreater Phase 2** project.

On the project described above, as well as on the three contracts acquired during the year for the development of Hydrotreater Phase 3, the client, Canadian Natural Resources Ltd, has announced the descoping of the construction activities. Consequently, Saipem's responsibilities end with the transportation of the modules to the site.

In Mexico:
- work is underway for Transcanada (Transportadora de Gas Natural Norte - Noroeste) on the **El Encino** project, comprising engineering, procurement and construction of a pipeline from

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

In Suriname, for Staatsolie, work has almost been completed on the contract encompassing engineering, procurement, fabrication and construction for the expansion of the **Tout Lui Faut** refinery, located south of the capital Paramaribo.

In Australia:
- on the **Gorgon LNG** jetty and marine structures project for Chevron, construction of the jetty was completed, while construction work on the associated marine structures is continuing. The scope of work consisted of the engineering, procurement, fabrication, construction and commissioning of the LNG jetty and marine structures for the new Chevron Gorgon LNG plant on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia;
- work has almost been completed for Gladstone LNG Operations Pty Ltd on the **Gladstone LNG** contract involving the engineering, procurement and construction of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Development Area (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built.

Offshore Drilling

General overview

At year-end 2014, the Saipem offshore drilling fleet consisted of seventeen vessels: seven deep-water units for operations at depths exceeding 1,000 metres (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 6, Scarabeo 7, Scarabeo 8 and Scarabeo 9), two for mid water operations at depths of up to 500 metres (the semi-submersibles Scarabeo 3 and Scarabeo 4), two high specification jack-ups for operations at depths of up to 114 metres (Perro Negro 7 and Perro Negro 8), five standard jack-ups for activities at depths up to 91 metres (Perro Negro 2, Perro Negro 3, Perro Negro 4, Perro Negro 5 and Ocean Spur) and one barge tender rig (TAD). All units are the property of Saipem, with the exception of the jack-up Ocean Spur, which is on lease from third parties. The fleet also includes other minor units operating offshore Peru. In 2014, Saipem's offshore drilling fleet operated in the Norwegian sector of the North Sea and the Barents Sea, in the Mediterranean Sea (Italy, Egypt and Cyprus), the Red Sea, the Persian Gulf, offshore Mozambique, in West Africa, Indonesia, offshore Ecuador and Peru.

Market conditions

The onset of the negative cycle mentioned previously had numerous effects. In terms of spending by oil and gas companies in offshore drilling, 2014 registered slight growth in absolute terms compared with the previous year. However, the year also saw the first cases of reductions and postponements of planned drilling operations. One significant example of this trend was the decision by Statoil to suspend a portion of its drilling operations in Norway during the final part of the year (which also affected Saipem-owned semi-submersible rig, Scarabeo 5) and to cancel planned future operations. The deterioration in market conditions caused utilisation rates to fall across the board, particularly towards the close of the year and the beginning of 2015. The fall in utilisation affected all rig types, with only the latest models (i.e. deep water floaters and high spec jack-ups) able to maintain rates close to 90% during the second half of 2014. Worst hit by the deteriorating market conditions were older rig types, such as mid-water semi-submersibles and standard jack-ups, which registered increases in stacked units without a contract, as well as in units written down or slated for dismantling in 2015. Day rates also fell across the board during the year, with declines registered in particular for ultra-deep water operations (where rates fell to 350,000 US dollars a day compared with rates in excess of 600,000 US dollars a day in 2013) and high spec jack-ups (which went from peaks in 2013 of more than 200,000 US dollars a day to 140,000 US dollars a day at year-end 2014).

The steep decline in day rates also led to a number of drilling contractors announcing substantial write-downs, not only of older rigs, but also of newer deep-water rigs. One of the factors in the decline in day rates is a major programme of new offshore rig construction currently underway. However, although 2014 saw a fall-off in orders and cancellations of newbuild construction options, offshore drilling rig construction levels remained healthy, with approximately 170 newbuilds under construction (of which two thirds are jack-ups, around 20 semi-submersibles and 35 drillships), including more than 100 slated for delivery by year-end 2015.
Overall, only 40 units have already secured contracts, while the remainder will in the short to medium term contribute to a significant increase in the global drilling services fleet. The time required to absorb the market surplus will depend on how quickly oil prices and investments in field exploration and development by oil companies are able to recover the lost ground.

New contracts

The most significant contracts awarded to the Group during 2014 were:
- a one year extension of the charter by IEOC of the semi-submersible Scarabeo 4 for operations in Egypt;
- a one year charter by Saudi Aramco of the jack-up Perro Negro 7 for operations in Saudi Arabia;
- an extension until March 2015 of the charter by Addax of the semi-submersible rig Scarabeo 3 for operations in West Africa;
- a two-year extension by NDC (National Drilling Co) of its charter of the jack-up rig Perro Negro 2 for drilling operations in the Persian Gulf, starting from January 2015;
- a ten-month extension of the charter of the jack-up Ocean Spur (operated but not owned by Saipem) by EP Petroamazonas for operations in Ecuador, scheduled to cover the whole of the first quarter of 2015;
- a charter by Eni Muara Bakau of the semi-submersible rig Scarabeo 7 to drill a minimum of twelve wells offshore Indonesia by the first quarter of 2017.

Capital expenditure

The principal investments made in the Offshore Drilling sector during the year were mainly for class reinstatement works on the drilling jack-up Perro Negro 7 and the semi-submersible Scarabeo 7. In addition, maintenance and upgrading works were carried out on existing vessels.

Work performed

In 2014, Saipem's offshore units drilled 123 wells totalling 188,527 metres.
The fleet was deployed as follows:

- deep-water units: the drillship Saipem 12000 continued to operate in Angola for Total, while the drillship Saipem 10000 operated under a long-term contract with Eni, first in Nigeria, then in Mozambique, and then, starting from September, in Cyprus; the semi-submersible rig Scarabeo 9 operated in Angola on a long-term contract with Eni; the semi-submersible rig Scarabeo 8 completed the installation of equipment required by the client in January then returned to work in the Norwegian sector of the Barents Sea for Eni Norge; the semi-submersible rig Scarabeo 7 underwent planned maintenance and class reinstatement work in South Africa and then in August was transferred to Indonesia where it began operations for Eni Muara Bakau under a long-term contract; the semi-submersible rig Scarabeo 6 operated in Egypt for Burullus; the semi-submersible rig Scarabeo 5 continued to operate in the Norwegian sector of the North Sea for Statoil until October, when the client decided to suspend operations until the first quarter of 2015 due to adverse market conditions. The vessel received the standby rate during this idle period, which was used to complete upgrades;
- mid-water units: the semi-submersible rig Scarabeo 4 continued activities in Egypt on a contract for International Egyptian Oil Co (IEOC); the semi-submersible rig Scarabeo 3 operated in Nigeria for Addax;
- high specifications jack-ups: the Perro Negro 8 continued to work in Italy for Eni until November when its contract expired. It then began mobilizing to the Middle East, where it is due to undergo maintenance work and upgrades in 2015; the Perro Negro 7 continued operations for Saudi Aramco offshore Saudi Arabia;
- standard jack-ups: the Perro Negro 3 and Perro Negro 2 continued operations in the United Arab Emirates for NDC, while the Perro Negro 5 continued work for Saudi Aramco in Saudi Arabia; the Perro Negro 4 continued to operate in the Red Sea for Petrobel; the Ocean Spur, which is operated by Saipem and owned by third parties, continued operations in Ecuador for Petroamazonas;
- other activities: in Congo, the tender assisted drilling unit TAD continued work for Eni Congo SA, while operation of the Loango-Zatchi platforms also proceeded; offshore Peru, work was carried out for Pacific Offshore Energy and Savia.

Utilisation of vessels

Vessel utilisation in 2014 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	364 [1]
Semi-submersible platform Scarabeo 4	365
Semi-submersible platform Scarabeo 5	342 [1]
Semi-submersible platform Scarabeo 6	362
Semi-submersible platform Scarabeo 7	182 [1]
Semi-submersible platform Scarabeo 8	359 [1]
Semi-submersible platform Scarabeo 9	341 [1]
Drillship Saipem 10000	365
Drillship Saipem 12000	363 [1]
Jack-up Perro Negro 2	359 [1]
Jack-up Perro Negro 3	365
Jack-up Perro Negro 4	365
Jack-up Perro Negro 5	365
Jack-up Perro Negro 7	298 [1]
Jack-up Perro Negro 8	325 [1]
Tender Assisted Drilling Unit	362 [1]
Ocean Spur	360 [1]

(1) For the remaining days (to 365) the vessel underwent class reinstatement and maintenance works as a result of technical issues.

Onshore Drilling

General overview

At year-end 2014, Saipem's onshore drilling rig fleet was composed of 105 units. Of these, 100 are owned by Saipem (2 of which currently undergoing upgrading works), while 5 are owned by third parties but operated by Saipem. The areas of operations were South America (Peru, Bolivia, Colombia, Ecuador, Chile and Venezuela), Saudi Arabia, the Caspian Sea region (Kazakhstan and Turkmenistan), Africa (Congo, Morocco and Mauritania), Europe (Italy and Ukraine) and Turkey.

Market conditions

Average levels of activity on the international market, on which Saipem operates, which is less affected by the short term cycles that prevail in North America, were consistent with those registered in 2013. In terms of regional activity, the Middle East showed further growth, led by regional hotspot Saudi Arabia, while Kuwait commenced implementation of a development programme that is expected to produce substantial results in the medium term. South America, Europe, the Caspian Sea region and Africa all registered overall levels that were in line with the strong figures posted in the previous year, with only the Asia-Pacific region recording a fall in levels compared with 2013, due mainly to the Indonesian market. In the medium term, utilisation rates and day rates for the world onshore drill rig fleet will be dependent to a large degree on global oil supply and demand trends, as well as on the resulting oil price dynamics.

New contracts

The most significant contracts awarded to the Group during 2014 were:

- the exercise by Saudi Aramco of a one year extension option for the charter of three rigs already operating in Saudi Arabia, plus the award of five-year contracts for a further three rigs;
- new contracts with various clients in Latin America of varying durations, ranging from three months to two years for thirty-one rigs;
- new contracts with various clients of varying durations ranging from three months to three years for the charter of nine rigs in the Middle East and Latin America.

Capital expenditure

The main investments made in the Onshore Drilling sector during the year related mainly to two new rigs for operations in Saudi Arabia, upgrading works on rigs due to carry out operations in Saudi Arabia and South America and maintenance of the existing asset base.

Work performed

417 wells were drilled during the year totalling approximately 877,567 metres drilled.
In South America, Saipem operated in a number of countries: in **Peru**, work was carried out for various clients (including Petrobras, Pluspetrol, Gran Tierra, Perenco, Hunt, Savia and Interoil), deploying eighteen company-owned rigs and operating six rigs owned by clients or third parties (one of which completed operations during the year). In addition, one rig is undergoing upgrading works in the country; in **Bolivia**, four rigs were deployed for YPFB Andina, Pluspetrol and Repsol; in **Chile**, work continued for ENAP, deploying one rig, while mobilisation of a second rig due to operate for YPF began during the second half of the year; in **Colombia**, work was performed for various clients, including Equion, Canacol, Ecopetrol and Schlumberger, involving the deployment of seven rigs; in **Ecuador**, four company-owned rigs (one of which was transferred to Chile during the second half of the year) were deployed for various clients, including Agip Oil and Petroamazonas; finally, in **Venezuela**, work continued for PDVSA involving the deployment of twenty eight rigs.

In **Saudi Arabia**, Saipem deployed twenty four rigs, continuing operations for Saudi Aramco under previously acquired long-term contracts. In addition, one rig is undergoing upgrading works in the country while a further two are being outfitted.

In the Caspian Sea region, Saipem operated in **Kazakhstan** for various clients, including KPO, Agip KCO, and Zhaikmunai, using 4 owned rigs. In **Turkmenistan**, mobilisation of a rig was completed and work was commenced for Burren/RWE.

In North Africa, Saipem deployed one rig in operations for Longreach in **Morocco**. Once operations were completed, the rig was mobilised to Saudi Arabia for operations under a previously acquired long-term contract. In **Mauritania** Saipem deployed one rig, completing its contracted operations for Repsol.

In West Africa, Saipem continued to operate in **Congo** for Eni Congo SA, using two company-owned rigs and operating one client-owned rig.

Operations in **Italy** saw the deployment of one rig which performed work for Total in the Tempa Rossa area. Another rig is undergoing upgrading works in the country.

Finally, Saipem deployed one rig in both **Ukraine** and **Turkey** to complete operations for Shell. Subsequently, one of the rigs mobilised to Saudi Arabia for work on a previously acquired long-term contract. The second is due to be mobilised to Saudi Arabia during 2015.

One rig located in **Tunisia** did not carry out operations during 2014.

Utilisation of rigs

The average utilisation of rigs in 2014 was 96.5% (96% in 2013). At December 31, 2014, company-owned rigs amounted to 98 (plus two under completion), located as follows: 28 in Venezuela, 25 in Saudi Arabia, 19 in Peru, 7 in Colombia, 4 in Kazakhstan, 4 in Bolivia, 3 in Ecuador, 2 in Italy, 1 in Chile, 1 in Congo, 1 in Mauritania, 1 in Tunisia, 1 in Turkmenistan, and 1 in Ukraine. Additionally, 5 third-party rigs were deployed in Peru, 1 third-party rig in Congo and 1 in Chile.

Financial and economic results

Results of operations

The Saipem Group's 2014 operating and financial results 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.
As a result of the introduction of the accounting standards IFRS 10 and IFRS 11, the rules for consolidating Saipem Group investments have been redefined. IFRS 11 requires investments in joint ventures to be accounted for using the equity method, from January 1, 2014. Previously, these shareholdings were consolidated using the proportional method. Operating data for the Group is presented here using the new consolidation rules. Prior period data has been adjusted for comparative purposes. For further details, see 'Summary of the effects of restatement: financial statements'.
The analysis of performance by business unit is based on the adjusted results.

Saipem Group - Income statement

2013	2013 restated	(€ million)	2014
12,256	**11,841**	**Net sales from operations**	**12,873**
8	7	Other income and revenues	9
(9,073)	(8,711)	Purchases, services and other costs	(9,262)
(2,320)	(2,270)	Payroll and related costs	(2,408)
871	**867**	**Gross operating result (EBITDA)**	**1,212**
(724)	(710)	Depreciation, amortisation and impairment	(1,157)
147	**157**	**Operating result (EBIT)**	**55**
(190)	(189)	Net finance expense	(199)
13	2	Net income from investments	24
(30)	**(30)**	**Result before income taxes**	**(120)**
(106)	(106)	Income taxes	(118)
(136)	**(136)**	**Result before non-controlling interests**	**(238)**
(23)	(23)	Non-controlling interests	8
(159)	**(159)**	**Net result**	**(230)**

Year 2013	Year 2013 restated	(€ million)	Year 2014
147	**157**	**Operating result (EBIT)**	**55**
-	-	Impairment	410
-	**-**	**Adjusted operating result (EBIT)**	**465**

The operating result includes impairment of €410 million relating to adjustments made to one asset and three cash-generating units to bring their carrying amount in line with their expected future margins and useful lives. Impairment testing was performed on 21 cash-generating units and considered impairment indicators for all offshore and onshore (both E&C and drilling) vessels. The reduction in the operating result following the impairment test affected the Offshore Drilling business unit (€250 million) and the Offshore Engineering & Construction business unit (€160 million). Goodwill was not affected.

Saipem Group - Adjusted income statement

2013	2013 restated	(€ million)	2014
12,256	**11,841**	**Net sales from operations**	**12,873**
8	7	Other income and revenues	9
(9,073)	(8,711)	Purchases, services and other costs	(9,262)
(2,320)	(2,270)	Payroll and related costs	(2,408)
871	**867**	**Gross operating result (EBITDA)**	**1,212**
(724)	(710)	Depreciation, amortisation and impairment	(747)
147	**157**	**Adjusted operating result (EBIT)**	**465**
(190)	(189)	Net finance expense	(199)
13	2	Net income from investments	24
(30)	**(30)**	**Adjusted result before income taxes**	**290**
(106)	(106)	Income taxes	(118)
(136)	**(136)**	**Result before non-controlling interests**	**172**
(23)	(23)	Non-controlling interests	8
(159)	**(159)**	**Adjusted net result**	**180**

Net sales from operations amounted to €12,873 million, representing an increase of 8.7% compared to the restated figures for 2013.
Gross operating result (EBITDA) amounted to €1,212 million.
Depreciation and amortisation of tangible and intangible assets amounted to €747 million, representing an increase over 2013, due to full-scale operations on the pipelayer Castorone and at the Edmonton base in Canada.
Adjusted operating result (EBIT) for the year was €465 million, compared with €157 million in the restated 2013 financial statements. The largest variations are analysed in detail in the subsequent sections describing the performance of the various business units.
Net finance expense increased by €10 million compared with 2013, mainly due to the increase in average net borrowings.
Net income from investments amounted to €24 million, representing an increase compared with 2013 due to the sale of the investment in Offshore Design Engineering Ltd and increased profits from investments measured using the equity method.
The **adjusted result before income taxes** amounted to €290 million. Income taxes amounted to -€118 million. The increase compared to 2013 was principally due to an increase in taxable income.
The **adjusted net result** for the year amounted to €180 million, against -€159 million in the restated 2013 financial statements.
The **net result** for 2014 amounted to -€238 million, due to the devaluation of some assets, as described in the analysis of performance by business unit.

Operating result and costs by function

Year 2013	Year 2013 restated	(€ million)	Year 2014
12,256	**11,841**	**Net sales from operations**	**12,873**
(11,584)	(11,169)	Production costs	(11,916)
(163)	(162)	Idle costs	(116)
(145)	(142)	Selling expenses	(143)
(14)	(14)	Research and development costs	(11)
(15)	(14)	Other operating income (expenses)	(21)
(188)	(183)	General and administrative expenses	(201)
147	**157**	**Adjusted operating result (EBIT)**	**465**

In 2014, the Saipem Group reported **net sales from operations** of €12,873 million, representing an increase of €1,032 million compared with 2013.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €11,916 million, representing an increase of €747 million compared with 2013.
Idle costs fell by €46 million.
Selling expenses of €143 million were in line with the figure recorded for 2013.
Research and development costs expensed as operating costs decreased by €3 million.

General and administrative expenses amounted to €201 million, representing an increase of €18 million.
Net other operating income (expenses) amounted to €21 million, representing an increase of €7 million.
The breakdown by business sector is as follows:

Offshore Engineering & Construction

Year 2013	Year 2013 restated	(€ million)	Year 2014
5,256	5,146	Net sales from operations	7,202
(4,888)	(4,772)	Cost of sales	(6,470)
368	374	Gross operating result (EBITDA)	732
(293)	(283)	Depreciation, amortisation and impairment	(297)
75	91	Adjusted operating result (EBIT)	435
-	-	Impairment	(160)
75	91	Operating result (EBIT)	275

Revenues for 2014 amounted to €7,202 million, a 40% increase compared to 2013, due mainly to higher volumes recorded in Central and South America, Australia and West Africa.
The increase of €1,698 million in the cost of sales compared with 2013 reflected the higher volumes registered. Depreciation and amortisation increased by €14 million compared to 2013 because the Castorone was fully operational during the year. The adjusted operating result (EBIT) for 2014 amounted to €435 million, equal to 6% of revenues, versus €91 million in 2013. The EBITDA margin stood at 10.2%, compared with 7.3% in 2013.
The operating result for 2014 amounted to €275 million, on account of the devaluation of assets amounting to €160 million. The impact of the deconsolidation of joint ventures on results for the year ended December 31, 2014 was a negative impact of €225 million on revenues and of €16 million on the operating result, which mainly related to operations in Angola (negative impact of €10 million on revenues and of €16 million on the operating result in 2013).

Onshore Engineering & Construction

Year 2013	Year 2013 (1) restated	(€ million)	Year 2014
5,076	4,797	Net sales from operations	3,765
(5,445)	(5,174)	Cost of sales	(4,138)
(369)	(377)	Gross operating result (EBITDA)	(373)
(31)	(27)	Depreciation, amortisation and impairment	(38)
(400)	(404)	Operating result (EBIT)	(411)

(1) In addition to the deconsolidation of joint ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

Revenues for 2014 amounted to €3,765 million, representing a 21.5% decrease compared to 2013, mainly due to lower volumes in the Middle East, Australia and North America, partially offset by higher volumes recorded in West Africa, and Central and South America. In particular, the hardening of negotiating positions following the change in outlook for the oil sector in the fourth quarter led to a devaluation in pending revenues amounting to €130 million. The cost of sales, which amounted to €4,138 million, also decreased compared with the previous year. Depreciation and amortisation amounted to €38 million, representing an increase of €11 million compared with 2013 that was due to full-scale operations at the yard in Edmonton, Canada. The operating result (EBIT) for 2014 amounted to -€411 million, compared to -€404 million in 2013. The result was related principally to the deterioration of results on a number of legacy projects. Additionally, the limited contribution from the ramp up of new projects is not yet able to absorb the fixed costs of the business unit. With increasing market uncertainty causing negotiations to be drawn out, Saipem is continuing to monitor negotiations with clients and their outcomes through appropriate actions. The operating result included a €130 million write-down of pending revenues. The impact of the deconsolidation of joint ventures on results for the year ended December 31, 2014 was a negative impact of €47 million on revenues and of €7 million on the operating result, which mainly related to operations in Turkey (negative impact of €279 million on revenues and of €4 million on the operating result in 2013).

Offshore Drilling

Year 2013	(€ million)	Year 2014
1,177	Net sales from operations	1,192
(539)	Cost of sales	(580)
638	Gross operating result (EBITDA)	612
(259)	Depreciation, amortisation and impairment	(262)
379	Adjusted operating result (EBIT)	350
-	Impairment	(250)
379	Operating result (EBIT)	100

Revenues for 2014 amounted to €1,192 million, representing a 1.3% increase compared to 2013, mainly attributable to the increased operations of the semi-submersible rigs Scarabeo 5 and Scarabeo 6, which underwent upgrading works in 2013. This partially offset the reduced operations of the semi-submersible rig Scarabeo 7, which underwent upgrading works for approximately 6 months in 2014.
The cost of sales amounted to €580 million compared to €539 million in 2013, due to the out of service time of the semi-submersible rig Scarabeo 7.
Depreciation and amortisation amounted to €262 million, which was essentially in line with 2013.
The adjusted operating result (EBIT) for 2014 amounted to €350 million, versus €379 million in 2013, while the margin on revenues fell from 32.2% to 29.4%.
The EBITDA margin stood at 51.3%, down 2.9% from the figure of 54.2% recorded in 2013.
The operating result for 2014 amounted to €100 million, on account of the devaluation of assets amounting to €250 million.

Onshore Drilling

Year 2013	Year 2013 restated	(€ million)	Year 2014
747	721	Net sales from operations	714
(513)	(489)	Cost of sales	(473)
234	232	Gross operating result (EBITDA)	241
(141)	(141)	Depreciation, amortisation and impairment	(150)
93	91	Operating result (EBIT)	91

Revenues for 2014 amounted to €714 million, in line with the revenues achieved in 2013; lower levels of activity in South America and Algeria were largely offset by increased levels of activity in Saudi Arabia.
The cost of sales decreased by 3.3% compared with the previous year in line with the fall in revenues.
Depreciation and amortisation of €150 million was in line with the figure for 2013.
The operating result (EBIT) for 2014 amounted to €91 million, in line with 2013, while the margin on revenues stood at 12.74%.
The gross operating result (EBITDA) stood at 33.8%, compared with 32.2% in 2013.
The impact of the deconsolidation of joint ventures on results for the year ended December 31, 2014 was a negative impact of €19 million on revenues and of €1 million on the operating result, which mainly related to operations in Kazakhstan (negative impact of €26 million on revenues and of €2 million on the operating result in 2013).

Balance sheet and financial position

Saipem Group - Reclassified consolidated balance sheet [1]

The reclassified consolidated balance sheet aggregates asset and liability amounts from the statutory balance sheet according to function, under three basic areas: operating, investing and financing.
Management believes that the reclassified consolidated balance sheet provides useful information in assisting investors to assess Saipem's capital structure and to analyse its sources of funds and investments in fixed assets and working capital.

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 65.

(€ million)		Dec. 31, 2013		Dec. 31, 2013 restated		Dec. 31, 2014
Net tangible assets		7,972		7,912		7,601
Net intangible assets		758		758		760
		8,730		**8,670**		**8,361**
- Offshore Engineering & Construction	*3,849*		*3,793*		*3,666*	
- Onshore Engineering & Construction	*589*		*585*		*590*	
- Offshore Drilling	*3,351*		*3,351*		*3,034*	
- Onshore Drilling	*941*		*941*		*1,071*	
Investments		126		158		112
Non-current assets		**8,856**		**8,828**		**8,473**
Net current assets		**828**		**895**		**297**
Provision for employee benefits		(233)		(219)		(237)
Assets (liabilities) available for sale		**-**		**-**		**69**
Capital employed, net		**9,451**		**9,504**		**8,602**
Shareholders' equity		4,652		4,652		4,137
Non-controlling interests		92		92		41
Net debt		4,707		4,760		4,424
Funding		**9,451**		**9,504**		**8,602**
Leverage (net borrowings/shareholders' equity including non-controlling interests)		**0.99**		**1.00**		**1.06**
No. shares issued and outstanding		441,410,900		441,410,900		441,410,900

Management uses the reclassified consolidated balance sheet to calculate key ratios such as the Return On Average Capital Employed (ROACE) and leverage (used to indicate the robustness of the Company's capital structure).
Non-current assets at December 31, 2014 stood at €8,473 million, a decrease of €355 million compared to December 31, 2013. The decrease was the result of capital expenditure of €703 million, positive changes in investments accounted for using the equity method of €20 million, depreciation and amortisation of €1,157 million, a reclassification to 'net assets available for sale' of €69 million, disposals of €10 million and the positive effect of €158 million deriving mainly from the translation of financial statements in foreign currencies and other changes.
Net current assets decreased by €598 million, from positive €895 million at December 31, 2013 to positive €297 million at December 31, 2014.
The **provision for employee benefits** amounted to €237 million, representing an increase of €18 million compared with December 31, 2013.

As a result of the above, **net capital employed** decreased by €902 million, reaching €8,602 million at December 31, 2014, compared with €9,504 million at December 31, 2013.
Shareholders' equity, including non-controlling interests, decreased by €566 million to €4,178 million at December 31, 2014, compared with €4,744 million at December 31, 2013. This decrease reflected the negative effect of the net result for the period of €238 million, dividend distribution of €45 million, the negative effect of changes in the fair value of exchange rate and commodity hedging instruments of €362 million, the negative effect of movements in the OCI reserve of €15 million in other comprehensive income and the positive effect on equity of translation into euro of financial statements expressed in foreign currencies and other variations amounting to €94 million.
The decrease in net capital employed, which was greater than the decrease in shareholders' equity, led to a decrease of €336 million in net borrowings, from €4,760 million at December 31, 2013, to €4,424 million at December 31, 2014.

Analysis of net borrowings

(€ million)	Dec. 31, 2013	Dec. 31, 2013 restated	Dec. 31, 2014
Financing receivables due after one year	(1)	(1)	(1)
Payables to banks due after one year	200	200	250
Payables to other financial institutions due after one year	2,659	2,659	3,064
Net medium/long-term debt	**2,858**	**2,858**	**3,313**
Accounts c/o bank, post and Group finance companies	(1,348)	(1,295)	(1,595)
Available-for-sale securities	(26)	(26)	(9)
Cash and cash on hand	(4)	(4)	(7)
Financing receivables due within one year	(30)	(30)	(58)
Payables to banks due within one year	192	192	277
Payables to other financial institutions due within one year	3,065	3,065	2,503
Net short-term debt	**1,849**	**1,902**	**1,111**
Net debt	**4,707**	**4,760**	**4,424**

The fair value of derivative assets (liabilities) is detailed in Note 7 'Other current assets' and Note 18 'Other current liabilities'. Net borrowings includes the fair value of interest rate swap assets (liabilities).

A breakdown by currency of gross debt, amounting to €6,094 million, is provided in Note 14 'Short-term debt' and Note 19 'Long-term debt and current portion of long-term debt'.

Statement of comprehensive income

(€ million)	2013	2013 restated	2014
Net result (loss) for the year	**(381)**	**(136)**	**(238)**
Other items of comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
- remeasurements of defined benefit plans for employees	12	15	(21)
- share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans	-	(3)	2
- income tax relating to items that will not be reclassified	(3)	(3)	4
Items that may be reclassified subsequently to profit or loss:			
- change in the fair value of cash flow hedges [1]	45	45	(478)
- share of other comprehensive income of investments accounted for using the equity method	-	-	(1)
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	(95)	(95)	94
- income tax on items that may be reclassified subsequently to profit or loss	(8)	(8)	116
Total other comprehensive income, net of taxation	**(49)**	**(49)**	**(284)**
Total comprehensive income (loss) for the year	**(430)**	**(185)**	**(522)**
Attributable to:			
- Saipem Group	(449)	(204)	(516)
- non-controlling interests	19	19	(6)

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

Shareholders' equity including non-controlling interests

(€ million)	
Shareholders' equity including non-controlling interests at December 31, 2013	**4,744**
Total comprehensive income	(522)
Dividend distribution	(45)
Sale of treasury shares	-
Other changes	1
Total changes	**(566)**
Shareholders' equity including non-controlling interests at December 31, 2014	**4,178**
Attributable to:	
- Saipem Group	4,137
- non-controlling interests	41

Reconciliation of statutory net result and shareholders' equity to consolidated net result and shareholders' equity

	Shareholders' equity		Net result	
(€ million)	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014
As reported in Saipem SpA's financial statements	**1,460**	**1,401**	**277**	**70**
Difference between the equity value and results of consolidated companies and the equity value and results of consolidated companies as accounted for in Saipem SpA's financial statements	2,815	2,343	(432)	(261)
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of equity	812	807	(5)	(5)
- elimination of unrealised intercompany results	(399)	(371)	1	33
- other adjustments	56	(2)	23	(75)
Total shareholders' equity	**4,744**	**4,178**	**(136)**	**(238)**
Non-controlling interests	(92)	(41)	(23)	8
As reported in the consolidated financial statements	**4,652**	**4,137**	**(159)**	**(230)**

Reclassified cash flow statement (1)

Saipem's reclassified cash flow statement derives from the statutory cash flow statement. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flow statement) and in net borrowings (deriving from the reclassified cash flow statement) occurring between the beginning and the end of the year. The measure enabling such a link is represented by the free cash flow, which is the cash in excess of capital expenditure requirements. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the year by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of treasury shares, capital issuance) and the effect of changes in consolidation and of exchange differences; (ii) changes in net borrowings for the year by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

(€ million)	2013	2013 restated	2014
Net result (loss)	(159)	(159)	(230)
Non-controlling interests	23	23	(8)
Adjustments to reconcile cash generated from operating result before changes in working capital:			
Depreciation, amortisation and other non-monetary items	664	660	1,011
Net (gains) losses on disposal and write-off of assets	(34)	(34)	(2)
Dividends, interests and income taxes	250	254	291
Net cash generated from operating result before changes in working capital	**744**	**744**	**1,062**
Changes in working capital related to operations	202	218	569
Dividends received, income taxes paid, interest paid and received	(520)	(510)	(433)
Net cash flow from operations	**426**	**452**	**1,198**
Capital expenditure	(908)	(902)	(694)
Investments and purchase of consolidated subsidiaries and businesses	-	(7)	(9)
Disposals	380	380	15
Other cash flow related to capital expenditures, investments and disposals	-	-	-
Free cash flow	**(102)**	**(77)**	**510**
Borrowings (repayment) of debt related to financing activities	23	23	(10)
Changes in short and long-term financial debt	525	525	(170)
Sale of treasury shares	-	-	-
Cash flow from capital and reserves	(374)	(374)	(45)
Effect of changes in consolidation and exchange differences	(45)	(42)	18
NET CASH FLOW FOR THE PERIOD	**27**	**55**	**303**
Free cash flow	**(102)**	**(77)**	**510**
Sale of treasury shares	-	-	-
Cash flow from capital and reserves	(374)	(374)	(45)
Exchange differences on net borrowings and other changes	47	50	(129)
CHANGE IN NET BORROWINGS	**(429)**	**(401)**	**336**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 65.

Net cash flow from operations (€1,198 million) fully funded capital expenditures, generating a positive free cash flow of €510 million.

Cash flow from capital and reserves, which amounted to a negative €45 million, related mainly to the payment of dividends by ER SAI Caspian Contractor Llc. The effect of exchange differences on net borrowings and other changes produced a net negative effect of €129 million.

As a result, **net borrowings** decreased by €336 million.

In particular:

Net cash generated from operating result before changes in working capital of €1,062 million related to:

- the net result for the year of -€238 million;
- depreciation, amortisation and impairment of tangible and intangible assets of €1,157 million, net of the change in the provision for employee benefits (€4 million), changes in investments accounted for using the equity method of €20 million and exchange differences and other changes of -€122 million;

- net gains on the disposal of assets, which had an impact of €2 million;
- net finance expense of €173 million and income taxes of €118 million.

The positive change in working capital related to operations of €569 million was due to financial flows of projects under execution. From an operating perspective, the improvement registered in the fourth quarter was due in particular to the positive outcome of a number of negotiations with clients regarding collection of payments due, which drove a reduction in pending revenues on legacy contracts.

Dividends received, interest and income taxes paid during 2014 of €433 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.

Capital expenditure during the year amounted to €694 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€260 million), Onshore Drilling (€199 million), Offshore Drilling (€180 million), and Onshore Engineering & Construction (€55 million). Additional information concerning capital expenditure in 2014 can be found in the 'Operating review' section.
Investments and purchase of consolidated subsidiaries and businesses amounted to €9 million.

Cash flow generated by disposals amounted to €15 million.

Summary of the effects of restatement: financial statements

The table below shows the effect on the balance sheet at December 31, 2013 and on the income statement for 2013 of the restatement carried out as a result of the entry into force of new accounting standards IFRS 10 and IFRS 11.

Reclassified consolidated balance sheet

(€ million)	Dec. 31, 2013	Impact of restatement	Dec. 31, 2013 restated
Net tangible assets	7,972	(60)	7,912
Intangible assets	758	-	758
Investments	126	32	158
Non-current assets	**8,856**	**(28)**	**8,828**
Net current assets	**828**	**67**	**895**
Provision for employee benefits	(233)	14	(219)
Capital employed, net	**9,451**	**53**	**9,504**
Shareholders' equity	4,652	-	4,652
Non-controlling interests	92	-	92
Net debt	4,707	53	4,760
Funding	**9,451**	**53**	**9,504**
Leverage (net borrowings/shareholders' equity including non-controlling interests)	**0.99**		**1.00**
No. shares issued and outstanding	441,410,900		441,410,900

Consolidated income statement reclassified by nature of expenses

(€ million)	2013	Impact of restatement	2013 restated
Net sales from operations	**12,256**	**(415)**	**11,841**
Other income and revenues	8	(1)	7
Purchases, services and other costs	(9,073)	362	(8,711)
Payroll and related costs	(2,320)	50	(2,270)
EBITDA	**871**	**(4)**	**867**
Depreciation, amortisation and impairment	(724)	14	(710)
Operating result (EBIT)	**147**	**10**	**157**
Net finance expense	(190)	1	(189)
Net income from investments	13	(11)	2
Result before income taxes	**(30)**	**-**	**(30)**
Income taxes	(106)	-	(106)
Result before non-controlling interests	**(136)**	**-**	**(136)**
Non-controlling interests	(23)	-	(23)
Net result	**(159)**	**-**	**(159)**

Reclassified cash flow statement

(€ million)	2013	Impact of restatement	2013 restated
Net result	(159)	-	(159)
Non-controlling interests	23	-	23
Adjustments to reconcile cash generated from operating result before changes in working capital:			
Depreciation, amortisation and other non-monetary items	664	(4)	660
Net (gains) losses on disposal and write-off of assets	(34)	-	(34)
Dividends, interests and income taxes	250	4	254
Net cash generated from operating result before changes in working capital	**744**	**-**	**744**
Changes in working capital related to operations	202	16	218
Dividends received, income taxes paid, interest paid and received	(520)	10	(510)
Net cash flow from operations	**426**	**26**	**452**
Capital expenditure	(908)	6	(902)
Investments and purchase of consolidated subsidiaries and businesses	-	(7)	(7)
Disposals and partial disposals of consolidated subsidiaries and businesses	380	-	380
Other cash flow related to capital expenditures, investments and disposals	-	-	-
Free cash flow	**(102)**	**25**	**(77)**
Borrowings (repayment) of debt related to financing activities	23	-	23
Changes in short and long-term financial debt	525	-	525
Sale of treasury shares	-	-	-
Cash flow from capital and reserves	(374)	-	(374)
Effect of changes in consolidation and exchange differences	(45)	3	(42)
Net cash flow for the year	**27**	**28**	**55**
Free cash flow	**(102)**	**25**	**(77)**
Sale of treasury shares	-	-	-
Cash flow from capital and reserves	(374)	-	(374)
Exchange differences on net borrowings and other changes	47	3	50
CHANGE IN NET BORROWINGS	**(429)**	**28**	**(401)**

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

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

Return On Average Operating Capital

To calculate the Return On Average Operating Capital, the average capital employed is netted of investments in progress that did not contribute to net profit for the year, which amounted to €261 million at December 31, 2013 and €0 million at December 31, 2014.

		Dec. 31, 2013	Dec. 31, 2013 restated	Dec. 31, 2014 adjusted	Dec. 31, 2014
Net result	(€ million)	(136)	(136)	172	(238)
Exclusion of net finance expense (net of tax effect)	(€ million)	138	137	144	144
Unlevered net result	(€ million)	2	1	316	(94)
Capital employed, net:	(€ million)				
- at the beginning of the year		9,558	9,639	9,504	9,504
- at the end of the year		9,451	9,504	9,012	8,602
Average capital employed, net	(€ million)	9,505	9,572	9,258	9,053
ROACE	(%)	**0.02**	**0.01**	**3.41**	**(1.04)**
Return On Average Operating Capital	(%)	**0.02**	**0.01**	**3.46**	**(1.05)**

Net borrowings and leverage

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

	2013	2013 restated	2014
Leverage	0.99	1.00	1.06

Sustainability

Saipem is committed to managing its operations in a sustainable and responsible way, to promoting dialogue and to consolidating relations with its stakeholders. Our presence in local communities enables us to build shared values that contribute – particularly through the deployment of a strategy of Local Content – to the socio-economic development of the areas in which we operate.
Saipem adopts a system of governance which seeks to ensure that its principles and values are translated into concrete actions. To do this, it employs a Management by Objectives approach, using management tools to set itself specific sustainability objectives.
The Sustainability Committee[1], which exercises a sustainability strategy setting role, met three times in an official capacity during 2014 to discuss the results achieved in 2013, to approve the 2013 Sustainability Report, and to lay down lines of action for the forthcoming year.

Relations with stakeholders

The identification and involvement of all bearers of legitimate interests with respect to Saipem's activities are fundamental features of the Company's sustainability strategy. Dialogue and sharing of objectives with all stakeholders are the tools through which it is possible to create reciprocal value.
The management of sustainability concerns and the involvement of stakeholders on issues of sustainability, the promotion of economic and social development, along with the respect and promotion of human rights in the areas where Saipem operates are fundamental principles for sustainable business and are an essential part of Saipem's cooperation model aimed at the pursuit of excellence in its operations.
The Management System Guideline issued in 2014, 'Sustainability Stakeholder Engagement and Community Relations', sets out the stages of the process as follows: identification of stakeholders, definition of an engagement strategy, implementation and, finally, monitoring of the strategy.

Dialogue with stakeholders enables periodic monitoring of sustainability issues to be carried out so that specific issues can be selected for analysis and dedicated action plans prepared.
Material issues are identified via a materiality analysis whereby the economic, social and environmental impacts of Company operations are compared with their influence on stakeholder assessments and perception of operations.
In order to optimise the identification of its sustainability priorities, in 2014 Saipem extended the materiality analysis process to directly involve a number of external stakeholders (clients, investors, representatives of local communities, NGOs and business partners) from key geographical areas for Group operations.
The first stage of stakeholder involvement in this process was conducted principally using questionnaires, or in some cases through interviews, in which stakeholders were asked to identify the topics that in their opinion were most important for a company such as Saipem in terms of ensuring enduring operational success in the long term.
The external stakeholder assessment was then plotted against the results of an assessment provided by representatives of Company management selected as spokespersons for the various areas of the business.
The initial findings were submitted to a small panel of stakeholders who evaluated the stakeholder engagement methodology and the findings of the study. During early 2015, the final outcome of the analysis will be presented to Company management and endorsed by the Sustainability Committee for use in defining Saipem strategy sustainability for the coming year.
Detailed information on the process and its findings can be found in the 'Saipem Sustainability 2014' document, which also contains a more complete description of the principal stakeholder engagement activities carried out by Saipem Group companies.
This information can also be found in the Addendum attached to this Annual Financial Report.

Local community relations and initiatives

In 2014, local community initiatives were conducted in 14 countries in which Saipem has a long-term or operational presence that enables it to design and implement structured initiatives.
Saipem continued its work to promote Local Content in the areas in which it operates, which encompass the organisation of educational networks and programmes for local populations, as well as professional training courses and initiatives designed to stimulate local socio-economic growth.
The principal beneficiaries of these efforts in terms of economic investment were West Africa (Angola, Congo and Nigeria), the Caspian Sea region and South America.
Saipem's efforts were focused on developing local human capital, suppliers and subcontractors and on promoting socio-economic growth and local enterprises.
In terms of human capital development, Saipem is committed to developing specialist professional skills and provides support to and collaborates with local educational institutions and universities. This year for example it organised hands-on

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

internships for young graduates and local students at its operating centres in Azerbaijan, Angola, Brazil, Nigeria and Kazakhstan.
In terms of local supply chain development, Saipem conducted a number of support initiatives with local companies designed to raise service levels and product quality to internationally recognised standards, including for HSE. These included initiatives carried out in Brazil (in collaboration with SEBRAE, a local organisation providing support services for small and micro enterprises), Colombia and Venezuela.
The year also saw Saipem organise various training initiatives for local communities designed to encourage the creation and development of new enterprises, especially among the most disadvantaged sections of the population, in Colombia, Venezuela, Peru and Kazakhstan. In Angola, Saipem completed preparatory activities for the Alegria do Ambriz project, which aims to help rebuild and develop farming techniques. Work on the project will continue through 2015.
Further information on local community relations and initiatives conducted in 2014 can be found both in the attached 'Sustainability Performance 2014 attached to this Annual Financial Report', as well as in 'Saipem Sustainability 2014'.

Measuring value creation in local communities

Saipem's sustainability strategy focuses strongly on the maximisation of Local Content, which involves facilitating the transfer of knowledge and professional development with a view to creating job opportunities, increasing entrepreneurial skills and achieving growth in local human capital. As part of this strategy, Saipem is committed to defining and quantifying its real contribution to the socio-economic development of local communities in the areas in which it operates.
Accordingly, the year saw the continuing application of the SELCE Model (Saipem Externalities Local Content Evaluation), this time to perform an analysis of operations in Canada, Brazil and on the Egina project in Nigeria. The model consists of a methodology that enables the analysis and quantification of the value generated (i.e. the direct, indirect and induced effects, measured in terms of economic value, employment and human capital development) by the Local Content strategy over a given time frame and in a specific geographical situation. The principal indicators used by the model showed a direct economic impact in Canada of approximately 5.9 billion Canadian dollars for the 2011-2013 period and a contribution of 0.11% to 2013 Canadian GDP. In Nigeria, Saipem operations on the Egina project during the 2013-2014 period produced an estimated direct economic impact of 332 million US dollars, and a contribution of 0.09% to 2014 Nigerian GDP. In Brazil, where the model was applied to the Guarujá Yard only, calculations considered the construction of the yard itself and operations carried out there during the 2012-2014 period. The findings showed a direct impact economic of 1.8 billion Brazilian real and a contribution of 0.013% to 2013 Brazilian GDP.
Since 2009, the SELCE Model has been applied in Kazakhstan, Angola, Peru, Algeria, Nigeria, France, Indonesia, Saudi Arabia and Australia and has been placed at the disposal of clients on a number of projects.

Sustainability reporting

For the fourth successive year, Saipem has opted, based on the results of materiality analyses and sector benchmarking, to report on its sustainability activities in 2014 through two complementary publications, whose contents are structured as follows.
In order to ensure transparent disclosure and facilitate comparison with other actors present on the market, the document 'Sustainability Performance 2014' is published as an Addendum to this Annual Report. 'Sustainability Performance' is drafted in accordance with the international guidelines of the Global Reporting Initiative (GRI - version G3) and describes the Group's sustainability objectives and performances in 2014, including detailed qualitative and quantitative information and yearly comparisons.
The second document published is 'Saipem Sustainability 2014', which describes the commitments undertaken, the initiatives concluded and the results obtained by Saipem in relation to themes considered material by its stakeholders. The document also contains numerous country focuses which show how Saipem's sustainability strategies are translated into concrete actions at its operating sites.

During the year, Saipem continued communications targeted mainly at local stakeholders in the form of 'Country Reports', focusing on key countries or significant projects. The year also saw the publication of Country Reports on Indonesia, France, United Arab Emirates and Saudi Arabia.

Research and development

Research and Development activities have been organised into thematic areas which directly coincide with the activities of the Business Units, in order to ensure a clearer alignment with their strategies and with the aim of fostering an effective transfer of the fruits of Saipem's Research and Development efforts to the business areas.
The Offshore E&C Business Unit focused its development efforts primarily on Subsea (SURF, Subsea Processing and Field Surveillance activities) and export lines and trunklines, in addition to material technologies and other cross-cutting themes. Significant results were achieved in the SURF (Subsea, Umbilicals, Risers and Flowlines) segment, where the innovative solutions developed over recent years have begun to come to fruition, bringing with them the prospect of new opportunities to be exploited on the subsea field development market. In terms of deep and ultra-deep water applications, work continued on intervention downlines. The aim of these developments is to define new solutions for deployment in the commissioning and intervention phase of submarine pipelines, with the aim of ensuring mechanical integrity and safer operability of the downlines. An extensive testing campaign was launched with the goal of achieving better characterisation of the dynamic behavior of intervention downlines. The first tests of this campaign were carried out in the second half of 2014.
Another qualification campaign was initiated for a J-lay installation method adapted to plastic lined pipes, with the main goal of completing qualification of the system for industrialisation by simulating offshore installation conditions. The first part of the test campaign has been completed with good results and the second part will be carried out in 2015.
Further progress was made in relation to active heating with pipe-in-pipe, where the objective is to develop and qualify a technology compliant with J-lay installation. Following a first exercise run at the end of 2013, the design has been extensively worked out to produce a simple and reliable solution for the connection of electrical heating cables and temperature monitoring at offshore weld locations, enabling Saipem to offer a competitive solution suitable for deployment on its installation vessels. A demonstration tests campaign is planned to start in early 2015.
In the deep-water segment, further progress was made during the reporting period on the development of a series of innovative subsea processing systems in partnership with a number of leading oil companies.
Following completion of the first qualification tests program in 2013 on the 'Spoolsep' liquid/liquid gravity separation system, a second qualification step was launched. The test loop was upgraded and prepared for the flow tests expected to start in 2015. All the results obtained from the first campaign were analysed and the relevant conclusions drawn. The aim of the new campaign is to improve the geometry and performance of the system. In parallel, a JIP (Joint Industry Project) was proposed to the industry, and discussions in this connection that should lead to a new cooperation project in 2015 were finalised. Several actions were also performed in relation to the definition of the monitoring and control system.
Work also continued during the period together with an industrial partner on the design of subsea seawater treatment solutions. SPRINGS®, the result of the joint efforts of Total, Saipem and Veolia is designed for the subsea removal of sulphates present in seawater. The pilot unit installed in June on a Floating Production Unit in Congo and immersed at a depth of more than 500 m was recovered at the end of October. The results obtained are currently being processed, but show promising trends.
In parallel with the technology development activities mentioned above, a programme was launched in close collaboration with the Business Units for the industrialisation of subsea production technologies, and related technologies developed by Saipem. In this respect, the study to develop standardised interfaces for subsea processing plants ('subsea factories') carried out in collaboration with Statoil, has been just completed, while the study for internal industrialisation continued in keeping with the 'open source' policy.
In the framework of laying pipelines in very deep water, studies on the application of new fiber systems with a very high pulling capacity are proceeding: the solutions from a methodological point of view have been consolidated, while the definition of the plan for full scale testing of the pulling elements is coming to a conclusion. Studies are also being carried out on the application of this technology in other fields, in particular for the installation of objects in the deep sea.
Development activities for the Anti-Flooding Tool (AFT) system, which prevents the flooding of the pipe during the installation phase, were transferred to a major commercial project during the year. The development of the prototype and the construction of two other AFT units were completed. Factory tests on all three devices were successfully accomplished and the devices are ready for use in the field.

Other activities aimed at risk reduction during pipe laying operations were delivered to the business units. One is a new instrument for remotely measuring the inner ovality of the pipe in S and J-lay, which has passed to the industrialisation phase with the realisation of a first unit for an operational project. The programme for technological qualification of the measurement system is ongoing. The other concerns the development, close to conclusion, of a new device that quickly disconnects the equipment operating in the firing line in the event of uncontrolled movement of the pipe. The release device was successfully tested on sandblasting machines. The release system for the electrical power cables of the field joint coating clamps was redesigned and experimentally validated, while the engineering of the powder handling system is being finalised.

In the subsea pipelines trenching segment, the test campaign at sea produced positive results both in terms of the survival of transplanted Poseidoniae, as well as its ability to spontaneously form new colonies. The methodologies developed are now part of a manual issued by the ISPRA (Italian institute for the Environmental Protection and Research) containing guidelines for the transplantation of Poseidoniae.
Work on the measurement of the depth of burial of pipelines and their levelling continued, leading to the definition of the acoustic devices and signal processing algorithms needed for a possible first prototype. These activities were delivered to the business areas during the year.
During the reporting period a campaign of experimental validation of an innovative welding process for offshore pipelines with high productivity was scheduled. Preliminary lab tests were conducted, and the preparation of a predictive model to efficiently streamline subsequent experimental activity is in progress.
'M1' field joint coating technology is due to be deployed on its first operational project. A new machine suitable for durable use offshore and ensuring competitive cycle times was designed, constructed and qualified in the presence of the certifying institute and the customer. The machine has been installed and tested onboard and is awaiting final qualification testing of its production process and the beginning of offshore activities. A second unit has also successfully passed internal testing and is ready for shipment onboard.
In the submarine pipeline repair operations segment, the campaign to extend the repair system for marine environments rich in hydrogen sulphide, having been transferred to an industrial project, is now nearing completion, with the connection close to obtaining certification.
Studies of a new connector for pipelines capable of transporting acid products are continuing, while engineering work on materials and testing to be performed were started.
The focus of the Floaters business line, which is part of the Offshore E&C Business Unit, was primarily on high-end technological solutions, such as FLNG and floaters for harsh/Arctic conditions.
Technology development activities in the floating production facilities segment remained focused on the creation of innovative solutions for floating liquefaction facilities with the objective of achieving more efficient and safer gas production, under increasingly challenging conditions. This included the continuation of the qualification of a tandem LNG offloading system using floating flexible hoses in collaboration with an industrial partner. Work was also carried out with the aim of providing direct support to FLNG projects currently being undertaken by Saipem.
The Drilling Business Unit was concentrated on the adoption of new drilling techniques and rigs for harsh conditions. Alongside the monitoring of methods and equipment for the Managed Pressure Drilling market, the effort was focused primarily on developing designs for drilling rigs suited to Arctic conditions that take into consideration naval and drilling aspects, as well as the results of an operability analysis.
A package of new technologies based on a 'green design' approach was developed with the aim of offering solutions designed to minimise the environmental impact and maximise the energy saving capabilities of the next generation of drilling platforms.
The Onshore E&C Business Unit mainly focused on proprietary licensed process technologies and new solutions designed to increase the value proposition to clients, principally in the energy efficiency and environment fields.
Process development activities focused on the achievement of continuous improvements in the environmental compatibility of proprietary fertilizer production technology 'Snamprogetti™ Urea', which to date has been licensed to 130 units world-wide. While activities aimed at reducing environmental impact ('Urea Zero Emission') proceeded, innovative new internals for the urea synthesis reactor were designed, constructed and installed in an industrial plant. The expected performance was confirmed, and these internals will be integrated in the technology package to be offered to Saipem clients.
In the field of energy efficiency, studies were completed on the production of hydro-electric power in petrochemical or fertilizer plants, showing the feasibility of electric power production without greenhouse gas emissions at relatively low cost. The results of the study will allow Saipem to offer its clients a wide range of options which, for a slightly higher capital expenditure, will generate cost savings during operation and offer higher sustainability.
In the environmental area, a software platform for the evaluation of ecological risks was realised and implemented. The software can be used to record values for Lines Of Evidence (LOEs), as well as from a range of different types of analysis, such as eco-toxicological tests, biomarkers, biotic indexes, etc., and to integrate and analyse multiple weighted LOEs to assess overall ecological risk.
Finally, the activities conducted in the field of environmental characterisation and monitoring of soil and groundwater in remediation projects led to a number of achievements; among them:
- identification of monitoring systems with remotely displayed data for on-line analyses of groundwater oil content;
- development of a Quality Assurance Project Plan for assessment of a contaminated site.

Quality, Health, Safety and Environment

Quality

To emphasise and reinforce the Company's commitment to delivering products and services that meet the highest standards of quality, Quality Assurance and Quality Control operations have been under the direct supervision of the Chief Executive Officer since 2013.

In keeping with this approach, the end of 2013 saw the roll out of the 'Bring quality to the next level' programme, which involved the launch of five workstreams whose first phase was completed in March 2014. The streams involved the following activities:
- Cost of Non Quality: definition of categories of failure that generate Costs of Non Quality and definition of calculation methodologies for estimating the overall impact of these costs for Saipem SpA;
- Saipem Knowledge Management: implementation at Saipem SpA of a knowledge sharing network (K-Hub) for use by all Company personnel;
- Top Management Critical Metrics - Drilling: design of a new process for setting and monitoring indicators for the Drilling Business Unit;
- Quality Built in Process - Supply Chain: analysis of recurring quality issues in the supply chain process and definition of areas of improvement;
- Quality Built in Process-Fabrication Subcontract to third party: mapping of the fabrication process, identifying areas for attention and defining improvement actions.

In the light of the results achieved in the first phase of the project, in March and April 2014, an internal task force was assigned to roll-out activities for each workstream.
The status of the five workstreams is as follows:
- Cost of Non Quality: the process, governance model, tools and training packages for performing Cost of Non Quality calculations over the lifecycle of Saipem SpA projects have all been defined and their systematic application on projects of all Business Units has commenced;
- Saipem Knowledge Management (K-Hub): the K-Hub network has been launched and is operational;
- Top Management Critical Metrics - Drilling: the indicators have been defined and applied on the offshore fleet and onshore rigs;
- Quality Built in Process - Supply Chain: methodology for performing analyses defined and finalised;
- Quality Built in Process-Fabrication Subcontract to third party: templates for contract issue defined and issued.

Following the issue of the Management System Guideline regarding the Company's regulatory system in December 2013, which introduced new governance rules for the system of regulatory documentation and technical standards, the CEO, together with the Human Resources and Quality department managers sponsored the launch of a project entitled 'Regulatory System Improvement'.
The project aims to align Company documentation with the new architecture and the existing organisational/operational model, regulate and optimise interaction between processes and to implement a plan for updating by Process Owners of individual process documentation to reflect the new rules.
From October, the Managing Directors and Human Resources and Quality managers of all Saipem subsidiaries and branches will be involved with the aim of ensuring the controlled implementation of all Corporate documents issued.
November saw the start of homogenisation and migration of Document Management System data at all subsidiaries. System content can be accessed by all Saipem employees.
The analysis of processes performed on the project identified improvements to cross-cutting processes relating to welding and plant completion.

As part of the Cost Structure Optimisation project, the year saw the start of an analysis of Quality cost centres used worldwide with the aim of homogenising them and monitoring costs allocated to them.
Finally, the year also saw the continuation of the following activities:
- issue of corporate standards and technical instructions;
- improvement and redefinition of Technical and Vessel Document Systems;
- implementation of the reporting system launched in 2013 for quality activities at branches/subsidiaries;
- creation of a new framework for third party certification of Saipem's Governance Model;
- review of KPIs for all processes in accordance with output of 'Regulatory System Improvement' project;
- modification to Quality System Internal Audit planning and performance in accordance with new Process definition and Process Owners;
- measurement of customer satisfaction;
- issue of dedicated corporate criteria for the maintenance and testing of Blow Out Preventer (BOP) systems used on drilling projects.

Safety

Safety in the workplace has always been a top priority for Saipem, which it pursues through continuous monitoring of its performance and the development and implementation of a wide range of technical and cultural actions and initiatives.

In 2014, Saipem's safety performance registered a drop in the Total Recordable Incident Frequency Rate from 1.15 to 1.09.

The year also saw an intense effort involving numerous campaigns and initiatives designed to maintain high workplace health and safety standards throughout the Company. These included:

- A campaign to promote the life-saving rules developed by the OGP (International association of Oil & Gas Producers). The second half of the year also saw the completion of materials (videos, posters, booklets, and guidelines for trainers) designed to support the launch and delivery of the campaign within the Saipem Group, which is scheduled to take place in 2015.
- The year also saw the ongoing delivery to personnel at all of the business units of all phases of the LiHS programme (Leadership in Health and Safety).
- To celebrate 'World day for Safety and Health at work', the LHS foundation organised a performance of workplace safety themed play 'Giorni Rubati' at the Massimo Troisi theatre in San Donato Milanese.
- At the Saipem open day for families, which was held at a number of the Company's Italian offices, the LiHS team organised two initiatives involving health and safety themed educational games aimed at families.

Saipem SpA continued its drive to improve its HSE Governance, with 2014 seeing its BS-OHSAS 18001 (Health and Safety) and ISO 14001 (Environment) renewed by independent certification body DNVGL - Det Norske Veritas. The same level of certification was also achieved by an additional 15 Saipem Group companies and branches.

Environment

Saipem's environmental strategy is focused on reducing all types of environmental impact and on the preservation of natural resources. To achieve this goal means promoting a high level degree of environmental awareness at all Saipem projects, sites and offices. With evaluation of the environmental aspects of our operations a strategic objective, 2014 saw Saipem intensify its efforts in the following areas:

- Energy efficiency: energy diagnostics were planned and conducted at Saipem's Fano and Vibo Valentia offices, an onshore drilling rig in Italy, a fabrication yard in Arbatax and a logistics base in Ravenna. Their objective was to identify technical solutions for achieving enhanced energy efficiency that will be implemented in 2015-2016.
- Waste management: Saipem took part in three technical sessions at the Waste Day 2014 workshop organised by Eni, which focused on waste management.
- Environmental Awareness: World Environmental Day on June 5 is now a fixture on the Company calendar, which sees Saipem organising actions and initiatives designed to foster environmental awareness among its employees. For WED 2014, Saipem selected the slogan 'Efficient Consumption means Green Consumption', chosen to highlight the findings of the energy diagnostics conducted and to reflect the strategy it has adopted to reduce waste and the consumption of natural resources.

In terms of environmental governance, the year saw the Company press on with the implementation of an action plan and a review of the Company's environmental regulatory documentation with the aim of preventing environmental crime pursuant to Legislative Decree No. 231/2001.

Health

With regard to health-related issues, 2014 saw Saipem continue with its normal activities and promote a series of new initiatives. These included:

- 5,221 preventive and periodical medical check-ups were carried out for Italian and international personnel; 859 further medical examinations and 17 alcohol and drug tests were carried out. The diffusion of the 'Pre-Travel Counselling' programme for all Saipem SpA personnel due to work abroad continued during the year, with 1,200 employees receiving counselling. This included sessions to raise vaccine awareness, with a focus on mandatory and strongly recommended vaccines. A dedicated medical team based in India is responsible for conducting a similar program for international personnel.
- The year also saw ongoing work under agreements with a variety of organisations on a wide range of issues. These included partnerships with the IRCCS Policlinico di San Donato Milanese for health promotion initiatives and for emergency medical assistance provided to Saipem employees at the hospital's A&E unit, with the CIRM (Centro Internazionale Radio Medico) for the provision of radio medical advice to employees working on board Saipem's offshore fleet and with Milan's Sacco hospital for infectious disease testing of employees returning from work abroad all continued. The Company also participated in the Workplace Health Promotion programme organised in collaboration with the local health authority and the Lombardy Regional Authority. A programme for cardiovascular disease prevention was launched during the year, involving large-scale screening designed to identify cardiovascular risks among workers at operating sites. The programme was conducted at 148 work sites.
- A medical internships and professional development project was launched during the year in collaboration with the Università Cattolica del Sacro Cuore. The project, due to last three years, will involve approximately 20 medical students undertaking a specialisation in occupational health medicine

and aims to assist them with their career choices by giving them direct practical experience of the world of work.
- Saipem also organised specific events during 2014 to coincide with a number of the international awareness days celebrated by the World Health Organisation, underlining Saipem's commitment to promoting a culture of health among its employees and the world at large. These included World Diabetes Day, World Heart Day, World Hypertension Day, World Tuberculosis Day, World Cancer Day, World AIDS Day, World No Tobacco Day, World Blood Donor Day and World Health Day. Presentations, posters and leaflets were produced for all of the above events and initiatives.

Work also continued during 2014 on the healthy diet initiative 'H-factor', which aims to encourage employees to eat healthily by providing information on the nutritional composition, calorie content and size of individual servings at staff canteens. The programme was rolled out in 12 new operating sites during the year.

Human resources

Workforce

The year saw the workforce continue to grow, moving from 47,224 resources (of whom 18,551 with critical skills) in 2013 to 49,580 (of whom 19,621 with critical skills) at year-end 2014. The increase was mainly connected with a greater use of direct hiring in Mexico and Canada.
The number of women managers also increased in 2014 by 0.5%, while the figures for local managers fell by 1.1%.

Payroll

In line with employment trends, the value of the payroll increased to €2,408 million at the end of 2014 compared with €2,270 million at year-end 2013. The increase was due mainly to the growth recorded in the workforce caused by the greater use of direct hiring. The per capita payroll figure for the year fell to €49.2 thousand from €50.0 thousand in 2013.

Organisation

Following the changes which saw the Engineering & Construction and Drilling Business Units integrated under the control of the Chief Operating Officer, 2014 brought the introduction of a new organisational structure designed to enable Saipem to capture the opportunities offered by the market, and to improve Company performance and profitability. The new structure involved:
- the creation of four Business Units equipped with the resources required to achieve the expected operating and economic results in terms of project acquisition and implementation;
- centralised management of Post Order activities for the Onshore and Offshore E&C Business Units and the Floaters business line;
- the bolstering of the regional oversight role performed by the Regional Managers in order to ensure integrated business promotion at local level, uniform representation of the Company in relations with stakeholders and optimisation of competencies, structures and assets.

Meanwhile, the following changes were made within the staff and support business functions:
- rationalisation of the Chief Compliance and Financial Officer's department;
- redefinition of the organisational structure of the Procurement, Contract and Industrial Risk Management function;
- reallocation to the subsidiary Saipem (Portugal) Comércio Maritimo (SPCM) of activities related to Saipem fleet certification and compliance with national and international maritime regulations;
- integration of occupational health and medicine activities within the Human Resources, Organisation and Services for Personnel function.

Work also continued to align the organisational structures of subsidiaries and branches with the Saipem organisational model and specifically with the new structure adopted by the Business Units.

The following measures were taken with a view to achieving continuous improvement of Corporate Governance and the system of internal controls and risk management:
- the introduction of a new system of powers and delegations at all Saipem subsidiaries and branches through the implementation of new Authorisation Matrices and the standardisation of powers based on the dimensions and complexity of the entities;
- the launch of an initiative to secure adoption of the same system by Joint Ventures and Associates;
- completion of a review of the Boards of Directors and Compliance Committees of all Saipem subsidiaries based on new composition regulations;
- an improvement and development programme currently underway on the Company regulatory system with the aims of rationalising and simplifying the system and securing increased ownership by individual Process Owners with regard to Saipem value chain objectives.

In addition, as part of the drive towards the improvement of Company processes and activities, the following initiatives were carried out:
- the 'Cost Structure Optimisation' project was launched, which involves the analysis and optimisation of Company cost structures and the definition of initiatives designed to improve operating efficiency;
- initiatives aimed at rationalising and optimising the operating/organisational model used for fabrication management were completed;
- an organisational model for the new Company Knowledge Management system was defined. The system is designed to ensure more effective capture and dissemination of experience and know-how.

Human Resources Management

In the current market scenario and the global climate in which Saipem operates, the Human Resources function increasingly is required to take rapid, targeted decisions that not only satisfy all relevant legislative, trade union, tax, welfare and operating requirements, but which also ensure uniform, consistent and transparent management of all of the Group's human resources.

Within this context, 2014 saw the Human Resources Management function press on with efforts made during the first half of the year to develop and roll out tools to optimise the integrated groupwide management of the Company's processes, in accordance with its direction, coordination and control remit with regard to secondary Human Resources offices. These efforts included issuing corporate standards, policies and guidelines establishing uniform work rules and processes that are aligned with Company targets.

The new documentation issued included updated and improved Human Resource Management procedures (corporate standards, operating procedures and work instructions) concerning expatriation processes, administrative processes, and relations with public authorities in connection with social security, insurance and supervisory matters, as well as revised versions of procedures for business trips by non-management personnel.

As part of the drive to improve HR management tools and processes, work was completed on the development of the architecture of two electronic systems which will enhance impatriation processes for international personnel at Saipem offices in Italy (Visa System) and facilitate the tax recovery process.

The activities carried out in the year in relation to the development of the integrated management functionalities provided through the Human Resources Management Portal saw the release of a dashboard designed to monitor absenteeism and expatriation, while the implementation of an additional dashboard designed to monitor international mobility of Italian and expat personnel is scheduled for the near future.
With the new functionalities on board, the Human Resources Management Portal will offer users an even more extensive range of integrated HR management tools. The portal can provide a vast array of data and analyses that can be used to generate dashboards and reports, enabling integrated and effective management of the Company population, the monitoring of key HR data, and facilitating the rapid creation of reports on HR issues for use by top management, thus ensuring more effective setting of Company strategies and decision-making in relation to key HR issues.

2014 efforts once again included actions designed to enable the monitoring and control of human resources phenomena such as use of personal leave, overtime, absenteeism, and business trips, as well as compliance with legal obligations regarding disabled personnel.

Studies were also launched on systems used to record data related to hours worked by group personnel assigned abroad. The analysis, which focused on personnel assigned to remote areas, may potentially lead – initially at least for Italian expatriate personnel only – to the roll out of a web-based system permitting electronic registration and centralised monitoring of working hours. Such a system would permit verification of compliance with the applicable legislation, but also enable an analysis of data for optimisation purposes, as well as interfaces with payroll systems.

Industrial Relations

Given the global nature of the environment in which Saipem operates today, which encompasses a wide range of socio-economic, political, industrial and legislative situations and conditions, the management of industrial relations requires maximum care and attention.
The Company's industrial relations model has thus for many years now focused on ensuring the harmonisation and optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies.
With a view to further reinforcing this participatory model of industrial relations, the Company and the trade union organisations entered into discussions during 2014 to establish an industrial relations protocol that recognises the centrality of communication, negotiation and dialogue. The aim is to have a definitive protocol ready by the first quarter of 2015.
The reporting period also saw a number of other important instances of discussion and dialogue, among which the meeting in May 2014 at which Saipem top management presented the General and National Secretaries of the Energy and Oil sector trade unions with its Business Plan and outlook for 2014-2017.
Despite the critical situation issues that marked 2013, the Company and the trade unions were together able to reach an agreement with regard to the participation bonus, which established the amounts paid out in May 2014 based on 2013 results. Both parties also underlined their commitment to defining a new framework for calculating the participation bonus for the period 2014-2017.
As in the previous year, 2014 saw the continuation of the drive to achieve greater efficiency and alignment of management processes in cooperation with trade unions representatives at all Italian sites. Agreements were signed again this year defining rules and responsibilities for the holiday planning process. For the first time, the agreements were also signed by the trade union representatives for the workers at the Arbatax Yard.
In the light of a fall-off in drilling activities in Italy following the conclusion of drilling operations in the Adriatic by the Perro Negro 8 and the staff surplus that this caused, a collective redundancy process for 40 drilling workers was initiated in accordance with trade union organisations pursuant to Italian Law No. 223/1991. A final agreement was signed on December 5, 2014.
Talks with maritime trade union organisations were entered into with the objective of updating and simplifying all navigation allowances and salaries agreed at the second level of collective bargaining. At the conclusion of the talks agreements were signed in December 2014.

The overseas Industrial Relations function launched during the year a series of initiatives focused on optimising the management

of work relations through the systematic collection of regulatory and administrative information concerning the various geographical areas and specific circumstances in which the Company operates. In accordance with its guidance and coordination role, the function shared the information collected with the overseas human resources departments.
The year's significant events also included the signing of a collective agreement for the workers employed in the Guarujá Yard with a new trade union organisation. The agreement, which was entered into concomitantly with the renewal of the existing collective labour agreement, redefined salary categories for yard personnel and also introduced a participation bonus, in keeping with recommendations contained in local regulations. Meanwhile, three new collective agreements were signed in Mexico for specific professional categories employed at the Company's offices in the Federal District of Mexico City. The end of 2014 also saw the renewal of two important collective labour agreements for the energy and construction sector in Nigeria. The employment regulations laid down in the agreements were adapted to provide enhanced resolution mechanisms for industrial disputes. Finally, the workers at the Karimun Yard in Indonesia have formed a trade union with which a collective agreement is expected to be entered into at the beginning of 2015.
Relations with trade union organisations during the reporting period were in many cases affected by exogenous factors related to developments in the labour market in the areas in which Saipem operates. In Australia, support was provided to the local Human Resources department with the definition of agreements with trade union organisations from a number of sectors. This included the signing of a Memorandum of Understanding with three trade union organisations from the energy sector, as well as a Deed of Agreement with the Maritime Union of Australia which was drafted with the aim of ensuring effective company-union relations during work on the Ichthys project, in the light of the absence of a specific national framework agreement for the maritime sector in Australia. Finally, a recent change to the law on Australian immigration into the Exclusive Economic Zone led to the drafting of an agreement designed to safeguard the local workforce. An official agreement with the Australian Manufacturing Workers Union is due to be entered into at the start of 2015.

Human Resources development

Given the current scenario, Saipem continues to recognise the strategic value of human resources development as a fundamental element for ensuring an effective definition of its workforce in qualitative terms and works to ensure that the development of internal resources is based on processes that are closely linked to the Company's business needs. As part of this approach, efforts continued during the year to update, consolidate, simplify and integrate the Company's development tools in line with the People Strategy and the Employee Value Proposition.
This included work to update succession plans for strategic Company positions to reflect the organisational changes and new business requirements that emerged during 2014.
In addition, the structure of the professional development model for key managerial resources was updated, with the succession plans integrated with a career plan model that can be personalised to build personal career paths.
The year also saw the roll out of a new performance management model, which focuses in particular on individuals' professional skills and competencies, greater simplicity with a view to promoting wider use, and on the sharing of performance appraisals and the giving of feedback.
Further underlining the importance of professional skills as a key lever for the successful undertaking of present and future projects, the year saw a work team revisit the model used for the mapping, development and monitoring of critical skills. The analysis was initially conducted for the five key roles of Drilling

(units)	Average workforce 2013	Average workforce 2013 restated	Average workforce 2014
Offshore Engineering & Construction	15,857	15,091	16,840
Onshore Engineering & Construction	19,148	18,549	19,831
Offshore Drilling	2,724	2,724	2,725
Onshore Drilling	7,706	7,564	7,892
Staff positions	2,039	2,036	1,679
Total	**47,474**	**45,964**	**48,967**
Italian personnel	7,475	7,475	7,491
Other nationalities	39,999	38,489	41,476
Total	**47,474**	**45,964**	**48,967**
Italian personnel under open-ended contract	6,600	6,600	6,722
Italian personnel under fixed-term contract	875	875	769
Total	**7,475**	**7,475**	**7,491**

(units)	Dec. 31, 2013	Dec. 31, 2013 restated	Dec. 31, 2014
Number of engineers	7,690	7,659	7,908
Number of employees	48,607	47,224	49,580

Superintendent, Offshore Project Manager, Onshore Construction Manager, Procurement Manager, and Project Technical Manager. The year also saw the start of work on a related initiative to update the Company's professional development plans, which brought the definition of a new development model and an initial roll out for the Procurement and Commercial professional families. Meanwhile, pressing on with the Company's employee engagement drive, 2014 saw Saipem SA and Saipem do Brasil Serviçõs de Petroleo Ltda both run editions of the 'Share & Shape' project previously held in Italy in 2013, whose aim is to secure a more direct level of engagement on the part of the Company's less senior employees with regard to the formulation of improvement proposals to top management.

Remuneration

The new challenges posed by the international market, couple with the global economic conditions prevailing during the year dictated once again a cautious, differentiated approach to the definition of remuneration policies.
Accordingly, variable incentive plans (including project incentives) and retention systems, which continued to be subject to careful analysis and rationalisation, are being adopted on a selective basis, taking into account the specific characteristics of the relevant labour markets and current business trends and future outlooks. Maximum selectiveness and precision were adopted in determining the annual remuneration policies in terms of both reducing spending and improving Saipem's pay positioning for highly critical and hard-to-fill positions. As regards management incentive plans, since, based on relevant Company targets and management's 2013 performance, the minimum threshold of 85 points triggering a pay-out of the annual monetary incentive plan for senior managers was not reached, no individual monetary incentives were paid out and no deferred monetary incentives were awarded.
New 2014 targets for all managers have been defined. The targets are focused on the Company's results in terms of EBIT, orders acquired, net financial position, sustainability and integrity (set using a top-down approach), and also include targets set on the basis of the strategic plan and individual behavioural targets.
A new Long-Term Monetary Incentive Plan has also been introduced in order to provide the Company with a tool to motivate and retain critical management resources. The objectives of the plan are to increase participation in the Company's business risk, obtain improvements in the Company's performance and create maximum long-term value for shareholders. The Plan was approved by the Saipem Board of Director on March 14, 2014, while the Company's shareholders voted in favour of its adoption at their Meeting on May 6, 2014. The Plan introduces two new performance indicators, both of which are measured over a three-year period:
- Total Shareholder Return, which is an indicator of the Company's ability to generate a return for its shareholders, as measured against a peer group;
- ROACE, which is an indicator of the return on employed capital measured against the annual budget.

Finally, the benchmark peer group was updated and is now composed of the following companies: Technip, JGC, Subsea 7, Transocean, Petrofac and Samsung Engineering. Implementation of the plan was approved by the Board of Directors on October 28, 2014 for 102 Italian senior managers, representing 23.94% of Italian managerial resources, with a total cost outlay of €4,081,500.
The Saipem Remuneration Policy described in the Remuneration Report is defined in accordance with the Governance Model adopted by the Company and the recommendations included in the Corporate Governance Code, with the aim of attracting and retaining highly skilled professional and managerial resources and aligning the interests of management with the priority objective of value creation for the shareholders in the medium-long term.
The 2014 Remuneration Report was prepared in compliance with Article 123-*ter* of Italian Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers' Regulation and taking into account recent legislative developments – in particular the requirements set down by Article 84-*ter* of Law No. 98 of August 9, 2013 concerning the remuneration of Executive Directors of companies controlled directly or indirectly by Public Authorities. In this regard, the Board of Directors ascertained that the Company is exempt from the requirement to present a proposal for the remuneration of its Executive Directors, since – having already brought in a reduction of the CEO's remuneration on December 5, 2012 that was greater than the reduction required – it falls within the ambit of the circumstances regulated by paragraph 5-*sexies* of Article 84-*ter*. The Saipem Board of Directors approved the 2014 Remuneration Report on March 14, 2014, while the Company's shareholders voted in favour of the report at their Meeting on May 6, 2014.

During the year, the Senior Manager Administration department established and launched a work plan for improvements to the monitoring and control of its key administrative and management processes, as part of the department's remit of direct centralised management of the senior management population.
The plan brought the launch during the year of a review of company policies focusing on generating groupwide savings, re-defining authorisation processes, aligning/standardising global practices and recovering direct governance over key critical operating processes, in relation in particular to expatriation methodologies and policies, assignments and business trips, and the use of credit cards with central payment. The preliminary phase of the plan will involve a series of audits designed to provide a map of the current situation.
Recent months also saw the launch of the annual tax recovery plan for expatriate senior management personnel, which aims to offset the Group's tax bill.

Selection and Training

With the complex and increasingly challenging market conditions requiring Saipem to constantly maintain high standards of excellence, the Company's selection activities are focused on recruiting and developing strong specialist skills. With a view to

developing and fostering such capabilities, which it can often be difficult to recruit on the labour market, Saipem is continuing to invest in employer branding exercises and initiatives aimed at top universities and secondary level technical schools.
May 2014 in fact saw the conclusion of the second edition of the postgraduate master's programme in 'Safety and Environmental Management in the Oil&Gas Industry', organised in collaboration with the University of Bologna and Eni Corporate University. Participants on the course included European and non-European students in addition to Italian students. Meanwhile, activities also continued on the 'Synergy' project, which the Company launched in partnership with the technical schools 'A. Volta' in Lodi and 'E. Fermi' in Lecce with the aim of strengthening its image, cultivating an awareness of its business activities and enhancing its ability to attract young school leavers.
In the second half of the year, Saipem signed a collaboration agreement with Milan Polytechnic for the creation of a new visiting chair to be known as the 'Saipem International Chair'. The initial agreement is due to last three years and will see the Chair awarded annually to a leading international scholar from the field of energy and plant engineering. Courses taught by the chair will focus on project management and will be conducted in English with the aim of attracting both Italian and international students.
Finally, a drive is underway to increase the use of e-recruitment technologies.
In keeping with the drivers defined as part of the Company's People Strategy concerning the promotion and dissemination of integrated, transparent tools for effective personnel management, the year saw the conclusion of the roll out in Italy of the new training management software application 'Peoplearning' and the launch of its worldwide roll out, starting in France and Canada.
In line with the key elements of the Employee Value Proposition, the training projects and initiatives implemented during 2014 were targeted at achieving greater leverage of the Company's technical resources and at developing skills characterised by high levels of specialisation. Deployment of the training matrix – a tool used to define training programmes and professional certification courses for roles deemed critical to Saipem's business with the aim of ensuring professional excellence and monitoring the Company's technical and professional know-how – was consolidated and has been elevated to best practice status.
Meanwhile, the year also saw the continuation of the drive to expand and enhance the activities of the Saipem Training Centres. At Schiedam training centre in Holland a training initiative was held for the Offshore E&C Vessel Management Team (70 people) called 'Leading tomorrow: VMT workshop', with the aim of enhancing managerial and technical competences. The workshop focused on leadership, communication, offshore operations, asset management, health safety and environment, quality and Human Resources. Nine editions of the workshop were successfully organised during 2014. In addition to the members of the VMT, the workshops were attended by Vessel Operations Managers (VOM), Vessel Asset Managers (VAM) and Naval Maintenance Engineers (NME).
In terms of Compliance and Governance, work was done on the preparation of role-specific training matrices detailing the training offer to cover specific training needs/gaps, as well as on training planning.
Compliance and Governance training initiatives included:
- the modular training programme 'Maximise Performance' for Managing Directors of overseas companies;
- the workshop 'Working in the Board' designed to increase the governance skills and knowledge of members of the management boards;
- training initiatives for the members of the Compliance Committee of subsidiaries, training required by Legislative Decree No. 81/2008 for Employers, Safety Managers, Safety Supervisors and Safety Officers and training in e-learning format pursuant to Legislative Decree No. 231/2001.

2014 also saw the launch of a programme of training and communication initiatives aimed at top management, senior managers and middle managers designed to foster the creation of a unique shared Saipem culture of 'Responsible Leadership'. The programme was initially implemented for the Procurement area only but is due to be rolled out for the other areas in 2015.

Information technology

The change initiatives implemented on the Company's information management systems during the year were limited to consolidation of the significant results already obtained in previous years in terms of both applications and infrastructure, in line with the cost containment objectives set by management.

In terms of management applications, the year saw the completion of the release plans for SAP R/3 and the e-Procurement module SAP SRM; a comprehensive update of the Business Intelligence and consolidated financial statements environments which saw the adoption of the in-memory platform SAP HANA; and the planned update of the HR information systems. These initiatives were accompanied by a broad range of business support initiatives, underlining the Company's firm commitment to its strategy of work process digitalisation.

Preparations were carried out for the roll out of SAP R/3 at Saipem's Mexican subsidiary. Meanwhile, the roll out of the inventory management application SAP Material Ledger was concluded at all of the main Group companies. The roll-out activities were coordinated to include an update of Spectec's asset maintenance management system AMOS.
The new e-Procurement system SAP SRM reached full maturity during the year, with significant results achieved in terms of use of the platform for catalogue purchases and e-tenders.
In terms of new Business Intelligence initiatives there were releases of dashboards for Procurement, HR, and Workload Management, as well as in the Offshore E&C and Drilling business areas.
The most significant project undertaken during the year was the adoption of high performance in-memory platform SAP HANA, in which the Enterprise Data Warehouse and the consolidated financial statements application SAP SEM have both been deployed. This has produced a significant performance improvement, with the time required to perform a consolidation falling considerably .
In the Human Resources area, the OSA (One Step Ahead) initiative being conducted in partnership with Oracle Corp on the Peoplesoft HCM application continued, with 2014 seeing the release of the Talent Management module. Meanwhile, the roll out of the Saipem developed international payroll solution continued with success. At December 31, 2014, the application was being used to successfully process and deliver over 21,000 individual monthly payslips at 17 Saipem group companies. Development and maintenance of the payroll software, as well as related HR management activities have been offshored to Saipem India Projects Ltd in Chennai, producing significant cost savings. ICT are currently working closely with HR to introduce the new Falcon suite of applications within Group companies.
The suite will provide a standard solution for international HR management satisfying all local requirements (visa, leave and travel management, etc.) plus all related authorisation workflows.

Business support development initiatives carried out during the year focused on the adoption of innovative tools targeted at increasing the efficiency and quality of engineering design and construction activities and on the automation of business processes through the optimisation of existing applications. This second area of intervention, named Project Information Management, is an improvement initiative that the ICT function is carrying out for the Engineering, Project Management and Quality functions, which aims to identify areas in which improvements in efficiency can be targeted.
One of the most important innovations introduced in 2014 concerned the completion of the Knowledge Sharing project and the release of collaboration application K-Hub, which is based on Microsoft SharePoint. In the six months since K-Hub has been introduced, the initiative has achieved considerable success in terms of both registered users and contributions.
New processes for automated drawing generation based on modelling tool Intergraph SmartPlant 3D were also developed in 2014 and new engineering data control procedures were released with the aim of improving data quality. These solutions have now been leveraged on a number of contracts, providing the Company with a competitive edge.
In terms of new business support initiatives, the year brought the growth in use of the new on site pipe spool management application, which is an excellent example of the type of applications ICT is currently working on for the business areas. The Spool Tracking System in fact provides integrated management of pipe spool fabrication activities together with the related technical documentation. The year also saw the deployment of specialised solutions for enhanced management of engineering documentation and client comments on projects, as well as applications designed for managing on board technical documentation for Saipem fleet vessels.
There was also a review of the development plan established by Onshore Business Management for implementation of the new construction management suite, which features integrated site activity planning using Oracle Primavera, as well as functionalities for job accounting and the development of quality plans. Some recent developments have now been abandoned in favour of a more efficient and less costly revisitation of tried and tested applications included in the Construction Management suite SICON, developed in-house.

In terms of infrastructure, a new three-year service contract providing a significant cost saving was signed with HP for server and desktop management services.
In addition, a number of smaller scale initiatives were carried out, including the deployment of Splunk and BMC for the management

and optimisation of centralised infrastructure and the roll-out of Webex, an inexpensive videoconferencing product developed by Cisco.
The year also brought continued development according to plan of the ICT function's presence in Chennai, India, to which a number of infrastructure activities have now been offshored following its creation in 2013. As of July 2014, international infrastructure management services are operational, meaning the Saipem Group now enjoys 24x7 first level support for its international servers and local networks. During 2014, 70% of service tickets for international server management issues were managed and resolved by the Chennai team, meaning service levels were raised despite a reduction in overall costs.

Deployment of the Role Compliance Management systems, which allows the definition of standard user application profiles, reached maturity during the year, having been rolled out to enable automatic user-role assignment for Peoplesoft and all of the main business software applications. This was combined with a cutting-edge use of IT security technologies designed to mitigate the security risks associated with data processing by the Company information systems.
In terms of security the year saw the roll-out of advanced credential management systems, including the Oracle FastLogon system, which enables users to access the principal Company applications on a Single Sign-On basis.

Governance

The '**Corporate Governance Report and Shareholding Structure**' (the 'Report') pursuant to Article 123-*bis* of the Consolidated Finance Act has been prepared as a separate document, approved by Saipem's Board of Directors on March 10, 2015, and published on Saipem's website at www.saipem.com under the section 'Corporate Governance'.
The Report was prepared in accordance with the criteria contained in the 'Format for Corporate Governance and Shareholding Structure Reporting - 4th Edition (January 2015)' published by Borsa Italiana SpA and in the Corporate Governance Code.
The Report provides a comprehensive overview of the Corporate Governance System adopted by Saipem SpA. It also furnishes a profile of Saipem and the principles by which it operates, and gives information on the Company's shareholding structure and its adherence to the Corporate Governance Code (including the main practices of governance applied and the key characteristics of the system of internal controls and segregation of duties).
The Report also provides information on procedures adopted with regard to 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties', which can be consulted on Saipem's website, www.saipem.com, under the section 'Corporate Governance', the communication policy adopted for institutional investors and shareholders, the processing of company information, and finally on the internal management and disclosure to third parties of Company documents and information concerning Saipem, with particular reference to Inside Information, as dealt with in the Company's 'Market Abuse' procedure.

The criteria applied for determining the remuneration of Directors are illustrated in the '**2015 Remuneration Report**', drafted in accordance with Article 123-*ter* of Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation. The Report is published in the 'Corporate Governance' section on Saipem's website.

Risk management

Saipem implements and maintains an adequate system of internal controls and risk management, composed of instruments, organisational structures and Company regulations designed to safeguard Company assets and to ensure the effectiveness and efficiency of Company processes, reliable financial reporting, and compliance with all laws and regulations, the Articles of Association and Company procedures. The structure of Saipem's internal control system constitutes an integral part of the Organisational and Management Model of the Company. It assigns specific roles to the Company's management bodies, compliance committees, control bodies, Company management and all personnel and is based on the principles contained in the Code of Ethics and the Corporate Governance Code, taking into account the applicable legislation, the CoSO report[1] and national and international best practices.
Additional information on the internal control system and risk management, including details concerning its architecture, instruments and design, as well as the roles, responsibilities and duties of its key actors, is contained in the Corporate Governance Report and Shareholding Structure document.
The main industrial risks that Saipem faces and is actively monitoring and managing are as follows:

(i) the HSE risk associated with the potential occurrence of accidents, malfunctions, or failures with injury to persons and damage to the environment and impacts on operating and financial results;
(ii) the country risk;
(iii) the project risk associated mainly with the executions phase of engineering and construction contracts undertaken by the Onshore E&C and Offshore E&C Business Units.

Financial risks are managed in accordance with guidelines defined by the parent company, with the objective of aligning and coordinating Group companies' policies on financial risks.

HSE (Health, Safety & Environment) risk

Saipem's business activities conducted both in and outside Italy are subject to a broad range of national legislation and regulations, including laws implementing international protocols and conventions relating to specific sectors of activity.
Saipem is fully committed to a process of continuous improvement of its safety, health, and environmental performance, to minimising the impact of its operations and to ensuring compliance with all applicable legislation.
An ongoing process of risk identification, evaluation and mitigation is at the heart of HSE management operations in all phases of activity and for all business units. This process is implemented through the adoption of effective management procedures and systems designed to suit the specific characteristics of each activity and the sites in which they take place and with a view to achieving the continuous improvement of plant and processes.
The Saipem HSE organisational model establishes varying levels of responsibility, starting from the persons closest to the risk sources, who are best positioned to assess the potential impact of risks and to ensure adequate preventive measures are put in place. In addition, HSE departments perform a governance, coordination, support and control role and issue and update guidelines, procedures and best practices designed to ensure continuous improvement.
In recent years, as a result of Law No. 121/2011, environmental offences have joined health and safety offences as one of the underlying offences that could result in corporate liability under Legislative Decree No. 231/2001. In response to this, Saipem has implemented an action plan involving a multidisciplinary team with the aim of ensuring that the Company's HSE model is adequate to prevent environmental crime. This effort has included the updating of the Company's HSE document system.
In addition, campaigns to raise awareness on health, safety and environmental issues are designed, developed and launched centrally, and subsequently rolled out on projects and work sites. In recent years, these have included the 'Leadership in Health and Safety', 'Choose Life' and 'Working at Height & in Confined Spaces' campaigns, while 2014 saw the launch of the 'We Want Zero' campaign, which aims to eliminate workplace fatalities.
Saipem has always invested heavily in HSE training and continues to work to promote and facilitate training, not just at a theoretical level, but also in terms of effective practical training experiences, particularly on key HSE issues.
All HSE initiatives and management of HSE issues are subjected to periodic audits conducted by independent bodies, who verify that the Company's HSE management system is in compliance with international standards ISO 14001 (Environment) and OHSAS 18001 (Health and Safety). Both Saipem SpA, as well as a number of other Group companies have achieved this certification.
HSE monitoring is also planned and carried out either directly or indirectly for key Saipem contractor companies.

Country risk

Substantial portions of Saipem's operations are performed in countries outside the EU and North America, certain of which may be politically, socially or economically less stable. Developments in the political framework, economic crises, internal social unrest and conflicts with other countries may temporarily or permanently compromise Saipem's ability to operate cost

(1) The Committee of Sponsoring Organizations of the Treadway Commission (1992), Internal Control - Integrated Framework.

efficiently in such countries and may require specific measures (where possible in compliance with Saipem corporate policy) to be taken at an organisational or management level in order to enable the continuation of activities underway in conditions that differ from those originally anticipated. If Saipem's ability to operate is temporarily compromised, demobilisation is planned according to criteria designed to guarantee the protection of Company assets that remain on site and to minimise the business interruption by employing solutions that accelerate and reduce the cost of business recovery once favourable conditions have returned. Such measures may be costly and have an impact on expected results. Further risks associated with activities in such countries are: (i) lack of well-established and reliable legal systems and uncertainties surrounding the enforcement of contractual rights; (ii) unfavourable developments in laws and regulations and unilateral contract changes, leading to reductions in the value of Saipem's assets, forced sales and expropriations; (iii) restrictions on construction, drilling, imports and exports; (iv) tax increases; (v) civil and social unrest leading to sabotage, attacks, violence and similar incidents. Such events are predictable only to a very limited extent and may occur and develop at any time, causing a materially adverse impact on Saipem's financial position and results.
Saipem regularly monitors political, social and economic risk in countries in which it operates or intends to invest, drawing on reports on principal project risks and related trends prepared in accordance with Corporate risk management procedures and standards, as well as on security reports prepared in accordance with Corporate guidelines and standards on Security activities.
The risk assessment model used by Saipem is compliant with Legislative Decree No. 81/2008 (the Consolidated Act on health and safety at the workplace), which requires employers to adopt instruments to reduce and, where possible, eliminate risks. Article 28 of the decree states that 'the assessment pursuant to Article 17, paragraph 1, letter a) [...] shall take into account all risks to the health and safety of workers, including those for groups of workers who are exposed to particular risks ...'. In terms of security, this means risks deriving from unlawful acts committed by physical or legal persons which may expose the Company and its assets, people and image to potential damage.
To manage the security risks to which it is exposed in the countries in which it operates, Saipem has adopted a security model based on the criteria of prevention, planning, protection, information, promotion and participation, with the aim of protecting the safety of employees, contractors and the public, as well as the integrity of assets and brand reputation.
The Company's security function has implemented a comprehensive security management system, which provides an organisational, legal and procedural tool for minimising and managing the consequences of security-related events. The system is designed for the management of risks deriving from unlawful acts committed by physical or legal persons which may expose the Company and its assets, people and image to potential damage. This is made possible by synergies between the Security functions and the units in charge of the Company's maritime certification and logistics bases.

The security management system, which is designed to suit the specific characteristics of Saipem's business, has the following key features:
- a strong central security structure which monitors and provides guidelines for security issues to an extensive local security network equipped with adequate powers and resources;
- an information system supporting project security risk management activities during the commercial and execution phases;
- a coordination of security training, planning, reporting and audits.

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

Specific project risks

Set up towards the end of 2013, the Industrial Risk Management function was reorganised during 2014 to enable it to meet all of the following objectives:
- ensure the application of the Risk Management methodology during the commercial and execution phases of projects managed by Business Units, as well as on the Company's principal investment projects;
- assure periodic reporting to management on principal project risks and on trends observed, aggregated by Business Unit and at global level. Implement project portfolio analyses in order to support management decisions and provide an understanding of the external macro risk factors on projects that may impact on Company results, enabling Management to intervene by deploying the appropriate risk management tools of avoidance, mitigation, transfer or acceptance;
- assure the spread of a risk management culture within Saipem with a view to achieving structured management of risk and opportunity during business activities and contributing also to improved management of contingencies;
- provide advice, support and guidelines to the Business Units and projects in terms of the implementation of mitigation and improvement measures for risk management and the optimisation of opportunities, respectively;
- define, develop and update tools and methods for collecting and organising lessons learned and making them available to projects;
- ensure adequate training to commercial and project management teams;
- ensure that Corporate Guidelines, Procedures and Standards are constantly updated in accordance with international Standards and Codes of Practice, promoting full compliance and correct application within Saipem and its subsidiaries;
- contribute to promoting the observance of the Golden Rules

and Silver Guidelines, the tool for regulating risk assumption through which Saipem assigns responsibility for decisions to assume significant risks to the appropriate managerial levels.

The standards and procedures in force at Saipem are in line with the principal international risk management standards.

Insurance

The Corporate Insurance function, in close cooperation with top management, defines annual Saipem Group guidelines for insurance coverage against the risk of damage to property, third party liability, as well as risks related to the performance of contracts.

An Insurance Programme is defined on the basis of the guidelines, which identifies specific excess and maximum limit coverage for each type of risk based on an analysis that takes into account claim statistics for recent years, industry statistics and conditions offered by the international insurance market.

The Saipem Insurance Programme is structured in such a way as to appropriately transfer risks deriving from operations to the insurance market, in particular the risks associated with the management of the fleet, equipment and other assets, including third party liability risks and risks deriving from the performance of contracts awarded by its clients.

In view of the coverage offered by the insurance market and the changing circumstances on the energy market in which Saipem operates, it is not possible to guarantee that all circumstances and events will be adequately covered by the Insurance Programme. Equally, due to the volatility of the insurance market, it cannot be guaranteed that it will be possible in the future to reasonably maintain adequate insurance coverage at the current rates, terms and conditions.

Within the Saipem Insurance Programme, a distinction can be made between insurance cover for Group assets ('Corporate insurance policies') and the insurance cover connected with project execution.

Corporate insurance policies

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

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

Damage to property

- 'Fleet Insurance' policy: covers the entire fleet against events that cause partial or total damage to vessels;
- 'Equipment' policy: covers all onshore and offshore equipment, for example site equipment, onshore drilling rigs, subsea Remote Operating Vehicles (ROV), etc.;
- 'Transport' policy: covers transport, handling and storage of assets and equipment by land, sea or air;
- 'Buildings and Sites' policy: covers owned or rented buildings, offices, storage facilities and shipyards;
- 'Other minor risks' policy: covers minor risks such as theft and employee dishonesty.

Third-party liability

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

A key tool in the management of Saipem's insurable risks is the captive reinsurance company Sigurd Rück AG, which covers the initial part of risk.

Sigurd Rück AG in turn carries out risk mitigation by re-insuring its portfolio on primary securities markets.

Project execution insurance policies

For all contracts awarded, specific project insurance coverage must be taken out. Generally, the contractual responsibility for such insurance lies with the client.

Where the responsibility lies with the contractor, Saipem takes out insurance that will cover all risks connected with the project for its entire duration.

Usually it takes out 'Builders' All Risks' insurance, which covers the scope of work of the contract, i.e. damage to the works under construction, as well as to equipment, products and materials required for its construction and third party liability for all works to be performed by the Group during all phases of project execution (engineering, transportation, construction, assembly, and testing) including the warranty period.

The high insurance premiums and excesses on such policies are an incentive to Saipem in its efforts to achieve the continuous improvement of its prevention and protection processes in terms of quality, health, safety and environmental impact.

Additional information

Purchase of treasury shares

No treasury shares were purchased on the market during 2014. Saipem SpA holds 1,939,832 treasury shares (1,939,832 at December 31, 2013), amounting to €43 million (€43 million at December 31, 2013). These are ordinary shares of Saipem SpA with a nominal value of €1 each.
As of March 10, 2015, the share capital amounted to €441,410,900. On the same day, the number of shares in circulations was 439,471,068.

Consob Regulation on Markets

Article 36 of Consob Regulation on Markets: conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries

With regard to the regulations setting out conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries that are deemed to be of material significance in relation to the consolidated financial statements, the Company discloses that at December 31, 2014, the following twenty-one Saipem subsidiaries fell within the scope of application of the regulation in question:

- Saipem Australia Pty Ltd;
- Petrex SA;
- Snamprogetti Saudi Arabia Co Ltd Llc;
- Saipem Contracting (Nigeria) Ltd;
- PT Saipem Indonesia;
- ER SAI Caspian Contractor Llc;
- Saipem Misr for Petroleum Services (S.A.E.);
- Saipem (Nigeria) Ltd;
- Saudi Arabian Saipem Ltd;
- Global Petroprojects Services AG;
- Saipem America Inc;
- Saipem Asia Sdn Bhd;
- Saipem do Brasil Serviçōs de Petroleo Ltda;
- Saipem Contracting Algérie SpA;
- Saipem Canada Inc;
- Saipem Offshore Norway AS;
- Saipem Drilling Norway AS;
- Sajer Iraq Llc;
- Boscongo SA;
- Saimexicana SA de Cv;
- Construction Saipem Canada Inc.

Procedures designed to ensure full compliance with Article 36 have already been adopted.
Under the Regulatory Compliance Plan for 2014, internal control systems satisfying the requirements of Article 36 will be implemented in the following company:

- Saimexicana SA de Cv.

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

Pursuant to the requirements set out in paragraph 10 of Article 2.6.2 of the Rules of the Markets organised and managed by Borsa Italiana SpA, the Board of Directors in its meeting of March 10, 2015, ascertained that the Company satisfies the conditions set out in Article 37 of Consob Regulation on Markets for the admission to trading on an Italian regulated market of the shares of subsidiaries subject to management and coordination by another company.

The Board of Directors meeting on March 10, 2015 also verified that the composition of the Board itself, as appointed by the Shareholders' Meeting of May 6, 2014, and of its internal Committees, was in accordance with letter d), paragraph 1 of Article 37. The Board is in fact made up of a majority of independent directors and the Committees (the Compensation and Nomination Committee and the Audit and Risk Committee) are composed exclusively of independent directors.

Disclosure of transactions with related parties

Transactions with related parties entered into by Saipem and identified by IAS 24 concern mainly the exchange of goods, the supply of services, and the provision and utilisation of financial resources, including entering into derivative contracts. All such transactions are an integral part of ordinary day-to-day business and are carried out on an arm's length basis (i.e. at conditions which would be applied between independent parties) and in the interest of Group companies.
Directors, General Managers and Senior Managers with strategic responsibilities must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party, in accordance with the provisions of IAS 24. The amounts of trade, financial or other operations with related parties are provided in Note 45 to the consolidated financial statements.

Transactions with the parent company Eni and companies subject to its direction and coordination

Saipem is subject to the direction and coordination of Eni SpA. Transactions with Eni SpA and with entities subject to its direction and coordination constitute transactions with related parties and are commented on in Note 45 'Transactions with related parties' in the Notes to the consolidated financial statements.

Events subsequent to year end

New contracts

In the first weeks of 2015, Saipem was awarded a new Engineering & Construction contract for the Kashagan field project, located in the Kazakh waters of the Caspian Sea, valued at approximately 1.8 billion US dollars.

The North Caspian Operating Co (NCOC) awarded Saipem a contract for the construction of two 95 kilometre pipelines, which will connect D island in the Caspian Sea to the Karabatan onshore plant in Kazakhstan. The scope of work includes the engineering, the welding materials, the conversion and the preparation of vessels, the dredging, the installation, the burial and the pre-commissioning of the two pipelines. Construction work will be completed by the end of 2016.

With regard to Note 24 of the explanatory notes, in January 2015, Snamprogetti Netherlands BV completed the sale of its investments in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA to its Venezuelan counterparty. As well as establishing a sale price (already received in full by Saipem) that included compensation for expropriation, the agreement signed also provided for definitive settlement of all pending disputes between the parties in relation to the expropriated assets.

With regard to the Fos Cavaou dispute described in the 'Legal proceedings' section of the explanatory notes, on February 13, 2015, the Arbitration Panel issued its award decision, which requires Fosmax LNG to pay STS [a French 'société en participation' made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)] €69,842,899, including interest. 50% of this amount is due to Saipem SA.

Outlook

Given the current oil price scenario, 2015 will carry a number of uncertainties. While Saipem is continuing to progress in its business recovery, the timing may be longer than expected.
The sharp slowdown in investments announced by oil companies is likely to have an impact on negotiations of new contract acquisitions, both in terms of timing and daily rates, and may affect the attitude of Saipem's clients towards negotiating operational and commercial issues related to ongoing projects. In particular, in 2015, Saipem will still have to execute €1.8 billion of legacy contracts.
Looking at the uncertainties for 2015, a significant part of Saipem's revenues and margins will depend on the outcome of the South Stream project, currently under suspension.
However, the solid and diversified backlog acquired during 2014, further strengthened by the recent acquisition of the Kashagan contract, makes Saipem more resilient to the current environment. In 2015, Saipem is also targeting some important new business opportunities that fit our technical capabilities while maintaining strict commercial discipline.
The above factors and uncertainties are reflected in the range estimates of the 2015 guidance.
For 2015, Saipem expects revenues of between €12 and €13 billion. This range mainly reflects the uncertainties connected to the South Stream contract while we wait for clear indications from the client on the future of the project.
EBIT is expected to be in a range between €500 and €700 million and net profit is expected between €200 and €300 million.
Capex is expected at around €650 million, slightly below previous long-term guidance as a result of adopting measures to improve efficiency and contribute to net debt reduction.
Finally, Saipem is targeting net debt below €4 billion, excluding the impact of currency fluctuations.

Committees of the Board of Directors

The Board of Directors has formed the following committees in compliance with the provisions of the new Corporate Governance Code for listed companies:
- the Compensation and Nomination Committee: the former Compensation Committee thus now advises and is consulted by the Board of Directors in relation to appointments;
- the Audit and Risk Committee (formerly the Risk Committee), which is responsible for advising and supporting decisions made by the Board in relation to the internal controls and risk management systems.

Non-GAAP measures

Some of the performance indicators used in the 'Directors' Report' are not included in the IFRS (i.e. they are what are known as Non-GAAP measures).
Non-GAAP measures are disclosed to enhance the user's understanding of the Group's performance and are not intended to be considered as a substitute for IFRS measures.
The Non-GAAP Measures used in the Directors' Report are as follows:
- cash flow: the sum of net profit plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- EBITDA: a useful measure for evaluating the operating performance of the Group as a whole and of the individual sectors of activity, in addition to operating profit. EBITDA is an

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

Secondary offices

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

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

Reclassified balance sheet

(€ million)	Dec. 31, 2013 restated		Dec. 31, 2014	
Reclassified balance sheet items (where not stated otherwise, items comply with statutory scheme)	Partial amounts from reclassified scheme	Amounts from reclassified scheme	Partial amounts from reclassified scheme	Amounts from reclassified scheme
A) Net tangible assets		7,912		7,601
Note 8 - Property, plant and equipment	*7,912*		*7,601*	
B) Net intangible assets		758		760
Note 9 - Intangible assets	*758*		*760*	
C) Investments		158		112
Note 10 - Investments accounted for with the equity method	*166*		*120*	
Reclassified from E) - provisions for losses related to investments	*(8)*		*(8)*	
D) Working capital		1,091		576
Note 3 - Trade and other receivables	*3,240*		*3,391*	
Reclassified to I) - financing receivables not related to operations	*(30)*		*(58)*	
Note 4 - Inventories	*2,277*		*2,485*	
Note 5 - Current tax assets	*267*		*317*	
Note 6 - Other current tax assets	*278*		*307*	
Note 7 - Other current assets	*376*		*520*	
Note 11 - Other financial assets	*1*		*1*	
Reclassified to I) - financing receivables not related to operations	*(1)*		*(1)*	
Note 12 - Deferred tax assets	*126*		*297*	
Note 13 - Other non-current assets	*151*		*115*	
Note 15 - Trade and other payables	*(5,129)*		*(5,669)*	
Note 16 - Income tax payables	*(137)*		*(134)*	
Note 17 - Other current tax liabilities	*(130)*		*(184)*	
Note 18 - Other current liabilities	*(117)*		*(838)*	
Note 22 - Deferred tax liabilities	*(81)*		*(40)*	
Note 23 - Other non-current liabilities	*(2)*		*(2)*	
Note 24 - Assets held for sale	*-*		*69*	
E) Provisions for contingencies		(196)		(210)
Note 20 - Provisions for contingencies	*(204)*		*(218)*	
Reclassified to C) - provisions for losses related to investments	*8*		*8*	
F) Provision for employee benefits		(219)		(237)
Note 21 - Provisions for employee benefits	*(219)*		*(237)*	
CAPITAL EMPLOYED, NET		**9,504**		**8,602**
G) Shareholders' equity		4,652		4,137
Note 26 - Saipem shareholders' equity	*4,652*		*4,137*	
H) Non-controlling interests		92		41
Note 25 - Non-controlling interests	*92*		*41*	
I) Net debt		4,760		4,424
Note 1 - Cash and cash equivalents	*(1,299)*		*(1,602)*	
Note 2 - Other financial assets held for trading or available for sale	*(26)*		*(9)*	
Note 14 - Short-term debt	*1,899*		*2,186*	
Note 19 - Long-term debt	*2,859*		*594*	
Note 19 - Current portion of long-term debt	*1,358*		*3,314*	
Reclassified from D) - financing receivables not related to operations (Note 3)	*(30)*		*(58)*	
Reclassified from D) - financing receivables not related to operations (Note 11)	*(1)*		*(1)*	
FUNDING		**9,504**		**8,602**

Reclassified income statement

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

- 'other income and revenues' (€6 million) relating to 'reimbursements for services that are not part of core operations' (€4 million), 'compensation for damages' (€1 million) and 'gains on disposals of assets' (€1 million) which are indicated in the statutory scheme under 'other finance income (expense)', were recognised in the reclassified income statement as a reduction in the related costs;
- 'finance income' (€759 million), 'finance expenses' (-€788 million) and 'derivatives' (-€170 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€199 million) in the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

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

- the items 'depreciation and amortisation' (€737 million), 'net impairment of tangible and intangible assets' (€420 million), 'other changes' (-€122 million), 'effect of accounting using the equity method' (-€20 million) and 'change in the provision for employee benefits' (-€4 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'depreciation/amortisation and other non-monetary items' (€1,011 million);
- the items 'interest expense' (€182 million), 'income taxes' (€118 million) and 'interest income' (-€9 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and taxes' (€291 million);
- the items regarding changes in 'trade payables' (€389 million), 'trade receivables' (€312 million), 'provisions for contingencies' (€16 million), 'inventories' (-€130 million) and 'other assets and liabilities' (-€18 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'changes in working capital related to operations' (€569 million);
- the items 'interest received' (€9 million), 'dividends received' (€5 million), 'income taxes paid net of refunds of tax credits' (-€270 million) and 'interest paid' (-€177 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends received, income taxes paid and interest paid and received' (-€433 million);
- the items relating to investments in 'tangible assets' (-€682 million) and 'intangible assets' (-€12 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€694 million);
- the items regarding disposals of 'tangible assets' (€8 million) and 'investments' (€7 million), indicated separately and included in cash flows from disposals, are shown net under the item 'disposals and partial disposals of consolidated subsidiaries and businesses' (€15 million);
- the items relating to disposals in 'securities' (€27 million), disposals in 'financing receivables' (€15 million), investments of 'financing receivables' (-€43 million) and investments in 'securities' (-€9 million), indicated separately and included in cash flow used in investing activities in the statutory scheme, are shown under the item 'borrowings (repayment) of debt related to financing activities' (-€10 million);
- the items 'proceeds from long-term debt' (€2,384 million), 'increase (decrease) in short-term debt' (€205 million) and 'repayments of long-term debt' (-€2,759 million), indicated separately and included in net cash flow used in financing activities in the statutory scheme, are shown net under the item 'changes in short and long-term financial debt' (-€170 million).

All other items are unchanged.

Consolidated Financial Statements 2014

Balance sheet

(€ million)

Jan. 1, 2013 restated [1] Total		Note	Dec. 31, 2013 restated [1] Total	of which with related parties [2]	Dec. 31, 2014 Total	of which with related parties [2]
	ASSETS					
	Current assets					
1,244	Cash and cash equivalents	(No. 1)	1,299	715	1,602	885
-	Other financial assets held for trading or available for sale	(No. 2)	26		9	
3,209	Trade and other receivables	(No. 3)	3,240	849	3,391	868
2,316	Inventories	(No. 4)	2,277		2,485	
230	Current tax assets	(No. 5)	267		317	
268	Other current tax assets	(No. 6)	278		307	
381	Other current assets	(No. 7)	376	227	520	360
7,648	**Total current assets**		**7,763**		**8,631**	
	Non-current assets					
8,183	Property, plant and equipment	(No. 8)	7,912		7,601	
755	Intangible assets	(No. 9)	758		760	
173	Investments accounted for using the equity method	(No. 10)	166		120	
1	Other financial assets	(No. 11)	1		1	
91	Deferred tax assets	(No. 12)	126		297	
173	Other non-current assets	(No. 13)	151	2	115	2
9,376	**Total non-current assets**		**9,114**		**8,894**	
-	Assets held for sale	(No. 24)	-		69	
17,024	**TOTAL ASSETS**		**16,877**		**17,594**	
	LIABILITIES AND SHAREHOLDERS' EQUITY					
	Current liabilities					
1,740	Short-term debt	(No. 14)	1,899	1,698	2,186	1,873
400	Current portion of long-term debt	(No. 19)	1,358	1,357	594	594
4,822	Trade and other payables	(No. 15)	5,129	428	5,669	382
237	Income tax payables	(No. 16)	137		134	
125	Other current tax liabilities	(No. 17)	130		184	
90	Other current liabilities	(No. 18)	117	114	838	828
7,414	**Total current liabilities**		**8,770**		**9,605**	
	Non-current liabilities					
3,543	Long-term debt	(No. 19)	2,859	2,659	3,314	3,064
177	Provisions for contingencies	(No. 20)	204		218	
242	Provisions for employee benefits	(No. 21)	219		237	
121	Deferred tax liabilities	(No. 22)	81		40	
2	Other non-current liabilities	(No. 23)	-		2	
4,085	**Total non-current liabilities**		**3,363**		**3,811**	
11,499	**TOTAL LIABILITIES**		**12,133**		**13,416**	
	SHAREHOLDERS' EQUITY					
148	Non-controlling interests	(No. 25)	92		41	
5,377	Saipem shareholders' equity:	(No. 26)	4,652		4,137	
441	- share capital	(No. 27)	441		441	
55	- share premium reserve	(No. 28)	55		55	
86	- other reserves	(No. 29)	75		(209)	
3,934	- retained earnings		4,283		4,123	
904	- net profit (loss) for the year		(159)		(230)	
(43)	- treasury shares	(No. 30)	(43)		(43)	
5,525	**Total shareholders' equity**		**4,744**		**4,178**	
17,024	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**		**16,877**		**17,594**	

(1) For a breakdown of the effects of restatement, see 'Restatement of comparative data' in the Notes to the consolidated financial statements.
(2) For an analysis of figures shown as 'of which with related parties', see Note 45 'Transactions with related parties'.

Income statement

(€ million)	Note	2013 restated [1] Total	2013 restated [1] of which with related parties [2]	2014 Total	2014 of which with related parties [2]
REVENUES					
Net sales from operations	(No. 33)	11,841	1,958	12,873	2,406
Other income and revenues	(No. 34)	177	14	15	-
Total revenues		**12,018**		**12,888**	
Operating expenses					
Purchases, services and other costs	(No. 35)	(8,882)	(338)	(9,262)	(335)
Payroll and related costs	(No. 36)	(2,270)	(2)	(2,408)	(1)
Depreciation, amortisation and impairment	(No. 37)	(710)		(1,157)	
Other operating income (expense)	(No. 38)	1	1	(6)	(6)
OPERATING RESULT		**157**		**55**	
Finance income (expense)					
Finance income		646	7	759	-
Finance expense		(787)	(128)	(788)	(148)
Derivative financial instruments		(48)	(48)	(170)	(167)
Total finance income (expense)	(No. 39)	**(189)**		**(199)**	
Income (expense) from investments					
Share of profit of equity-accounted investments		2		20	
Other income from investments		-		4	
Total income (expense) from investments	(No. 40)	**2**		**24**	
RESULT BEFORE INCOME TAXES		**(30)**		**(120)**	
Income taxes	(No. 41)	(106)		(118)	
NET RESULT		**(136)**		**(238)**	
Attributable to:					
- Saipem		(159)		(230)	
- non-controlling interests	(No. 42)	23		(8)	
Earnings (loss) per share attributable to Saipem (€ per share)					
Basic earnings (loss) per share	(No. 43)	(0.36)		(0.52)	
Diluted earnings (loss) per share	(No. 43)	(0.36)		(0.52)	

(1) For a breakdown of the effects of restatement, see 'Restatement of comparative data' in the Notes to the consolidated financial statements.
(2) For an analysis of figures shown as 'of which with related parties', see Note 45 'Transactions with related parties'.

Statement of comprehensive income

(€ million)	2013 restated	2014
Net profit (loss) for the year	**(136)**	**(238)**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
- remeasurements of defined benefit plans for employees	15	(21)
- share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans	(3)	2
- income tax relating to items that will not be reclassified	(3)	4
	9	**(15)**
Items that may be reclassified subsequently to profit or loss:		
- change in the fair value of cash flow hedges [1]	45	(478)
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	(95)	94
- share of other comprehensive income of investments accounted for using the equity method	-	(1)
- income tax on items that may be reclassified subsequently to profit or loss	(8)	116
	(58)	**(269)**
Total other comprehensive income, net of taxation	**(49)**	**(284)**
Total comprehensive income (loss) for the year	**(185)**	**(522)**
Attributable to:		
- Saipem Group	(204)	(516)
- non-controlling interests	19	(6)

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

Statement of changes in shareholders' equity

(€ million)	Saipem shareholders' equity												Non-controlling interests	Total shareholders' equity
	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the year	Treasury shares	Total		
Balance at December 31, 2011	**441**	**55**	**7**	**88**	**-**	**(60)**	**(12)**	**-**	**3,342**	**921**	**(73)**	**4,709**	**114**	**4,823**
2012 net result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**902**	**-**	**902**	**54**	**956**
Other items of comprehensive income														
Items that may be reclassified subsequently to profit or loss														
Change in the fair value of cash flow hedging derivatives, net of the tax effect	-	-	-	-	-	107	-	-	-	-	-	107	-	107
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(30)	-	-	-	-	(30)	(3)	(33)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**107**	**(30)**	**-**	**-**	**-**	**-**	**77**	**(3)**	**74**
Total comprehensive income (loss) for 2012	**-**	**-**	**-**	**-**	**-**	**107**	**(30)**	**-**	**-**	**902**	**-**	**979**	**51**	**1,030**
Transactions with shareholders														
Dividend distribution	-	-	-	-	-	-	-	-	-	(307)	-	(307)	(23)	(330)
Retained earnings	-	-	-	-	-	-	-	-	614	(614)	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	29	29	-	29
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**614**	**(921)**	**29**	**(278)**	**(23)**	**(301)**
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	-	(1)	-	(5)	-	1	(5)	6	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(5)**	**-**	**1**	**(5)**	**6**	**1**
Balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**-**	**3,951**	**902**	**(43)**	**5,405**	**148**	**5,553**
Changes to accounting standards (IAS 19)	-	-	-	-	-	-	-	-	(16)	2	-	(14)	-	(14)
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(13)	-	-	-	(13)	-	(13)
Other changes	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Total effect of new provisions of IAS 19	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**(17)**	**2**	**-**	**(28)**	**-**	**(28)**
IAS 8 restatement	-	-	-	-	-	-	-	-	-	(245)	-	(245)	-	(245)
Balance at December 31, 2012 restated	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**(13)**	**3,934**	**659**	**(43)**	**5,132**	**148**	**5,280**
2013 net result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(159)**	**-**	**(159)**	**23**	**(136)**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	11	-	-	-	11	-	11
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**-**	**-**	**9**	**-**	**9**
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	-	-	-	-	-	37	-	-	-	-	-	37	-	37
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(57)	(1)	(33)	-	-	(91)	(4)	(95)
Total	**-**	**-**	**-**	**-**	**-**	**37**	**(57)**	**(1)**	**(33)**	**-**	**-**	**(54)**	**(4)**	**(58)**
Total comprehensive income (loss) for 2013	**-**	**-**	**-**	**-**	**-**	**37**	**(57)**	**8**	**(33)**	**(159)**	**-**	**(204)**	**19**	**(185)**

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

(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the year	Treasury shares	Total	Non-controlling interests	Total shareholders' equity
	Saipem shareholders' equity													
Total comprehensive income (loss) for 2013	**-**	**-**	**-**	**-**	**-**	**37**	**(57)**	**8**	**(33)**	**(159)**	**-**	**(204)**	**19**	**(185)**
Transactions with shareholders														
Dividend distribution	-	-	-	-	-	-	-	-	-	(299)	-	(299)	(76)	(375)
Retained earnings	-	-	-	-	-	-	-	-	360	(360)	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from non-controlling interests Snamprogetti Engineering & Contracting Co Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**360**	**(659)**	**-**	**(299)**	**(75)**	**(374)**
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	1	-	-	(15)	-	-	(14)	-	(14)
Transactions with companies under common control	-	-	-	-	-	-	-	-	37	-	-	37	-	37
Total	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**22**	**-**	**-**	**23**	**-**	**23**
Balance at December 31, 2013	**441**	**55**	**7**	**88**	**-**	**85**	**(100)**	**(5)**	**4,283**	**(159)**	**(43)**	**4,652**	**92**	**4,744**
2014 net result	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**(230)**	**-**	**(230)**	**(8)**	**(238)**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(15)	-	-	-	(15)	(1)	(16)
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	1	-	-	-	1	-	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**-**	**-**	**-**	**(14)**	**(1)**	**(15)**
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	-	-	-	-	-	(359)	-	-	-	-	-	(359)	(3)	(362)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	92	-	(4)	-	-	88	6	94
Share of other comprehensive income of investments accounted for using the equity method	-	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Total	**-**	**-**	**(1)**	**-**	**-**	**(359)**	**92**	**-**	**(4)**	**-**	**-**	**(272)**	**3**	**(269)**
Total comprehensive income (loss) for 2014	**-**	**-**	**(1)**	**-**	**-**	**(359)**	**92**	**(14)**	**(4)**	**(230)**	**-**	**(516)**	**(6)**	**(522)**
Transactions with shareholders														
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	(45)	(45)
Retained earnings	-	-	-	-	-	-	-	-	(159)	159	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(159)**	**159**	**-**	**-**	**(45)**	**(45)**
Other changes in shareholders' equity														
Expired stock options	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other changes	-	-	-	-	-	(1)	(1)	-	4	-	-	2	-	2
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**3**	**-**	**-**	**1**	**-**	**1**
Balance at December 31, 2014	**441**	**55**	**6**	**88**	**-**	**(275)**	**(9)**	**(19)**	**4,123**	**(230)**	**(43)**	**4,137**	**41**	**4,178**

Cash flow statement

(€ million)	Note	2013 restated [1]	2014
Net profit (loss) for the year		(159)	(230)
Non-controlling interests		23	(8)
Adjustments to reconcile net result to cash flow from operations:			
- depreciation and amortisation	(No. 37)	710	737
- net impairment of tangible and intangible assets	(No. 37)	-	420
- share of profit (loss) of equity-accounted investments	(No. 40)	(2)	(20)
- net (gains) losses on disposal of assets		(34)	(2)
- interest income		(5)	(9)
- interest expense		153	182
- income taxes	(No. 41)	106	118
- other changes		(42)	(122)
Changes in working capital:			
- inventories		(362)	(130)
- trade receivables		(289)	312
- trade payables		(65)	389
- provisions for contingencies		29	16
- other assets and liabilities		905	(18)
Cash flow from working capital		*968*	*1,635*
Change in the provision for employee benefits		(6)	(4)
Dividends received		1	9
Interest received		6	5
Interest paid		(152)	(177)
Income taxes paid net of refunds of tax credits		(365)	(270)
Net cash flow from operations		**452**	**1,198**
of which with related parties [2]	(No. 45)	**1,850**	**1,705**
Investing activities:			
- tangible assets	(No. 8)	(887)	(682)
- intangible assets	(No. 9)	(15)	(12)
- investments	(No. 10)	(7)	(9)
- consolidated subsidiaries and businesses		-	-
- securities		(27)	(9)
- financing receivables		(5)	(43)
Cash flow used in investing activities		*(941)*	*(755)*
Disposals:			
- tangible assets		2	8
- consolidated subsidiaries and businesses		378	-
- investments		-	7
- securities		-	27
- financing receivables		55	15
Cash flow from disposals		*435*	*57*
Net cash flow used in investing activities [3]		**(506)**	**(698)**
of which with related parties [2]	(No. 45)	**54**	**(21)**
Proceeds from long-term debt		919	2,384
Repayments of long-term debt		(615)	(2,759)
Increase (decrease) in short-term debt		221	205
		525	**(170)**
Net capital contributions from non-controlling shareholders		1	-
Dividend distribution		(375)	(45)
Sale of treasury shares		-	-
Net cash flow from (used in) financing activities		**151**	**(215)**

(1) For a breakdown of the effects of restatement, see 'Restatement of comparative data' in the Notes to the consolidated financial statements.
(2) For an analysis of figures shown as 'of which with related parties', see Note 45 'Transactions with related parties'.

cont'd Cash flow statement

(€ million)	Note	2013 restated [1]	2014
Net cash flow from (used in) financing activities		**151**	**(215)**
of which with related parties [2]	(No. 45)	**449**	**(183)**
Effect of changes in consolidation		-	-
Effect of exchange rate changes and other changes on cash and cash equivalents		(42)	18
Net cash flow for the year		**55**	**303**
Cash and cash equivalents - beginning of year	(No. 1)	**1,244**	**1,299**
Cash and cash equivalents - end of year	(No. 1)	**1,299**	**1,602**

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

(€ million)	2013	2014
Financing investments:		
- securities	(27)	(9)
- financing receivables	(5)	(43)
	(32)	**(52)**
Disposal of financing investments:		
- securities	-	27
- financing receivables	55	15
	55	**42**
Net cash flow (used in) from investments/disposals related to financing activities	**23**	**(10)**

Notes to the consolidated financial statements

Basis of presentation

The consolidated financial statements of Saipem have been prepared in accordance with the International Financial Reporting Standards (IFRS)[1] issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 and in accordance with Article 9 of Italian Legislative Decree No. 38/2005[2]. The consolidated financial statements have been prepared by applying the cost method, with adjustments where appropriate, except for items that under IFRS must be recognised at fair value, as described in the accounting policies section.
The consolidated financial statements at December 31, 2014, approved by Saipem's Board of Directors on March 10, 2015, were audited by the independent auditor Reconta Ernst & Young SpA. As Saipem's main auditor, Reconta Ernst & Young is fully responsible for auditing the Group's consolidated financial statements. In those limited cases where work is performed by other auditors, it also assumes responsibility for their work.
Amounts stated in financial statements and the notes thereto are in millions of euros (€ million).

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of Saipem SpA and of all of Italian and foreign companies over which it has control (subsidiaries). An investor controls an investee when it is exposed, or has rights, to variable returns of the investee and has the ability to affect those returns through its decision-making power over the investee. An investor has decision-making power when it has existing rights that give it the current ability to direct the relevant activities of the investee, i.e. the activity that significantly affect the investee's returns.
A number of subsidiaries performing only limited operating activities (considered on both an individual and an aggregate basis) have not been consolidated. Their non-consolidation does not have a material impact[3] on the correct representation of the Group's total assets, liabilities, net financial position and results for the year. These interests are accounted for as described in the following section 'Equity method of accounting'.
Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.
Subsidiaries are consolidated using the full consolidation method, whereby their assets and liabilities, and revenues and expenses are wholly incorporated into the consolidated financial statements. The book value of these interests is eliminated against the corresponding portion of their shareholders' equity.
Equity and net profit of non-controlling interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.
In the event that additional ownership interests in subsidiaries are purchased from non-controlling shareholders, any excess of the amount paid over the carrying value of the interest acquired is recognised directly in equity attributable to the Saipem Group. The effects of disposals of ownership interests in a subsidiary that do not result in a loss of control are also recognised in equity. Conversely, a disposal of interests that results in a loss of control causes recognition in the income statement of: (i) any gains or losses calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of; (ii) any gains or losses attributable to measuring any investment retained in the former subsidiary at its fair value; and (iii) any amounts recognised in other comprehensive income in relation to the former subsidiary that may be reclassified subsequently to profit or loss[4]. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost and shall be accounted for in accordance with the applicable measurement criteria.
If losses applicable to non-controlling interests in a consolidated subsidiary exceed the non-controlling interests in the subsidiary's equity, the excess and any further losses applicable to the non-controlling interests are allocated against the majority's interest, except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority's interest until the non-controlling interests' share of losses previously absorbed by the majority's interest have been recovered.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method, as indicated in the following section, 'Equity method of accounting'.
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have enforceable rights to the assets and obligations for the liabilities relating to the arrangement. Saipem's share of the assets, liabilities, revenues and expenses of joint operations is recognised in the consolidated financial statements on the basis of the actual rights and obligations arising from the contractual arrangements. After initial recognition, the assets, liabilities, revenues and expenses relating to a joint operation are accounted for in accordance with the applicable accounting standards. Joint operations, that are separate legal entities non-material, are accounted for using the equity method or, if this does not have a significant impact on total assets, liabilities, net

(1) The IFRS include the International Accounting Standards (IAS), which are still in force, as well as the interpretations issued by the IFRS Interpretations Committee (formerly known as the International Financial Reporting Interpretations Committee, or IFRIC, and before that, the Standing Interpretations Committee, or SIC).
(2) The international accounting standards used in the preparation of the consolidated financial statements are substantially the same as those issued by the IASB and in force in 2014, since the current differences between the IFRS endorsed by the European Commission and those issued by the IASB relate to situations that do not affect the Group.
(3) According to the IASB conceptual framework, 'information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements'.
(4) Conversely, any amounts recognised in other comprehensive income in relation to the former subsidiary that may not be reclassified to profit or loss are transferred directly to retained earnings.

financial position and results for the year, measured at cost, adjusted for impairment.

Investments in associates

An associate is an entity over which Saipem has significant influence, which is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. Investments in associates are accounted for using the equity method, as indicated in the following section, 'Equity method of accounting'.

Consolidated companies, non-consolidated subsidiaries, joint ventures, investments in joint operations and associates are indicated in the section 'Scope of consolidation'. This section is followed by a list detailing the changes in the scope of consolidation from the previous year.
Financial statements of consolidated companies are audited by independent auditors, who also examine and certify the information required for the preparation of the consolidated financial statements.

Equity method of accounting

Investments in subsidiaries excluded from consolidation, in joint ventures and in associates are accounted for using the equity method[5].
In accordance with the equity method of accounting, investments are initially recognised at purchase cost. Any difference between the cost of the investment and the Company's share of the fair value of the net identifiable assets of the investment is treated in the same way as for business combinations. Subsequently, the carrying amount is adjusted to reflect: (i) the post-acquisition change in the investor's share of net assets of the investee; and (ii) the investor's share of the investee's other comprehensive income. Shares of changes in the net assets of investees that are not recognised in profit or loss or other comprehensive income of the investee are recognised in the income statement when they reflect the substance of a disposal of an interest in said investee. Dividends received from an investee reduce the carrying amount of the investment. When using the equity method, the adjustments required for the consolidation process are applied (see 'Principles of consolidation'). When there is objective evidence of impairment (see also 'Current financial assets'), recoverability is tested by comparing the carrying amount and the related recoverable amount determined adopting the criteria indicated under 'Tangible assets'. If it does not result in a misrepresentation of the Company's financial condition and consolidated results, subsidiaries excluded from consolidation, joint ventures and associates are accounted for at cost, adjusted for impairment charges. When an impairment loss no longer exists, a reversal of the impairment loss is recognised in the income statement within 'Other income (expense) from investments'.
A disposal of interests that results in a loss of joint control or significant influence causes recognition in the income statement of: (i) any gains or losses calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of; (ii) any gains or losses attributable to measuring any investment retained at its fair value[6]; and (iii) any amounts recognised in other comprehensive income in relation to the investee that may be reclassified subsequently to profit or loss[7]. Any investment retained in the investee is recognised at its fair value at the date when joint control or significant influence are lost and shall be accounted for in accordance with the applicable measurement criteria.
The investor's share of any losses exceeding the carrying amount is recognised in a specific provision to the extent that investor is required to fulfil legal or implicit obligations towards the investee or to cover its losses.

Business combinations

Business combination transactions are recognised using the acquisition method. The amount transferred in a business combination is determined at the date the controlling interest is acquired and is equivalent to the fair value of the assets transferred, of liabilities incurred or assumed, and of any equity instruments issued by the acquirer. Costs directly attributable to the transaction are recognised in the income statement when they are incurred.
The shareholders' equity in consolidated companies is determined by attributing to each of the balance sheet items its fair value at the date on which control is acquired[8], except for where International Financial Reporting Standards require otherwise. The excess of the purchase price of an acquired entity over the total fair value assigned to assets acquired and liabilities assumed is recognised as goodwill. Negative goodwill is recognised in the income statement.
If the degree of control acquired is not total, the equity attributable to non-controlling interests is determined on the basis of the fair value of the assets and liabilities at the date on which control is acquired, excluding any related goodwill (partial goodwill method). Alternatively, the full value of goodwill arising on the acquisition is recognised, including the share attributable to non-controlling interests (full goodwill method). In this latter case, equity attributable to non-controlling interests is shown at fair value including the related goodwill[9]. The choice of method is made for each individual business combination on a transaction by transaction basis.
Where control of a company is achieved in stages, the purchase cost is determined by adding the fair value of the previously held ownership interest and the consideration paid for the additional ownership interest. Any difference between the fair value of the previously held ownership interest and its carrying amount is recognised in the income statement. In addition, when control of a company is obtained, any amounts recognised in other comprehensive income in relation to the company are taken to profit or loss. Amounts that may not be reclassified to profit or loss are recognised in equity.
Where provisional amounts have been recorded for the assets and liabilities of an acquiree during the reporting period in which a business combination occurs, these amounts are retrospectively adjusted within

(5) In the case of step acquisition of a significant influence (or joint control), the investment is recognised, at the acquisition date of significant influence (joint control), at the amount deriving from the use of the equity method assuming the adoption of this method since initial acquisition; the 'step-up' of the carrying amount of interests owned before the acquisition of significant influence (joint control) is taken to equity.
(6) If the investment retained continues to be measured using the equity method, it is not remeasured at fair value.
(7) Conversely, any amounts recognised in other comprehensive income in relation to the former joint venture or associate that may not be reclassified to profit or loss are transferred directly to retained earnings.
(8) The criteria used for determining fair value are described in the section 'Fair value measurement'.
(9) The decision to apply the partial or full goodwill method is also made for business combinations where negative goodwill is taken to the income statement (i.e. a gain on bargain purchase).

one year of the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

Intercompany transactions

Unrealised intercompany profit arising on transactions between consolidated companies is eliminated, as are intercompany receivables, payables, revenues and expenses, guarantees (including performance bonds), commitments and risks between consolidated companies. Unrealised profits resulting from transactions with equity accounted investments are eliminated in proportion to the Group's interest. In both cases, intercompany losses are not eliminated since they are considered an impairment indicator of the assets transferred.

Foreign currency translation

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

Cumulative exchange rate differences resulting from this translation are recognised in shareholders' equity under the item 'Cumulative currency translation differences' for the portion relating to the Group's interest and under 'Non-controlling interests' for the portion related to non-controlling shareholders. Cumulative exchange differences are taken to profit or loss under the item 'other income (expense) from investments' when an investment is fully disposed of or when the investment ceases to qualify as a controlled company.

In the event of a partial disposal that does not result in the loss of joint control or significant influence, the portion of exchange differences relating to the interest disposed of is taken to profit or loss.

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

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

Currency	Exchange rate at Dec. 31, 2013	Exchange rate at Dec. 31, 2014	2014 average exchange rate
US Dollar	1.3791	1.2141	1.3285
British Pound Sterling	0.8337	0.7789	0.80612
Algerian Dinar	107.787	106.607	106.867
Angolan Kwanza	134.616	124.884	130.562
Argentine Peso	8.98914	10.2755	10.7718
Australian Dollar	1.5423	1.4829	1.47188
Brazilian Real	3.2576	3.2207	3.12113
Canadian Dollar	1.4671	1.4063	1.46614
Croatian Kuna	7.6265	7.658	7.63442
Egyptian Pound	9.58716	8.68519	9.41554
Indian Rupee	85.366	76.719	81.0406
Indonesian Rupee	16,764.8	15,076.1	15,748.9
Malaysian Ringgit	4.5221	4.2473	4.34457
Nigerian Naira	220.886	223.693	219.163
Norwegian Kroner	8.363	9.042	8.35438
Peruvian New Sol	3.85865	3.63265	3.76781
Qatari Riyal	5.02187	4.42155	4.83737
Romanian New Leu	4.471	4.4828	4.44372
Russian Rouble	45.3246	72.337	50.9518
Saudi Arabian Riyal	5.17242	4.55733	4.98307
Singapore Dollar	1.7414	1.6058	1.68232
Swiss Franc	1.2276	1.2024	1.21462

Summary of significant accounting policies

The most significant accounting policies used for the preparation of the consolidated financial statements are shown below.

Current assets

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and financial assets with original maturities of 90 days or less that are readily convertible to cash amounts and which are subject to an insignificant risk of changes in value.

Inventories

Inventories, with the exception of contract work-in-progress, are stated at the lower of purchase or production cost and market value. The cost of inventories is determined by applying the weighted average cost method, while market value – given that the inventories are mainly spare parts – is taken as the lower of replacement cost or net realisable value.

Work-in-progress relating to long-term contracts is stated on the basis of

agreed contract revenues determined with reasonable certainty, recognised in proportion to the stage of completion of contract activity.
Given the nature of the contracts and the type of work, the percentage of completion is calculated on the basis of the work performed, being the percentage of costs incurred with respect to the total estimated costs (cost-to-cost method).
Adjustments made for the economic effects of using this method on net sales from operations, to reflect differences between amounts earned based on the percentage of completion and recognised revenues, are included under contract work-in-progress if positive or under trade payables if negative.
When hedged by derivative contracts qualifying for hedge accounting, revenues denominated in foreign currencies are translated at the contracted rates. Otherwise, they are translated at the exchange rate prevailing at year end. The same method is used for any costs in a foreign currency.
The valuation of work-in-progress considers all directly related costs, contractual risks and contract revision clauses, where they can be objectively determined.
Additional payments compared with the amount agreed in the initial contract are recognised when realisation is probable and the amount can be reliably estimated. Expected losses on contracts are recognised fully in the year in which they become probable.
Bidding costs are expended in the year in which they are incurred.

Current financial assets

Available-for-sale financial assets include financial assets other than derivative financial instruments, loans and receivables, held-for-trading financial assets and held-to-maturity financial assets. Held for trading financial assets and available-for-sale financial assets are measured at fair value with gains or losses recognised in the income statement under 'Finance income (expense)' and in the equity reserve[10] related to 'Other items of comprehensive income', respectively. In the latter case, changes in fair value recognised in equity are taken to the income statement when the asset is sold or impaired.
Assets are assessed for objective evidence of an impairment loss. This may include significant breaches of contracts, serious financial difficulties or the high probability of insolvency of the counterparty. Losses are deducted from the carrying amount of the asset.
Interest and dividends on financial assets measured at fair value are accounted for on an accruals basis as 'Finance income (expense)'[11] and 'Other income (expense) from investments', respectively.
When the purchase or sale of a financial asset occurs under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned (e.g. purchase of securities on regulated markets), the transaction is accounted for on the settlement date.
Receivables are stated at amortised cost (see 'Financial fixed assets - Receivables and financial assets held to maturity').

Non-current assets

Tangible assets

Tangible assets are recognised using the cost model and stated at their purchase or production cost, including any costs directly attributable to bringing the asset into operation. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price or production cost includes borrowing costs that theoretically would have been avoided had the investment not been made. The purchase or production cost is net of government grants related to assets, which are only recognised when all the required conditions have been met.
In the case of a present obligation for the dismantling and removal of assets and the restoration of sites, the carrying value includes, with a corresponding entry to a specific provision, the estimated (discounted) costs to be borne at the moment the asset is retired. The accounting treatment of changes in estimates for these provisions, the passage of time and the discount rate are indicated under 'Provisions for contingencies'.
Assets held under finance leases or under leasing arrangements that do not take the legal form of a finance lease but substantially transfer all the risks and rewards of ownership of the leased asset are recognised at fair value, net of taxes due from the lessor or, if lower, at the present value of the minimum lease payments, within tangible assets. A corresponding financial debt payable to the lessor is recognised as a financial liability. These assets are depreciated using the criteria described below. Where it is not reasonably certain that the purchase option will be exercised, leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.
Expenditures on renewals, improvements and transformations that extend the useful lives of the related asset are capitalised when it is likely that they will increase the future economic benefits expected from the asset.
Tangible assets are depreciated systematically using a straight-line method over their useful life, which is an estimate of the period over which the assets will be used by the company. When the tangible asset comprises more than one significant element with different useful lives, each component is depreciated separately. The depreciable amount of an asset is its cost less the estimated residual value at the end of its useful life, if this is significant and can be reasonably determined. Land is not depreciated, even where purchased with a building. Tangible assets held for sale are also not depreciated (see 'Assets held for sale and discontinued operations'). The Group regularly reviews the depreciation schedules of its tangible assets. Changes to depreciation schedules related to changes in the expected future economic benefits or the residual value of an asset or in the expected pattern of consumption of the future economic benefits flowing from an asset are recognised in the income statement in the year they occur.
Replacement costs of identifiable components in complex assets are capitalised and depreciated over their useful life. The residual book value of the component that has been replaced is charged to the income statement. Ordinary maintenance and repair costs are expensed when incurred.
The carrying value of tangible assets is reviewed for impairment whenever events indicate that the carrying amounts for those assets may not be recoverable. The recoverability of an asset is assessed by comparing its carrying value with the recoverable amount, represented by the higher of fair value less costs to sell and value in use.
Value in use is the present value of the future cash flows expected to be derived from the use of the asset and, if significant and reasonably

(10) Fair value changes in available-for-sale financial assets due to foreign exchange rate movements are taken to profit or loss.
(11) Accrued interest income on financial assets held for trading is considered in the overall fair value measurement of the asset and is recognised as 'Finance income (expense) from financial assets held for trading' under 'Finance income (expense)'. Accrued interest income on available-for-sale financial assets, meanwhile, is recognised as 'Finance income' under 'Finance income (expense)'.

determinable, from its disposal at the end of its useful life, net of disposal costs. Cash flows are determined on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions. Discounting is carried out at a rate that reflects current market assessments of the time value of money and the risks specific to the asset that are not reflected in the estimate of future cash flows. The discount rate used is the Weighted Average Cost of Capital (WACC) calculated based on market values.
Value in use is calculated net of the tax effect, as this method results in values similar to those resulting from discounting pre-tax cash flows at a pre-tax discount rate deriving, through an iteration process, from a post-tax valuation.
Valuation is carried out for each single asset or, if the realisable value of single assets cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, referred to as cash generating units. If the reasons for impairment cease to exist, the impairment loss is reversed to the income statement as income from revaluation. The value of the asset is written back to the lower of the recoverable amount and the original book value before impairment, less the depreciation that would have been charged had no impairment loss been recognised.
Tangible assets destined for specific operating projects, for which no further future use is envisaged due to the characteristics of the asset itself or the high usage sustained during the execution of the project, are amortised over the duration of the project.

Intangible assets

Intangible assets are assets without physical substance that are controlled by the company and from which future economic benefits are expected, as well as goodwill acquired in business combinations. An asset is classified as intangible when management is able to distinguish it clearly from goodwill. This condition is normally met when: (i) the intangible asset arises from legal or contractual rights, or (ii) the asset is separable, i.e. it can be sold, transferred, licenced, rented or exchanged, either individually or as an integral part of other assets. An entity controls an asset if it has the power to obtain the future economic benefits deriving from the underlying asset and to restrict the access of others to those benefits. Intangible assets are measured at purchase or production cost, as determined using the criteria applied for tangible assets.
Intangible assets with a finite useful life are amortised systematically over their useful life estimated as the period over which the assets will be used by the company. The amount to be amortised and the recoverability of their book value are determined in accordance with the criteria described in the section 'Tangible assets'.
Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.
Goodwill is tested for impairment at the level of the cash generating unit to which goodwill has been allocated. The cash generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use, and that are largely independent of the cash inflows from other assets or groups of assets. If the carrying amount of the cash generating unit, including goodwill allocated thereto, determined by taking into account the impairment of non-current assets that are part of the cash generating unit, exceeds the cash generating unit's recoverable amount[12], the excess is recognised as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill. Any remaining excess is allocated to the other assets of the unit pro-rata on the basis of the carrying amount of each asset forming the cash generating unit. Impairment charges against goodwill are not reversed[13].

Costs of technological development activities

Costs of technological development activities are capitalised when the Company can demonstrate:
(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) that there is the intention to complete the asset and make it available for use or sale;
(c) its ability to use or sell the asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Grants related to assets

Grants related to assets are recorded as a reduction of the purchase price or production cost of the related assets when there is reasonable assurance that all the required conditions attached to them, agreed upon with government entities, will be met.

Financial fixed assets

INVESTMENTS

Financial assets that are equity investments are measured at fair value, with changes reported in the other comprehensive income component of shareholders' equity. Changes in fair value recognised in equity are charged to the income statement when the investment is sold or impaired.
When investments are not traded in a public market and fair value cannot be reasonably determined, investments are accounted for at cost, adjusted for impairment losses, which may not be reversed[13].

RECEIVABLES AND HELD-TO-MATURITY FINANCIAL ASSETS

Receivables and held-to-maturity financial assets are stated at cost, i.e. at the fair value of the consideration received, plus transaction costs (e.g. agency or consultancy fees, etc.). The initial carrying amount is subsequently adjusted to take into account principal repayments, impairment losses, and cumulative amortisation of any difference between the initial amount and the maturity amount. Amortisation is carried out on the basis of the effective interest rate computed at initial recognition, which is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount (i.e. the amortised cost method). Receivables for finance leases are recognised at an amount equal to the present value of the lease payments and the

(12) For the definition of recoverable amount see 'Tangible assets'.
(13) Impairment charges are not reversed even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the subsequent interim period.

purchase option price or any residual value; the amount is discounted at the interest rate implicit in the lease.
Any impairment is recognised by comparing the carrying value with the present value of the expected cash flows discounted at the effective interest rate computed at initial recognition or adjusted to reflect contractual repricing dates (see also 'Current financial assets'). Receivables and held-to-maturity financial assets are recognised net of the provision for impairment losses. When the impairment loss is definite, the provision is used; otherwise it is released. Changes to the carrying amount of receivables or financial assets arising from measurement at amortised cost are recognised as 'Finance income (expenses)'.

Assets held for sale and discontinued operations

Non-current assets and current and non-current assets included within disposal groups, whose carrying amount will be recovered principally through a sale transaction rather than through their continuing use, are classified as held for sale. This condition is considered met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. Non-current assets held for sale, current and non-current assets included within disposal groups and liabilities directly associated with them are recognised in the balance sheet separately from the entity's other assets and liabilities.
Non-current assets held for sale are not depreciated and are measured at the lower of the fair value less costs to sell and their carrying amount.
The classification of an equity-accounted investment, or of a portion thereof, as held for sale requires the suspension of the application of this method of accounting in relation to the entire investment or to the portion thereof. In such cases, the carrying amount is therefore equal to the value deriving from the application of the equity method at the date of reclassification. Any retained portion of the investment that has not been classified as held for sale is accounted for using the equity method until the conclusion of the sale plan. After the disposal takes place, the retained interest is accounted for using the applicable measurement criteria indicated under 'Financial fixed assets - Investments', unless it continues to be accounting for using the equity method.
Any difference between the carrying amount and fair value less costs to sell is taken to the income statement as an impairment loss; any subsequent reversal is recognised up to the cumulative impairment losses, including those recognised prior to classification of the asset as held for sale.
Non-current assets and current and non-current assets included within disposal groups and classified as held for sale constitute a discontinued operation if: (i) they represent a separate major line of business or geographical area of operations; (ii) they are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) they are a subsidiary acquired with a view to resale. Profit or loss of discontinued operations, as well as any gains or losses on their disposal are reported separately in the income statement, net of any tax effects. The results of discontinued operations are also reported in the comparative figures for prior years.
When the sale of a subsidiary is planned and this will lead to loss of control, all of its assets and liabilities are classified as held for sale. This applies whether or not an interest is retained in the former subsidiary after the sale.

Financial liabilities

Debt is carried at amortised cost (see 'Financial fixed assets - Receivables and held-to-maturity financial assets' above).

Derecognition of financial assets and liabilities

Financial assets that have been transferred are derecognised from the balance sheet when the contractual rights to the cash flows from the asset are extinguished or expire or are transferred to third parties. Financial liabilities are derecognised when they have been settled, or when the contractual condition has been fulfilled or cancelled or when it has expired.

Provisions for contingencies

Provisions for contingencies concern risks and charges of a definite nature and whose existence is certain or probable but for which at year end the timing or amount of future expenditure is uncertain. Provisions are recognised when: (i) there is a present obligation, either legal or constructive, as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Provisions represent the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the balance sheet date. The amount recognised for onerous contracts is the lower of the cost necessary to fulfil the contract obligations, net of the economic benefits expected to be received under it, and any compensation or penalties arising from failure to fulfil these obligations. Where the effect of the time value of money is material and the payment dates of the obligations can be reliably estimated, the provisions should be discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as 'Finance (expense) income'.
When the liability regards a tangible asset, the provision is stated with a corresponding entry to the asset to which it refers and charged to the income statement through the depreciation process.
The costs that the Company expects to bear to carry out restructuring plans are recognised when the Company formally defines the plan and the interested parties have developed a valid expectation that the restructuring will occur.
Provisions are periodically updated to reflect variations in estimates of costs, production times and actuarial rates. Increases or decreases for changes in estimates for provisions recognised in prior periods are recognised in the same income statement item used to accrue the provision, or, when a liability regards tangible assets, through an entry corresponding to the assets to which they refer, within the limits of the carrying amount. Any excess is taken to the income statement.
In the notes to the consolidated financial statements, the following contingent liabilities are described: (i) possible, but not probable obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; and (ii) present obligations arising from past events whose amount cannot be measured with sufficient reliability or whose settlement will probably not require an outflow of resources embodying economic benefits.

Provisions for employee benefits

Post-employment benefits are established on the basis of benefit plans, including informal arrangements, which are classified as either 'defined contribution plans' or 'defined benefit plans' depending on their characteristics. In the first case, the Company's obligation, which consists of making payments to the State or to a trust or fund, is determined on the basis of the contributions due.

The liabilities arising from defined benefit plans, net of any plan assets, are determined on the basis of actuarial assumptions and charged on an accruals basis during the employment period required to obtain the benefits.
The net interest, which is recognised in profit or loss, includes the expected return on plan assets and the interest cost. Net interest is determined by applying the discount rate for liabilities to liabilities net of any plan assets. The net interest on defined benefit plans is posted to 'Finance income (expenses)'.
Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses arising from changes in actuarial assumptions or from experience adjustments and the return on plan assets excluding amounts included in net interest, are recognised in the statement of other comprehensive income. Remeasurements of net defined benefit assets, excluding amounts included in net interest, are also recognised in the statement of other comprehensive income. Remeasurements of net defined benefit liabilities recognised in other comprehensive income are not subsequently reclassified to profit or loss.
Long-term benefits obligations are determined by adopting actuarial assumptions. The effects of remeasurement are taken to profit or loss in their entirety.

Treasury shares

Treasury shares are recognised at cost and deducted from equity. Gains or losses from the subsequent sale of treasury shares are recorded as an increase (or decrease) in equity.

Revenues

Project revenues are recognised by reference to the stage of completion of a contract determined using the cost-to-cost method. Revenues in a foreign currency are recognised at the euro exchange rate on the date of revenue recognition. This value is adjusted to take into account exchange differences arising on derivatives that qualify for hedge accounting.
Advances are recognised at the exchange rate on the date of payment. Requests for additional payments deriving from a change in the scope of the work are included in the total amount of revenues when it is probable that the client will approve the variation and the relevant amount. Claims deriving for example from additional costs incurred for reasons attributable to the client are included in the total amount of revenues when it is probable that the client will accept them. Work that has not yet been accepted is recognised at the year-end exchange rate.
Revenues associated with sales of products and services, with the exception of contract work-in-progress, are recorded when the significant risks and rewards of ownership pass to the customer or when the transaction can be considered settled and associated revenue can be reliably measured.
Revenues related to partially rendered services are recognised by reference to the stage of completion, providing this can be measured reliably and that there is no significant uncertainty regarding the amount or existence of the revenues and the related costs. Otherwise they are recognised only to the extent of the recoverable costs incurred.
Revenues are stated at the fair value of considerations received or receivable, net of returns, discounts, rebates and bonuses, as well as directly related taxation.

Costs

Costs are recognised in relation to goods and services, excluding contract work-in-progress, sold or consumed within the year, through systematic allocation over the useful life of the related asset, or when their future benefits cannot be determined.
Operating lease payments are recognised in the income statement over the length of the contract.
Labour costs comprise remuneration paid, provisions made to pension funds, accrued holidays, national insurance and social security contributions in compliance with national contracts of employment and current legislation.
Stock options granted to senior managers, given their compensatory nature, are included in labour costs. The instruments granted are recognised at their fair value at the grant date and are not subject to subsequent adjustments. The current portion is calculated pro-rata over the vesting period[14]. The fair value of stock options is determined using valuation techniques which consider conditions related to the exercise of options, the market value of shares, expected volatility and the risk-free interest rate.
The fair value of stock options is shown in the item 'Payroll and related costs' as a contra entry to 'Other reserves' in equity.
The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or any other costs incurred for other scientific research activities or technological development, are generally considered current costs and expensed as incurred. These costs are capitalised (see 'Intangible assets') only when they meet the requirements listed under 'Costs of technological development activities'.
Grants related to income are recognised as income over the periods necessary to match them with the related costs.

Exchange rate differences

Revenues and costs associated with transactions in currencies other than the functional currency are translated using the exchange rate at the date of the transaction.
Monetary assets and liabilities in currencies other than the functional currency are converted by applying the year-end exchange rate. Any exchange differences are recognised in the income statement. Non-monetary assets and liabilities denominated in currencies other than the functional currency valued at cost are translated at the exchange rate as at the date of initial recognition. Non-monetary assets that are remeasured at fair value (i.e. at their recoverable amount or realisable value), are translated at the exchange rate applicable on the date of remeasurement.

Dividends

Dividends are recognised at the date of the general shareholders' meeting in which they were declared, except when the sale of shares before the ex-dividend date is certain.

Income taxes

Current income taxes are determined on the basis of estimated taxable income. The estimated liability is recognised in 'Income tax payables'. Current income tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax

(14) Period between the date of the award and the date on which the option can be exercised.

rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
Deferred tax assets or liabilities are recognised for temporary differences between the carrying amounts and tax bases of assets and liabilities, based on tax rates and tax laws that have been enacted or substantively enacted for future years. Deferred tax assets are recognised when their recovery is considered probable. The recoverability of deferred taxes is considered probable when it is expected that sufficient taxable profit will be available in the periods in which the temporary differences reverse against which deductible temporary differences can be utilised. Similarly, unused tax credits and deferred tax assets on tax losses are recognised to the extent that they can be recovered.
Income tax assets related to uncertain tax positions are recognised when it is probable that they will be recovered.
For temporary differences associated with investments in subsidiaries, associates and joint arrangements, deferred tax liabilities are not recorded if the investor is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.
Deferred tax assets and liabilities are recorded under non-current assets and liabilities and are offset at single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognised under 'Deferred tax assets' and, if negative, under 'Deferred tax liabilities'.
When the results of transactions are recognised directly in shareholders' equity, current taxes, deferred tax assets and liabilities are also charged to equity.

Derivatives

A derivative is a financial instrument which has the following characteristics: (i) its value changes in response to the changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate or other variable; (ii) it requires no initial net investment or the investment is small; and (iii) it is settled at a future date.
Derivatives, including embedded derivatives that are separated from the host contract, are assets and liabilities recognised at their fair value.
Saipem classifies derivatives as hedging instruments whenever possible, consistently with the economic objective of the hedging transactions it enters into. The fair value of derivative liabilities takes into account the issuer's own non-performance risk (see 'Fair value measurement').
Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, assessed on an ongoing basis, is demonstrated to be high. When hedging instruments cover the risk of changes in the fair value of the hedged item (e.g. hedging of changes in the fair value of fixed rate assets/liabilities), they are recognised at fair value, with changes taken to the income statement. Accordingly, the hedged item is adjusted through profit or loss for changes in fair value attributable to the hedged risk, regardless of the provisions of other measurement criteria generally applicable to the type of instrument in question.
A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect profit or loss and that is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction, such as project income/costs.
The effective portion of changes in fair value of derivatives designated as hedges under IAS 39 is recorded initially in a hedging reserve related to other items of comprehensive income. This reserve is recognised in the income statement in the period in which the hedged item affects profit or loss.
The ineffective portion of changes in fair value of derivatives, as well as the entire change in fair value of those derivatives not designated as hedges or that do not meet the criteria set out in IAS 39, are taken directly to the income statement under 'Finance income (expense)'.
Changes in the fair value of derivatives which do not meet the criteria for hedge accounting are recognised in the income statement. Specifically, changes in the fair value of non-hedging interest rate and foreign currency derivatives are recognised in the income statement under 'Finance income (expense)', while changes in the fair value of non-hedging commodity derivatives are recognised in the income statement under 'Other operating income (expense)'.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the 'exit price') in an orderly transaction that is not a forced sale, liquidation sale or a distressed sale between market participants at the measurement date.
Fair value is determined based on market conditions at the measurement date and the assumptions that market participants would use (i.e. it is a market-based measurement). Fair value measurement assumes the transaction to sell the asset or transfer the liability occurs in a principal market or, in the absence of a principal market, in the most advantageous market to which the entity has access. It does not consider an entity's intent to sell the asset or transfer the liability.
Fair value measurements of non-financial assets take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use is determined from the perspective of market participants, even if the entity intends a different use. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.
In the absence of quoted market prices, the fair value of a financial or non-financial liability or an entity's own equity instruments is taken as the fair value of the corresponding asset held by another market participant at the measurement date.
Counterparty credit risk and own credit risk are taken into account in determining the fair value of a liability.
In the absence of quoted market prices, valuation techniques appropriate in the circumstances and for which sufficient data are available are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial statements[15]

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the income statement are presented by nature[16].

(15) The structure of the financial statements is the same as that used in the 2013 Annual Report.
(16) Additional information regarding financial instruments, applying the classification required by IFRS, is provided under Note 31 'Guarantees, commitments and risks - Additional information on financial instruments'.

The statement of comprehensive income shows the net result together with income and expenses that are recognised directly in equity in accordance with IFRS.
The statement of changes in shareholders' equity shows total comprehensive income or loss for the year, transactions with shareholders and other changes in shareholders' equity.
The cash flow statement is prepared using the indirect method, whereby net profit is adjusted for the effects of non-cash transactions.

Changes to accounting standards

The provisions of IFRS 10 'Consolidated Financial Statements' (hereafter IFRS 10), IFRS 11 'Joint Arrangements' (hereafter IFRS 11) and IAS 28 'Investments in Associates and Joint Ventures' (hereafter IAS 28), which were approved with European Commission Regulation No. 1254/2012 dated December 11, 2012, are applied retrospectively to the opening values of the balance sheet as at January 1, 2013 and the income statement and the balance sheet for 2013 provided for comparative purposes. IFRS 10 in particular provides a new definition of control to be applied to all companies, according to which an investor controls an investee when it is exposed, or has rights, to variable returns of the investee and has the ability to affect those returns through its decision-making power over the investee's relevant activities. IFRS 11 establishes the accounting treatment to be applied to joint arrangements based on the parties' rights and obligations arising from the arrangement. The standard distinguishes between two types of joint arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have enforceable rights to the assets and obligations for the liabilities relating to the arrangement. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are recognised using the working interest method, whereby the investor's share of the assets, liabilities, revenues and expenses are recognised based on the actual rights and obligations arising from the contractual arrangements.
The adoption of IFRS 10 and the revised version of IAS 28 did not have any significant impact. As described in the section 'Changes in the scope of consolidation', the adoption of IFRS 11 caused a number of companies that were previously consolidated proportionally to be consolidated using the equity method. The effects of the application of IFRS 11 on the balance sheet are shown in the section 'Restatement of comparative data'.
Disclosures regarding investments are presented in accordance with IFRS 12 'Disclosure of Interests in Other Entities', which became effective on January 1, 2014.
European Commission Regulation No. 634/2014 dated June 13, 2014 approved IFRIC 21 'Levies' (hereafter IFRIC 21), for levies charged by public authorities (e.g. contributions to be paid for participation in a specific market) other than taxes, fines and penalties. IFRIC 21 sets out recognition criteria for this type of liability, identifying the obligating event for their recognition as the activity that triggers the payment of the levy in accordance with the relevant legislation. Under the EU endorsement regulation, IFRS 21 provisions are applicable for annual periods beginning on or after June 17, 2014, with earlier application permitted. Saipem has opted to apply IFRS 21 provisions earlier, starting from the 2014 annual period. The application of the provisions of IFRIC 21 did not have any significant impact.
The other standards and interpretations coming into effect on January 1, 2014 did not have any significant impact.

Financial risk management

The main financial risks that Saipem has identified and is monitoring and actively managing are as follows:
(i) the market risk deriving from exposure to fluctuations in interest rates and exchange rates between the euro and the other currencies used by the Company and the risk deriving from exposure to commodity price volatility;
(ii) the credit risk deriving from the possible default of a counterparty; and
(iii) the liquidity risk, i.e. the risk that suitable sources of funding for the Group's operations may not be available.

Financial risks are managed in accordance with guidelines issued centrally, with the objective of aligning and coordinating Saipem Group policies on financial risks.
For details on industrial risks, see the 'Risk management' section in the Directors' Report.

MARKET RISK

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows[17]. Saipem manages market risk in accordance with the above-mentioned guidelines and with procedures that provide a centralised model of conducting finance, treasury and risk management operations based on the Group's Treasury functions.

Market risk - Exchange rates

Exchange rate risk derives from the fact that Saipem's operations are conducted in currencies other than the euro and that revenues and costs from a significant portion of projects are denominated and settled in non-euro currencies. This impacts on:
- individual profits, which may be significantly affected by exchange rate fluctuations on specific transactions arising from the time lag existing between the execution of a given transaction and the definition of the relevant contractual terms (economic risk) and by the conversion of foreign currency-denominated trade and financial payables and receivables (transaction risk); and
- the Group's reported results and shareholders equity, as financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro.

Saipem's foreign exchange risk management policy is to minimise economic and transactional exposures arising from foreign currency movements and to optimise the economic exchange risk connected with commodity prices. Saipem does not undertake any hedging activity for risks deriving from the translation of foreign currency denominated profits or assets and liabilities of subsidiaries that prepare financial statements in a currency other than the euro.
Saipem uses a number of different types of derivative contract to reduce economic and transaction exposure, such as currency swaps, forwards and options. The fair value of exchange rate derivatives is determined by

(17) In the sensitivity analyses described below, comparative data for 2013 was adjusted to account for changes in the scope of consolidation as a result of the application of the new standards IFRS 10 and IFRS 11.

the Corporate Finance Unit of Eni SpA on the basis of standard valuation models and market prices/input provided by specialised sources. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Treasury Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS).
An exchange rate sensitivity analysis was performed for those currencies other than the euro for which exchange risk exposure in 2014 was highest, in order to calculate the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in the exchange rates.
The analysis was performed for all relevant financial assets and liabilities denominated in the currencies considered and regarded in particular the following items:
- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents; and
- short- and medium-long-term debt.

For exchange rate derivatives, the sensitivity analysis on fair value was conducted by comparing the conditions underlying the forward price fixed in the contract (i.e. spot exchange rate and interest rate) with spot rates and interest rate curves corresponding to the relevant contractual maturity dates, on the basis of year-end exchange rates subjected to hypothetical positive and negative changes of 10%, with the resulting effects weighted on the basis of the notional amounts.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of work-in-progress because work-in-progress does not constitute a financial asset under IAS 32. Moreover, the analysis regards exposure to exchange rate risk in accordance with IFRS 7 and therefore does not consider the effects of the conversion of financial statements of consolidated companies with functional currencies other than the euro.
A positive variation in exchange rates between the foreign currencies examined and the euro (i.e. depreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of -€46 million (-€4 million at December 31, 2013) and an overall effect on shareholders' equity, before related tax effects, of -€377 million (-€272 million at December 31, 2013).
A negative variation in exchange rates between the foreign currencies examined and the euro (i.e. appreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of €46 million (€5 million at December 31, 2013) and an overall effect on shareholders' equity, before related tax effects, of €377 million (€272 million at December 31, 2013).
The increases (decreases) with respect to the previous year are essentially due to the currency exchange rates on the two reference dates and to variations in the assets and liabilities exposed to exchange rate fluctuations.
The table below shows the effects of the above sensitivity analysis on balance sheet and income statement items.

	2013				2014			
	+10%		-10%		+10%		-10%	
(€ million)	Income statement	Shareholder's equity	Income statement	Shareholder's equity	Income statement	Shareholder's equity	Income statement	Shareholder's equity
Derivatives	(26)	(294)	27	294	(25)	(356)	25	356
Trade and other receivables	130	130	(130)	(130)	109	109	(109)	(109)
Trade and other payables	(100)	(100)	100	100	(122)	(122)	122	122
Cash and cash equivalents	42	42	(42)	(42)	45	45	(45)	(45)
Short-term debt	(26)	(26)	26	26	(24)	(24)	24	24
Medium/long-term debt	(24)	(24)	24	24	(29)	(29)	29	29
Total	**(4)**	**(272)**	**5**	**272**	**(46)**	**(377)**	**46**	**377**

The results of the sensitivity analysis on trade receivables and payables for the principal currencies were as follows.

(€ million)	Currency	Dec. 31, 2013 Total	Δ -10%	Δ +10%	Dec. 31, 2014 Total	Δ -10%	Δ +10%
Receivables							
	USD	1,184	(118)	118	995	(100)	100
	AED	30	(3)	3	43	(4)	4
	NOK	50	(5)	5	23	(2)	2
	PLN	14	(1)	1	11	(1)	1
	KWD	1	-	-	8	(1)	1
	GBP	18	(2)	2	2	-	-
	Other currencies	6	(1)	1	5	(1)	1
Total		**1,303**	**(130)**	**130**	**1,087**	**(109)**	**109**
Payables							
	USD	727	73	(73)	874	87	(87)
	GBP	62	6	(6)	98	9	(9)
	AED	51	5	(5)	55	6	(6)
	AUD	5	1	(1)	38	4	(4)
	NOK	30	3	(3)	36	4	(4)
	KWD	4	-	-	32	3	(3)
	CNY	35	4	(4)	30	3	(3)
	DZD	33	3	(3)	20	2	(2)
	SGD	5	-	-	17	2	(2)
	PLN	10	1	(1)	7	1	(1)
	CHF	28	3	(3)	1	-	-
	Other currencies	8	1	(1)	11	1	(1)
Total		**998**	**100**	**(100)**	**1,219**	**122**	**(122)**

Market risk - Interest rates

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

When entering into long-term financing agreements with variable rates, the Treasury Department of the Saipem Group assesses their compliance with objectives and, where necessary, uses Interest Rate Swaps (IRS) to manage the risk exposure arising from interest rate fluctuations. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance function, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS). Such derivatives are evaluated by the Corporate Finance Unit of Eni SpA at fair value on the basis of standard valuation models and market prices/input provided by specialised sources.

To measure sensitivity to interest rate risk, a sensitivity analysis was performed. The analysis calculated the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in interest rates.

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

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

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

A positive variation in interest rates would have produced an overall effect on pre-tax profit of -€11 million (-€10 million at December 31, 2013) and an overall effect on shareholders' equity, before related tax effects, of -€11 million (-€10 million at December 31, 2013). A negative variation in interest rates would have produced an overall effect on pre-tax profit of €11 million (€10 million at December 31, 2013) and an overall effect on shareholders' equity, before related tax effects, of €11 million (€10 million at December 31, 2013).

The increases (decreases) with respect to the previous year are essentially due to the interest rates on the two reference dates and to variations in the assets and liabilities exposed to interest rate fluctuations.

The table below shows the effects of the above sensitivity analysis on balance sheet and income statement items.

(€ million)	2013 +10% Income statement	2013 +10% Shareholder's equity	2013 -10% Income statement	2013 -10% Shareholder's equity	2014 +10% Income statement	2014 +10% Shareholder's equity	2014 -10% Income statement	2014 -10% Shareholder's equity
Cash and cash equivalents	-	-	-	-	-	-	-	-
Short-term debt	(5)	(5)	5	5	(6)	(6)	6	6
Medium/long-term debt	(5)	(5)	5	5	(5)	(5)	5	5
Total	**(10)**	**(10)**	**10**	**10**	**(11)**	**(11)**	**11**	**11**

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, since they represent associated costs in the running of vessels, offices and yards and the implementation of projects and investments.
In order to reduce its commodity risk, in addition to adopting solutions at a commercial level, Saipem also trades over the counter derivatives (swap and bullet swaps in particular) whose underlying commodities are oil products (mainly gasoil and naphtha) through Eni Trading & Shipping (ETS) on the organised markets of ICE and NYMEX where the relevant physical commodity market is well correlated to the financial market and is price efficient.
As regards commodity price risk management, derivative instruments on commodities are entered into by Saipem to hedge underlying contractual commitments. Hedge transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable.
The fair value of such derivatives is determined by the Treasury Department of Eni SpA on the basis of standard valuation models and market prices/input provided by specialised sources. With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on shareholders' equity, before related tax effects, of €1 million (€2 million at December 31, 2013). A 10% negative variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on shareholders' equity, before related tax effects, of -€1 million (-€2 million at December 31, 2013).
The increase (decrease) with respect to the previous year is essentially due to the differences between the prices used in calculating the fair value of the instrument at the two reference dates.

CREDIT RISK
Credit risk represents Saipem's exposure to potential losses in the event of non-performance by a counterparty. With regard to counterparty risk in commercial contracts, credit management is the responsibility of the business units and of specific corporate finance and administration functions operating on the basis of standard business partner evaluation and credit worthiness procedures. For counterparty financial risk deriving from the investment of surplus liquidity, from positions in derivative contracts and from physical commodities contracts with financial counterparties, Group companies adopt guidelines defined by the Treasury Department of Saipem in compliance with the centralised treasury model of Eni.
The critical situation that has developed on the financial markets has led to additional preventative measures being adopted to avoid the concentration of risk and assets. This situation has also required the setting of limits and conditions for operations involving derivative instruments.
The Company did not have any significant cases of non-performance by counterparties.
At December 31, 2014, the area with the highest concentration of credit risk was Venezuela, for which overall exposure amounted to €238 million.

LIQUIDITY RISK
Liquidity risk is the risk that suitable sources of funding for the Group may not be available (funding liquidity risk), or that the Group is unable to sell its assets on the market place (asset liquidity risk), making it unable to meet its short-term finance requirements and settle obligations. Such a situation would negatively impact the Group's results as it would result in the Company incurring higher borrowing expenses to meet its obligations or, under the worst of conditions, the inability of the Company to continue as a going concern. As part of its financial planning process, Saipem manages liquidity risk by targeting a capital structure that guarantees a level of liquidity adequate for the Group's needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an efficient balance in terms of maturity and composition of debt in accordance with business objectives and prescribed limits.
At present, in spite of the current market conditions, Saipem believes it has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, thanks to a use of credit lines that is both flexible and targeted to meet business needs.
The liquidity management policies used have the objective of ensuring both adequate funding to meet short-term requirements and obligations and a sufficient level of operating flexibility to fund Saipem's development plans, while maintaining a balance in terms of debt composition and maturity profile, as well as adequate credit facilities.
As of December 31, 2014, Saipem maintained unused borrowing facilities of €2,450 million. In addition, Eni SpA provides lines of credit to Saipem SpA under Eni Group centralised treasury arrangements. These facilities were under interest rates that reflected market conditions. Fees charged for unused facilities were not significant.
The following tables show total contractual payments (including interest payments) and maturities on financial debt and payments and due dates for trade and other payables.

Finance debt

	Maturity						
(€ million)	2015	2016	2017	2018	2019	After	Total
Long-term debt	594	593	1,112	429	1,137	43	3,908
Short-term debt	2,186	-	-	-	-	-	2,186
Derivative liabilities	835	-	-	-	-	-	835
Total	**3,615**	**593**	**1,112**	**429**	**1,137**	**43**	**6,929**
Interest on debt	99	90	75	40	19	1	324

Trade and other payables

	Maturity			
(€ million)	2015	2016-2019	After	Total
Trade payables	3,283	-	-	3,283
Other payables and advances	2,386	2	-	2,388

Outstanding contractual obligations

In addition to the financial and trade debt recorded in the balance sheet, the Saipem Group has contractual obligations relating to non-cancellable operating leases whose performance will entail payments being made in future years. The following table shows undiscounted payments due in future years in relation to outstanding contractual obligations.

	Maturity						
(€ million)	2015	2016	2017	2018	2019	After	Total
Non-cancellable operating leases	85	83	97	65	64	230	624

The table below summarises Saipem's investment commitments for which procurement contracts have already been entered into.

	Maturity
(€ million)	2015
Committed on major projects	6
Committed on other investments	168
Total	**174**

Use of accounting estimates

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

CONTRACT WORK-IN-PROGRESS

Contract work-in-progress for long-term contracts – for which estimates necessarily have a significant subjective component – are measured on the basis of estimated revenues and costs over the full life of the contract. Contract work-in-progress includes extra revenues from additional works following modifications to the original contracts if their realisation is probable and the amount can be reliably estimated.

IMPAIRMENT OF ASSETS

Impairment losses are recognised if events and changes in circumstances indicate that the carrying amount of assets may not be recoverable.
Impairment is recognised in the event of significant permanent changes in the outlook for the market segment in which the asset is used. Determining as to whether and how much an asset is impaired involves management estimates on complex and highly uncertain factors, such as future market performances, the effects of inflation and technological improvements on operating costs, and the outlook for global or regional market supply and demand conditions.
The amount of an impairment loss is determined by comparing the carrying value of an asset with its recoverable amount (the higher of fair value less costs to sell and value in use calculated as the present value of the future cash flows expected to be derived from the use of the asset net of disposal costs). The expected future cash flows used for impairment reviews are based on judgemental assessments of future variables such as prices, costs, demand growth rate and production volumes, considering the information available at the date of the review

and are discounted at a rate that reflects the risk inherent in the relevant activity. Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying amount is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at cash generating unit level, i.e. the smallest aggregate on which the Company, directly or indirectly, evaluates the return on the capital expenditure to which goodwill relates. If the carrying amount of the cash generating unit, including goodwill allocated thereto, exceeds the cash generating unit's recoverable amount, the excess is recognised as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill. Any remaining excess is allocated to the other assets of the unit pro-rata on the basis of the carrying amount of each asset forming the cash generating unit. In allocating the impairment loss, the carrying amount of assets with a finite useful life are not reduced below their recoverable amount.

BUSINESS COMBINATIONS
Accounting for business combinations requires the difference between the purchase price and the net assets of an acquired business to be allocated to the various assets and liabilities of the acquired business. Most assets and liabilities are measured at fair value for the purpose of allocation. Any positive difference that cannot be allocated is recognised as goodwill. Negative residual differences are taken to the income statement. Management uses all available information to make these fair value determinations and, for the most significant business combinations, typically uses external evaluations.

CONTINGENCIES
Saipem records provisions for contingencies primarily in relation to employee benefits, litigation and tax issues. Determining appropriate amounts for provisions is a complex estimation process that includes subjective judgements.

PROVISIONS FOR EMPLOYEE BENEFITS
Post-employment benefit plans arising from defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of salary increases, mortality rates, retirement dates and medical cost trends.
The significant assumptions used to account for such benefits are determined as follows: (i) discount and inflation rates reflect the rates at which the benefits could be effectively settled. Indicators used in selecting the discount rate include rates of return on high-quality corporate bonds or, where there is no deep market in such bonds, the market yields on government bonds. The inflation rates reflect market conditions observed country by country; (ii) the future salary levels of individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority and promotion; (iii) medical cost trend assumptions reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current medical cost trends including healthcare inflation, and changes in health status of the participants; and (iv) demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for the individual employees involved.
Changes in the net defined benefit liability (asset) related to remeasurements routinely occur and comprise, among other things, changes in actuarial assumptions, experience adjustments (i.e. the effects of differences between the previous actuarial assumptions and what has actually occurred) and the return on plan assets, excluding amounts included in net interest. Remeasurements are recognised in other comprehensive income for defined benefit plans and in profit or loss for long-term plans.

Recent accounting principles

Accounting standards and interpretations issued by IASB/IFRIC and endorsed by the European Commission
European Commission Regulation No. 2015/29 dated December 17, 2014 approved the amendments to IAS 19 'Defined Benefit Plans: Employee Contributions', which allow defined benefit plan contributions from employees or third parties to be recognised as a reduction in the service cost in the period in which the related service is rendered, provided that the contributions: (i) are set out in the formal terms of the plan; (ii) are linked to service; and (iii) are independent of the number of years of service (e.g. a fixed percentage of the employee's salary, a fixed amount throughout the service period or contributions that are dependent on the employee's age). The amendments are applicable for annual periods beginning on or after February 1, 2015 (for Saipem: 2016 financial statements).

European Commission Regulations No. 2015/28 and No. 1361/2014 dated December 17 and December 18, 2014, respectively, approved the documents 'Annual Improvements to IFRSs 2010-2012 Cycle' and 'Annual Improvements to IFRSs 2011-2013 Cycle', which essentially consist of changes of a technical and editorial nature to existing standards. The amendments contained in 'Annual Improvements to IFRSs 2011-2013 Cycle' are applicable for annual periods beginning on or after January 1, 2015, while the amendments contained in 'Annual Improvements to IFRSs 2010-2012 Cycle' are applicable for annual periods beginning on or after February 2015 (for Saipem: 2016 financial statements).

Accounting standards and interpretations issued by IASB/IFRIC but not yet endorsed by the European Commission
On May 6, 2014, the IASB issued an amendment to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (hereafter 'amendment to IFRS 11'), which establishes the accounting treatment to be applied for acquisitions of initial interests in joint operations or the acquisition of additional interests in the same joint operation (without changing the status of joint operation), in circumstances in which the activity of the joint operation constitutes a business as defined in IFRS 3. Under the amendment, the interest acquired in the joint operation is recognised in accordance with the applicable provisions for business combinations, which include but are not limited to: (i) measuring identifiable assets and liabilities at fair value, other than items for which exceptions are given in other IFRSs; (ii) recognising acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received; (iii) recognising deferred tax assets and deferred tax liabilities that arise from the initial recognition of assets or liabilities, except for deferred tax liabilities that arise from the initial recognition of goodwill; (iv) recognising the excess of the consideration transferred over the net

of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, if any, as goodwill; and (v) testing for impairment a cash generating unit to which goodwill has been allocated at least annually, and whenever there is an indication that the unit may be impaired. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016.

On May 12, 2014, the IASB issued amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (hereafter amendments to IAS 16 and IAS 38), which clarified that revenue-based methods of depreciation and amortisation are not considered to be appropriate manifestations of consumption. However, the IASB has also indicated that this presumption of inappropriateness can be overcome in the limited circumstances: (i) in which an entity's rights over its use of an intangible asset are linked to the achievement of a specific revenue threshold; or (ii) when it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated. The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016.

On May 28, 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' (hereafter IFRS 15), which sets out requirements regarding the timing and the amount of recognition of revenues arising from contracts with customers (including construction contracts). IFRS 15 requires revenue recognition to be based on the following five steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract (promises in a contract to transfer goods or services to a customer); (iii) determine the transaction price; (iv) allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each good or service promised in the contract; and (v) recognise revenue when the entity satisfies a performance obligation. IFRS 15 also requires entities to include additional disclosures in their financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with customers. IFRS 15 provisions are effective for annual periods beginning on or after January 1, 2017.

On July 24, 2014, the IASB completed its project to revise its accounting standard for financial instruments, publishing the final version of IFRS 9 'Financial Instruments' (hereafter IFRS 9). The new provisions of IFRS 9: (i) change the classification and measurement model for financial assets; (ii) introduce a new impairment model for financial assets that addresses expected credit losses; and (iii) brings in new hedge accounting requirements. The provisions of IFRS 9 are effective for annual periods beginning on or after January 1, 2018.

On August 12, 2014, the IASB issued the amendment to IAS 27 'Equity Method in Separate Financial Statements', which reinstates the equity method as an option for accounting for investments in subsidiaries, joint ventures and associates in separate financial statements. The amendment to IFRS 27 is effective for annual periods beginning on or after January 1, 2016.

On September 11, 2014, the IASB issued amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (hereafter amendments to IFRS 10 and IAS 28), which establish requirements for accounting for gains or losses arising on the loss of control of a subsidiary that is transferred to an associate or joint venture. The amendments to IFRS 10 and IAS 28 are effective for annual periods beginning on or after January 1, 2016.

On December 18, 2014, the IASB issued amendments to IAS 1 'Disclosure Initiative', which essentially contain clarifications regarding financial statements disclosures focusing on the application of the concept of materiality. The amendments to IFRS 1 are effective for annual periods beginning on or after January 1, 2016.

On September 25, 2014, the IASB published 'Annual Improvements to IFRSs 2012-2014 Cycle', which essentially consists of changes of a technical and editorial nature to existing standards. The amendments are effective for annual periods beginning on or after January 1, 2016.

Saipem is currently reviewing these new standards to determine if their adoption will have a significant impact on the financial statements.

Scope of consolidation at December 31, 2014

Parent company

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saipem SpA	San Donato Milanese	EUR	441,410,900	Eni SpA Saipem SpA Third parties	42.91 0.44 56.65		

Subsidiaries

Italy

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

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	5,494,210	Saipem SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Boscongo SA	Pointe-Noire (Congo)	XAF	1,597,805,000	Saipem SA	100.00	100.00	F.C.
Construction Saipem Canada Inc	Montreal - Quebec (Canada)	CAD	1,000	Saipem Canada Inc	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime AS	Lysaker (Norway)	NOK	40,000,000	Saipem International BV	100.00	100.00	F.C.
Moss Maritime Inc	Houston (USA)	USD	145,000	Moss Maritime AS	100.00	100.00	F.C.
North Caspian Service Co	Almaty (Kazakhstan)	KZT	1,910,000,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Iquitos (Peru)	PEN	762,729,045	Saipem International BV	100.00	100.00	F.C.
Professional Training Center Llc	Karakiyan District, Mangistau Oblast (Kazakhstan)	KZT	1,000,000	ER SAI Caspian Contractor Llc	100.00	50.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	152,778,100	Saipem International BV Saipem Asia Sdn Bhd	68.55 31.45	100.00	F.C.
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Ltda	Luanda (Angola)	AOA	1,600,000	Saipem International BV Third parties	60.00 40.00	60.00	E.M.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saigut SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	90,050,000	Saimexicana SA de Cv	100.00	100.00	F.C.
SAIMEP Lda	Maputo (Mozambique)	MZN	70,000,000	Saipem SA Saipem International BV	99.98 0.02	100.00	F.C.
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	1,528,188,000	Saipem SA	100.00	100.00	F.C.
Saipem (Beijing) Technical Services Co Ltd	Beijing (China)	USD	1,750,000	Saipem International BV	100.00	100.00	F.C.
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	1,033,500	Saipem International BV Third parties	41.94 58.06	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	Caniçal (Portugal)	EUR	299,278,738	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	50,000,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina de Perforaciones, Montajes y Proyectos Sociedad Anónima, Minera, Industrial, Comercial y Financiera (**) (***)	Buenos Aires (Argentina)	ARS	1,805,300	Saipem International BV Third parties	99.90 0.10	99.90	E.M.
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd	West Perth (Australia)	AUD	10,661,000	Saipem International BV	100.00	100.00	F.C.
Saipem Canada Inc	Montreal (Canada)	CAD	100,100	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting (Nigeria) Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem Contracting Algérie SpA	Algeri (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem do Brasil Serviços de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	854,796,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Co Private Ltd	Mumbai (India)	INR	50,273,400	Saipem International BV Saipem SA	49.73 50.27	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	50,000,000	Saipem International BV Third parties	51.00 49.00	51.00	E.M.
Saipem India Projects Private Ltd	Chennai (India)	INR	407,000,000	Saipem SA	100.00	100.00	F.C.
Saipem Ingenieria Y Construcciones SLU	Madrid (Spain)	EUR	80,000	Saipem International BV	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Libya LLC - SA.LI.CO. Llc	Tripoli (Libya)	LYD	10,000,000	Saipem International BV Snamprogetti Netherlands BV	60.00 40.00	100.00	F.C.
Saipem Ltd	Kingston upon Thames Surrey (United Kingdom)	EUR	7,500,000	Saipem International BV	100.00	100.00	F.C.
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sàrl Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Norge AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem SA	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	28,890,000	Saipem SA	100.00	100.00	F.C.
Saipem UK Ltd (**)	London (United Kingdom)	GBP	9,705	Saipem International BV	100.00	100.00	F.C.
Saipem Ukraine Llc	Kiev (Ukraine)	EUR	106,061	Saipem International BV Saipem Luxembourg SA	99.00 1.00	100.00	F.C.
Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV Third parties	60.00 40.00	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	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Snamprogetti Netherlands BV Third parties	70.00 30.00	70.00	F.C.
Snamprogetti Engineering BV	Amsterdam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Snamprogetti Ltd (**)	London (United Kingdom)	GBP	9,900	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV Third parties	99.00 1.00	99.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	92,117,340	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Romania Srl	Bucharest (Romania)	RON	5,034,100	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid SA Third parties	99.99 0.01	100.00	F.C.
Sofresid SA	Montigny le Bretonneux (France)	EUR	8,253,840	Saipem SA	100.00	100.00	F.C.
Sonsub International Pty Ltd	Sydney (Australia)	AUD	13,157,570	Saipem International BV	100.00	100.00	F.C.

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

Associated and jointly-controlled companies

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
ASG Scarl	San Donato Milanese	EUR	50,864	Saipem SpA Third parties	55.41 44.59	55.41	E.M.
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.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	52.00 48.00	52.00	E.M.
Consorzio F.S.B.	Venice - Marghera	EUR	15,000	Saipem SpA Third parties	28.00 72.00	28.00	Co.
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	E.M.
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA (**)	San Donato Milanese	EUR	1,000	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	E.M.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	E.M.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.
Ship Recycling Scarl	Genova	EUR	10,000	Saipem SpA Third parties	51.00 49.00	51.00	W.I.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
02 PEARL Snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem SA Third parties	50.00 50.00	50.00	W.I.
Barber Moss Ship Management AS	Lysaker (Norway)	NOK	1,000,000	Moss Maritime AS Third parties	50.00 50.00	50.00	E.M.
CCS Netherlands BV (***)	Amsterdam (Netherlands)	EUR	300,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
Charville - Consultores e Serviços Lda	Funchal (Portugal)	EUR	5,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
CMS&A WII	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	E.M.
CSC Japan Godo Kaisha (***)	Yokohama (Japan)	JPY	3,000,000	CCS Netherlands BV	100.00	33.33	E.M.
CSFLNG Netherlands BV	Amsterdam (Netherlands)	EUR	600,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
Fertilizantes Nitrogenados de Oriente CEC	Caracas (Venezuela)	VEB	9,667,827,216	Snamprogetti Netherlands BV Third parties	20.00 80.00	20.00	Co.
Fertilizantes Nitrogenados de Oriente SA	Caracas (Venezuela)	VEB	286,549	Snamprogetti Netherlands BV Third parties	20.00 80.00	20.00	Co.
FPSO Mystras (Nigeria) Ltd (***)	Victoria Island - Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras - Produção de Petròleo Lda	100.00	50.00	E.M.
FPSO Mystras - Produção de Petròleo Lda	Funchal (Portugal)	EUR	50,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
KWANDA Suporte Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem SA Third parties	40.00 60.00	40.00	E.M.
LNG - Serviços e Gestao de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	E.M.
Sabella SAS	Quimper (France)	EUR	5,263,495	Sofresid Engineering SA Third parties	22.04 77.96	22.04	E.M.
Saidel Ltd	Victoria Island - Lagos (Nigeria)	NGN	236,650,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipar Drilling Co BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Saipem Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	40,000,000	Saipem International BV Third parties	40.00 60.00	40.00	E.M.
Saipon Snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem SA Third parties	60.00 40.00	60.00	W.I.
Sairus Llc	Krasnodar (Russian Federation)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Saipem SA Third parties	50.00 50.00	50.00	W.I.
Sud-Soyo Urban Development Lda (***)	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
Tchad Cameroon Maintenance BV	Rotterdam (Netherlands)	EUR	18,000	Saipem SA Third parties	40.00 60.00	40.00	E.M.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem SA Third parties	42.50 57.50	42.50	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
TMBYS SAS	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
TSGI Mühendislik İnşaat Ltd Şirketi	Istanbul (Turkey)	TRY	600,000	Saipem Ingenieria Y Construcciones SLU Third parties	30.00 70.00	33.33	E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Serviçoes 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 - Serviçoes de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Xodus Subsea Ltd	London (United Kingdom)	GBP	1,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.

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

The Saipem Group comprises 109 companies: 61 are consolidated using the full consolidation method, 4 using the working interest method, 40 using the equity method and 4 using the cost method.
At December 31, 2014, the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and jointly-controlled entities		
	Italy	Outside Italy	Total	Italy	Outside Italy	Total
Subsidiaries/Joint operations and their participating interests	**4**	**57**	**61**	**1**	**3**	**4**
Companies consolidated using the full consolidation method	4	57	61	-	-	-
Companies consolidated using the working interest method	-	-	-	1	3	4
Participating interests held by consolidated companies (1)	**-**	**3**	**3**	**9**	**32**	**41**
Accounted for using the equity method	-	3	3	7	30	37
Accounted for using the cost method	-	-	-	2	2	4
Total companies	**4**	**60**	**64**	**10**	**35**	**45**

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

Changes in the scope of consolidation

Under the provisions of IFRS 10 'Consolidated Financial Statements', for an investor to classify an investee as a subsidiary, it must first assess whether it has the ability to use its power over the investee to significantly affect its own returns. This is the case where the investor has the current ability to direct the relevant activities of the investee by exercising substantive rights when decisions about the direction of the relevant activities need to be made. Establishing whether an investor has power over an investee goes beyond the simple concept of control exercised through voting rights acquired through share ownership, and encompasses the consideration of other factors, such as whether the investor has the right to appoint and remove key management personnel, the contractual arrangements in place, as well as any additional facts and circumstances that indicate the investor has the ability to use its power.
In the majority of cases, a presumed situation of control by Saipem over its subsidiaries through the ownership of shares is reflected in the contractual arrangements through which the Company is run. In cases where Saipem's interest in the investee is not sufficient to give it control, a non-controlling interests is recognised and this circumstance is confirmed through an analysis of the contractual arrangements in place and the direction of the relevant activities.

For an investment to be classified as a joint arrangement, it must be determined that control is exercised jointly by the parties. Entities meeting this criteria are then assessed using the provisions of IFRS 11, as described in the section 'Changes to accounting standards', and classified as either joint operations or joint ventures. In determining the type of arrangements, IFRS 11 requires parties to the arrangement to assess the following factors in sequence: the legal form of the arrangement, the terms of the contractual arrangement, and other facts and circumstances relevant for classification purposes.

The assessment of control and joint control and the classification of joint arrangements as joint operations or joint ventures was carried out using the indications provided in the application guidance for IFRS 10 and IFRS 11. The classifications arrived at were based on the analysis of the contractual arrangements in place and also considered all other relevant supporting documentation.
As indicated in the section 'Changes to accounting standards', as a result of the application of IFRS 11, most of Saipem's joint arrangements structured through separate legal entities have been classified as joint ventures. Accordingly, the companies listed below, which were previously consolidated proportionately, have been accounted for using the equity method. The effects of these changes are shown in the table 'Summary of effects of restatement'.

- CEPAV (Consorzio Eni per l'Alta Velocità) Uno;
- Saipar Drilling Co BV;
- Rodano Scarl;
- Modena Scarl;
- ASG Scarl;
- CMS&A WII;
- RPCO Enterprises Ltd;
- FPSO Mystras - Produção de Petròleo Lda;
- Sairus Llc;
- Offshore Design Engineering Ltd;
- Petromar Lda;
- Société pour la Réalisation du Port de Tanger Méditerranée;
- Mangrove Gas Netherlands BV;
- Southern Gas Constructors Ltd;
- Charville - Consultores e Serviços Lda;
- TMBYS SAS;
- TSGI Mühendislik İnşaat Ltd Şirketi; and
- CSFLNG Netherlands BV.

There were no significant changes in the scope of consolidation during 2014 with respect to the consolidated financial statements at December 31, 2013. Changes are shown by order of occurrence.

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

- **Consorzio Libya Green Way**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Offshore Design Engineering Ltd**, together with its subsidiary, **Ode North Africa Llc**, previously accounted for using the equity method, was sold to third parties;
- **Saipem Mediteran Usluge Doo**, previously consolidated using the full consolidation method, was removed from the Register of Companies;
- **Smacemex Scarl**, with registered offices in Italy, was incorporated and consolidated using the full consolidation method;
- **Ship Recycling Scarl**, with registered offices in Italy, was incorporated and consolidated using the working interest method;
- following a capital increase, ownership of **Sabella SAS** is as follows: 22.04% held by Sofresid Engineering SA and 77.96% by third parties;
- **CSC Western Australia Pty Ltd**, previously accounted for using the equity method, was removed from the Register of Companies;
- **RPCO Enterprises Ltd**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Xodus Subsea Ltd**, with registered offices in the United Kingdom, was incorporated and is accounted for using the equity method;
- **Saipem Services SA**, previously consolidated using the full consolidation method, was removed from the Register of Companies;
- **ERSAI Marine Llc**, previously consolidated using the full consolidation method, was removed from the Register of Companies;
- **Fertilizantes Nitrogenados de Oriente CEC**, previously accounted for using the equity method, was accounted for using the cost method as it is held for sale; and
- **Fertilizantes Nitrogenados de Oriente SA**, previously accounted for using the equity method, was accounted for using the cost method as it is held for sale.

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

- **CSC Netherlands BV**, accounted for using the equity method, changed its name to **CCS Netherlands BV**; and
- **Saipem India Projects Ltd**, consolidated using the using the full consolidation method, changed its name to **Saipem India Projects Private Ltd**.

Restatement of comparative data

As indicated in the 'Basis of presentation' and the 'Changes in the scope of consolidation' sections, the application of IFRS 11 impacts on the consolidation by the Saipem Group of most of its joint arrangements, which are classified as joint ventures and as such accounted for using the equity method rather than, as was previously the case, using the proportional method.
The quantitative effects of the application of IFRS 11 on the balance sheet as at January 1, 2013 and December 31, 2013 are shown below.

Summary of the effects of restatement

The tables below show the above-mentioned effects of the application of IFRS 11 on the balance sheet as at January 1, 2013 and December 31, 2013.

(€ million)	Published	IFRS 11	Restated
January 1, 2013			
Current assets	**7,806**	**(158)**	**7,648**
of which Cash and cash equivalents	1,325	(81)	1,244
of which Trade and other receivables	3,252	(43)	3,209
Non-current assets	**9,398**	**(22)**	**9,376**
of which Property, plant and equipment	8,254	(71)	8,183
of which Investments accounted for using the equity method	116	57	173
Current liabilities	**7,594**	**(180)**	**7,414**
of which Trade and other payables	4,982	(160)	4,822
Non-current liabilities	**4,085**	**-**	**4,085**
of which Provision for employee benefits	255	(13)	242
Saipem Group shareholders' equity	**5,525**	**-**	**5,525**
December 31, 2013			
Current assets	**7,901**	**(138)**	**7,763**
of which Cash and cash equivalents	1,352	(53)	1,299
of which Trade and other receivables	3,286	(46)	3,240
Non-current assets	**9,142**	**(28)**	**9,114**
of which Property, plant and equipment	7,972	(60)	7,912
of which Investments accounted for using the equity method	126	40	166
Current liabilities	**8,926**	**(156)**	**8,770**
of which Trade and other payables	5,280	(151)	5,129
Non-current liabilities	**3,373**	**(10)**	**3,363**
of which Provision for employee benefits	233	(14)	219
Saipem Group shareholders' equity	**4,744**	**-**	**4,744**

The table below shows the effects of the application of IFRS 11 on the comparative income statement and cash flows for the year ended December 31, 2013.

(€ million)	Dec. 31, 2013	IFRS 11 restatement	Dec. 31, 2013 restated
REVENUES			
Net sales from operations	12,256	(415)	11,841
Other income and revenues	177	-	177
Total revenues	**12,433**	**(415)**	**12,018**
Operating expenses			
Purchases, services and other costs	(9,243)	361	(8,882)
Payroll and related costs	(2,320)	50	(2,270)
Depreciation, amortisation and impairment	(724)	14	(710)
Other operating income (expense)	1	-	1
OPERATING RESULT	**147**	**10**	**157**
Finance income (expense)			
Finance income	656	(10)	646
Finance expense	(798)	11	(787)
Derivative financial instruments	(48)	-	(48)
Total finance income (expense)	**(190)**	**1**	**(189)**
Income (expense) from investments			
Share of profit (loss) of equity-accounted investments	13	(11)	2
Total income (expense) from investments	**13**	**(11)**	**2**
RESULT BEFORE INCOME TAXES	**(30)**	**-**	**(30)**
Income taxes	(106)	-	(106)
NET RESULT	**(136)**	**-**	**(136)**
Attributable to:			
- Saipem	(159)	-	(159)
- non-controlling interests	23	-	23
Earnings (loss) per share attributable to Saipem (€ per share)			
Basic earnings (loss) per share	(0.36)	-	(0.36)
Diluted earnings (loss) per share	(0.36)	-	(0.36)
Net cash flow from operations	426	26	452
Net cash flow used in investing activities	(505)	(1)	(506)
Net cash flow from financing activities	151	-	151
Effect of exchange rate changes and other changes on cash and cash equivalents	(45)	3	(42)
Net cash flow for the year	27	28	55

The explanatory notes that follow contain a comparison of the financial statements at December 31, 2014 with the restated data.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to €1,602 million, an increase of €303 million compared with December 31, 2013 (€1,299 million).
Cash and equivalents at year end, 42% of which are denominated in euro, 32% in US dollars and 26% in other currencies, received an average interest rate of 0.18%. €885 million thereof (€715 million at December 31, 2013) are on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of €7 million (€4 million at December 31, 2013).
Funds in two current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to €90 million at December 31, 2013) have been temporarily frozen since February 2010 in connection with an investigation being conducted into third parties. The increase, which amounted to the equivalent of €10 million compared with the situation at December 31, 2013 (equivalent of €80 million), was due to payments received for works milestones reached and accepted by the client.
The breakdown of cash and cash equivalents of Saipem and other Group companies at December 31, 2014 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Italy	116	173
Rest of Europe	887	1,069
CIS	79	11
Middle East	79	97
Far East	17	33
North Africa	90	104
West Africa and Rest of Africa	5	79
Americas	26	36
Total	**1,299**	**1,602**

For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 144.

2 Other financial assets held for trading or available for sale

Other financial assets held for trading or available for sale amounted to €9 million (€26 million at December 31, 2013) and were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Financing receivables for non-operating purposes		
Listed bonds issued by sovereign states	-	6
Listed securities issued by financial institutions	26	3
Total	**26**	**9**

Listed bonds issued by sovereign states at December 31, 2014 of €6 million were as follows:

(€ million)	Nominal value	Fair value	Nominal rate of return %	Maturity	Rating - Moody's
Fixed rate bonds					
France	3	3	2.50	2020	Aa1
Spain	2	3	3.75	2018	Baa2
Total	**5**	**6**			

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

3 Trade and other receivables

Trade and other receivables of €3,391 million (€3,240 million at December 31, 2013) were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Trade receivables	2,829	2,808
Financing receivables for operating purposes	2	3
Financing receivables for non-operating purposes	30	58
Prepayments for services	262	341
Other receivables	117	181
Total	**3,240**	**3,391**

Receivables are stated net of a provision for impairment losses of €146 million.

(€ million)	Dec. 31, 2013	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2014
Trade receivables	117	42	(53)	5	(1)	110
Other receivables	21	15	-	-	-	36
Total	**138**	**57**	**(53)**	**5**	**(1)**	**146**

Trade receivables amounted to €2,808 million, representing a decrease of €21 million versus December 31, 2013 due to collections during the year.
At December 31, 2014, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to €512 million. Saipem is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factors.
Trade receivables included retention amounts guaranteeing contract work-in-progress of €162 million (€212 million at December 31, 2013), of which €66 million was due within one year and €96 million due after one year.
Trade receivables neither past due nor impaired amounted to €1,980 million (€1,930 million at December 31, 2013). Receivables past due, but not impaired, amounted to €828 million (€899 million at December 31, 2013), of which €368 million from 1 to 90 days past due, €142 million from 3 to 6 months past due, €109 million from 6 to 12 months past due and €209 million more than one year past due. These receivables were primarily due from high credit quality counterparties.
Financing receivables for operating purposes of €3 million (€2 million at December 31, 2013) were mainly related to a receivable held by Saipem SpA from Serfactoring SpA.
The financing receivables for non-operating purposes of €58 million (€30 million at December 31, 2013) were related mainly to the deposit paid by Snamprogetti Netherlands BV in relation to the TSKJ matter of €25 million (see the 'Legal proceedings' section for full details) and a receivable held by Saipem America Inc from Eni Finance USA Inc for a financial loan (€14 million).
Other receivables of €181 million were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Receivables from:		
- insurance companies	7	7
- employees	32	29
Guarantee deposits	10	13
Other receivables	68	132
Total	**117**	**181**

Other receivables neither past due nor impaired amounted to €132 million (€108 million at December 31, 2013). Other receivables past due, but not impaired, amounted to €49 million (€9 million at December 31, 2013), of which €9 million from 1 to 3 months past due, €8 million from 3 to 6 months past due, €1 million from 6 to 12 months past due and €31 million more than one year past due. These receivables were primarily due from high credit quality counterparties.
Trade receivables and other receivables from related parties are detailed in Note 45 'Transactions with related parties'.
The fair value of trade and other receivables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.
Receivables in currencies other than the euro amounted to €2,191 million (€1,955 million at December 31, 2013). Their breakdown by currency was as follows:
- US Dollar 75% (78% at December 31, 2013);

- Saudi Arabian Ryal 5% (7% at December 31, 2013);
- Nigerian Naira 5% (2% at December 31, 2013);
- Australian Dollar 3% (1% at December 31, 2013); and
- other currencies 12% (12% at December 31, 2013).

For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 144.

4 Inventories

Inventories amounted to €2,485 million (€2,277 million at December 31, 2013) and were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Raw and auxiliary materials and consumables	507	530
Contract work-in-progress	1,770	1,955
Total	**2,277**	**2,485**

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. Inventories are stated net of a valuation allowance of €9 million.

(€ million)	Dec. 31, 2013	Additions	Deductions	Other changes	Dec. 31, 2014
Inventories valuation allowance	8	5	(4)	-	9
Total	**8**	**5**	**(4)**	**-**	**9**

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

The change in contract work-in-progress was mainly due to contract terms and conditions that led milestone approval to be delayed and to the continuation of negotiations for additional work.

Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 44 'Segment information, geographical information and construction contracts'.

For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 144.

5 Current tax assets

Current tax assets amounted to €317 million (€267 million at December 31, 2013) and were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Italian tax authorities	132	150
Foreign tax authorities	135	167
Total	**267**	**317**

The increase in current tax assets of €50 million was mainly due to the increase in tax credits from Italian tax authorities held by Saipem SpA in relation to prepayment of taxes and to the increase in tax credits from foreign tax authorities held by Saipem do Brasil Serviçõs de Petroleo Ltda and Saipem SA.

6 Other current tax assets

Other current tax assets amounted to €307 million (€278 million at December 31, 2013) were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Italian tax authorities:	94	47
- VAT credits	93	46
- other	1	1
Foreign tax authorities:	184	260
- indirect tax credits	173	240
- other	11	20
Total	**278**	**307**

The increase of €29 million in other current tax assets was mainly due to an increase in receivables from foreign tax authorities held by Saimexicana SA de Cv, Saipem do Brasil Serviçõs de Petroleo Ltda and Saigut SA de Cv, which were partially offset by a decrease in VAT credits from Italian tax authorities held by Saipem SpA.

7 Other current assets

Other current assets amounted to €520 million (€376 million at December 31, 2013) and were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Fair value of hedging derivatives	167	193
Fair value of non-hedging derivatives	51	154
Other assets	158	173
Total	**376**	**520**

At December 31, 2014, derivative instruments had a positive fair value of €347 million (€218 million at December 31, 2013).
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 (outrights, forwards and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at December 31, 2014, 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.
The table below shows the assets considered in the calculation of the fair value of derivative contracts, including the long-term portion, broken down by type.

	Assets Dec. 31, 2013			Assets Dec. 31, 2014		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	5			192		
. sale	183			3		
Total	188			195		
- forward currency contracts (Forward component)						
. purchase	-			(2)		
. sale	(22)			-		
Total	(22)	361	5,211	(2)	2,413	64
- forward commodity contracts (Forward component)						
. purchase	1			-		
Total	1	10		-	-	
Total derivative contracts qualified for hedge accounting	**167**	**371**	**5,211**	**193**	**2,413**	**64**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	8			135		
. sale	48			21		
Total	56			156		
- forward currency contracts (Forward component)						
. purchase	(1)			-		
. sale	(4)			(2)		
Total	(5)	389	1,956	(2)	3,367	229
- forward commodity contracts (Forward component)						
. sale	-			-		
Total			-			2
Total derivative contracts not qualified for hedge accounting	**51**	**389**	**1,956**	**154**	**3,367**	**231**
Total	**218**	**760**	**7,167**	**347**	**5,780**	**295**

Cash flow hedge transactions related to forward purchase and sale transactions (outrights, forwards and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions at December 31, 2014 are expected to occur up until 2017.

During 2014, there were no significant cases of hedged items being no longer considered highly probable.
The positive fair value of derivatives qualified for hedge accounting at December 31, 2014 totalled €193 million (€167 million at December 31, 2013). The spot component of these derivatives of €195 million (€188 million at December 31, 2013) was deferred in a hedging reserve in equity (€171 million; €171 million at December 31, 2013) and recorded as finance income and expense (€24 million; €17 million at December 31, 2013), while the forward component, which was not designated as a hedging instrument, was recognised as finance income and expense (€2 million; €22 million at December 31, 2013).
The negative fair value of derivative qualified for hedge accounting at December 31, 2014, analysed in Note 18 'Other current liabilities' was €556 million (€72 million at December 31, 2013). The spot component of these derivatives of €553 million was deferred in a hedging reserve in equity (€501 million; €68 million at December 31, 2013) and recorded as finance income and expense (€52 million; €10 million at December 31, 2013). The forward component was recognised as finance income and expense (€2 million; €6 million at December 31, 2013). The forward component of commodity contracts of €5 million was deferred in a hedging reserve in equity (€4 million) and recorded as operating income and expense (€1 million).
The change in the hedging reserve between December 31, 2013 and December 31, 2014 was due to fair value changes in hedges that were effective for the whole year; new hedging relations designated during the year; and to the transfer of hedging gains or losses from equity to the income statement either because the hedged transactions affected profit or loss, or following the termination of the hedge against risk exposures which are no longer certain or highly probable.

(€ million)	Dec. 31, 2013	Gains in period	Losses in period	Adjustment for gains EBITDA	Adjustment for losses EBITDA	Gains for termination of underlying	Losses for termination of underlying	Dec. 31, 2014
Exchange rate hedge reserve								
Saipem SpA	68	96	(280)	(184)	202	(2)	7	(93)
Saipem SA	29	128	(54)	(50)	35	(8)	8	88
Sofresid SA	-	1	(256)	(1)	21	-	-	(235)
Saipon Snc	-	-	-	(1)	-	-	1	-
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	5	78	(222)	(103)	135	(3)	2	(108)
Saipem Ltd	-	25	(1)	(12)	3	(2)	2	15
Saipem Misr for Petroleum Services (SAE)	10	2	(17)	(10)	10	(5)	4	(6)
Snamprogetti Chiyoda SAS di Saipem SpA	2	-	(1)	(1)	-	-	-	-
Saipem Ingenieria Y Construcciones SLU	(3)	-	(12)	-	2	-	-	(13)
Snamprogetti Saudi Arabia Co Ltd Llc	(2)	-	(6)	-	5	-	-	(3)
Saudi Arabian Saipem Ltd	-	-	(3)	-	-	-	-	(3)
Snamprogetti Engineering & Contracting Co Ltd	-	-	(6)	-	1	-	-	(5)
Saipem Canada Inc	-	1	(1)	-	-	-	-	-
Saipem Services México SA de Cv	-	3	(2)	(1)	1	-	-	1
Saimexicana SA de Cv	-	-	(1)	-	1	-	-	-
Saipem Australia Pty Ltd	-	-	(1)	-	1	-	-	-
Total exchange rate hedge reserve	**109**	**334**	**(863)**	**(363)**	**417**	**(20)**	**24**	**(362)**
Commodity hedge reserve								
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	1	-	(5)	-	1	-	-	(3)
Saipem SpA	-	-	(4)	-	1	-	-	(3)
Total commodity hedge reserve	**1**	**-**	**(9)**	**-**	**2**	**-**	**-**	**(6)**
Interest rate hedge reserve								
Saipem SpA	-	-	(1)	-	-	-	-	(1)
Total interest rate hedge reserve	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Total hedge reserve	**110**	**334**	**(873)**	**(363)**	**419**	**(20)**	**24**	**(369)**

During the year, operating revenues and expenses were adjusted by a net negative amount of €54 million to reflect the effects of hedging.
Other assets at December 31, 2014 amounted to €173 million, representing an increase of €15 million compared with December 31, 2013, and consisted mainly of prepayments.
Other assets from related parties are shown in Note 45 'Transactions with related parties'.

Non-current assets

8 Property, plant and equipment

Property, plant and equipment amounted to €7,601 million (€7,912 million at December 31, 2013) and consisted of the following:

(€ million)	Opening net value	Capital expenditure	Depreciation and impairment	Disposals	Change in the scope of consolidation	Business division transactions	Currency translation differences	Other changes	Final net value	Final gross value	Accumulated depreciation and impairment
Dec. 31, 2013											
Land	98	-	-	-	-	-	(15)	-	83	83	-
Buildings	495	45	(53)	-	-	(2)	(19)	48	514	753	239
Plant and machinery	6,235	516	(583)	(108)	-	(253)	(20)	940	6,727	10,725	3,998
Industrial and commercial equipment	173	87	(52)	-	-	-	(12)	9	205	716	511
Other assets	89	14	(12)	-	-	-	(2)	(57)	32	128	96
Assets under construction and advances	1,093	225	-	-	-	-	(28)	(939)	351	351	-
Total	**8,183**	**887**	**(700)**	**(108)**	**-**	**(255)**	**(96)**	**1**	**7,912**	**12,756**	**4,844**
Dec. 31, 2014											
Land	83	-	-	-	-	-	3	-	86	86	-
Buildings	514	111	(64)	-	-	-	38	121	720	1,033	313
Plant and machinery	6,727	382	(1,006)	(10)	-	-	97	104	6,294	11,347	5,053
Industrial and commercial equipment	205	72	(52)	-	-	-	14	-	239	807	568
Other assets	32	12	(13)	-	-	-	1	1	33	137	104
Assets under construction and advances	351	105	(10)	-	-	-	14	(231)	229	229	-
Total	**7,912**	**682**	**(1,145)**	**(10)**	**-**	**-**	**167**	**(5)**	**7,601**	**13,639**	**6,038**

Capital expenditure in 2014 amounted to €682 million (€887 million in 2013) and related to:
- €254 million in the Offshore Engineering & Construction sector, relating mainly to the continuation of construction work on the new base in Brazil and the maintenance and upgrading of the existing asset base;
- €51 million in the Onshore Engineering & Construction sector, relating to the purchase of equipment and the maintenance of the asset base;
- €179 million in the Offshore Drilling sector, mainly relating to class reinstatement works on the drilling jack-up Perro Negro 7 and the semi-submersible rig Scarabeo 7, as well as maintenance and upgrading of existing assets; and
- €198 million in the Onshore Drilling sector, relating to the purchase of two rigs due to operate in Saudi Arabia, the upgrading of rigs due to operate in Saudi Arabia and South America, and the maintenance of the asset base.

No finance expenses were capitalised during the year.
The main depreciation rates were as follows:

(%)	
Buildings	2.50 - 12.50
Plant and machinery	7.00 - 25.00
Industrial and commercial equipment	3.75 - 67.00 (*)
Other assets	12.00 - 20.00

(*) The higher rate is applicable to assets to be used on specific projects where depreciation is based on project duration.

Exchange rate differences due to the translation of financial statements prepared in currencies other than the euro, amounting to €167 million, mainly related to companies whose functional currency is the US dollar.
Fully depreciated property, plant and equipment that is still in use mainly consisted of project-specific equipment which has been fully depreciated over the life of the project.
During the year, no government grants were recorded as a decrease of the carrying amount of property, plant and equipment.
At December 31, 2014, all property, plant and equipment was free from pledges, liens and encumbrances.
The total commitment on current items of capital expenditure at December 31, 2014 amounted to €174 million (€121 million at December 31, 2013), as indicated in 'Summary of significant accounting policies - Financial risk management'.
Property, plant and equipment includes assets carried under finance leases amounting to €31 million, relating to finance leases for the utilisation of two onshore drilling rigs in Saudi Arabia.

Impairment

At December 31, 2014, an adjustment of the economic useful life of a vessel led to an adjustment to its depreciation schedule and a reduction in its carrying amount of €31 million.

In reviewing its impairment indicators, Saipem considers, among other factors, the relationship between its market capitalisation and net assets. At December 31, 2014, the Group's market capitalisation was lower than its net assets, indicating a potential impairment of goodwill and/or of other assets. Accordingly, impairment testing was performed for each individual cash generating unit. The cash generating units identified were the Offshore E&C sector, with separate valuation carried out for the two leased FPSO units, the Onshore E&C sector, the Onshore Drilling sector, and the individual offshore drilling rigs (16 separate rigs).

The analyses carried out took into account the changed market conditions, which included the fall in oil prices at year-end 2014 and medium-term prospects based on forecasts in line with those used by the principal industry operators. Based on the analyses performed and the market outlook, a reduction in the carrying amount of two offshore rigs and an FPSO vessel for a total of €379 million was deemed necessary.

Accordingly, at December 31, 2014, Saipem recorded a total impairment loss of €410 million, which had an impact of €160 million on the Offshore E&C sector and of €250 million on the Offshore Drilling sector.

The amount of the impairment loss was determined by comparing the carrying amount of the CGUs with their recoverable amount, i.e. the higher of fair value less costs to sell and value in use. In view of the nature of Saipem's business activities, the calculation of the recoverable amount was determined by discounting the future cash flows expected to result from the use of each CGU.

The expected future cash flows used for the impairment reviews was based on the best information available at the date of the review, taking into account forecasts regarding the relevant markets. The effects of the fall in oil prices seen at year-end 2014 were reflected in future expectations regarding investments by oil companies and, by extension, in Saipem's expected results. The expected future cash flows for the first four years were derived from Saipem's 2015-2018 four-year business plan approved by top management in February 2015, which contains forecasts regarding volumes, investments, operating costs, margins, industrial and marketing set-ups, as well as trends for the main macroeconomic variables, including inflation, nominal interest rates and exchange rates. Beyond the four-year plan horizon, cash flow projections were estimated based on a terminal value determined: (a) for the cash generating units Onshore E&C, Onshore Drilling and for other Offshore E&C assets, using the perpetuity model, applying a real growth rate of zero to the normalised free cash flow of the final projection year (to taken into account, for example, new investments included in the plan entering into production and the cyclical nature of the sector); and (b) for the Leased FPSO cash generating units and for the offshore drilling rigs, the residual economic and technical life of the individual assets, considering beyond the plan horizon: (i) day rates consistent with potential scenarios for the relevant market; (ii) normalised figures for days of utilisation (to take into account rig downtime for maintenance, etc.); (iii) operating costs based on data for the last year of the plan, adjusted for inflation; and (iv) normalised figures for investments for cyclical maintenance and replacements.

Value in use was calculated applying a discount rate of 6.9% to post-tax cash flows. The discount rate used (WACC) reflects market assessments of the time value of money and the risks specific to Saipem's business that are not reflected in the estimate of future cash flows. Post-tax cash flows and discounting rates were used as they result in values similar to those resulting from a pre-tax valuation.

The key assumptions adopted in assessing the recoverable amounts of the 18 cash generating units representing the Group's offshore vessels related mainly to the operating result of the CGUs (based on a combination of various factors, including charter rates) and the discount rate applied to the cash flows. The effects that possible changes in the parameters used in the estimate would produce on the recoverable amount of the CGUs are as follows:

- an increase in the discount rate of 1% would produce a further reduction in net capital employed of €85 million;
- a decrease in the discount rate of 1% would produce a reduction in the impairment of €92 million;
- increases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce a reduction in the impairment of €121 million; and
- decreases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce a further reduction in net employed capital of €190 million.

The recoverable amount of the Onshore Drilling cash generating unit would remain greater than its net invested capital even in the event of a reduction of 10% in the operating resulting of the cash generating unit or, alternatively, an increase of 1% in the discount rate of the cash flows.

Management's view is that the undervaluation of Saipem's stock compared with its net assets is attributable to the very weak performance of the oil sector (the oil service sector in particular) on the financial markets at the end of 2014, which coincided with the lowest oil price of the year, as well as with a period of high volatility. Following a further fall in oil prices at the beginning of 2015, however, the first few months of the new year saw these trends peter out to a large extent.

9 Intangible assets

Intangible assets amounted to €760 million (€758 million at December 31, 2013) and were as follows:

(€ million)	Opening net value	Investments	Amortisation and impairment	Other changes	Final net value	Final gross value	Accumulated amortisation and impairment
Dec. 31, 2013							
Intangible assets with finite useful lives							
Development costs	-	-	-	-	-	7	7
Industrial patents and intellectual property rights	15	8	(9)	2	16	145	129
Concessions, licences and trademarks	3	1	(1)	-	3	13	10
Assets in progress and advances	7	6	-	(3)	10	10	-
Other intangible assets	-	-	-	-	-	1	1
Intangible assets with indefinite useful lives							
Goodwill	731	-	-	(2)	729	729	-
Total	**756**	**15**	**(10)**	**(3)**	**758**	**905**	**147**
Dec. 31, 2014							
Intangible assets with finite useful lives							
Development costs	-	-	-	-	-	7	7
Industrial patents and intellectual property rights	16	9	(11)	8	22	162	140
Concessions, licences and trademarks	3	1	(1)	1	4	15	11
Assets in progress and advances	10	2	-	(8)	4	4	-
Other intangible assets	-	-	-	2	2	3	1
Intangible assets with indefinite useful lives							
Goodwill	729	-	-	(1)	728	728	-
Total	**758**	**12**	**(12)**	**2**	**760**	**919**	**159**

Concessions, licences and trademarks, and industrial patents and intellectual property rights of €4 million and €22 million, respectively, consisted mainly of costs for the implementation of SAP applications and modules at the parent company.
The main amortisation rates were as follows:

(%)	
Development costs	20.00 - 20.00
Industrial patents and intellectual property rights	6.66 - 7.50
Concessions, licences, trademarks and similar (included in 'industrial patents')	20.00 - 20.00
Other intangible assets	20.00 - 33.00

Goodwill of €728 million related to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€689 million), Sofresid SA (€21 million) and the Moss Maritime Group (€13 million) on the date that control was acquired.
For impairment purposes, goodwill has been allocated to the following cash generating units:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Offshore E&C	415	415
Onshore E&C	314	313
Total	**729**	**728**

The changes in the Onshore E&C cash generating unit concerned a change in goodwill of the Moss Maritime Group due to effects of changes in foreign exchange rates.
The recoverable amount of the two cash generating units was determined based on value in use, calculated by discounting the future cash flows expected to result from the use of each CGU.
The expected future cash flows for the explicit forecast period of four years were derived from Saipem's 2015-2018 business plan, which was approved by top management in February 2015.
Value in use was calculated by discounting expected future post-tax cash flows at a rate of 6.9% (down 0.7% on the previous year). The terminal value (i.e. for subsequent years beyond the plan horizon) was estimated using a perpetuity growth rate of 2% applied to the normalised free cash flow of the final projection year to take into account the cyclical nature of the business. Assumptions were based on past experience and took into account current interest rates, business specific risks and expected long-term growth for the sectors.

Post-tax cash flows and discounting rates are used as they result in values similar to those resulting from discounting pre-tax cash flows at a pre-tax discount rate.
The table below shows the amounts by which the recoverable amounts of the Offshore E&C and Onshore E&C cash generating units exceed their carrying amounts, including allocated goodwill.

(€ million)	Offshore	Onshore	Total
Goodwill	415	313	728
Amount by which recoverable amount exceeds carrying amount	5,186	695	5,881

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 carrying amounts of goodwill are described below.
The excess of the recoverable amount of the Offshore cash generating unit over its carrying amount, including the allocated portion of goodwill, would be reduced to zero under the following circumstances:
- a decrease of 71% in the operating result; or
- use of a discount rate of 16.7%; or
- use of negative real growth rate; or
- negative working capital flows.

The excess of the recoverable amount of the Onshore cash generating unit over its carrying amount, including the allocated portion of goodwill, would be reduced to zero under the following circumstances:
- a decrease of 54% in the operating result; or
- use of a discount rate of 11.1%; or
- use of negative real growth rate; or
- negative working capital flows.

10 Investments accounted for using the equity method

Investments accounted for using the equity method of €120 million (€166 million at December 31, 2013) were as follows:

(€ million)	Opening net value	Acquisitions and subscriptions	Sale and redemption	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Change in the scope of consolidation	Currency translation differences	Movements in reserves	Other changes	Closing net value	Provision for impairment
Dec. 31, 2013												
Investments in joint ventures and associates	172	1	-	19	(19)	(2)	-	(3)	(2)	-	166	-
Total	**172**	**1**	**-**	**19**	**(19)**	**(2)**	**-**	**(3)**	**(2)**	**-**	**166**	**-**
Dec. 31, 2014												
Investments in joint ventures and associates	166	9	(3)	27	(3)	(11)	-	9	-	(74)	120	-
Total	**166**	**9**	**(3)**	**27**	**(3)**	**(11)**	**-**	**9**	**-**	**(74)**	**120**	**-**

Investments in subsidiaries and associates are analysed in the section 'Scope of consolidation at December 31, 2014'.
Acquisitions and subscriptions of €9 million related to the subscription of share capital of Xodus Subsea Ltd (€4 million), the recapitalisation of Southern Gas Constructors Ltd (€4 million) and the capital increase of Sabella SAS (€1 million).
Sales and redemptions (€3 million) related to the sale to third parties of Offshore Design Engineering Ltd.
The share of profit of investments accounted for using the equity method of €27 million included profits for the year of €19 million recorded by the jointly-controlled entities Petromar Lda (€14 million), TMBYS SAS (€2 million), Saipar Drilling Co BV (€1 million), Tchad Cameroon Maintenance BV (€1 million), and TSGI Mühendislik İnşaat Ltd Şirketi (€1 million), and €8 million relating to profits for the year recorded by associates KWANDA Suporte Logistico Lda (€6 million), Rosetti Marino SpA (€1 million) and other companies (€1 million).
The share of losses of investments accounted for using the equity method of €3 million related to losses for the year recorded by the associate Saipem Taqa Al Rushaid Fabricators Co Ltd (€2 million) and other companies (€1 million).
Deductions for dividends of €11 million related to TMBYS SAS (€7 million), LNG - Serviços e Gestao de Projectos Lda (€1 million), KWANDA Suporte Logistico Lda (€1 million), RPCO Enterprises Ltd (€1 million) and other companies (€1 million).
The other changes of €74 million related mainly to the reclassification of the investments in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA to 'Assets held for sale' (€69 million) and the transfer to equity of the provision for losses of Southern Gas Constructors Ltd (€4 million).

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

(€ million)	Group interest (%)	Net value at Dec. 31, 2013	Net value at Dec. 31, 2014
Fertilizantes Nitrogenados de Oriente CEC	20.00	68	-
Rosetti Marino SpA	20.00	32	31
Petromar Lda	70.00	22	42
Other		44	47
Total investments in joint ventures and associates		**166**	**120**

The total carrying value of investments accounted for using the equity method does not include the provision for losses of €8 million (€8 million at December 31, 2013) recorded under the provisions for contingencies.

Other information about investments

The following table summarises key financial data from the IFRS financial statements of non-consolidated subsidiaries, jointly-controlled entities and associates accounted for using the equity method or recorded at cost, in proportion to the Group interest held:

	Dec. 31, 2013			Dec. 31, 2014		
(€ million)	Subsidiaries	Jointly-controlled entities	Associates	Subsidiaries	Jointly-controlled entities	Associates
Total assets	1	263	514	1	338	507
of which cash and cash equivalents	-	58	44	-	103	35
Total liabilities	1	229	391	1	286	448
Net revenues	1	411	411	1	358	352
Operating result	-	(10)	14	-	24	7
Net profit (loss) for the year	-	(11)	13	-	14	6

Amounts for depreciation and finance income (expense) were immaterial.
The table below shows income statement and balance sheet data for Petromar Lda, Saipem's most significant joint venture at December 31, 2014, as well as for other joint ventures (full amounts shown).

	Dec. 31, 2013		Dec. 31, 2014	
(€ million)	Petromar Lda	Other	Petromar Lda	Other
Current assets	148	232	212	321
- of which cash and cash equivalents	*29*	*97*	*61*	*161*
Non-current assets	89	14	91	13
Total assets	**237**	**246**	**303**	**334**
Current liabilities	184	210	219	293
- of which current financial liabilities	-	-	-	*35*
Non-current liabilities	21	5	24	19
Total liabilities	**205**	**215**	**243**	**312**
Shareholders' equity	**32**	**31**	**60**	**22**
Ownership interest held by Group (%)	70.00	-	70.00	-
Carrying amount of investment	**22**	**13**	**42**	**10**
Revenues and other operating income (expense)	213	578	337	306
Operating expense	(223)	(548)	(298)	(283)
Depreciation, amortisation and impairment	(14)	(13)	(14)	(8)
Operating result	**(24)**	**17**	**25**	**15**
Finance income (expense)	(2)	2	(2)	(6)
Pre-tax profit	**(26)**	**19**	**23**	**9**
Income taxes	1	(2)	(4)	(3)
Net result	**(25)**	**17**	**19**	**6**
Other items of comprehensive income	(5)	(1)	8	2
Total comprehensive income (loss) for the year	**(30)**	**16**	**27**	**8**
Net profit (loss) attributable to Group	**(18)**	**7**	**14**	**-**
Dividends received from joint venture	**-**	**-**	**-**	**8**

The table below shows income statement and balance sheet data for the investees CEPAV (Consorzio Eni per l'Alta Velocità) Due and KWANDA Suporte Logistico Lda, as well as for other associated companies (full amounts shown).

	Dec. 31, 2013			Dec. 31, 2014		
(€ million)	CEPAV (Consorzio Eni per l'Alta Velocità) Due	KWANDA Suporte Logistico Lda	Others (1)	CEPAV (Consorzio Eni per l'Alta Velocità) Due	KWANDA Suporte Logistico Lda	Others
Current assets	374	100	494	472	127	448
- of which cash and cash equivalents	-	*46*	*114*	-	*48*	*62*
Non-current assets	2	78	139	2	95	147
Total assets	**376**	**178**	**633**	**474**	**222**	**595**
Current liabilities	376	114	394	474	131	364
- of which current financial liabilities	-	-	*25*	-	*3*	*31*
Non-current liabilities	-	48	38	-	56	37
- of which non-current financial liabilities	-	-	*12*	-	-	*12*
Total liabilities	**376**	**162**	**432**	**474**	**187**	**401**
Shareholders' equity	**-**	**16**	**201**	**-**	**35**	**194**
Ownership interest held by Group (%)	52	40	-	52	40	-
Carrying amount of investment	**-**	**6**	**49**	**-**	**14**	**46**
Revenues and other operating income (expense)	245	135	723	318	157	487
Operating expense	(245)	(102)	(690)	(318)	(126)	(474)
Depreciation, amortisation and impairment	-	(11)	(11)	-	(12)	(11)
Operating result	**-**	**22**	**22**	**-**	**19**	**2**
Finance income (expense)	-	(2)	4	-	(2)	1
Pre-tax profit	**-**	**20**	**26**	**-**	**17**	**3**
Income taxes	-	-	(6)	-	-	(2)
Net result	**-**	**20**	**20**	**-**	**17**	**1**
Other items of comprehensive income	-	(2)	1	-	7	(6)
Total comprehensive income (loss) for the year	**-**	**18**	**21**	**-**	**24**	**(5)**
Net profit (loss) attributable to Group	**-**	**8**	**5**	**-**	**6**	**-**
Dividends received from joint venture	**-**	**1**	**1**	**-**	**1**	**2**

(1) Does not include amounts related to the investments in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA, which during 2014 were reclassified to 'Assets held for sale'.

11 Other financial assets

At December 31, 2014, other long-term financial assets amounted to €1 million (€1 million at December 31, 2013) and related to financing receivables held for non-operating purposes by Sofresid SA.

12 Deferred tax assets

Deferred tax assets of €297 million (€126 million at December 31, 2013) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2013	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2014
Deferred tax assets	126	208	(99)	16	46	297
Total	**126**	**208**	**(99)**	**16**	**46**	**297**

'Other changes', which amounted to positive €46 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €9 million); (ii) the positive tax effects (€109 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) income tax (positive €5 million) relating to remeasurements of defined benefit plans reported in equity; and (iv) other changes (negative €59 million).

Net deferred tax assets consisted of the following:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Deferred tax	(346)	(314)
Deferred tax assets available for offset	265	274
Deferred tax liabilities	**(81)**	**(40)**
Deferred tax assets	126	297
Net deferred tax assets (liabilities)	**45**	**257**

The most significant temporary differences giving rise to net deferred tax assets were as follows:

(€ million)	Dec. 31, 2013	Additions	Deductions	Exchange rate differences	Other changes	Dec. 31, 2014
Deferred tax:						
- accelerated or additional tax depreciation	(152)	(23)	3	(3)	55	(120)
- derivative contracts qualified for hedge accounting	(32)	(6)	4	-	7	(27)
- employee benefits	(4)	(1)	1	-	-	(4)
- non-distributed reserves held by investments	(95)	(6)	-	-	-	(101)
- project progress status	(33)	(3)	4	(1)	30	(3)
- other	(30)	(5)	34	(3)	(55)	(59)
	(346)	**(44)**	**46**	**(7)**	**37**	**(314)**
less:						
Deferred tax assets available for offset	265	-	-	-	9	274
Deferred tax liabilities	**(81)**	**(44)**	**46**	**(7)**	**46**	**(40)**
Deferred tax assets:						
- non-deductible provisions for impairment losses and for contingencies	68	43	(28)	4	(22)	65
- non-deductible depreciation/amortisation	28	15	(13)	2	-	32
- derivative contracts qualified for hedge accounting	4	1	(2)	-	109	112
- employee benefits	20	1	(3)	-	5	23
- carry-forward tax losses	279	136	(12)	10	(37)	376
- project progress status	28	55	(29)	1	-	55
- other	29	13	(14)	1	-	29
	456	**264**	**(101)**	**18**	**55**	**692**
less:						
- unrecognised deferred tax assets	(65)	(56)	2	(2)	-	(121)
	391	**208**	**(99)**	**16**	**55**	**571**
less:						
Deferred tax assets available for offset	265	-	-	-	9	274
Deferred tax assets	**126**	**208**	**(99)**	**16**	**46**	**297**
Net deferred tax assets (liabilities)	**45**	**164**	**(53)**	**9**	**92**	**257**

Unrecognised deferred tax assets of €121 million (€65 million at December 31, 2013) mainly related to tax losses that it will probably not be possible to utilise against future income.
Taxes are shown in Note 41 'Income taxes'.

13 Other non-current assets

Other non-current assets of €115 million (€151 million at December 31, 2013) were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Other receivables	14	16
Other non-current assets	137	99
Total	**151**	**115**

Other non-current assets mainly related to prepayments.

Current liabilities

14 Short-term debt

Short-term debt of €2,186 million (€1,899 million at December 31, 2013) consisted of the following:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Banks	191	277
Other financial institutions	1,708	1,909
Total	**1,899**	**2,186**

Short-term debt increased by €287 million.

The current portion of long-term debt, amounting to €594 million (€1,358 million at December 31, 2013), is detailed in Note 19 'Long-term debt and current portion of long-term debt'.

The breakdown of short-term debt by issuing institution, currency and average interest rate was as follows:

(€ million)

		Dec. 31, 2013			Dec. 31, 2014		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
Eni SpA	Euro	1,148	3.315	3.315	124	1.518	1.518
Serfactoring SpA	Euro	14	-	-	7	-	-
Serfactoring SpA	US Dollar	-	-	-	11	-	-
Serfactoring SpA	Other	-	-	-	6	-	-
Eni Finance International SA	Euro	5	0.851	2.351	697	0.657	2.157
Eni Finance International SA	US Dollar	493	0.818	2.318	710	0.821	2.321
Eni Finance International SA	Australian Dollar	38	3.150	3.150	197	3.150	3.150
Eni Finance International SA	Other	-	-	-	121	variable	
Third parties	Euro	-	-	-	5	1.018	1.018
Third parties	US Dollar	10	0.818	1.568	4	1.351	1.571
Third parties	Other	191	variable		304	variable	
Total		**1,899**			**2,186**		

At December 31, 2014, Saipem had unused lines of credit amounting to €2,450 million (€1,858 million at December 31, 2013). Commission fees on unused lines of credit were not significant.

At December 31, 2014, there was no unfulfillment of terms and conditions or violation of agreements in relation to financing contracts.

Short-term debt to related parties is shown in Note 45 'Transactions with related parties'.

15 Trade and other payables

Trade and other payables of €5,669 million (€5,129 million at December 31, 2013) consisted of the following:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Trade payables	2,744	3,283
Deferred income and advances	2,064	1,980
Other payables	321	406
Total	**5,129**	**5,669**

Trade payables of €3,283 million increased by €539 million versus December 31, 2013.

Deferred income and advances of €1,980 million (€2,064 million at December 31, 2013), consisted mainly of adjustments to revenues from long-term contracts of €1,314 million (€1,231 million at December 31, 2013) made on the basis of amounts contractually earned in accordance with the accruals concept and advances on contract work-in-progress received by Saipem SpA and a number of foreign subsidiaries of €666 million (€833 million at December 31, 2013).

Trade and other payables to related parties are detailed in Note 45 'Transactions with related parties'.

Other payables of €406 million were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Payables to:		
- employees	155	189
- national insurance/social security contributions	63	71
- insurance companies	8	5
- consultants and professionals	3	4
- Board Directors and Statutory Auditors	-	1
Other payables	92	136
Total	**321**	**406**

The fair value of trade and other payables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.
For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 144.

16 Income tax payables

Income tax payables of €134 million (€137 million at December 31, 2013) were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Italian tax authorities	1	3
Foreign tax authorities	136	131
Total	**137**	**134**

17 Other current tax liabilities

Other current tax liabilities amounted to €184 million (€130 million at December 31, 2013) and were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Italian tax authorities:	12	13
- other	12	13
Foreign tax authorities:	118	171
- indirect tax	68	126
- other	50	45
Total	**130**	**184**

The increase in other current tax liabilities of €54 million related mainly to an increase in the amounts payable to foreign tax authorities by Saipem SpA, Saipem do Brasil Serviçõs de Petroleo Ltda and Saipem Services México SA de Cv.

18 Other current liabilities

Other current liabilities amounted to €838 million (€117 million at December 31, 2013) and were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Fair value of hedging derivatives	72	555
Fair value of non-hedging derivatives	43	280
Other liabilities	2	3
Total	**117**	**838**

At December 31, 2014, derivative instruments had a negative fair value of €835 million (€115 million at December 31, 2013).

The following table shows the positive and negative fair values of derivative contracts at December 31, 2014.

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Positive fair value of derivative contracts	218	347
Negative fair value of derivative contracts	(115)	(836)
Total	**103**	**(489)**

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 (outrights, forwards and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at December 31, 2014, 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 (zero at December 31, 2013), relating to the fair value of an interest rate swap has been recorded under Note 19 'Long-term debt'. The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at December 31, 2014, 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.
The table below shows the liabilities considered in the calculation of the fair value of derivative contracts, including the long-term portion, broken down by type.

	Liabilities Dec. 31, 2013			Liabilities Dec. 31, 2014		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate contracts (Spot component)						
. purchase	-			1		
Total	-	-		1	250	
- forward currency contracts (Spot component)						
. purchase	77			27		
. sale	1			525		
Total	78			552		
- forward currency contracts (Forward component)						
. purchase	(6)			(2)		
. sale	-			-		
Total	(6)	1,921	19	(2)	582	6,047
- forward commodity contracts (Forward component)						
. purchase	-			5		
Total	-	2	-	5	16	-
Total derivative contracts qualified for hedge accounting	**72**	**1,923**	**19**	**556**	**848**	**6,047**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	44			19		
. sale	3			261		
Total	47			280		
- forward currency contracts (Forward component)						
. purchase	(4)			(1)		
. sale	-			1		
Total	(4)	1,812	264	-	290	3,404
- forward commodity contracts (Forward component)						
. purchase	-			-		
. sale	-			-		
Total	-	-		-	1	
Total derivative contracts not qualified for hedge accounting	**43**	**1,812**	**264**	**280**	**291**	**3,404**
Total	**115**	**3,735**	**283**	**836**	**1,139**	**9,451**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 7 'Other current assets'.
Other liabilities amounted to €3 million (€2 million at December 31, 2013).
Other liabilities to related parties are shown in Note 45 'Transactions with related parties'.

Non-current liabilities

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

Long-term debt, including the current portion of long-term debt, amounted to €3,908 million (€4,217 million at December 31, 2013) and was as follows:

	Dec. 31, 2013			Dec. 31, 2014		
(€ million)	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks	1	200	201	-	250	250
Other financial institutions	1,357	2,659	4,016	594	3,064	3,658
Total	**1,358**	**2,859**	**4,217**	**594**	**3,314**	**3,908**

Long-term debt to banks of €250 million relates to a financing agreement signed during the year with restrictive covenants requiring Saipem to maintain specific consolidated financial statements ratios. Checks on compliance with the agreed conditions will begin as from the Interim Consolidated Report as of June 30, 2015.
The long-term portion of long-term debt is shown below by year of maturity:

(€ million)

Type	Maturity range	2016	2017	2018	2019	After	Total
Banks	2017	-	250	-	-	-	250
Other financial institutions	2016-2024	593	862	429	1,137	43	3,064
Total		**593**	**1,112**	**429**	**1,137**	**43**	**3,314**

The long-term portion of long-term debt amounted to €3,314 million, up €455 million against December 31, 2013 (€2,859 million).
The following table breaks down long-term debt, inclusive of the current portion of long-term debt, by issuing entity and currency and also shows maturities and average interest rates:

(€ million)

			Dec. 31, 2013			Dec. 31, 2014		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2015-2017	1,083	2.269	4.950	1,674	2.518	4.950
Eni Finance International SA	Euro	2015-2024	2,273	1.351	5.970	1,319	0.757	2.507
Eni Finance International SA	US Dollar	2015-2016	660	0.918	5.100	665	0.921	4.330
Third parties	Euro	2017	201	3.315	3.315	250	1.585	1.585
Total			**4,217**			**3,908**		

There was no debt secured by mortgages or liens on fixed assets of consolidated companies or by pledges on securities.
The fair value of long-term debt, including the current portion of long-term debt, amounted to €4,189 million (€4,491 million at December 31, 2013) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2013	2014
Euro	0.31-2.23	0.16-0.36
US Dollar	0.25-0.67	0.27-1.28

The difference between the fair value of long-term debt and its nominal value was mainly due to a debt of €750 million expiring in 2019.
Long-term debt to related parties is shown in Note 45 'Transactions with related parties'.

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

	Dec. 31, 2013			Dec. 31, 2014		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,299	-	1,299	1,602	-	1,602
B. Available-for-sale securities	26	-	26	9	-	9
C. Liquidity (A+B)	**1,325**	**-**	**1,325**	**1,611**	**-**	**1,611**
D. Financing receivables	**30**	**-**	**30**	**58**	**-**	**58**
E. Short-term bank debt	191	-	191	277	-	277
F. Long-term bank debt	1	200	201	-	250	250
G. Short-term related party debt	1,698	-	1,698	1,873	-	1,873
H. Long-term related party debt	1,357	2,659	4,016	594	3,064	3,658
I. Other short-term debt	10	-	10	36	-	36
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**3,257**	**2,859**	**6,116**	**2,780**	**3,314**	**6,094**
N. Net financial position pursuant to Consob Communication No. DEM/6064293/2006 (M-C-D)	**1,902**	**2,859**	**4,761**	**1,111**	**3,314**	**4,425**
O. Non-current financing receivables	**-**	**1**	**1**	**-**	**1**	**1**
P. Net borrowings (N-O)	**1,902**	**2,858**	**4,760**	**1,111**	**3,313**	**4,424**

Net borrowings include a liability relating to the interest rate swap but do not include the fair value of derivatives indicated in Note 7 'Other current assets' and Note 18 'Other current liabilities'.
Cash and cash equivalents included €90 million deposited in accounts that are temporarily frozen, as indicated in Note 1 'Cash and cash equivalents'.

20 Provisions for contingencies

Provisions for contingencies of €218 million (€204 million at December 31, 2013) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2013					
Provisions for taxes	44	2	(3)	12	55
Provisions for contractual penalties and disputes	28	3	(15)	(2)	14
Provisions for losses of investments	17	-	(2)	(7)	8
Other	88	89	(47)	(3)	127
Total	**177**	**94**	**(67)**	**-**	**204**
Dec. 31, 2014					
Provisions for taxes	55	4	(13)	2	48
Provisions for contractual penalties and disputes	14	19	(5)	-	28
Provisions for losses of investments	8	4	-	(4)	8
Other	127	113	(107)	1	134
Total	**204**	**140**	**(125)**	**(1)**	**218**

The **provisions for taxes** amounted to €48 million and related principally to disputes with foreign tax authorities that are either ongoing or potential, taking into account the results of recent assessments.
The **provisions for contractual penalties and disputes** amounted to €28 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes.
The **provisions for losses of investments** amounted to €8 million and related to provisions for losses of investments that exceed their carrying amount. The provision related to amounts set aside in connection with the investment held in the company Southern Gas Constructor Ltd by Saipem International BV.

Other provisions stood at €134 million and principally consisted of an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sectors.
For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 144.

21 Provisions for employee benefits

Provisions for employee benefits at December 31, 2014 amounted to €237 million (€219 million at December 31, 2013) and were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Employee termination indemnities (TFR)	58	62
Foreign defined benefit plans	81	101
FISDE and other health plans	20	23
Other provisions for long-term employee benefits	60	51
Total	**219**	**237**

The provision has been adjusted in accordance with the revised version of IAS 19, which among other things eliminated the option to apply the corridor method.
Provisions for employee benefits of the Saipem Group relate to employee termination indemnities, foreign defined benefit plans, the supplementary medical reserve for Eni managers (FISDE), and other long-term benefits.
The provision for employee termination indemnities, which is regulated by Article 2120 of the Italian Civil Code, contains an estimate determined using actuarial techniques of the amount payable to employees of Italian companies upon termination of employment. The indemnity is paid out as a lump sum and is determined by the total of the accruals during the employees' service period based on payroll costs as revalued until termination of employment.
As a result of the provisions contained in the Finance Act for 2007 and related legislation – which came into effect on January 1, 2007 – employees had until June 30, 2007 to decide whether to assign amounts accruing to a private pension fund or to the fund managed by the National Social Security Agency, Inps. For companies with less than 50 employees it was possible to continue the scheme as in previous years.
The allocation of future TFR provisions to private pension funds or to the Inps fund means that a significant portion of the provision is classified as a defined contribution plan inasmuch as the company's obligation is limited to making the contributions required by the plan to pension funds or the Inps fund. Past provisions accrued under the previous TFR regime continue to represent costs to provide benefits under a defined benefit plan and must be assessed based on actuarial assumptions.
Following the 2007 change in regime from defined benefit to defined contribution plan, the value of the existing provision was reassessed to take account of the exclusion of future salaries and relevant increases from actuarial calculations, as well as possible variations in the underlying financial assumptions at the date of transfer of the TFR into pension funds.
Foreign defined benefit plans related to:
- defined benefit plans of foreign companies located, primarily, in France, the United Kingdom and Norway; and
- pension provisions and similar obligations for personnel employed abroad, to whom local legislation applies.

Benefits consist of a return on capital determined on the basis of the length of service and the remuneration paid in the last year of service or on average annual remuneration paid in a specific period preceding the end of employment.
Liabilities and costs relating to the supplementary medical reserve for Eni managers (FISDE) are calculated on the basis of the contributions paid by the Company for retired managers.
Other provisions for long-term employee benefits related mainly to deferred monetary incentive plans, long-term incentive plans, jubilee awards and other long-term plans.
The deferred monetary incentives consist of an estimate of the variable remuneration based on Company performance to be paid out to senior managers who achieve their individual targets. The long-term incentive plans, which replace the previous stock option plans, provide for a variable pay-out after a three-year vesting period based on performance targets. Jubilee awards are benefits due following the attainment of a minimum period of service. In Italy, they consist of remuneration in kind.

Provisions for employee benefits calculated using actuarial techniques are detailed below:

(€ million)	Dec. 31, 2013 TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total	Dec. 31, 2014 TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total
Present value of benefit obligation at beginning of year	**59**	**162**	**21**	**72**	**314**	**58**	**158**	**20**	**60**	**296**
Current cost	-	17	1	11	29	-	16	1	11	28
Interest expense	2	4	1	1	8	2	6	1	1	10
Remeasurements:	(1)	(13)	(2)	(5)	(21)	5	15	2	(2)	20
- actuarial gains and losses arising from changes in demographic assumptions	-	*1*	*(1)*	-	-	-	-	-	-	-
- actuarial gains and losses arising from changes in financial assumptions	-	*(19)*	-	*(3)*	*(22)*	*6*	*18*	*3*	*3*	*30*
- experience adjustments	*(1)*	*5*	*(1)*	*(2)*	*1*	*(1)*	*(3)*	*(1)*	*(5)*	*(10)*
Past service cost and gains/losses arising from settlements	-	1	-	1	2	-	1	-	3	4
Contributions to plan:										
- contributions to plan by employees	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employer	-	-	-	-	-	-	-	-	-	-
Benefits paid	(2)	(9)	(1)	(19)	(31)	(3)	(9)	(1)	(22)	(35)
Exchange rate differences and other changes	-	(4)	-	(1)	(5)	-	-	-	-	-
Present value of benefit obligation at end of year	**58**	**158**	**20**	**60**	**296**	**62**	**187**	**23**	**51**	**323**
Plan assets at beginning of year	**-**	**71**	**-**	**-**	**71**	**-**	**77**	**-**	**-**	**77**
Interest income	-	2	-	-	2	-	3	-	-	3
Return on plan assets	-	(1)	-	-	(1)	-	1	-	-	1
Past service cost and gains/losses arising from settlements	-	(1)	-	-	(1)	-	-	-	-	-
Contributions to plan:	-	8	-	-	8	-	8	-	-	8
- contributions to plan by employees	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employer	-	*8*	-	-	*8*	-	*8*	-	-	*8*
Benefits paid	-	(2)	-	-	(2)	-	(3)	-	-	(3)
Exchange rate differences and other changes	-	-	-	-	-	-	-	-	-	-
Plan assets at year end	**-**	**77**	**-**	**-**	**77**	**-**	**86**	**-**	**-**	**86**
Net liability	**58**	**81**	**20**	**60**	**219**	**62**	**101**	**23**	**51**	**237**

The value of the net liability for other provisions for long-term employee benefits of €51 million (€60 million December 31, 2013) related to deferred monetary incentives (€5 million; €12 million at December 31, 2013), jubilee awards (€13 million; €13 million at December 31, 2013), the long-term incentive plan (€2 million; €3 million at December 31, 2013) and other long-term overseas plans (€31 million; €32 million at December 31, 2013).

Costs for employee benefits determined using actuarial assumptions charged to the income statement are detailed below:

	Dec. 31, 2013					Dec. 31, 2014				
(€ million)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total
Current cost	-	17	1	11	29	-	16	1	11	28
Past service cost and gains/losses arising from settlements	-	2	-	1	3	-	1	-	3	4
Net interest expense (income):										
- interest cost on obligation	2	4	1	1	8	2	6	1	1	10
- interest income on plan assets	-	(2)	-	-	(2)	-	(3)	-	-	(3)
Total net interest income (expense)	2	2	1	1	6	2	3	1	1	7
of which recognised in payroll costs	-	-	-	*1*	*1*	-	-	-	*1*	*1*
of which recognised in finance income (expense)	*2*	*2*	*1*	-	*5*	*2*	*3*	*1*	-	*6*
Remeasurement of long-term plans	-	-	-	(5)	(5)	-	-	-	(2)	(2)
Total	**2**	**21**	**2**	**8**	**33**	**2**	**20**	**2**	**13**	**37**
of which recognised in payroll costs	-	*19*	*1*	*8*	*28*	-	*17*	*1*	*13*	*31*
of which recognised in finance income (expense)	*2*	*2*	*1*	-	*5*	*2*	*3*	*1*	-	*6*

Costs for defined benefit plans recognised in other comprehensive income were as follows:

	2013				2014			
(€ million)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Total	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Total
Remeasurements:								
- actuarial gains and losses arising from changes in demographic assumptions	-	1	(1)	-	-	-	-	-
- actuarial gains and losses arising from changes in financial assumptions	-	(19)	-	(19)	6	18	3	27
- experience adjustments	(1)	5	(1)	3	(1)	(3)	(1)	(5)
- return on plan assets	-	1	-	1	-	(1)	-	(1)
Total	**(1)**	**(12)**	**(2)**	**(15)**	**5**	**14**	**2**	**21**

Plan assets consisted of the following:

(€ million)	Cash and cash equivalents	Equity instruments	Debt instruments	Real estate	Derivatives	Mutual funds	Assets held by insurance companies	Structured debt securities	Other assets	Total
Plan assets:										
- prices quoted in active markets	14	13	36	5	-	-	2	3	13	86
- prices not quoted in active markets	-	-	-	-	-	-	-	-	-	-
Total	**14**	**13**	**36**	**5**	**-**	**-**	**2**	**3**	**13**	**86**

The main actuarial assumptions used in the evaluation of the liability at year end and to estimate of costs expected for the subsequent year were as follows:

		TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits
2013					
Main actuarial assumptions:					
- discount rates	(%)	3	2.50-13.50	3.00-8.75	1.10-8.75
- rate of compensation increase	(%)	3	1.90-14.00	-	1.90-14.00
- expected rate of return on plan assets	(%)	-	4.10-4.40	-	-
- rate of inflation	(%)	2	1.70-11.00	2.00-6.00	2.00-7.00
- life expectancy at 65 years	(years)	-	15-25	20-25	-
2014					
Main actuarial assumptions:					
- discount rates	(%)	2	2.30-15.00	2.00-8.00	0.50-8.00
- rate of compensation increase	(%)	2	2.75-14.00	-	1.50-14.00
- expected rate of return on plan assets	(%)	-	2.30-3.40	-	-
- rate of inflation	(%)	2	1.50-9.00	2.00-6.00	1.50-9.00
- life expectancy at 65 years	(years)	-	15-25	20-25	-

The main actuarial assumptions used by geographical area were as follows:

		Eurozone	Rest of Europe	Africa	Other
2013					
Discount rates	(%)	1.10-3.00	4.10-4.40	3.50-13.50	2.50-8.75
Rate of compensation increase	(%)	3.50	2.56-3.13	1.00-14.00	5.00-12.00
Rate of inflation	(%)	2.00	1.75-3.40	3.50-11.00	2.50-8.75
Life expectancy at 65 years	(years)	22-25	22-25	15	17
2014					
Discount rates	(%)	0.50-2.00	2.30-3.40	3.00-15.00	2.60-8.00
Rate of compensation increase	(%)	2.54-3.18	2.75	1.00-9.00	5.00-6.00
Rate of inflation	(%)	2.00	1.50-3.00	3.50-9.00	3.00-7.00
Life expectancy at 65 years	(years)	22-25	15-25	15	17

The discount rate used was determined based on market yields on primary corporate bonds (AA rating) in countries with a sufficiently deep market. Where these were not available, government bonds were considered.
The inflation rates used were based on long-term forecasts prepared by domestic and international banking institutions.
The demographic tables employed are those used by local actuaries to perform IAS 19 measurements, taking into account any updates.
The effects of reasonably possible changes in the actuarial assumptions at year end were as follows:

	Discount rate		Expected rates of inflation	Expected rates of salary increases	Expected rates of pension increases	Medical cost trend rates
(€ million)	0.5% increase	0.5% decrease	0.5% increase	0.5% increase	0.5% increase	1% increase
Impact on net defined benefit obligation						
TFR	(3)	4	2	-	-	-
Foreign defined benefit plans	(12)	14	2	7	3	-
FISDE and other foreign health plans	(2)	2	-	-	-	1
Other provisions for long-term employee benefits	(2)	1	2	1	-	-

The sensitivity analysis was performed by applying the modified parameters to the results of the analyses conducted for each plan.
The amount expected to be accrued to foreign defined benefit plans in the subsequent year is €8 million.

The maturity profile of employee defined benefit plan obligations is as follows:

(€ million)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits
2015	2	13	1	11
2016	2	8	1	7
2017	2	8	1	7
2018	3	9	1	4
2019	4	10	1	6
After	22	57	5	13

The weighted average duration of obligations is as follows:

(years)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits
2013	11	19	14	6
2014	11	16	15	8

22 Deferred tax liabilities

Deferred tax liabilities of €40 million (€81 million at December 31, 2013) are shown net of offsettable deferred tax assets of €274 million.

(€ million)	Dec. 31, 2013	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2014
Deferred tax liabilities	81	44	(46)	7	(46)	40
Total	**81**	**44**	**(46)**	**7**	**(46)**	**40**

The item 'Other changes', which amounted to negative €46 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €9 million); (ii) the negative tax effects (€7 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; and (iii) other changes (negative €30 million).
A breakdown of deferred tax assets is provided in Note 12 'Deferred tax assets'.

Tax losses

Tax losses amounted to €1,427 million (€1,031 million at December 31, 2013) of which a considerable part can be carried forward without limit. Tax recovery corresponds to a tax rate of 27.5% for Italian companies and to an average tax rate of 26.4% for foreign companies.
Tax losses related mainly to foreign companies and can be used in the following periods:

(€ million)	Italian subsidiaries	Foreign subsidiaries
2015	-	-
2016	-	23
2017	-	32
2018	-	26
2019	-	18
After 2019	-	365
Without limit	145	818
Total	**145**	**1,282**

23 Other non-current liabilities

Other non-current liabilities of €2 million (no value registered at December 31, 2013) were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Fair value of hedging derivatives	-	-
Trade and other payables	-	2
Total	**-**	**2**

24 Assets held for sale

The item assets held for sale in 2014 related to Venezuelan companies Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA ('Fertinitro') in both of which Snamprogetti Netherlands BV holds an interest of 20%. Fertinitro was the subject of an expropriation order issued by the Venezuelan government in October 2010. Venezuelan law provides a procedure for the definition of fair compensation through negotiation. In January 2015, Snamprogetti Netherlands BV completed the sale of its investments in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA to its Venezuelan counterparty at a price not lower than their carrying amount. As well as establishing a sale price (already received in full by Saipem) that included compensation for expropriation, the agreement signed also provided for definitive settlement of all pending disputes between the parties in relation to the expropriated assets.

Shareholders' equity

25 Non-controlling interests

Non-controlling interests at December 31, 2014 amounted to €41 million (€92 million at December 31, 2013). The table below shows income statement, balance sheet and cash flow data before intercompany eliminations for ER SAI Caspian Contractor Llc, a Group subsidiary in which there were significant non-controlling interests at December 31, 2014 (€32 million).

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Non-controlling interests (%)	**50**	**50**
Current assets	174	168
Non-current assets	105	103
Current liabilities	94	194
Non-current liabilities	21	13
Revenues	385	220
Shareholders' equity	164	64
Net profit (loss) for the year	41	(21)
Total comprehensive income (loss) for the year	33	(9)
Net cash flow from (used in) operations	59	(75)
Net cash used in investing activities	(18)	(14)
Net cash used in financing activities	(148)	(25)
Net cash flow for the year	(113)	(109)
Net profit (loss) attributable to non-controlling interests	20	(10)
Dividends paid to non-controlling interests	75	45

During 2014 there were no changes in ownership interests that did not result in loss or acquisition of control.

26 Saipem's shareholders' equity

Saipem's shareholders' equity at December 31, 2014 amounted to €4,137 million and was as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	85	(275)
Cumulative currency translation differences	(100)	(9)
Employee defined benefits reserve	(5)	(19)
Other	7	6
Retained earnings	4,283	4,123
Net result (loss) for the year	(159)	(230)
Treasury shares	(43)	(43)
Total	**4,652**	**4,137**

Saipem's shareholders' equity at December 31, 2014 included distributable reserves of €3,931 million (€4,273 million at December 31, 2013).
A deferred tax liability has been recorded in relation to the share of reserves that may potentially be distributed (€101 million).

27 Share capital

At December 31, 2014, the share capital of Saipem SpA, fully paid-up, amounted to €441 million, corresponding to 441,410,900 shares with a nominal value of €1 each, of which 441,301,574 ordinary shares and 109,326 savings shares.
On May 6, 2014, the Annual Shareholders' Meeting resolved to forego the distribution of a dividend for ordinary shares and to distribute a dividend for savings shares amounting to 5% of the nominal value, i.e. €0.05 per share.

28 Share premium reserve

The share premium reserve amounted to €55 million at year end 2014 and was unchanged from December 31, 2013.

29 Other reserves

At December 31, 2014, 'Other reserves' amounted to negative €209 million (positive €75 million at December 31, 2013) and consisted of the following items.

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Legal reserve	88	88
Cash flow hedge reserve	85	(275)
Cumulative currency translation differences	(100)	(9)
Employee defined benefits reserve	(5)	(19)
Other	7	6
Total	**75**	**(209)**

Legal reserve

At December 31, 2014, the legal reserve stood at €88 million. This represents the portion of profits, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends. The reserve remained unchanged, having reached a fifth of share capital.

Cash flow hedge reserve

This reserve showed a negative balance at year end of €275 million (positive balance of €85 million at December 31, 2013) which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges at December 31, 2014.
The cash flow hedge reserve is shown net of tax effects of €91 million (€25 million at December 31, 2013).

Cumulative currency translation differences

This reserve amounted to negative €9 million (negative €100 million at December 31, 2013) and related to exchange rate differences arising from the translation into euro of financial statements denominated in functional currencies other than euro (mainly the US dollar).

Employee defined benefits reserve

This reserve is used to recognise remeasurements of employee defined benefit plans. At December 31, 2014, it had a negative balance of €19 million (negative €5 million at December 31, 2013).
The reserve is shown net of tax effects of €8 million and includes a positive amount of €1 million relating to investments accounted for using the equity method.

Other

This item amounted to €6 million (€7 million at December 31, 2013). The variation of €1 million related to the cash flow hedge reserve of investments accounted for using the equity method. It also included allocation of a portion of 2009 net profit, pursuant to Article 2426, 8-*bis* of the Italian Civil Code and the revaluation reserve set up by Saipem SpA in previous years, amounting to €2 million.

30 Treasury shares

Saipem SpA holds treasury shares to the value of €43 million (€43 million at December 31, 2013), consisting of 1,939,832 (1,939,832 at December 31, 2013) with a nominal value of €1 each.

Treasury shares were allocated under the 2002-2008 stock option plans. Operations involving treasury shares during the year were as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares repurchased				
2003 (from May 2)	2,125,000	6.058	13	0.48
2004	1,395,000	7.044	10	0.32
2005	3,284,589	10.700	35	0.74
2006	1,919,355	18.950	36	0.43
2007	848,700	25.950	22	0.19
2008	2,245,300	25.836	58	0.51
Total	**11,817,944**	**14.745**	**174**	**2.67**
Less treasury shares allocated:				
- without consideration, as stock grants	1,616,400			
- against payment, as stock options	8,261,712			
Treasury shares held at December 31, 2014	**1,939,832**	**22.099**	**43**	**0.44**

At December 31, 2014, there were 61,350 stock options outstanding for the purchase of Company shares.
Further information on stock option plans is provided in Note 36 'Payroll and related costs'.

Reconciliation of statutory net result and shareholders' equity to consolidated net profit and shareholders' equity

(€ million)	Dec. 31, 2013 Net result	Dec. 31, 2013 Shareholder's equity	Dec. 31, 2014 Net result	Dec. 31, 2014 Shareholder's equity
As reported in Saipem SpA's financial statements	**277**	**1,460**	**70**	**1,401**
Difference between the equity value and results of consolidated companies and the equity value and result of consolidated companies as accounted for in Saipem SpA's financial statements	(432)	2,815	(261)	2,343
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of equity	(5)	812	(5)	807
- elimination of unrealised intercompany profits	1	(399)	33	(371)
- other adjustments	23	56	(75)	(2)
Total shareholders' equity	**(136)**	**4,744**	**(238)**	**4,178**
Non-controlling interests	(23)	(92)	8	(41)
As reported in the consolidated financial statements	**(159)**	**4,652**	**(230)**	**4,137**

31 Additional information

Supplement to cash flow statement

(€ million)	Dec. 31, 2013
Analysis of disposals of consolidated entities and businesses	
Current assets	65
Non-current assets	255
Net liquidity (net borrowings)	-
Current and non-current liabilities	14
Net effect of disposals	**334**
Fair value of interest retained following loss of control	-
Gain on disposals	44
Non-controlling interests	-
Total sale price	**378**
less:	
Cash and cash equivalents	-
Cash flows from disposals	**378**

No cash flows relating to acquisitions or disposals were registered in 2014. Disposals in 2013 concerned the sale by Saipem SpA of its Floaters business division to Eni SpA and the sale of a division of Saipem Ltd to Eni Engineering E&P Ltd.

32 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €8,169 million (€7,307 million at December 31, 2013).

	Dec. 31, 2013			Dec. 31, 2014		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Joint ventures and associates	624	522	1,146	283	184	467
Consolidated companies	258	2,736	2,994	126	2,331	2,457
Own	-	3,167	3,167	142	5,103	5,245
Total	**882**	**6,425**	**7,307**	**551**	**7,618**	**8,169**

Other guarantees issued for consolidated companies amounted to €2,331 million (€2,736 million at December 31, 2013) and related to independent guarantees given to third parties relating mainly to bid bonds and performance bonds.
Guarantees issued to/through related parties are detailed in Note 45 'Transactions with related parties'.
For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 144.

Commitments

Saipem SpA has provided commitments towards customers and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries, jointly-controlled entities or associated companies in the event of non-performance and payment of any damages arising from non-performance.
These commitments guarantee contracts whose overall value amounted to €40,912 million (€31,525 million at December 31, 2013), including both work already performed and the relevant portion of the backlog of orders at December 31, 2014.

Additional information on financial instruments

FINANCIAL INSTRUMENTS - CARRYING AMOUNTS AND EFFECT ON INCOME STATEMENT AND EQUITY

The carrying amounts and effect on income statement and equity of financial instruments were as follows:

(€ million)	Carrying amount	Income (expense) recognised in the income statement	Income (expense) recognised in equity
Financial instruments held for trading			
Non-hedging derivatives [a]	(126)	(170)	-
Receivables and payables and other assets (liabilities) measured at amortised cost			
Trade and other receivables [b]	3,330	120	-
Financing receivables [a]	61	-	-
Trade and other payables	5,669	-	-
Financing payables [a]	6,094	(188)	-
Net hedging derivative assets (liabilities) [c]	(363)	(54)	478

(a) The income statement effects relate only to the income (expense) indicated in Note 39 'Finance income (expense)'.
(b) Income statement effects of €120 million relating to currency translation gains (losses) arising from adjustments to the year-end exchange rate were recognised in 'Finance income (expense)'.
(c) Income statement effects were recognised in 'Net sales from operations' and in 'Purchases, services and other costs' (€54 million).

FAIR VALUE OF FINANCIAL INSTRUMENTS

Below, financial assets and liabilities measured at fair value in the balance sheet are classified using the 'fair value hierarchy' based on the significance of the inputs used in the measurement process. The fair value hierarchy consists of the following three levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
c) Level 3: inputs for assets or liabilities that are not based on observable market data.

Financial instruments measured at fair value at December 31, 2014 are classified as follows:

	Dec. 31, 2014			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	(126)	-	(126)
Available-for-sale financial assets:				
- other assets available for sale	9	-	-	9
Net hedging derivative assets (liabilities)	-	(363)	-	(363)
Total	**9**	**(489)**	**-**	**(480)**

In the normal course of its business, Saipem uses various types of financial instrument. Information regarding their fair value is provided below.

NOTIONAL AMOUNTS OF DERIVATIVES

The notional amount of a derivative is an amount used as a reference to calculate the contractual payments to be exchanged. This amount may be expressed in terms of a monetary or physical quantity (e.g. barrels, tonnes, etc.). Monetary quantities in foreign currencies are converted into euro at the exchange rate prevailing at year end.

Notional amounts of derivatives do not represent the amounts actually exchanged between the parties and do not therefore constitute a measure of Saipem's credit risk exposure, which is limited to the positive net fair value of derivative contracts at year end.

INTEREST RATE RISK MANAGEMENT

Saipem only enters into interest rate swaps, with the purpose of managing its interest rate risk.

(€ million)	Notional amount at Dec. 31, 2014
Interest rate swaps	250

The table below shows the types of swap entered into, weighted average interest rates and maturities. Average interest rates are based on year end rates and may be subject to changes that could have a significant impact on future cash flows. Comparisons between the average buying and selling rates are not indicative of the outcome of a derivative contract since this must also consider gains or losses on the underlying transaction.

		Dec. 31, 2014
Notional amount	(€ million)	250
Weighted average rate received	(%)	0.094
Weighted average rate paid	(%)	0.185
Weighted average maturity	(years)	3

The underlying hedged transactions are expected to occur by December 2017.

EXCHANGE RATE RISK MANAGEMENT

Saipem enters into various types of forward foreign exchange contracts to manage its exchange rate risk. For contracts involving the exchange of two foreign currencies, both the amount received and the amount sold are indicated.

(€ million)	Notional amount at Dec. 31, 2013	Notional amount at Dec. 31, 2014
Forward foreign exchange contracts	2,967	3,092

The table below shows forward foreign exchange contracts and other instruments used to manage the exchange rate risk for the principal currencies.

	Notional amount at Dec. 31, 2013		Notional amount at Dec. 31, 2014	
(€ million)	Purchase	Sell	Purchase	Sell
AUD	474	13	315	96
CAD	-	-	17	-
CHF	-	2	74	12
CNY	71	-	28	-
EUR	177	31	247	45
GBP	260	85	256	88
JPY	108	7	52	3
KWD	19	15	-	-
MXN	-	-	26	25
NOK	141	94	140	87
PLN	-	13	-	-
RUB	234	204	36	65
SGD	1	2	491	5
USD	2,998	6,984	4,970	9,318
Total	**4,483**	**7,450**	**6,652**	**9,744**

The following table provides an analysis of hedged future cash flows in euro by time period of occurrence at December 31, 2014:

(€ million)	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	2016 and beyond	Total
Revenues	1,206	1,053	864	583	1,788	**5,494**
Costs	393	377	178	180	278	**1,406**

COMMODITY PRICE RISK

Saipem only enters into commodity contracts with the purpose of managing its commodity price risk exposure.
The table below shows notional amounts for forward commodity contracts entered into.

	Notional amount at Dec. 31, 2013		Notional amount at Dec. 31, 2014	
(€ million)	Purchase	Sell	Purchase	Sell
Forward commodity contracts	12	-	17	2

The following table shows hedged cash flows at December 31, 2014 by time period of occurrence:

(€ million)	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015	2016 and beyond	Total
Costs	2	2	-	-	-	**4**

Legal proceedings

Saipem is involved in civil and administrative proceedings and legal actions connected with the ordinary course of its business. Provisions for legal risks are made on the basis of information currently available, including information acquired by external consultants providing the Company with legal support. Information available to the Company for the purposes of risk assessment regarding criminal proceedings is by its very nature incomplete due to the principle of pre-trial secrecy. A brief summary of the ongoing criminal proceedings and most important disputes is provided below.

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

Snamprogetti Netherlands BV holds a 25% interest in the TSKJ Consortium of companies. The remaining interests are held in equal shares of 25% by KBR, Technip and JGC. From 1994, the TSKJ Consortium was involved in the construction of natural gas liquefaction facilities at Bonny Island, Nigeria. Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, was a direct subsidiary of Eni SpA until February 2006, when an agreement was entered into for the sale of Snamprogetti SpA to Saipem SpA. Snamprogetti SpA was merged into Saipem SpA as of October 1, 2008. As part of the sale of

Snamprogetti SpA, Eni agreed to indemnify Saipem for costs and potential losses resulting from the investigations into the TSKJ matter, including in connection with all related subsidiaries.
Various judicial authorities, including the Milan Public Prosecutor's office, have carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials. The proceedings in both the USA and Nigeria have been resolved through settlements.
The proceedings in Italy: the investigation regards events dating back to 1994 and also concerns the period subsequent to the introduction of Legislative Decree No. 231 of June 8, 2001 regarding the administrative responsibility of companies. The proceedings brought by the Milan Public Prosecutor against Eni SpA and Saipem SpA related to administrative responsibility under Legislative Decree No. 231 of 2001 arising from offences of international corruption allegedly committed by former managers of Snamprogetti.
The Milan Public Prosecutor requested the application of precautionary measures pursuant to Legislative Decree No. 231/2001 consisting in Eni and Saipem being debarred from activities involving – directly or indirectly – any agreement with the Nigerian National Petroleum Corp and its subsidiaries, claiming the ineffectiveness and inadequacy and violation of the organisational, management and control model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision.
On November 17, 2009, the Judge for the Preliminary Investigation rejected the request for precautionary measures of disqualification filed by the Milan Public Prosecutor, which subsequently appealed against this decision. On February 9, 2010, the Court of Appeal, exercising the function of judicial review court, handed down its ruling, which dismissed as unfounded the appeal of the Milan Public Prosecutor and upheld the decision of the Judge for the Preliminary Investigation. On September 30, 2010, an appeal against this decision filed by the Milan Public Prosecutor was upheld by the Court of Cassation, which ruled that the request for precautionary measures was also admissible pursuant to Legislative Decree No. 231/2001 in cases of alleged international corruption. The Milan Public Prosecutor's office subsequently withdrew its request for precautionary measures against Eni and Saipem following the payment by Snamprogetti Netherlands BV of a deposit of €24,530,580, which was also on behalf of Saipem SpA. The accusations regarded alleged acts of corruption in Nigeria committed until and after July 31, 2004, with the aggravating circumstance of Snamprogetti SpA's having allegedly obtained significant financial gain (indicated as being not less than USD 65 million). On January 26, 2011, the Judge for the Preliminary Hearing ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) and five former Snamprogetti SpA employees to stand trial. In February 2012, following a request made by the defence, the Court dismissed the charges against the physical persons under investigation, ruling that the charges had expired under the statute of limitations. The Court also ordered a separate trial for the continuation of proceedings against the legal person of Saipem only.
On July 11, 2013, the Court of Milan sentenced Saipem SpA to pay a total fine of €600,000 and ordered the confiscation of the deposit of €24,530,580 paid by Snamprogetti Netherlands BV.
On September 17, 2013, the Court of Milan made the reasons for its verdict known and the Company subsequently lodged an appeal against the Court's ruling. On November 21, 2014, a hearing was held before the Milan Court of Appeal. On February 19, 2015, the Court of Appeal confirmed the sentence handed down by the Court of Milan on July 11, 2013, which had ruled that Saipem SpA had committed the unlawful administrative act, but accepted the existence of the attenuating circumstances provided for by Article 12, No. 2, letter a) of Legislative Decree No. 231/2001, sentencing the Company to pay a total fine of €600,000. The Court of Appeal ordered the Company to pay court costs and confirmed the confiscation of the deposit of €24,530,580 that had been paid by Snamprogetti Netherlands BV pursuant to Article 17, paragraph 1, letter c) of Legislative Decree No. 231/2001. Within 90 days (i.e. on or before May 20, 2015), the Court of Appeal will publish the reasons for its ruling. Saipem intends to appeal against the ruling at the Italian Court of Cassation. The appeal must be filed within 45 days of the 90-day deadline for publication of the reasons for the ruling or, where the Court does not observe the 90-day deadline, within 45 days of the date on which notice of publication is given.
Saipem's involvement in the investigation into the activity of the TSKJ Consortium in Nigeria during the period 1994-2004 is due solely to the fact that in 2006 Saipem SpA acquired Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, which holds a 25% stake in the TSKJ Consortium.
The decisions of the Court of Milan and the Milan Court of Appeal will have no financial impact on Saipem since Eni SpA, at the time of the sale of Snamprogetti SpA to Saipem, undertook to indemnify Saipem for costs and losses sustained in connection with the TSKJ matter.

Algeria

On February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Italian Code of Criminal Procedure, relating to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of 'international corruption' specified in the request is one of the offences punishable under Legislative Decree No. 231 of June 8, 2001 in connection with the direct responsibility of collective entities for crimes committed by their own employees.
The collection of documentation was commenced in prompt compliance with the request, and on February 16, 2011, Saipem filed the material requested.
On November 22, 2012, Saipem received a notification of inquiry from the Milan Public Prosecutor's office related to alleged unlawful administrative acts arising from the crime of international corruption pursuant to Article 25, paragraphs 2 and 3 of Legislative Decree No. 231/2001, together with a request to provide documentation regarding a number of contracts connected with activities in Algeria. This request was followed by notification of a seizure order on November 30, 2012, two further requests for documentation on December 18, 2012 and February 25, 2013 and the issue of a search warrant on January 16, 2013.
On February 7, 2013, a search was conducted, including at offices belonging to Eni SpA, to obtain additional documentation relating to intermediary agreements and subcontracts entered into by Saipem in connection with its Algerian projects.
The subject of the investigations are allegations of corruption which, according to the Milan Public Prosecutor, occurred up until and after March 2010 in relation to a number of contracts the Company was awarded in Algeria.
Several former employees of the Company are involved in the proceedings, including the former Deputy Chairman and CEO and the former Chief Operating Officer of the Engineering & Construction Business Unit. The Company collaborated fully with the Prosecutor's office on every occasion and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that might result from the proceedings.
In agreement with its Internal Control Bodies and the Compliance Committee, and having duly informed the Prosecutor's office, Saipem performed its

own checks on the contracts that are subject to investigation, and to this end appointed an external legal firm. On July 17, 2013, the Board of Directors analysed the conclusions reached by the external consultants following an internal investigation carried out in relation to a number of brokerage contracts and subcontracts regarding projects in Algeria. The internal investigation was based on the examination of documents and interviews of personnel from the Company and other companies in the Group, excluding those who, to the best knowledge of the Company, were directly involved in the criminal investigation, so as not to interfere with the investigative activities of the Prosecutor. The Board, confirming its full cooperation with the investigative authorities, decided to convey the findings of the external consultants to the Milan Public Prosecutor, for assessment and appropriate action within the wider context of the ongoing investigation. The consultants reported to the Board: (i) that they found no evidence of payments to Algerian public officials through the intermediary agreements or subcontracts examined; and (ii) that they found violations, deemed detrimental to the interests of the Company, of internal rules and procedures in force at that time in relation to the approval and management of intermediary agreements and subcontracts examined and a number of activities in Algeria.

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

On June 14, 2013, January 8, 2013 and July 23, 2014 the Milan Public Prosecutor's office submitted requests for extensions to the preliminary investigations. On October 24, 2014, notice was received of a request from the Milan Public Prosecutor for gathering evidence before trial, by way of questioning of the former Chief Operating Officer of the Saipem Engineering & Construction Business Unit and another former manager of Saipem, who are both being investigated in the criminal proceedings. After the request was granted, the Judge for the Preliminary Hearing in Milan set hearings for December 1 and 2, 2014. On January 15, 2015, the Saipem SpA defence counsel received notice from the Milan Public Prosecutor's office of the conclusion of preliminary investigations, pursuant to Article 415-*bis* of the Italian code of criminal procedure. Notice was also received by eight physical persons and the legal person of Eni SpA. In addition to the crime of 'international corruption' specified in the request from the Milan Public Prosecutor's office, the notice also contained an allegation against seven physical persons of a violation of Article 3 of Legislative Decree No. 74 of March 10, 2000 concerning the filing of fraudulent tax returns, in connection with the recording in the books of Saipem SpA of '*brokerage costs deriving from the agency agreement with Pearl Partners signed on October 17, 2007, as well as Addendum No. 1 to the agency agreement signed entered into August 12, 2009'*, which is alleged to have led subsequently to the inclusion in the '*consolidated tax return of Saipem SpA of profits that were lower than the real total by the following amounts: 2008: -€85,935,000; 2009: -€54,385,926*'. On February 5, 2015, the Milan unit of the Italian Fiscal Police conducted a tax inspection at Saipem SpA premises. The official minutes describe the inspection as having focused on: *'a) Ires (Italian corporate income tax) and Irap (Italian regional production tax) for tax periods from January 1, 2008 to December 31, 2010, as well as fiscally relevant aspects elements emerging from checks performed as part of criminal proceedings No. 58461/14 - mod. 21 instituted by the Public Prosecutor's office of the Court of Milan (Substitute Public Prosecutors Fabio De Pasquale, Giordano Baggio and Isidoro Palma) [Algeria affair]. (...) b) identifying, for the 2010 tax period only, transactions with companies resident or domiciled in non-EU countries or territories with preferential tax regimes (Article 110, paragraph 10 et seq. of the Italian Consolidated Income Tax Act; - verifying the compliance of the tax position of company employees for the year 2015 up until the day of the inspection.'*

On February 26, 2015, the Saipem SpA defence counsel received notice from the Judge for the Preliminary Hearing of the scheduling of a preliminary hearing, together with a request for committal for trial filed by the Milan Public Prosecutor's office on February 11, 2015. The same notice was also served on eight physical persons, as well as on the legal person of Eni SpA. The hearing has been scheduled by the Judge for the Preliminary Hearing for May 13, 2015 and may be continued on May 28, 2015 and June 12, 2015, if necessary.

Meanwhile, at the request of the US Department of Justice ('DoJ'), Saipem SpA entered into a 'tolling agreement' which extended by 6 months the limitation period applicable to any possible violations of federal laws of the United States in relation to previous activities of Saipem and its subsidiaries. The tolling agreement, which has been renewed until May 29, 2015, does not constitute an admission by Saipem SpA of having committed any unlawful act, nor does it imply any recognition on the Company's part of United States jurisdiction in relation to any investigation or proceedings. Saipem therefore intends to offer its complete cooperation in relation to investigations by the DoJ, which on April 10, 2014 made a request for documentation relating to past activities of the Saipem Group in Algeria, with which Saipem has complied.

We also note that the investigations commenced in 2010 into the procedures used for the award by Sonatrach of the GK3 contract (the 'Sonatrach 1 investigation'), in relation to which a number of Saipem Contracting Algérie SpA's current accounts in local currency were frozen, are still currently underway. Some of these accounts were subsequently unfrozen, although two in Algerian Dinars, containing in total the equivalent of €90,173,120 (calculated at the exchange rate prevailing on December 31, 2014) remain frozen. The two bank accounts in question relate to the MLE and GK3 projects. The frozen MLE bank account is no longer used for MLE project payments, while the GK3 bank account is still being used to receive contractual payments in Algerian Dinars due in relation to the project. The outstanding payments amount to an approximate equivalent of €4,713,603 (calculated at the exchange rate prevailing on December 31, 2014). In relation to the investigations into the procedures used to award the GK3 contract, in 2012 Saipem Contracting Algérie SpA received formal notice of the referral to the Chambre d'accusation at the Court of Algiers of an investigation underway into the company regarding allegations that the company took advantage of the authority or influence of representatives of a government owned industrial and trading company in order to inflate prices in relation to contracts awarded by that company. At the beginning of 2013, the 'Chambre d'accusation' ordered Saipem Contracting Algérie SpA to stand trial and further ordered that the aforementioned current accounts remain frozen. In April 2013 and in October 2014, the Algerian Supreme Court rejected a request to unfreeze the above-mentioned bank accounts that had been made by Saipem Contracting Algérie SpA in 2010. The case was transferred to the Court of Algiers. The case was transferred to the Court of Algiers where, at the hearing of March 15, 2015 proceedings were adjourned to the next court session, whose date has not yet been announced.

In March 2013, the legal representative of Saipem Contracting Algérie SpA was summoned to appear at the Court of Algiers, where he received verbal notification from the local investigating judge of an investigation ('Sonatrach 2') underway '*into Saipem for charges pursuant to Articles 25a, 32 and 53 of Anti-Corruption Law No. 01/2006*'. The investigating judge also requested documentation (articles of association) and other information concerning Saipem Contracting Algérie SpA, Saipem SpA and Saipem SA.

Kuwait

On June 21, 2011, an order requested by the Milan Public Prosecutor was served on Saipem SpA for the search of the office of a Saipem employee. The order was issued in connection with alleged crimes committed by said employee together with third parties related to the award of tenders by Saipem SpA to third party companies for a project in Kuwait. In connection with the same matter, the Public Prosecutor also served a notification of inquiry upon Saipem SpA pursuant to Italian Legislative Decree No. 231/2001. In this regard, the Company believes that its position will be cleared, since it is the injured party in respect of the illicit conduct under investigation.
Having consulted its lawyers, and in agreement with the Compliance Committee and the Internal Control Bodies, Saipem, through its Internal Audit function, and also using an external consulting company, promptly undertook an Internal Audit of the project under investigation. On March 2, 2012 Saipem SpA was served a request to extend the preliminary investigations filed by the Public Prosecutor. As of such date, the Company has received no further notifications, nor has there been any further news or evidence of any developments in the investigations.

EniPower - Enquiries by the Judiciary

In the frame of the inquiries commenced by the Milan Public Prosecutor (criminal proceedings 2460/2003 R.G.N.R. pending at the Milan Public Prosecutor's office) into contracts awarded by EniPower to various companies, Snamprogetti SpA (now Saipem SpA) as engineering and procurement services contractor), together with other parties, were served a notification of inquiry pursuant to Article 25 of Legislative Decree No. 231/2001. Preliminary investigations ended in August 2007, with a favourable outcome for Snamprogetti SpA, which was not included among the parties still under investigation for whom committals for trial were requested. Snamprogetti subsequently brought proceedings against the physical and legal persons implicated in transactions relating to the Company and reached settlements with a number of parties that requested the application of settlement procedures. Following the conclusion of the preliminary hearing, criminal proceedings continued against former employees of the above companies, as well as against employees and managers of a number of their suppliers, pursuant to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA presented themselves as injured parties in the preliminary hearing. The preliminary hearing related to the main proceeding concluded on April 27, 2009. The Judge for the Preliminary Hearing requested that all parties that did not request the application of plea agreements stand trial, with the exception of a number of parties for whom the statute of limitations applied. In the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. Subsequently, at the hearing of September 20, 2011, sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums ordered. The Court also rejected the admission as plaintiffs against the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001. On December 19, 2011, the grounds for the ruling were filed with the office of the clerk of the Court. The convicted parties promptly filed an appeal against the above sentence. On October 24, 2013, the Milan Court of Appeal essentially confirmed the first instance ruling, which it modified only partially in relation to a number of physical persons, against whom it dismissed the charges, ruling that they had expired under the statute of limitations. The accused parties have filed an appeal with the Court of Cassation.

Fos Cavaou

With regard to the Fos Cavaou ('FOS') project for the construction of a regasification terminal, the client Société du Terminal Méthanier de Fos Cavaou ('STMFC', now Fosmax LNG) in January 2012 commenced arbitration proceedings before the International Chamber of Commerce in Paris ('Paris ICC') against the contractor STS [a French 'société en participation' made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)].
On July 11, 2011, the parties signed a mediation protocol pursuant to the rules of Conciliation and Arbitration of the Paris ICC. With Fosmax LNG refusing to extend the deadline, the mediation procedure ended on December 31, 2011, with no agreement having been reached.
The brief filed by Fosmax LNG in support of its request for arbitration included a demand for payment of approximately €264 million for damages allegedly suffered, penalties for delays and costs for the completion of works ('mise en régie').
Of the total sum demanded, approximately €142 million was for loss of profit, an item excluded from the contract except for cases of wilful misconduct or gross negligence. STS filed its Reply, including a counterclaim for damages due to the excessive interference of Fosmax LNG in works execution and as payment for extra works not recognised by the client (reserving the right to quantify the amount of such extra works at a later stage in proceedings). On October 19, 2012, Fosmax LNG lodged its Statement of Claim. Against this, STS lodged its own Statement of Defence on January 28, 2013, in which it filed a counterclaim for €338 million.
The final hearing was held on April 1, 2014. The award issued by the Arbitration Panel on February 13, 2015 requires Fosmax LNG to pay STS €69,842,899, including interest. 50% of this amount is due to Saipem SA.

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

On December 23, 2013, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris ('Paris ICC') in connection with the contract entered into on March 22, 2009, by Saipem SpA and Saipem Contracting Algérie SpA (collectively, 'Saipem') on the one hand and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures SpA ('Sonatrach') and First Calgary Petroleums LP (collectively, the 'Client') on the other, for the engineering, procurement and construction of a natural gas gathering and treatment plant and related export pipelines in the Menzel Ledjmet Est field in Algeria. The Client was notified of the request on January 8, 2014. In its request for arbitration, Saipem has asked the arbitral tribunal to grant: (i) an extension of 14.5 months to the contractual term; and (ii) Saipem's right to receive approximately €580 million (less the €145.8 million already paid by First Calgary Petroleums LP) relating to an increase in the contract price for the extension of the contract terms, variation orders, unpaid invoices past due and spare parts, as well as a sum yet to be quantified for having completed the works in advance of the contractually agreed term. Both Sonatrach and First Calgary Petroleums LP (this latter wholly owned by the Eni Group since

2008) have appointed their arbitrator and, on March 28, 2014, filed their respective Answers to the Request for Arbitration. The Chairman of the Arbitral Tribunal was appointed on May 26, 2014. On December 17, 2014, Saipem submitted a Statement of Claim, together with all of the relevant supporting documentation, in which it requested a total equivalent of approximately €898.5 million from the Client.
Sonatrach and First Calgary Petroleums LP will file their Statements of Defence by August 14, 2015.

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

Court of Cassation - Consob Resolution No. 18949 of June 18, 2014
With Resolution No. 18949 of June 18, 2014, Italian stock market regulator Consob fined Saipem SpA €80,000 for having allegedly delayed the profit warning it issued on January 29, 2013. On July 28, 2014, Saipem SpA filed an appeal against the resolution with the Milan Court of Appeal but this was rejected by the Court in its ruling of December 11, 2014. The Company intends to appeal against the Court of Appeal's decision at the Italian Court of Cassation.
A number of shareholders and former shareholders have threatened to take legal action against the Company to obtain compensation in relation to the alleged delays in the issue of its profit warnings to the market. The Company has examined the claims received but is of the opinion that they are groundless.

Revenues

The following is a summary of the main components of revenues. For more information about changes in operating expenses, see the 'Financial and economic results' section of the 'Directors' Report'.

33 Net sales from operations

Net sales from operations were as follows:

(€ million)	2013	2014
Net sales from operations	11,530	12,748
Change in contract work-in-progress	311	125
Total	**11,841**	**12,873**

Net sales by geographical area were as follows:

(€ million)	2013	2014
Italy	623	604
Rest of Europe	859	1.105
CIS	1,241	1,187
Middle East	2,711	2,303
Far East	1,210	1,078
North Africa	663	589
West Africa and Rest of Africa	2,163	2,815
Americas	2,371	3,192
Total	**11,841**	**12,873**

Information required by IAS 11 is provided by business sector in Note 44 'Segment information, geographical information and construction contracts'.
Contract revenues include the amount agreed in the initial contract, plus revenue from change orders and claims. Change orders are changes to the contracted scope of work requested by the client, while claims are requests for the reimbursement of costs not included in the contract price. Change orders and claims are included in revenues when: (a) contract negotiations with the client are at an advanced stage and approval is probable; and (b) their amount can be reliably estimated.

The cumulative amount of additional payments for change orders and claims, including amounts pertaining to previous years, based on project progress at December 31, 2014, totalled €1,042 million, down €217 million compared with the previous year. For projects where additional payments exceed €50 million, estimates are supported by a technical/legal opinion provided by independent consultants.
Revenues from related parties are shown in Note 45 'Transactions with related parties'.

34 Other income and revenues

Other income and revenues were as follows:

(€ million)	2013	2014
Gains on disposal of fixed assets	1	1
Indemnities	165	1
Other income	11	13
Total	**177**	**15**

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 'Directors' Report'.

35 Purchases, services and other costs

Purchases, services and other costs included the following:

(€ million)	2013	2014
Production costs - raw, ancillary and consumable materials and goods	2,564	2,678
Production costs - services	5,075	5,092
Operating leases and other	1,062	1,432
Net provisions for contingencies	29	20
Other expenses	210	60
less:		
- capitalised direct costs associated with self-constructed tangible assets	(7)	(15)
- changes in inventories of raw, ancillary and consumable materials and goods	(51)	(5)
Total	**8,882**	**9,262**

Costs for services included agency fees of €4 million (€5 million at December 31, 2013).
Costs incurred in connection with research and development activities that do not meet the requirements for capitalisation amounted to €11 million (€14 million at December 31, 2013).
'Operating leases and other' included operating lease payments of €1,411 million (€1,062 million in 2013).
Future minimum lease payments expected to be paid under non-cancellable operating leases amounted to €624 million (€284 million in 2013), of which €85 million was due within one year, €309 million between 2-5 years and €230 million due after 5 years.
Net provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
Other expenses of €60 million included direct taxes of €29 million, relating mainly to foreign direct and indirect subsidiaries of Saipem SpA.
Purchases, services and other costs to related parties are shown in Note 45 'Transactions with related parties'.

36 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	2013	2014
Wages and salaries	2,016	2,055
Social security contributions	208	264
Contributions to defined benefit plans	28	31
Accrual to provision for employee termination indemnities recognised as a contra-entry to pension plans or Inps fund	25	25
Other costs	13	50
less:		
- capitalised direct costs associated with self-constructed tangible assets	(20)	(17)
Total	**2,270**	**2,408**

Net accruals to provisions for employee benefits are shown under Note 21 'Provisions for employee benefits'.

Stock-based compensation plans for Saipem senior managers

Saipem discontinued its managerial incentive program involving the assignment of stock options to senior managers of Saipem SpA and its subsidiaries in 2009. At December 31, 2014, the only stock option plan still in forces was the 2008 plan approved by the Shareholders of Saipem SpA on April 28, 2008. Neither the general plan conditions nor the other information provided in the consolidated financial statements at December 31, 2013 underwent any significant changes during the year.

STOCK OPTIONS

The following table shows changes in the stock option plans:

	2013			2014		
	Number of shares	Average strike price (€)	Market price [a] (€ thousand)	Number of shares	Average strike price (€)	Market price [a] (€ thousand)
Options as of January 1	**397,485**	**23.980**	**11,646**	**259,500**	**25.979**	**4,038**
New options granted	-	-	-	-	-	-
(Options exercised during the year)	(56,650)	13.787	1,034	-	-	-
(Options expiring during the year)	(81,335)	-	1,484	(198,150)	-	3,547
Options outstanding as of December 31	**259,500**	**25.979**	**4,038**	**61,350**	**25.872**	**538**
Of which exercisable at December 31	**259,500**	**25.979**	**4,038**	**61,350**	**25.872**	**538**

(a) 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 options outstanding at the beginning and end of the year is the price recorded at January 1 and December 31.

The following table shows stock options outstanding as of December 31, 2014 and the number of assignees:

Year [1]	No. of managers	Strike price [2]	No. of shares
Options granted			
2002	213	6.187	2,105,544
2003	58	6.821	1,283,500
2004	58	7.594	1,166,000
2005	56	11.881	980,500
2006	91	17.519	1,965,000
2007	91	26.521	1,332,500
2008	93	25.872	1,339,000
			10,172,044
Options exercised			
2002			(1,847,097)
2003			(1,205,500)
2004			(1,145,500)
2005			(947,500)
2006			(1,381,915)
2007			(883,650)
2008			(850,550)
			(8,261,712)
Options expired			
2002			(258,447)
2003			(78,000)
2004			(20,500)
2005			(33,000)
2006			(583,085)
2007			(448,850)
2008			(427,100)
			(1,848,982)
Options outstanding			
2002			-
2003			-
2004			-
2005			-
2006			-
2007			-
2008			61,350
			61,350

(1) The last Stock Option Plan was approved in 2008.
(2) Official average of prices recorded on the Italian electronic stock exchange in the month preceding assignment of options.

At December 31, 2014, 61,350 options had been assigned for the purchase of the same amount of ordinary shares of Saipem SpA with a nominal value of €1. The options related to the following plans:

	Number of shares	Strike price (€)	Average remaining life (months)	Fair value (€) for assignees resident in Italy	Fair value (€) for assignees resident in France
2008 plan	61,350	25.872	7	-	538
Total	**61,350**	**25.872**	**7**	**-**	**538**

The fair value measurement of options granted in 2005 considers the stock options as European until September 30, 2006, August 23, 2007 and July 27, 2008, respectively, for assignees resident in Italy and until September 30, 2007, August 23, 2008 and July 27, 2009 for those resident in France; subsequently they are considered American. The fair value was therefore calculated using a combination of the Black-Scholes and Merton method for European options and the Roll, Geske and Whaley method for American options. The fair value of 2007 and 2008 stock option rights was calculated based on the trinomial trees method, which considers the stock as American-type call options with dividend entitlement.
The following assumptions were made for the 2008 plan:

- for assignees resident in Italy:

	2008
Risk-free interest rate (%)	4.926
Expected life (years)	6
Expected volatility (%)	34.700
Expected dividends (%)	2.090

- for assignees resident in France:

	2008
Risk-free interest rate (%)	4.918
Expected life (years)	7
Expected volatility (%)	34.700
Expected dividends (%)	2.090

Remuneration of key management personnel

To ensure consistency between disclosures provided in the Remuneration Report and the Annual Report, the definition of key management personnel has been aligned with the definition of Senior Managers with strategic responsibilities, which refers to persons with direct or indirect planning, coordination and control responsibilities. The table below shows remuneration of Senior Managers with strategic responsibilities of Saipem, defined as Senior Managers (other than Directors and Statutory Auditors) serving on the Executive Committee, as well as all direct reports of the CEO.

(€ million)	2013 (1)	2014
Wages and salaries	4	4
Termination indemnities	-	-
Other long-term benefits	1	1
Stock options	-	-
Total	**5**	**5**

(1) Amounts restated to reflect definition of key management personnel applied in 2014.

Remuneration of Statutory Auditors

Remuneration of Statutory Auditors amounted to €160 thousand in 2014.
Remuneration includes emoluments and any other financial rewards or pension/medical benefits due for the function of Statutory Auditor of Saipem SpA or of companies within the scope of consolidation that represented a cost to Saipem, even where these are not subject to income tax on physical persons.

Average number of employees

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

(number)	Dec. 31, 2013	Dec. 31, 2014
Senior managers	427	412
Junior managers	4,687	4,756
White collars	20,893	21,855
Blue collars	19,625	21,611
Seamen	332	333
Total	**45,964**	**48,967**

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

37 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment amounted to €1,157 million (€710 million in 2013) are detailed below:

(€ million)	2013	2014
Depreciation and amortisation:		
- tangible assets	700	725
- intangible assets	10	12
	710	**737**
Impairment:		
- tangible assets	-	420
- intangible assets	-	-
Total	**-**	**420**

Impairment of tangible assets of €420 million includes €410 million relating to adjustments made to one asset and three cash-generating units to bring their carrying amount in line with their expected future margins and useful lives, as described in Note 8 'Property, plant and equipment'.

38 Other operating income (expense)

The income statement effects of the changes in the fair value of derivatives that do not meet the formal requirements to qualify as hedging instruments under IFRS are recognised in 'Other operating income and expenses'. At December 31, 2014 these amounted to expenses of €6 million (income of €1 million at December 31, 2013).

39 Finance income (expense)

Finance income and expense was as follows:

(€ million)	2013	2014
Finance income (expense)		
Finance income	646	759
Finance expense	(787)	(788)
Total	**(141)**	**(29)**
Derivatives	(48)	(170)
Total	**(189)**	**(199)**

Net finance income and expense was as follows:

(€ million)	2013	2014
Exchange gains (losses)	**9**	**165**
Exchange gains	627	747
Exchange losses	(618)	(582)
Finance income (expense) related to net borrowings	**(145)**	**(188)**
Interest and other income from Group financial companies	-	-
Interest from banks and other financial institutions	19	11
Interest and other expense due to Group financial companies	(128)	(148)
Interest and other expense due to banks and other financial institutions	(36)	(51)
Other finance income (expense)	**(5)**	**(6)**
Other finance income from third parties	-	1
Other finance expense due to third parties	-	(1)
Finance income (expense) on defined benefit plans	(5)	(6)
Total finance income (expense)	**(141)**	**(29)**

Gains (losses) on derivatives consisted of the following:

(€ million)	2013	2014
Exchange rate derivatives	(48)	(170)
Total	**(48)**	**(170)**

Net expenses from derivatives of €170 million (revenues of €48 million in 2013) mainly related to the recognition in income of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.

40 Income (expense) from investments

Effect of accounting using the equity method

The share of profit (loss) of investments accounted for using the equity method and other gains (losses) from investments consisted of the following:

(€ million)	2013	2014
Share of profit of investments accounted for using the equity method	19	27
Share of loss of investments accounted for using the equity method	(19)	(3)
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	2	(4)
Total	**2**	**20**

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

Other income (expense) from investments

A net gain of €4 million was registered during the year in relation to the sale to third parties of the company Offshore Design Engineering Ltd.

41 Income taxes

(€ million)	2013	2014
Current taxes:		
- Italian subsidiaries	9	36
- foreign subsidiaries	220	193
Net deferred taxes:		
- Italian subsidiaries	(46)	(30)
- foreign subsidiaries	(77)	(81)
Total	**106**	**118**

Current taxes amounted to €229 million and related to Italian corporate income tax (Ires) of €20 million, relating mainly to tax credits, Italian regional production tax (Irap) charges of €12 million and other charges of €237 million.
The difference between statutory taxes, calculated by applying a 27.5% tax rate (Ires) to profit before income taxes and a 3.9% tax rate (Irap) to the net value of production of Italian Saipem Group companies, as provided for by Italian laws, and effective taxes for the years ended December 31, 2013 and 2014 were due to the following factors:

(€ million)	2013	2014
Result before income taxes	**(30)**	**(120)**
Statutory tax rate	**16**	**(2)**
Items increasing (decreasing) statutory tax rate:		
- lower foreign subsidiaries tax rate	(74)	(2)
- permanent differences and other factors	137	77
- additions to (deductions from) tax provision	(1)	(9)
- unrecognised deferred tax assets	28	54
Total changes	**90**	**120**
Effective tax rate	**106**	**118**

(€ million)	2013	2014
Income tax presented in consolidated income statement	106	118
Income tax related to items of other comprehensive income that may be reclassified to profit or loss	(8)	116
Income tax related to items of other comprehensive income that will not be reclassified to profit or loss	(3)	4
Tax on total comprehensive income	**95**	**238**

42 Non-controlling interests

Profit attributable to non-controlling interests amounted to €8 million (€23 million in 2013).

43 Earnings (loss) per share

Basic earnings per ordinary share are calculated by dividing net profit (loss) for the year attributable to Saipem's shareholders by the weighted average of ordinary shares issued and outstanding during the year, excluding treasury shares.
The number of shares outstanding adjusted for the calculation of the basic earnings per share was 439,359,038 and 439,347,044 in 2014 and 2013, respectively.
Diluted earnings per share are calculated by dividing net profit (loss) for the year attributable to Saipem's shareholders by the weighted average of fully-diluted shares issued and outstanding during the year, with the exception of treasury shares and including the number of shares that could potentially be issued. At December 31, 2014, shares that could potentially be issued only regarded share options granted under stock option plans. The average number of shares outstanding used for the calculation of diluted earnings for 2013 and 2014 was 439,719,829 and 439,529,714, respectively.
Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		Dec. 31, 2013	Dec. 31, 2014
Average number of shares used for the calculation of the basic earnings per share		**439,347,044**	**439,359,038**
Number of potential shares following stock option plans		259,500	61,350
Number of savings shares convertible into ordinary shares		113,285	109,326
Average number of shares used for the calculation of the diluted earnings per share		**439,719,829**	**439,529,714**
Saipem's net profit (loss)	(€ million)	(159)	(230)
Basic earnings (loss) per share	(€ per share)	(0.36)	(0.52)
Diluted earnings (loss) per share	(€ per share)	(0.36)	(0.52)

44 Segment information, geographical information and construction contracts

Segment information

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Unallocated	Total
December 31, 2013						
Net sales from operations	6,545	5,339	1,562	856	-	14,302
less: intra-group sales	1,399	542	385	135	-	2,461
Net sales to customers	**5,146**	**4,797**	**1,177**	**721**	**-**	**11,841**
Operating result	91	(404)	379	91	-	157
Depreciation, amortisation and impairment	283	27	259	141	-	710
Net income from investments	2	-	-	-	-	2
Capital expenditure	393	124	174	211	-	902
Property, plant and equipment	3,793	585	3,351	941	-	8,670
Investments	78	77	-	3	-	158
Current assets	2,498	2,319	639	435	1,872	7,763
Current liabilities	2,819	2,013	287	127	3,524	8,770
Provisions for contingencies	56	81	1	2	56	196
December 31, 2014						
Net sales from operations	9,291	4,698	1,612	901	-	16,502
less: intra-group sales	2,089	933	420	187	-	3,629
Net sales to customers	**7,202**	**3,765**	**1,192**	**714**	**-**	**12,873**
Operating result	275	(411)	100	91	-	55
Depreciation, amortisation and impairment	457	38	512	150	-	1,157
Net income from investments	26	(3)	-	1	-	24
Capital expenditure	260	55	180	199	-	694
Property, plant and equipment	3,666	590	3,034	1,071	-	8,361
Investments	106	2	-	4	-	112
Current assets	2,727	2,399	610	599	2,296	8,631
Current liabilities	3,791	2,217	306	189	3,102	9,605
Provisions for contingencies	48	108	1	4	49	210

Geographical information

Saipem's business involves the use of an offshore fleet which may be deployed on a number of different projects in a single year and which therefore cannot be allocated to a specific geographic area. As a result, certain assets have been deemed not directly attributable.
The unallocated part of tangible and intangible assets and capital expenditure related to vessels and their related equipment and goodwill.
The unallocated part of current assets pertained to inventories related to vessels.
A breakdown of revenues by geographical area is provided in Note 33 'Net sales from operations'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
2013									
Capital expenditure	20	14	17	178	3	14	256	400	902
Tangible and intangible assets	96	36	336	699	21	313	909	6,260	8,670
Identifiable assets (current)	288	1,129	497	2,219	626	970	1,172	862	7,763
2014									
Capital expenditure	27	9	26	154	2	14	126	336	694
Tangible and intangible assets	113	35	303	884	3	294	986	5,743	8,361
Identifiable assets (current)	402	1,491	667	1,856	415	1,113	1,719	968	8,631

Current assets were allocated by geographical area using the following criteria: (i) cash and cash equivalents and financing receivables were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventory was allocated on the basis of the country in which

onshore storage facilities were situated (i.e. excluding inventory in storage facilities situated on vessels); and (iii) trade receivables and other assets were allocated to the geographical area to which the related project belonged.
Non-current assets were allocated on the basis of the country in which the asset operates, except for offshore drilling and construction vessels, which were included under 'Unallocated'.

Construction contracts

Construction contracts were accounted for in accordance with IAS 11.

(€ million)	2013	2014
Construction contracts - assets	1,771	1,955
Construction contracts - liabilities	(1,314)	(1,416)
Construction contracts - net	**457**	**539**
Costs and margins (completion percentage)	11,538	13,377
Progress billings	(11,050)	(12,819)
Change in provision for future losses	(31)	(19)
Construction contracts - net	**457**	**539**

45 Transactions with related parties

Saipem SpA is a subsidiary of Eni SpA. Transactions with related parties entered into by Saipem SpA and/or companies within the scope of consolidation concern mainly the supply of services, the exchange of goods, the provision and utilisation of financial resources, including entering into derivative contracts with joint ventures, associates and unconsolidated subsidiaries, with subsidiaries, jointly-controlled entities and associates of Eni SpA, and with a number of entities owned or controlled by the State. These transactions are an integral part of the ordinary course of its business and are carried out on an arm's length basis, i.e. at conditions which would be applied between willing and independent parties. All transactions were carried out for the mutual benefit of the Saipem companies involved. Pursuant to disclosure requirements of Consob Regulation No. 17221 of March 12, 2010, the following transactions with related parties were carried out in 2014:

- on February 18, 2014, Saipem SpA entered into a 5-year, €300 million, medium/long-term bullet loan agreement at a fixed rate of 2.5% with Eni SpA;
- on March 31, 2014, Saipem SpA and Versalis SpA signed a contract for the construction of a new EPDM rubber production line and the upgrading of existing lines at the Versalis plant in Ferrara, Italy, worth €206 million;
- on April 16, 2014, Saipem SA and Sofresid SA (respectively direct and indirect subsidiaries of Saipem SpA) entered into currency hedges with a total notional amount of approximately €2,437 million with Eni SpA. The transactions were necessary to mitigate the foreign currency fluctuation risk (and its impact on expected project earnings) associated with an important project to be undertaken in Angola awarded to the company by Total Exploration and Production Angola;
- on June 30, 2014, Saipem SpA entered into a 5-year, €750 million, medium/long-term bullet loan agreement at a fixed rate of 3.6% with Eni SpA. Signing the agreement enabled the simultaneous prepayment of short-term loans for the same amount;
- on June 30, 2014, Saipem SpA entered into a 5-year agreement with Eni SpA for a €650 million medium to long-term revolving line of credit, carrying a variable rate of interest based on EURIBOR and facility usage. The signing of the agreement enabled the simultaneous prepayment of medium to long-term loans for the same amount;
- on July 17, 2014, a contract with an expected duration of 3 years and an estimated value of 460 million US dollars was signed between a consortium formed by PT Saipem Indonesia and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda, indirect subsidiaries of Saipem SpA, and Eni Muara Bakau BV, an indirect subsidiary of Eni SpA, for the drilling of 11 wells offshore Indonesia with an option for a further 5 wells, using the semi-submersible rig Scarabeo 7, in the area of the Indonesian offshore sector. On July 24, 2014, the client Eni spA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda, an indirect subsidiary of Saipem SpA, signed a revision ("Revision No. 6") of the framework agreement entered into on June 9, 2006 by the two companies for drilling services using the semi-submersible rig Scarabeo 7. The agreement, which has a base value of 308 million US dollars, guarantees the availability of the Scarabeo 7 for the client's drilling operations for a further two years, until February 2018, and allows the client to enter into specific contracts to meet operating requirements arising in the areas of operation. The change in the framework agreement pertaining to the year amounted to 357 million US dollars;
- on November 24, 2014, Saipem Offshore Norway AS, direct subsidiary of Saipem SpA, signed with Eni Finance International SA, subsidiary of Eni SpA, two loan agreements with the following characteristics: a one year short-term revolving loan agreement for €760 million, carrying a variable rate of interest plus a spread of 150 basis points; and a 3 year long-term revolving loan agreement for €300 million, carrying a variable rate of interest plus a spread of 250 basis points. The above agreements are required to refinance a line of credit of €1,100 million due to expire with the same counterparty, of which at present €1,060 million has been used. The new loan agreements are needed to support the company's commitments in relation to the operation and leasing of vessels for services; and
- the transaction with Vodafone Omnitel BV which, pursuant to the provisions of Consob's Regulation concerning transactions with related parties of March 12, 2010 and Saipem's internal procedure 'Interests held by Board Directors and Statutory Auditors and transactions with related parties', is related to Eni SpA through a member of the Board of Directors. The transaction in question was carried out on an arm's length basis and essentially related to costs for mobile communication services amounting to €4 million.

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

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

Trade and other transactions

Trade and other transactions as of and for the year ended December 31, 2013 were as follows:

(€ million)

	Dec. 31, 2013			2013			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services [1]	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	2	-	-	2	-	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	-	-
Total unconsolidated subsidiaries	**1**	**2**	**-**	**-**	**2**	**-**	**-**
Associates and jointly-controlled companies							
ASG Scarl	-	4	-	-	1	1	-
CEPAV (Consorzio Eni per l'Alta Velocità) Due	78	165	150	-	127	167	-
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	38	16	951	-	2	44	-
Charville - Consultores e Servicos, Lda	1	-	-	-	-	2	-
Consorzio F.S.B.	-	-	-	-	1	-	-
KWANDA Suporte Logistico Lda	55	5	-	-	2	6	-
Modena Scarl	-	-	-	-	1	-	-
Petromar Lda	69	7	43	-	7	69	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	2	-	-	-	-	1	-
Rodano Consortile Scarl	-	1	-	-	-	-	-
Sabella SAS	1	-	-	-	-	-	-
Saidel Ltd	-	-	-	-	10	4	-
Saipar Drilling Co BV	-	-	-	-	-	1	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	5	15	-	-	46	1	-
Société pour la Réalisation du Port de Tanger Méditerranée	3	-	-	-	-	-	-
Southern Gas Constructors Ltd	1	-	-	-	-	5	-
TMBYS SAS	2	-	-	-	-	9	-
Others (for transactions not exceeding €500 thousand)	1	1	1	-	1	1	-
Total associates and jointly-controlled companies	**256**	**214**	**1,145**	**-**	**198**	**311**	**-**
Eni consolidated subsidiaries							
Eni SpA	1	10	5,339	1	17	1	-
Eni SpA Exploration & Production Division	58	5	-	3	2	194	-
Eni SpA Gas & Power Division	1	1	-	-	2	-	-
Eni SpA Refining & Marketing Division	28	2	-	5	-	47	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	1	-
Burren Energy (Services) Ltd	6	-	-	-	-	4	-
Eni Adfin SpA	-	-	-	-	4	-	-
Eni Angola SpA	73	-	-	-	-	177	-
Eni Canada Holding Ltd	52	-	-	-	-	9	-
Eni Congo SA	101	43	-	-	3	124	-
Eni Corporate University SpA	-	4	-	-	7	-	-
Eni Finance International SA	-	-	-	-	1	-	-
Eni Ghana Exploration & Production Ltd	-	-	-	-	-	18	-
Eni Insurance Ltd	3	7	-	-	34	17	14
Eni Iraq BV	2	-	-	-	-	-	-
Eni Lasmo PLC	8	-	-	-	-	8	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	1	-
Eni Muara Bakau BV	2	-	-	-	-	2	-
Eni Norge AS	69	-	-	-	-	196	-
EniPower SpA	4	-	-	-	-	8	-
EniServizi SpA	1	27	-	-	49	1	-
Eni Trading & Shipping SpA	-	-	-	-	1	-	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-

Trade and other transactions as of and for the year ended December 31, 2013 (continued)

(€ million)

	Dec. 31, 2013			2013			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services (1)	Goods and services	Other
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Nigerian Agip Exploration Ltd	33	-	-	-	-	42	-
Raffineria di Gela SpA	5	-	-	-	-	6	-
Serfactoring SpA	2	33	-	-	1	-	-
Syndial SpA	10	-	-	-	-	11	-
Versalis France SAS (formerly Polimeri Europa France SAS)	-	-	-	-	-	1	-
Versalis SpA	22	-	-	-	-	23	-
Others (for transactions not exceeding €500 thousand)	2	1	-	-	1	1	-
Total Eni consolidated subsidiaries	**491**	**133**	**5,339**	**9**	**122**	**892**	**14**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	47	17	-	-	-	489	-
Eni Togo BV	2	-	-	-	-	45	-
Total Eni subsidiaries	**540**	**150**	**5,339**	**9**	**122**	**1,426**	**14**
Eni associates and jointly-controlled companies							
InAgip doo	3	1	-	-	-	28	-
Eni East Africa SpA	-	-	-	-	-	96	-
Petrobel Belayim Petroleum Co	20	-	-	-	-	46	-
Others (for transactions not exceeding €500 thousand)	4	-	-	-	-	4	-
Total Eni associates and jointly-controlled companies	**27**	**1**	**-**	**-**	**-**	**174**	**-**
Total Eni companies	**567**	**151**	**5,339**	**9**	**122**	**1,600**	**14**
Entities controlled or owned by the State	**25**	**61**	**-**	**-**	**7**	**47**	**-**
Pension funds: FOPDIRE	**-**	**-**	**-**	**-**	**2**	**-**	**-**
Total transactions with related parties	**849**	**428**	**6,484**	**9**	**331**	**1,958**	**14**
Overall total	**3,240**	**5,129**	**7,307**	**2,564**	**6,347**	**11,841**	**177**
Incidence (%)	**26.20**	**8.34**	**88.74**	**0.35**	**5.18** (2)	**16.54**	**7.91**

(1) The item 'Services' includes costs for services, costs for the use of third-party assets and other costs.
(2) Incidence is calculated net of Pension Funds.

Trade and other transactions as of and for the year ended December 31, 2014 were as follows:

(€ million)

	Dec. 31, 2014			2014			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services (1)	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	2	-	-	2	-	-
Total unconsolidated subsidiaries	**-**	**2**	**-**	**-**	**2**	**-**	**-**
Associates and jointly-controlled companies							
ASG Scarl	-	6	-	-	4	-	-
CEPAV (Consorzio Eni per l'Alta Velocità) Due	114	152	150	-	159	216	-
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	21	12	278	-	3	14	-
Charville - Consultores e Servicos, Lda	-	-	-	-	-	1	-
Consorzio F.S.B.	-	-	-	-	1	-	-
CSFLNG Netherlands BV	-	1	-	-	-	12	-
Fertilizantes Nitrogenados de Venezuela CEC	-	-	-	-	-	1	-
KWANDA Suporte Logistico Lda	68	15	-	-	10	9	-
Petromar Lda	90	4	39	-	2	61	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	1	-	-	-	-	-	-
Saidel Ltd	-	-	-	-	1	-	-
Saipar Drilling Co BV	-	-	-	-	-	1	-

Trade and other transactions as of at and for the year ended December 31, 2014 (continued)

(€ million)

	Dec. 31, 2014			2014			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services [1]	Goods and services	Other
Saipem Taqa Al Rushaid Fabricators Co Ltd	14	16	-	-	44	8	-
Société pour la Réalisation du Port de Tanger Méditerranée	1	-	-	-	-	-	-
Southern Gas Constructors Ltd	1	-	-	-	-	-	-
TMBYS SAS	2	1	-	-	-	8	-
Others (for transactions not exceeding €500 thousand)	1	2	-	-	-	1	-
Total associates and jointly-controlled companies	**313**	**209**	**467**	**-**	**224**	**332**	**-**
Eni consolidated subsidiaries							
Eni SpA	5	11	4,742	-	18	1	-
Eni SpA Downstream Gas Division	-	-	-	-	2	-	-
Eni SpA Exploration & Production Division	87	7	-	-	2	195	-
Eni SpA Gas & Power Division	1	1	-	-	1	-	-
Eni SpA Refining & Marketing Division	18	1	-	7	1	27	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	1	-
Agip Oil Ecuador BV	2	-	-	-	-	5	-
Banque Eni SA	-	-	-	-	1	-	-
Eni Adfin SpA	-	3	-	-	4	-	-
Eni Angola SpA	55	-	-	-	-	138	-
Eni Congo SA	150	21	-	-	-	378	-
Eni Corporate University SpA	-	3	-	-	7	1	-
Eni Cyprus Ltd	27	-	-	-	-	56	-
Eni East Sepinggan Ltd	1	-	-	-	-	22	-
Eni Finance International SA	-	1	-	-	-	-	-
Eni Insurance Ltd	-	5	-	-	2	1	-
Eni Lasmo PLC	2	-	-	-	-	9	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	2	-
Eni Muara Bakau BV	35	25	-	-	-	89	-
Eni Norge AS	46	-	-	-	-	165	-
EniPower SpA	2	-	-	-	-	2	-
EniServizi SpA	1	17	-	-	49	1	-
Eni Trading & Shipping SpA	-	-	-	-	(2)	-	-
Eni Turkmenistan Ltd	2	-	-	-	-	10	-
Floaters SpA	1	-	-	-	-	4	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Nigerian Agip Exploration Ltd	1	-	-	-	-	11	-
Raffineria di Gela SpA	-	-	-	-	-	3	-
Serfactoring SpA	3	13	-	-	2	-	-
Società Adriatica Idrocarburi SpA	-	-	-	-	-	1	-
Syndial SpA	9	-	-	-	-	15	-
Versalis France Sas	-	-	-	-	-	1	-
Versalis SpA	13	-	-	-	-	69	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	-	-
Total Eni consolidated subsidiaries	**470**	**108**	**4,742**	**7**	**87**	**1,207**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	-	-	-	-	-	155	-
Total Eni subsidiaries	**470**	**108**	**4,742**	**7**	**87**	**1,362**	**-**

Trade and other transactions as of at and for the year ended December 31, 2014 (continued)

(€ million)

	Dec. 31, 2014			2014			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services [1]	Goods and services	Other
Total Eni subsidiaries	**470**	**108**	**4,742**	**7**	**87**	**1,362**	**-**
Eni associates and jointly-controlled companies							
Blue Stream Pipeline Co BV	-	-	-	-	-	1	-
Eni East Africa SpA	7	3	-	2	-	82	-
Greenstream BV	1	-	-	-	-	2	-
Mellitah Oil&Gas BV	10	-	-	-	-	(1)	-
Petrobel Belayim Petroleum Co	23	-	-	-	-	83	-
Raffineria di Milazzo	6	-	-	-	-	6	-
South Stream Transport BV	-	-	-	-	-	495	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	1	-
Total Eni associates and jointly-controlled companies	**48**	**3**	**-**	**2**	**-**	**669**	**-**
Total Eni companies	**518**	**111**	**4,742**	**9**	**87**	**2,031**	**-**
Entities controlled or owned by the State	**16**	**60**	**-**	**-**	**13**	**43**	**-**
Pension funds: FOPDIRE	**-**	**-**	**-**	**-**	**1**	**-**	**-**
Total transactions with related parties	**847**	**382**	**5,209**	**9**	**327**	**2,406**	**-**
Overall total	**3,391**	**5,669**	**8,169**	**2,678**	**6,584**	**12,873**	**15**
Incidence (%)	**25.60** [2]	**6.74**	**63.77**	**0.34**	**4.95** [3]	**18.69**	**-**

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

The figures shown in the tables refer to Note 3 'Trade and other receivables', Note 15 'Trade and other payables', Note 32 'Guarantees, commitments and risks', Note 33 'Net sales from operations', Note 34 'Other income and revenues', and Note 35 'Purchases, services and other costs'.
The Saipem Group provides services to Eni Group companies in all sectors in which it operates, both in Italy and abroad. Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group.
Other transactions consisted of the following:

	Dec. 31, 2013		Dec. 31, 2014	
(€ million)	Other receivables	Other payables	Other receivables	Other payables
Eni SpA	219	108	356	805
Banque Eni SA	7	6	3	18
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	3	-	3	-
Eni Trading & Shipping SpA	-	-	-	5
Total transactions with related parties	**229**	**114**	**362**	**828**
Overall total	**527**	**117**	**635**	**840**
Incidence (%)	**43.45**	**97.44**	**57.01**	**98.57**

Financial transactions

Financial transactions as of and for the year ended December 31, 2013 were as follows:

(€ million)

	Dec. 31, 2013				2013		
Name	Cash and cash equivalents	Receivables	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	58	-	2,231	11,457	(61)	-	(46)
Banque Eni SA	42	-	-	393	-	-	(2)
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	-	-	-	-	-	7	-
Eni Finance International SA	615	-	3,469	-	(65)	-	-
Eni Trading & Shipping SpA	-	-	-	-	-	1	-
Serfactoring SpA	-	-	14	-	(2)	-	-
Total transactions with related parties	**715**	**-**	**5,714**	**11,850**	**(128)**	**8**	**(48)**

(1) Shown on the balance sheet under 'Short-term debt' (€1,698 million), 'Long-term debt' (€2,659 million) and 'Current portion of long-term debt' (€1,357 million).

Financial transactions as of and for the year ended December 31, 2014 were as follows:

(€ million)	Dec. 31, 2014				2014		
Name	Cash and cash equivalents	Receivables (2)	Payables (2)	Commitments	Expenses	Income	Derivatives
Eni SpA	87	-	1,798	15,864	(80)	-	(161)
Banque Eni SA	57	-	-	366	-	-	(6)
Eni Finance International SA	741	-	3,709	-	(65)	-	-
Eni Finance USA Inc	-	14	-	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	-	(6)	-	-
Serfactoring SpA	-	-	24	-	(3)	-	-
TMBYS SAS	-	7	-	-	-	-	-
Total transactions with related parties	**885**	**21**	**5,531**	**16,230**	**(154)**	**-**	**(167)**

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

Financial transactions also included transactions with Eni Trading & Shipping SpA which are included in the income statement under the item 'Other operating income (expense)'.
As the result of a special agreement between Saipem and the Eni Corporate Finance Unit, Eni SpA supplies financial services to the Italian companies of the Saipem Group, consisting of loans, deposits and financial instruments for the hedging of foreign exchange and interest rate risks.
The incidence of financial transactions and positions with related parties was as follows:

	Dec. 31, 2013			Dec. 31, 2014		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	1,899	1,698	89.42	2,186	1,873	85.68
Long-term debt (including current portion)	4,217	4,016	95.23	3,908	3,658	93.60

	2013			2014		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	646	7	1.08	759	-	-
Finance expense	(787)	(128)	16.26	(788)	(148)	18.78
Derivative financial instruments	(48)	(48)	100.00	(170)	(167)	98.24
Other operating income (expense)	1	1	100.00	(6)	(6)	100.00

The main cash flows with related parties were as follows:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Revenues and other income	1,972	2,406
Costs and other expenses	(340)	(336)
Finance income (expenses) and derivatives	(168)	(321)
Change in trade receivables and payables	386	(44)
Net cash flow from operations	**1,850**	**1,705**
Change in financial receivables	54	(21)
Net cash flow from (used in) investing activities	**54**	**(21)**
Change in financial debt	449	(183)
Net cash flow from (used in) financing activities	**449**	**(183)**
Total cash flows with related parties	**2,353**	**1,501**

Financial transactions also include transactions with Eni Trading & Shipping SpA which are included in the income statement under the item 'Other operating income (expense)'.

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

	Dec. 31, 2013			Dec. 31, 2014		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Net cash flow from operations	452	1,850	409.29	1,198	1,705	142.32
Net cash flow from (used in) investing activities	(506)	54	(10.67)	(698)	(21)	3.01
Net cash flow from (used in) financing activities (*)	525	449	85.52	(170)	(183)	107.65

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

Information on jointly-controlled entities

The table below contains information regarding jointly-controlled entities consolidated using the working interest method as at December 31, 2014:

(€ million)	Dec. 31, 2013	Dec. 31, 2014
Net capital employed	(77)	(55)
Total assets	64	95
Total current assets	64	93
Total non-current assets	-	2
Total liabilities	78	90
Total current liabilities	78	87
Total non-current liabilities	-	3
Total revenues	(12)	17
Total operating expenses	(3)	(10)
Operating result	(15)	7
Net profit (loss) for the year	(14)	5

46 Significant non-recurring events and operations

No significant non-recurring events or operations took place in 2013 or 2014.

47 Transactions deriving from atypical or unusual operations

No transactions deriving from atypical and/or unusual operations occurred in 2013 or 2014.

48 Events subsequent to year end

Information on subsequent events is provided in the section 'Events subsequent to year end' of the 'Directors' Report'.

49 Additional information - Algeria

Further to the disclosures provided in the Algeria paragraph of the 'Legal proceedings' section, we note the following additional information with regard to projects under execution in Algeria as at December 31, 2014, with the sole purpose of providing a complete and comprehensive picture of the current situation:

- funds in two current accounts (ref. Note 1) amounting to the equivalent of €90 million are currently temporarily frozen;
- trade receivables (ref. Note 3) totalled €75 million, of which receivables past due, but not impaired, amounting to €71 million (€12 million from 6 to 12 months past due and €59 million more than one year past due);
- work-in-progress (ref. Note 4) on projects under execution amounted to €150 million;
- deferred income and advance payments (ref. Note 15) totalled €79 million and €2 million, respectively;
- provisions for future losses (ref. Note 20) for projects under execution amounted to €4 million; and
- guarantees (ref. Note 32) on projects under execution totalled €696 million.

Certification pursuant to Article 154-*bis*, paragraph 5 of Legislative Decree No. 58/1998 'Testo Unico della Finanza' (Consolidated Tax Law)

1. The undersigned Umberto Vergine and Alberto Chiarini in their capacity as CEO and manager responsible for the preparation of financial reports of Saipem SpA, respectively, pursuant to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998, certify that the internal controls over financial reporting in place for the preparation of the consolidated financial statements at December 31, 2014 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 consolidated financial statements at December 31, 2014 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 Organisations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:
   3.1 these 2014 consolidated financial statements:
      a) were prepared in accordance with the evaluation and measurement criteria issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002;
      b) correspond to the Company's evidence and accounting books and entries;
      c) fairly represent the financial condition, results of operations and cash flows of the parent company and the Group consolidated companies as of and for the period presented in this Report;
   3.2 the Directors' Report provides a reliable analysis of business trends and results, including a trend analysis of the parent company and the Group companies, as well as a description of the main risks and uncertain situations to which they are exposed.

March 10, 2015

Umberto Vergine
CEO

Alberto Chiarini
Chief Financial Officer and Compliance Officer

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Saipem S.p.A.

1. We have audited the consolidated financial statements of Saipem S.p.A. and its subsidiaries (the "Saipem Group"), as of and for the year ended December 31, 2014, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the related explanatory notes. The preparation of these consolidated financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Saipem S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present, for comparative purposes, the financial data of the prior year and the balance sheet as of January 1, 2013. As disclosed in the explanatory note "Restatement of comparative data", the Directors restated some financial data previously presented related to the prior year and to the balance sheet as of January 1, 2013 which derives from the consolidated financial statements as of December 31, 2012, on which we issued our auditors' reports on April 8, 2014 and on April 3, 2013, respectively. We have examined the methods adopted to restate the comparative financial data and the related disclosures as part of our audit of the consolidated financial statements as of December 31, 2014.

3. In our opinion, the consolidated financial statements of the Saipem Group at December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Saipem Group for the year then ended.

4. The Directors of Saipem S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Directors' Report and the Corporate Governance and Shareholding Structure Report published in the section "Corporate Governance" of Saipem S.p.A.'s website. Our responsibility is to express an opinion on

Building a better working world

the consistency with the consolidated financial statements of the Directors' Report and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Corporate Governance and Shareholding Structure Report, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Corporate Governance and Shareholding Structure Report, are consistent with the consolidated financial statements of the Saipem Group at December 31, 2014.

Milan, April 2, 2015

Reconta Ernst & Young S.p.A.
Signed by: Pietro Carena, Partner

This report has been translated into the English language solely for the convenience of international readers.

Addendum - Sustainability Performance 2014

saipem

Sustainability Performance

This Addendum provides information on the Saipem Group's sustainability performance and has been drafted pursuant to the Guidelines of the Global Reporting Initiative (version G3.0).
The information contained herein has been structured according to GRI indicators and supplements the information disclosed previously in sections of the Annual Report and in Saipem Sustainability, as detailed in the chapter 'Methodology, criteria and principles of reporting'.

Contents

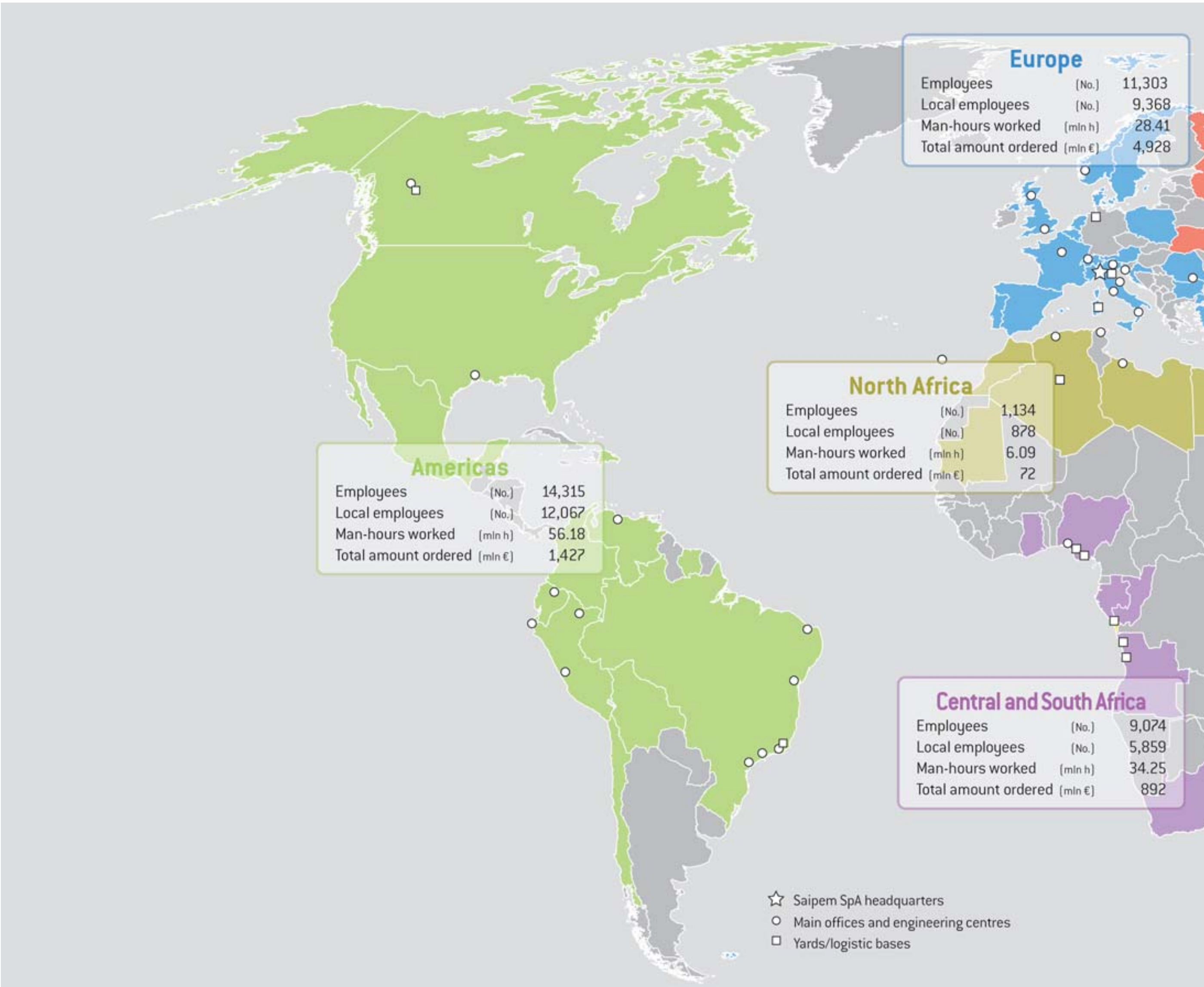
Organisational profile

Ref. GRI 2.1 - 2.10

Saipem is a leading global contractor with a significant local presence in strategic emerging areas such as Africa, Central Asia, America, the Middle East and South East Asia.
Saipem enjoys a competitive edge for providing EPCI (Engineering, Procurement, Construction and Installation) and EPC (Engineering, Procurement and Construction) services to the Oil & Gas industry, both onshore and offshore, with a special focus on complex and technologically advanced projects, including activities in remote areas, in deep waters and on projects involving the exploitation of difficult gas or crude supplies. The drilling services offered by the Company stand out in many of the most critical areas of the oil industry, often thanks to synergies between onshore and offshore activities. Saipem's ability to develop projects in critical and remote areas is ensured by the efficient coordination between local and Corporate activities, guaranteed logistical support worldwide and the consolidated capacity to manage locally any difficulties that arise. Saipem has been listed on the Milan Stock Exchange since 1984. Saipem is a subsidiary of Eni which currently holds a 42.93% share in the Company.

The organisation

Saipem has cutting-edge competencies in engineering and project management and avails of a technologically advanced and extremely versatile fleet.
Following the changes which saw the Engineering & Construction and Drilling Business Units integrated under the control of the Chief Operating Officer, 2014 brought the introduction of a new organisational structure of business activities designed to enable Saipem to grasp the opportunities offered by the market and to improve Company performance and profitability, through:
- the creation of four Business Units equipped with the resources required to achieve the expected operating and economic results in terms of project acquisition and implementation;
- centralised management of Post Order activities for the Onshore,



Offshore and Floaters businesses; and

- the bolstering of the regional oversight role performed by the Regional Managers in order to ensure integrated business promotion at local level, represent the Company in a unified way in relations with stakeholders and optimise competencies, structures and assets.

2014 in numbers

In 2014, Offshore Engineering & Construction work involved the laying of 1,772 km of subsea pipeline and the installation of 101,799 tonnes of plant and equipment. As regards Onshore Engineering & Construction, on the other hand, work included the laying of 1,897 km of pipelines of varying diameter and the installation of 90,873 tonnes of plant and equipment.

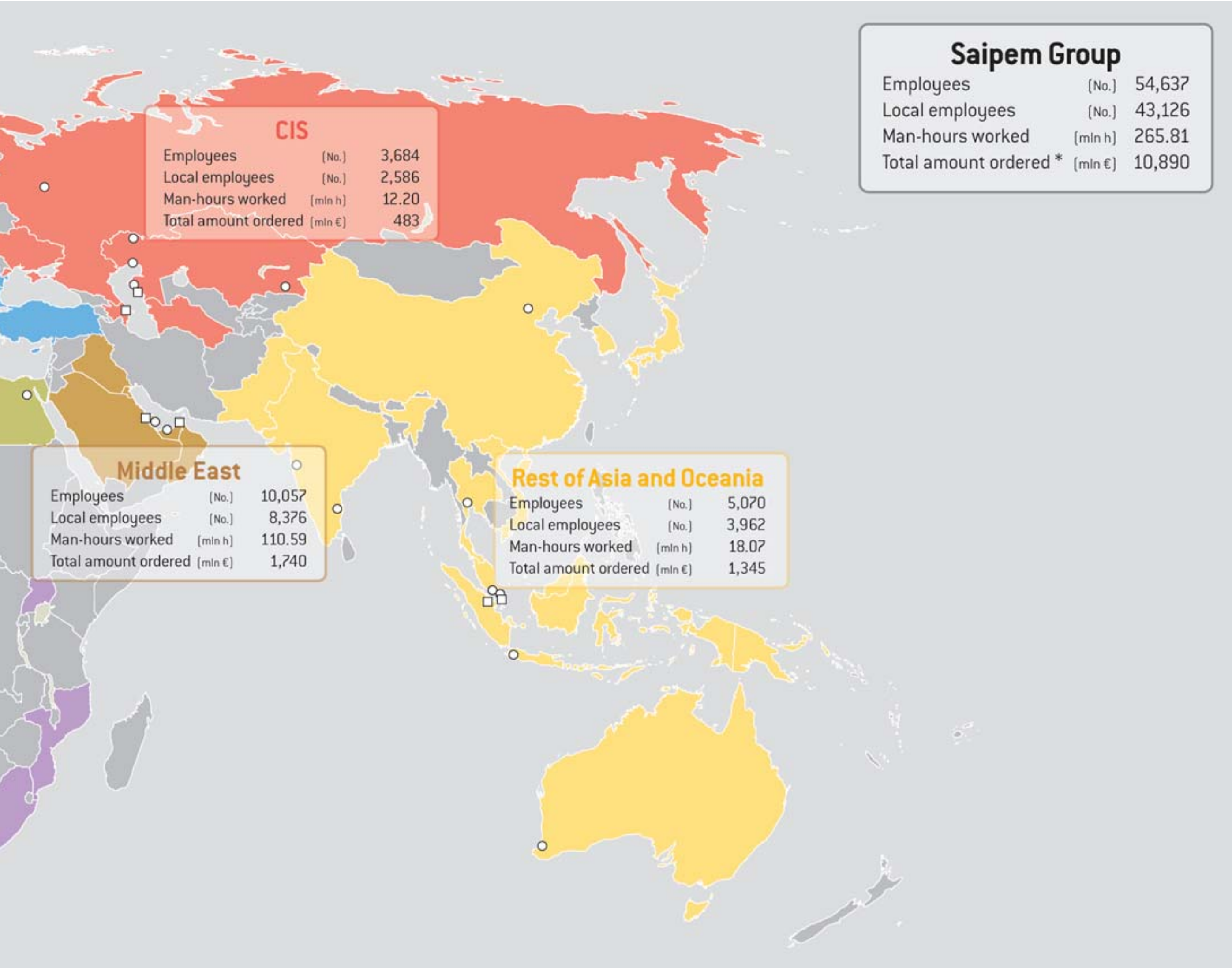
Offshore Drilling comprised the drilling of 123 wells, totalling 188,527 metres drilled. Onshore Drilling comprised 417 wells, totalling 877,567 metres drilled.

Shareholders by geographical area [1]

Shareholders	Number of shares	% of capital
Italy	247,712,308 [2]	56.11
Other EU States	67,229,108	15.23
Americas	54,167,189	12.27
UK and Ireland	33,178,317	7.52
Other European States	12,562,295	2.85
Rest of the World	26,561,683	6.02

(1) Based on 2013 dividend payments.
(2) Includes 1,977,532 treasury shares with no dividend entitlement.

Backlog by geographical area	(%)
Europe	8.3
CIS	18.3
Middle East	24.9
Americas	12.6
North Africa	0.5
Central and South Africa	29.7
Rest of Asia and Oceania	5.7



(*) It should be noted that the total orders refers those from vendors belonging to different geographical areas.

Commitments, results and objectives

Ref. GRI 1.2

This section describes the main commitments, results and objectives of the function divided according to area of activity. Further details on results achieved can be found in the document 'Saipem Sustainability 2014'.

Area	2014 results	2015-2018 goals
Safety		
Ensure the safety of everyone who works for Saipem	- Launch of the 'We Want Zero' campaign, an initiative which aims to reduce fatal accidents to zero - Preparation of material for the launch and dissemination of the programme 'Life Saving Rules' developed by the OGP (International Association of Oil & Gas Producers) - Further implementation of the LiHS programme and its adaptation to more local operational realities. Engagement is ongoing and involves all levels of the Company - Saipem SpA obtained renewal of OHSAS 18001 certifications. The same was achieved by an additional 15 companies in the Saipem Group	- Ensure that HSE risk management is adequately assessed and that appropriate mitigation measures are taken into consideration - Classify companies/branches by risk cluster and achievement of OHSAS 18001 certification for those with a significant risk profile - Continue the 'We Want Zero' programme - Continue the process for standardising HSE training delivered in the Saipem Group - Extend the 'Train the HSE trainer' initiative to the main Company training centres - Continue the LiHS programme 'Leading Behaviours' - Improve communications and sharing of information with subcontractors to enhance their performance and compliance with Saipem's health and safety standards - Continue to implement the campaign for industrial hygiene - Continue the 'Hand safety' and 'Working at height and in confined space' campaigns - Launch the 'Life Saving Rules' campaign
Health		
Safeguard and promote the health of Saipem people	- Dissemination of the 'Pre-Travel Counselling' programme for all personnel travelling abroad (1,200 employees trained in 2014) - Agreements and collaborative initiatives confirmed with scientific institutions on a range of themes: with the IRCCS Policlinico di San Donato Milanese for health promotion initiatives and for emergency medical assistance provided to Saipem employees; with the CIRM (Centro Internazionale Radio Medico) for the provision of medical assistance via radio to employees working on the offshore fleet; and with Milan's Sacco hospital for infectious disease testing of employees returning from work abroad - Participation in the 'Workplace Health Promotion' programme - Launch of specific programmes for cardiovascular disease prevention to identify cardiovascular risks among workers at operating sites (the programme was conducted at 148 work sites) - Carried out a vaccine awareness campaign and continued preventive measures in favour of employees - Continued malaria programmes for employees and local communities - Further developed the H-Factor on other sites to promote correct nutrition (12 new sites)	- Promote the H-Factor campaign and extend it to other operating companies and branches - Continue programmes for the prevention of cardiovascular diseases - Spread the 'Pre-Travel Counselling' programme targeted at all personnel travelling abroad and update in line with international health alerts - Continuously monitor the Health Performance Indicators (HPI) - Strengthen implementation of telemedicine programmes and monitoring of their correct use - Continue the health promotion programmes targeted at local communities
Personnel development		
Develop the skills and competencies of human resources and improve both the work environment and the HR management system	- Realisation of the 'Strategy LineUp meeting' initiative, a series of meetings for the cascading of Company objectives and strategies - Extension of the 'Share & Shape' project that gives young resources the change to put forward proposals for improvement to Top Management - Involvement of Top Management in the 'Responsible Leadership' workshop, held on two occasions in San Donato Milanese, designed in cooperation with Eni Corporate University and with teachers from the SDA Bocconi management school - Relaunch of the mapping, development and monitoring of skills, beginning with the analysis with a group of 5 key roles: Drilling Superintendent, Offshore Project Manager, Onshore Construction Manager, Procurement Manager, and Project Technical Manager - Collaborated with local universities and technical institutes for the development of the technical and managerial skills of personnel	- Promote Local Content, including through specific training and career programmes for the development and professional growth of local personnel - Maintain and optimise Saipem's know-how - Define and diffuse a responsible leadership model - Monitor remuneration policies - Take specific actions for the internal communication of HR management and development policies - Develop actions in support of the increase and quality of female employment (more women in management positions, on the Board of Directors and on other Boards)

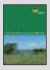
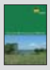
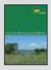
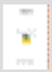
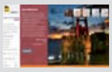
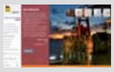
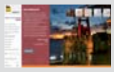
Area	2014 results	2015-2018 goals
	- Collaboration agreement signed with Milan Polytechnic for the creation of a new visiting chair to be known as the 'Saipem International Chair', which will be awarded annually to a leading international scholar from the field of energy and plant engineering - Updating of the Succession Plans for strategic roles	
Security		
Ensure the security of Saipem's people and vessels	- Delivery of training on human rights for Security personnel in the Karimun Yard (Indonesia) - 100% achievement of contracts with external security companies that include clauses on human rights	- Design and deliver a training course on human rights for security personnel in other operational areas
Environment		
Manage and minimise environmental impacts in the life cycle of operations and improve environmental performance	- Carried out energy assessments in the office buildings of Fano and Vibo Valentia (Italy), the Arbatax Yard (Italy), the logistics base in Ravenna (Italy) and on an onshore drilling rig in Italy - Saipem SpA obtained renewal of ISO14001 certifications. The same was achieved by an additional 15 Saipem Group companies - Environmental awareness raising: 'World Environmental Day' (WED) was celebrated in June with the slogan 'Efficient consumption means green consumption' - Promoted 'Print Less Day' targeted at raising awareness about the need to reduce paper consumption - Continued the action plans previously defined in order to prevent environmental crimes pursuant to Italian Legislative Decree No. 231/2001 - Drafted a leaflet on biodiversity best practices in the Saipem Group	- Continuous monitoring of environmental performance and impacts - Standardisation at Group level of the environmental impact assessment - Energy assessment on several assets to identify critical areas and propose corrective actions in order to increase energy efficiency - Promotion of initiatives to decrease water consumption, i.e. the reuse of waste water - Continuation of efforts to prevent spills through appropriate risk analysis, training and drills - Promotion of the 'monetisation of waste' option on operational sites with a view to reducing the quantity and hazardousness of waste
Local Areas and Communities		
Improve and consolidate local stakeholder relations and contribute to the socio-economic development of the local context	- Issued the Management System Guideline 'Sustainability Stakeholder Engagement and Community Relations', which sets out the stages of the process as follows: identification of stakeholders, definition of an engagement strategy, implementation and, finally, monitoring of the strategy - Consolidated activities for the monitoring of local community initiatives and stakeholder relations - Implemented the economic impact assessment model of the Local Content strategy on the Guarujá Yard (Brazil), Canada and on the Egina project (Nigeria) - Continued the auditing programme on 25 vendors in relation to labour rights and respect for human rights - Involved local vendors and subcontractors in sustainability initiatives targeted at host communities in Kazakhstan and Russia - Struck up partnerships and associations with local schools, institutes and universities to boost the education system and improve the skills of the local population, including with reference to technical Oil & Gas related issues, as well as health and safety (Kazakhstan, Peru, Italy, Brazil, Nigeria, Colombia and Azerbaijan) - Struck up partnerships and associations with health organisations and institutions to improve local health conditions and combat endemic illnesses (Venezuela, Colombia, Kazakhstan, Congo, Angola and Nigeria) - Held initiatives to support qualification of local vendors and their compliance with the operating standards of Saipem in Iraq, Colombia, Saudi Arabia and Nigeria	- Reinforce dialogue with local Clients and institutions in relation to Saipem's programmes targeted at the development of the local context - Consolidate the system for mapping and defining stakeholder engagement strategies to strengthen relations - Strengthen processes for monitoring local community initiatives - Achieve ad hoc communications tools for local stakeholders - Continue implementation of the model for economic impact assessment of significant operations - Continue the labour and human rights audit programme on vendors in critical areas - Continue activities in support of the social and economic development of host communities and to maximise use of local resources in the countries where Saipem operates - Implement actions to increase the share of local procurements including by means of initiatives to support qualification of local vendors
Clients		
Improve the quality of services offered, including in relation to sustainability issues that are of interest to the Client	- Held specific meetings on sustainability issues with different Clients - Engaged and collaborated with a Client with a view to producing an economic impact assessment study for the Egina project in Nigeria - Cooperated with various Clients for the realisation of initiatives to promote the socio-economic development of communities in the vicinity of activities (i.e. Angola)	- Promote dialogue with Clients with a view to strengthening relations, including in a perspective of sustainable management of projects - Participate in national and international sustainability events to present and share results, programmes and approaches to interested stakeholders

Area	2014 results	2015-2018 goals
Governance		
Maintain and reinforce a governance system that is capable of meeting Saipem's business challenges in a sustainable way	- Optimised e-learning training and implemented classroom based activities in Italy and abroad on the themes of Anti-Corruption, Model 231 and the Code of Ethics - Completed updating of Saipem SpA's Model 231 in order to incorporate the crimes introduced into Legislative Decree No. 231/2001 by Law No. 190 of November 6 (Provision for the prevention and repression of corruption and illegality in the public administration), by Law No. 109 of July 16, 2012 (Implementation of directive 2009/52/EC which introduces minimum standards on sanctions and measures against employers of illegally staying third-country nationals) and by Law No. 172 of October 1, 2012 which ratified the 'Lanzarote Convention' - Provided training and a refresher courses for members of Compliance Committees - Analysed and reviewed several procedures	- Update Saipem SpA's Model 231 with a view to assessing the incorporation of the crimes introduced by Italian Legislative Decree No. 231/2001 during 2014 - Monitor Anti-Corruption procedures - Provide training and refresher courses for Saipem personnel on Anti-Corruption, Model 231 and the Code of Ethics - Provide training and continuous refresher courses for members of the Compliance Committees of subsidiaries - Ensure that foreign subsidiaries commence checks to guarantee compliance of the Organisation, Management and Control Model with local legislation and that they subsequently carry out gap analyses on sensitive activities and on control standards in force in the companies themselves

Methodology, criteria and principles of reporting

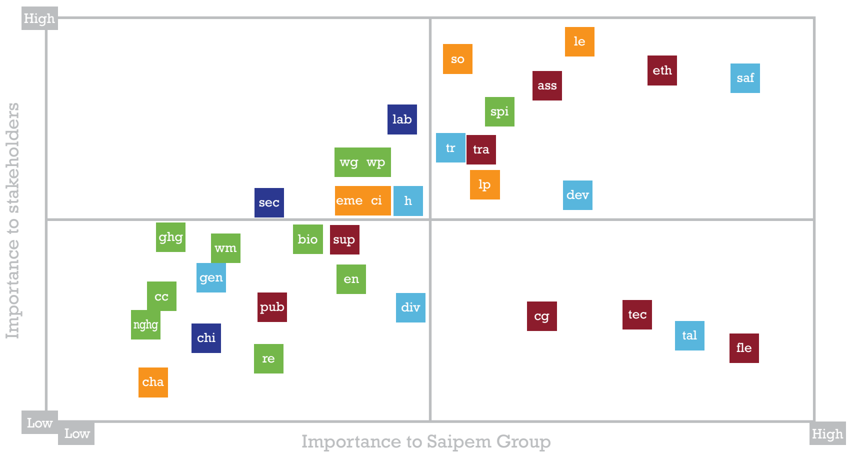
Ref. GRI 3.1-3.13

Since 2011, the Group's sustainability indicators and, more generally, its sustainability performances, have been reported in the form of an Addendum to the Annual Report. The Addendum is a supplement to 'Saipem Sustainability'. Both these documents deal with themes that are material for Saipem and the stakeholders to whom they are addressed, and describe the measures and initiatives adopted to achieve the targets set.
Both documents are an integral part of Saipem's sustainability performance reporting and communication system which consists of a series of tools designed to convey information to all stakeholders in an exhaustive and efficient way.

Communication tools	Financial stakeholders	Clients	Internal stakeholders	Local Stakeholders
Saipem Sustainability 2014				
Sustainability Performance 2014				
Country and Project Reports				
Annual Report, Corporate Governance, Code of Ethics				
Internal newsletters Annual leaflets				
Saipem web site, interactive version of documents				

Principles of reporting and results of the materiality analysis

The information and data indicators dealt with herein are compliant with the Guidelines of the Global Reporting Initiative, version G3.0. The GRI Content Index is available in the documentation section of Company website (www.saipem.com).
In order to define the sustainability themes considered most significant, both within the Company and in relation to stakeholders, a materiality analysis was carried out in 2014, hence for the fourth year running.
The first step entailed identifying the significant aspects which are considered in the analysis in order to pinpoint those that are material. This process is based on the sustainability context and on the analysis of the stakeholders involved.
In order to simplify analysis and comparison of results, the 34 themes identified were broken down into 5 macro categories. The level of internal significance was assessed by a panel of Saipem managers, a balanced representation of both Corporate and local functions, areas of competence and geographical areas. The panel identified the most important themes in terms of risks and



Environmental Sustainability
bio Biodiversity and impact on ecosystems
cc Climate change mitigation
en Energy efficiency
ghg GHG emissions
nghg Non-GHG emissions
re Renewables
spi Spill prevention and response
wg Waste generation
wm Water management
wp Water pollution

Business Management
ass Safe operations, asset integrity and process safety
cg Corporate Governance
eth Anti-Corruption and ethical business practices
fle Innovation and business flexibility
pub Public policy engagement
sup Ethical supply chain
tec Technology innovation
tra Transparency

Employees
dev Professional/Talent development opportunities
div Global diversity and inclusion
gen Gender diversity
h Health
saf Safety
tal Talent attraction and retention
tr Training and development

Human Rights
chi Child labour, forced and compulsory labour
lab Labour rights
sec Security practices

Local Communities
cha Charity donations and volunteering
eme Emergency preparedness
le Local employment
lp Local procurement
so Local social licence to operate

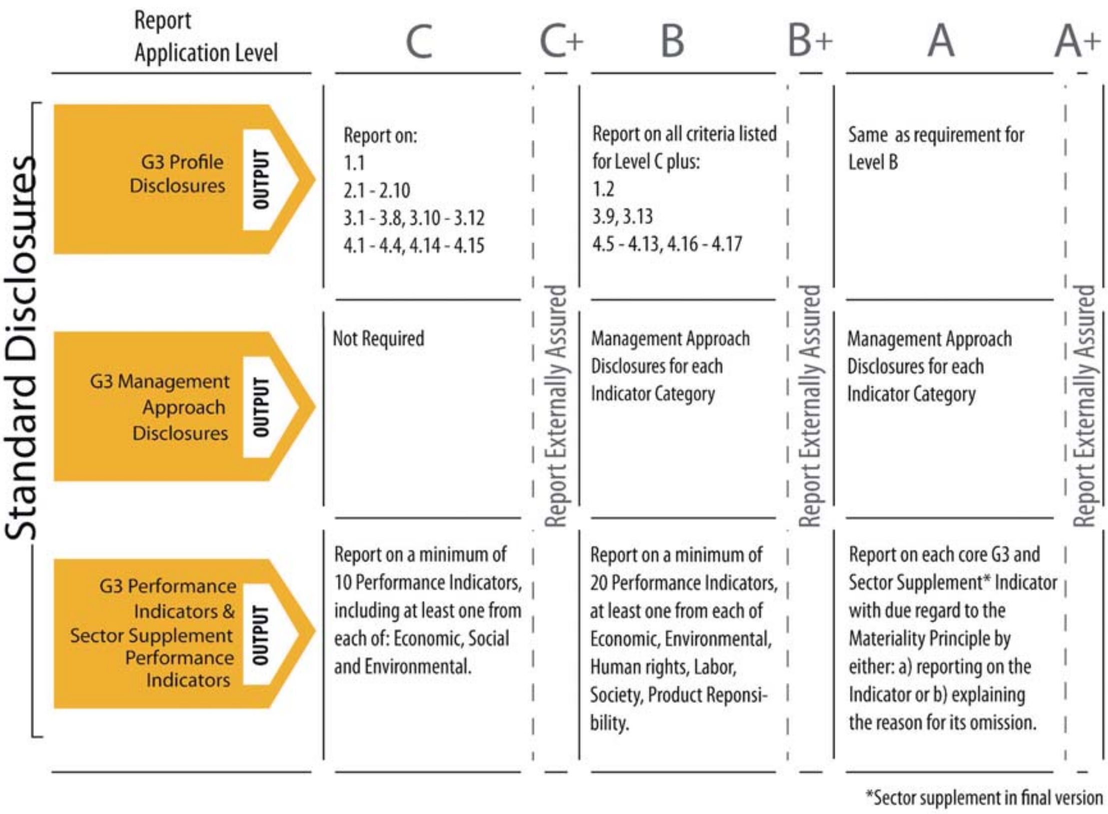
opportunities for the long-term success of the Company.
The level of external interest was defined, through an interview or a questionnaire, by a balanced mix (from the point of view of the type of organisation they belong to and from geographical competence area) of external stakeholders. Clients, NGOs, representatives of local communities, business partners, business associations, investors and representatives of the authorities were involved.
The materiality of topics is given by the nexus of the levels of internal significance and external interest. The results of this analysis were submitted to a panel of external stakeholders in order to receive preliminary feedback before the drafting of the Annual Report.
The final results of the materiality analysis were approved by the Sustainability Committee in February 2015.
Selection of activities and programmes to be reported in detail in relation to themes identified as 'material' was carried out with due consideration for the sustainability context, assigning greater weight to those issues and countries in which the Company has a more significant impact and to the most significant initiatives.
Further details are available in the section 'Methodology and Reporting Criteria' of 'Saipem Sustainability 2014'.

Reporting scope

In order to facilitate the understanding of performance trend over time, this Addendum contains information on, and a description of, the performance indicators of Saipem SpA and all its subsidiaries, including any companies involved in joint ventures with it, for the period 2012-2014.
As regards financial data, in accordance with the criteria adopted for the drafting of the Annual Report, the reporting scope also includes, on a line-by-line proportional basis, the data of subsidiaries and companies managed under joint operating agreements.
For HSE data, non-operating entities and subsidiaries that do not produce significant effects are not included in the reporting scope. In some cases, for some HSE indicators that are considered particularly important for the business of the Company, subcontractors and vendors working on Company projects are included within the reporting scope.
As regards other areas, subsidiaries in which Saipem has a less than 100% shareholding are calculated according to the operational criterion, which is to say that Saipem reports 100% of operations in which Saipem SpA or one of its subsidiaries exercises operational control.
Exceptions to the above criteria are expressly indicated in the text or in the section 'Methodology and Reporting Criteria' of 'Saipem Sustainability 2014'. Special methods for calculating indicators, any changes to these and any reformulations are detailed in the section 'Sustainability indicators' of this Addendum, without this in any way affecting the general commitment to maintain consistency in both the information and the data reported in previous editions.

Limited audit

Reporting is subject to limited review by the same, sole independent auditor used for the Annual Report, in which this Addendum is included, and for the document 'Saipem Sustainability 2014'.



Saipem declares a Global Reporting Initiative (GRI) version G3.0 application level B+.

Governance, commitment, stakeholder involvement

Ref. GRI 4.1-4.17

Saipem is committed to maintaining and reinforcing a Governance system in line with the standards of international best practices and suitable to the complexity of the Company's make-up.
Below is given a brief description of the Company's Governance structure. Further details are available in the document 'Corporate Governance Report and Shareholding Structure 2014' [CGR 2014], in the 'Remuneration Report', in the Code of Ethics and in the 'Governance' section of the Company website.

Governance structure of the organisation

Saipem's organisational structure is characterised by the presence of a Board of Directors, a pivotal body in the Governance system, to which management of the Company is exclusively entrusted. Supervisory functions are entrusted to the Board of Statutory Auditors, whereas external auditors are in charge of the legal auditing of accounts. The Shareholders' Meeting manifests the will of the Shareholders through resolutions adopted in compliance with the law and the Company's Articles of Association. The present Board is made up of 9 Directors (of whom 8 are non-executive and 7 independent). It was appointed by the Shareholders Meeting of May 6, 2014, for one financial year, expiring on the day of the Shareholders Meeting called to approve the annual financial statements of December 31, 2014. Currently, women represent 22% of the Board of Saipem SpA (2 Directors out of 9). The Chairman of the Board of Directors is an independent, non-executive member.
Two committees with advisory and consulting functions have been set up within the Board of Directors. These are the Audit and Risk Committee, consisting of 3 independent non-executive members, and the Compensation and Nomination Committee, likewise made up of 3 independent non-executive members.

Dialogue with shareholders

Dialogue with individual shareholders is guaranteed by the manager of the Company Secretary function. Information of interest to them is made available on Saipem's website or can be requested via email at: segreteria.societaria@saipem.com. Dialogue with all other categories of investor and financial stakeholder is ensured by the Investor Relations function.
To protect minority interests, one Statutory Auditor and one Alternate Statutory Auditor from the Board of Statutory Auditors are chosen from among the candidates put forward by minority shareholders. The Shareholders' Meeting appoints the Chairman of the Board of Statutory Auditors from the list put forward by the minority shareholders.
More generally, information is guaranteed by means of ample documentation made available to investors, market and press on the Saipem website. It is further ensured by means of press releases, periodical meetings with institutional investors, the financial community and the press. Saipem employees have a number of dedicated information channels available, including the intranet portal, the quarterly magazine 'Orizzonti' and a large number of newsletters and information leaflets.
Furthermore, information and dialogue channels provided for under agreements with the trade unions are ensured within the industrial relations system so that all employees receive timely information, are consulted and can participate.
Saipem provides employees and stakeholders with an information channel – overseen by the Compliance Committee in a way that ensures confidentiality – through which it is possible to report any problems related to the internal control system, financial reporting, corporate administrative liability, fraud or other topics (i.e. violations of the Code of Ethics, mobbing, theft, security, etc.). Further information is available in the 'Indicators' section of this document.

Compensation

Compensation of the CEO and of Senior Managers with strategic responsibilities comprises a fixed component and a variable annual component. The latter is set with reference to Saipem's yearly objectives in terms of new contracts, investments and backlog, adjusted EBITDA and sustainability.
For issues relating to the compensation of Directors, Statutory Auditors and Senior Managers with strategic responsibilities, see the 'Remuneration Report', available to the public at Company headquarters and in the 'Corporate Governance' section of the Company website www.saipem.com.

Transparency and correctness

The Saipem procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and Transactions with Related Parties' (available at www.saipem.com in the 'Corporate Governance' section), which aims to ensure transparency, as well as substantive and procedural correctness in transactions with other parties, was approved in 2010 and amended by the Board of Directors on March 13, 2012.

Requirements for Board membership

Directors shall meet the honourability requirements prescribed by regulations, possess the professional expertise and experience to carry out their mandate efficiently and effectively, and be able to dedicate sufficient time and resources to their offices. In compliance with the Corporate Governance Code, the Board of Directors carries out a yearly Board Review on the size, composition and level of functioning and efficiency of the Board and its Committees. To this end, it avails of the assistance of a specialist external consultant.

Mission, values and codes of conduct

Clear recognition of the Company's values and responsibilities is a foundational element of Saipem's relations with its stakeholders.

The following principles, further underscored in the Company's Mission Statement, are universally applied in the Group's business. Compliance with the law, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, are constant commitment and duty of all Saipem people when carrying out their duties and responsibilities. Alongside a commitment to transparency, energy efficiency and sustainable development, these principles characterise the conduct of the entire organisation. In compliance with the provisions of law, the Code of Ethics clearly defines the values that Saipem recognises, accepts and shares, as well as the responsibilities the Company assumes both internally and externally.

In order to guarantee the achievement of business objectives, the Board of Directors has so far approved the following Policy documents: 'Our People'; 'Our Partners in the value chain'; 'Global Compliance'; 'Corporate Governance'; 'Operational Excellence'; 'Our Institutional Partners'; 'Information Management'; 'Our tangible and intangible assets'; 'Sustainability'; 'Integrity in our operations'. As shown in this document, the results of the Company and its subsidiaries in the social, environmental and economic spheres testifies to the degree to which the aforementioned principles have been implemented.

Performance management and assessment

The Board of Directors receives from the delegated directors, at the Board meetings and, in any case, at least once every three months, a report on the activity carried out in the exercise of the delegated duties, on the Group's activity and on major transactions carried out by the Company or its subsidiaries, and approves the Strategic Plan which, alongside specifically economic and financial themes, includes objectives related to the sustainability aspects of Saipem's business.

The main risks referable to the HSE area are identified, monitored and managed by Saipem through an Integrated HSE Management System based on yearly planning, implementation, control, review of results and setting of new targets. The performance is presented and discussed at each meeting of the Board of Directors, which subsequently issues operative instructions. Furthermore, as part of the implementation of the policy of maximising Local Content, and with regard to the management of the Company's personnel, the Board of Directors is likewise informed, when needed, of the Company's social performance.

Self-evaluation

In accordance with international best practices and in compliance with the Stock Exchange Code, the Board of Directors of Saipem annually conducts a Board Review on the size, composition and functioning of the Board of Directors and its committees and may provide advice on professionals whose presence on the Board is considered to be appropriate.

Every four months, the Sustainability Committee, chaired by the CEO, is presented with the main performance results and activities underway as regards sustainability. The Committee then supplies guidelines and approves the activity plan. The Committee is also informed about, and provisionally approves, the external reports on the year's sustainability performance, which are subsequently approved formally by the Board of Directors concurrently with the Annual Report.

Risk management

Having consulted with the Audit and Risk Committee, the Board of Directors approved the 'Principles of Integrated Risk Management' on July 30, 2013. The Integrated Risk Management (IRM) process, characterised by a structured and systematic approach, requires that the main risks are efficiently identified, assessed, managed, monitored, represented and, where possible, transformed into opportunities and competitive advantage. On the basis of the principles approved by the Board of Directors, Saipem has developed and implemented a Model for the integrated management of Company risks. This is now an integral part of the Risk and Internal Control Management System. Defined in compliance with the principles and international best practices, the Model aims to achieve an organic and synthetic vision of business risks, a greater consistency of methodologies and tools to support risk management and a strengthening of awareness that proper assessment and management of risks may affect the achievement of the objectives and the Company's value. For this purpose, the Model is characterised by the following elements:

(i) Risk Governance: represents the general framework as regards roles, responsibilities and information flows for management of the main Company risks;
(ii) Process: represents the grouping of all activities through which the various actors identify, measure, manage and monitor the main risks that could influence Saipem's ability to achieve its objectives;
(iii) Reporting: reports and represents the results of the Risk Assessment, highlighting the most significant risks in terms of likelihood and potential impact, as well as the plans for dealing with them.

On January 26, 2015, following the outcome of the second cycle of risk assessment which analysed a four-year time frame, the CEO submitted details of the main risks Saipem faces to the Board of Directors.

Codes of conduct adopted

The Universal Declaration of Human Rights adopted by the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and the OECD Guidelines for Multinational Enterprises, are fundamental principles on which Saipem bases its Code of Ethics and conducts its operations.

Associations

Saipem participates in numerous initiatives and associations that have as their main objective the sharing of best practices within their specific business sectors. The Saipem Group participates in

46 associations. For its part, Saipem SpA is a member of 29 associations of these, among which: ANIMP (Associazione Nazionale di Impiantistica Industriale: Italian Association of Industrial Plant Engineering), Assomineraria, IADC (International Association of Drilling Contractors), IMCA (International Maritime Contractors Association), IPLOCA (International Pipeline & Offshore Contractors Association), ANIDA (Associazione Nazionale Imprese Difesa Ambiente) and the WEC (World Energy Council).
Other Group companies are members of the 'Ship Owners and Marine Industry Ventures Association' and of the BIP (Brazilian Institute of Petroleum and Gas). The Saipem Group as a whole takes part in a total of 46 associations.

Stakeholder relations Ref. GRI 4.14-4.17

Saipem undertakes to carry out its activities by taking into consideration and involving its stakeholders, with the objective of ensuring an effective engagement of the interested parties through an approach that is as participatory and inclusive as possible.
In general, the commitment is based initially on a mapping process, which is required for the subsequent identification of a strategy of engagement of significant stakeholders on the basis of expectations and interests expressed. Finally, the activities and the results are monitored and assessed to improve this strategy over time.
This general approach aims to ensure open, transparent, positive and mutually advantageous relations with the interested parties.
This approach has allowed Saipem to build successful relations with its stakeholders in many parts of the world, facilitating a durable presence and an effective implementation of its activities locally.
The main engagement activities with stakeholders in 2014 can be summarised as follows.

Financial stakeholders

Saipem has adopted a communications policy targeted at achieving constant dialogue with investors and systematic diffusion of comprehensive and timely information on Company activities. Information to investors and the market takes place through press releases, the periodical presentation of financial results and the broad documentation made available and constantly updated on the Company website, as well as periodical meetings with institutional investors and financial analysts. Individual shareholders are mainly involved through interfacing with the Company Secretary function. Dialogue with all other categories of investor and financial stakeholder is ensured by the Investor Relations function.
In 2014, management met the financial community during 20 Road Shows held in the main stock exchanges and at 10 financial conferences.
In 2014, Saipem involved 3 financial stakeholders in the study of material themes. Furthermore, several informative specifications concerning aspects of sustainability were drafted for the Ethical Council, GES, the OP Trust and SustainAlytics. Saipem also took part in the Carbon Disclosure Project (CDP).

Clients

Reporting on operating projects is constant. Project Managers and project staff hold interviews and meetings and reply to the requests of the Client, who is often present on-site in day-to-day operations. Clients are also involved in HSE training initiatives, such as environmental awareness campaigns or the LiHS (Leadership in Health and Safety) programme. At the end of each project, and on an annual basis, the Client is asked for feedback using the 'Customer Satisfaction' tool. Furthermore, meetings with Clients or potential Clients are organised in pre-bid and bid phase and can involve a number of specific aspects such as Saipem's approach to sustainability.
In 2014, Saipem held meetings with Clients to involve them in its sustainability strategy in South America, Mexico, Kazakhstan and the Middle East.
In addition, the Company involved 9 Clients in the analysis of material themes.
The Company also took part in the 'Sustainable Development Industry (SDI) Reporting Qatar' organised by the Ministry of Energy and Industry of Qatar and by Qatar Petroleum.
In some projects, Saipem directly involved its Clients in the execution of local community initiatives, above all in Colombia, Venezuela, Angola and Indonesia.

Employees

Workers' representatives and trade unions are involved in collective bargaining and in other forms of dialogue regarding specific local activities, including through periodical meetings. Management of Company employees is the responsibility of the Human Resources function on all Group operating sites, as described in the document 'Saipem Sustainability 2014'.
In 2014, the 'Share & Shape' initiative continues by involving young resources in France and Brazil.
The 'Strategy LineUp meeting' was launched, a process of cascading the Company's priority objectives and strategies to all employees. The process involved approximately 10,000 employees in 60 countries.
In various countries such as Peru, Venezuela and Kazakhstan, local employees were involved in local sustainability initiatives and investigations were carried out to obtain their feedback and to understand their expectations.
Personnel engagement and training activities on sustainability themes continued throughout 2014 with the organisation of thematic seminars and specific meetings with managerial functions.

Local communities

As described in the document 'Saipem Sustainability 2014', each operating company or project has a specific approach to relations with local communities. This takes into account both the role of Saipem and the socio-economic and cultural context in which the Company operates. Many initiatives involving local communities were held during 2014.
In Kazakhstan, a public meeting was held with the population of Kuryk village to present and discuss the Ersai sustainability plan. On that occasion, several local stakeholders were identified to supervise and monitor the execution of activities. This was done in order to strengthen the sense of responsibility, as well as recognition of these initiatives on the part of the community.
In Nigeria, relations with local communities are defined and regulated in Memorandums of Understanding (MoU) signed by the Company, the Client (for projects) and representatives of the communities affected by operations.
Other local community initiatives and projects were held in the Congo, Colombia, Kazakhstan, Indonesia, Peru, Venezuela, Mexico, Angola and Brazil (for further details see 'Saipem Sustainability 2014').
In 2014, Saipem also involved 4 representatives of local communities in Brazil and Kazakhstan in the analysis of material themes.

Governments and local authorities

Engagement with governments and, above all, local authorities is defined in relation to the circumstances in which Saipem operates, taking into consideration the specificities of the country and the social context. Alongside institutional and official relations with the authorities, Saipem cooperates with public bodies for the launch of initiatives in favour of local communities and local areas. In this regard, Saipem collaborates with local government health entities, hospitals and medical centres to implement projects targeted at raising awareness of diseases such as malaria, AIDS in the Congo, Angola and Nigeria, as well as cooperation with local authorities in Peru, Colombia and Kazakhstan. In 2014, cooperation with the municipality of Guarujá in Brazil proceeded apace following the signing of the 'Declaration of Intent'.
Saipem works with local institutions such as schools and universities, including through specific partnership agreements, in order to contribute to the development of an education system that meets the needs of the private sector, with particular reference to the Oil & Gas industry. Numerous initiatives are underway in Kazakhstan, Italy, Indonesia, Azerbaijan and Colombia in this regard.
The Company also took part in the 'Sustainable Development Industry (SDI) Reporting Qatar', organised by the Ministry of Energy and Industry of Qatar and by Qatar Petroleum.
In 2014, Saipem also involved 5 representatives of local authorities in Australia, Angola, Brazil and the Middle East in the analysis of material themes.

Local organisations and NGOs

In 2014, Saipem involved 4 national and international industrial associations in the study of material themes.
Saipem also collaborates with organisations or NGOs, above all at local level, and at times through specific partnership agreements, with a view to implementing community initiatives tailored to the area's specificities and main problems.
Cooperation with the NGO Foundation of Central Asia (EFCA) in Kazakhstan proceeded in 2014 with a view to completing initiatives aimed at education in the local community. Work with the Junior Achievement Azerbaijan (JAA) to reinforce the technical skills of university students also went ahead.
Furthermore, 3 NGOs were involved in the study of material themes.

Vendors

Relations with vendors are discussed in the document 'Saipem Sustainability 2014', where the selection and assessment processes are described.
Alongside periodical meetings with vendors with whom strategic agreements have been signed, in 2014 social responsibility audits were carried out on vendors in India and China.
During the year, 61 vendors filled in a questionnaire in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
At local level, specific initiatives for vendor involvement are constantly ongoing. These are targeted at improving the quality of supplies and at encouraging vendors to comply with Saipem's quality, health and safety, environmental and social requirements. In particular, meetings and special training for vendors were held in Venezuela, Colombia, Nigeria and Saudi Arabia. In Kazakhstan, Peru and Colombia, vendors were involved in initiatives for local communities. Furthermore, the Company supported Aboriginal businesses in Australia and for the first time involved security service providers in Indonesia in special training on human rights.

Disclosure on management approach

The Management Approach to sustainability issues pursuant to the Guidelines of the Global Reporting Initiative, version G3.0. All documents mentioned are available on the Company website www.saipem.com.

Economic performance

Saipem is an international contractor operating in the Oil & Gas industry whose revenues in 2014 totalled approximately €12.8 billion. The Company has in excess of 50,000 employees and is present in more than 60 countries, often on a medium- to long-term basis and in difficult or 'frontier' conditions. For this reason, the Company is committed to minimising any negative impacts on those areas and to contributing to the maximisation of positive impacts through the implementation of local sustainable development strategies.

Further details can be found in the 'Annual Report 2014' and in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014'.

Environment

To supply excellent products and services is, for Saipem, consistent with the Company's commitment to environmental protection. Saipem has a well-structured and integrated HSE management system that acts as a benchmark for all production units and entails systematic auditing in order to ensure compliance with national and international legislation and regulations and with the conditions of contracts entered into with Clients. Alongside the HSE and Environmental Managers and their teams working in Corporate and in the main operating companies (where at least one HSE Manager and a HSE team are normally appointed), each operating project is specifically assigned an HSE team, often with an HSE or Environmental Manager. Reducing environmental impacts to a minimum is an objective found along the entire life cycle of a project, from engineering phase through to decommissioning. Furthermore, technological innovation at the service of Company assets is combined with the implementation of best practices on operating projects to pursue constant improvement of the Company's environmental performance.
Further information can be found in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014', in the Directors' Report contained in the Annual Report 2014, in the section 'Commitments, results and objectives' of this Addendum and in the 'Sustainability' section of the Company website.

Labour practices and indicators of decent working conditions

Saipem believes that human capital is a key element for its durable competitive success. This is why it is vital to ensure adequate protection of labour, the continuous development of skills and competencies, the creation of a working environment that offers equal opportunities for all on the basis of merit and without discrimination, while at the same time guaranteeing respect for and adaptation to the characteristics of individual situations. The workplace health and safety of all Saipem personnel are a priority objective and are constantly monitored and guaranteed in the Company's operations management activities through an integrated HSE management system. Industrial relations are handled with due regard for the specificities of local socio-economic contexts, as well as for labour laws in force in the country where the Company is operating.

Further information can be found in the chapters 'Competence: the most powerful engine' and 'Safe operations for people and the environment' of 'Saipem Sustainability 2014', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

Human rights

Saipem complies with international human and workers' rights legislation and in turn is committed to ensuring that its own suppliers duly observe these. Saipem's sustainability policy declares explicitly that 'respect for Human Rights is the foundation of inclusive growth of societies and local areas and, consequently, of the companies that work within them'. Saipem contributes to the creation of the socio-economic conditions required for the effective enjoyment of fundamental rights and promotes the professional growth and well-being of its own local human resources. As expressed quite clearly in the Code of Ethics, Saipem undertakes to spread knowledge of Company values and principles, including by implementing suitable procedures of control and protecting the specific rights of local populations.

Further information can be found in the Code of Ethics, in the Sustainability policy (both documents are available on the Company website www.saipem.com), in the chapters 'Managing operations for long-lasting success' and 'Generating value through a Local Content strategy' of 'Saipem Sustainability 2014', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

Society

Saipem is committed to contributing to the long-term social and economic development of the areas in which its business is located. This result is mainly pursued through the employment of local personnel, the transfer of know-how (technical and non-technical) and procurement of goods and services from local suppliers. With a view to mitigating impacts on local populations and areas, Saipem has implemented specific tools for analysis of the local context to identify areas requiring intervention and lines of action. As regards local presence, Saipem avails of a process for identifying the main stakeholders and for identifying methods for engaging them in a way that is conducive to constructive and ongoing dialogue.

Further information can be found in the Sustainability policy, in the chapters 'Strengthening relations with local communities' and 'Generating value through a Local Content strategy' of 'Saipem Sustainability 2014', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

Product Responsibility

Customer satisfaction is a key factor in sustainable business. Each project has Quality and HSE Management Systems implemented in order to manufacture products, supply quality services and carry out all activities in conditions of maximum safety. In compliance with Corporate Policy for Quality, all of Saipem's operating companies have implemented a Quality Management System in accordance with ISO 9001, Corporate guidelines and the relevant standards. A Customer Satisfaction system has also been designed and implemented.

Further information can be found in the Sustainability policy, in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014', in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

Sustainability indicators

This report contains the indicators covered in accordance with the 'Sustainability Reporting Guidelines' of the Global Reporting Initiative (GRI). All documents cited herein are available at www.saipem.com. The document below has been arranged into sections, each of which discusses a specific topic in detail. The references to the GRI guideline in question are indicated beside the title of each section.

Economic Indicators

Economic Performance (EC1, 3-4)

(€ million)	2012	2013	2014
Employee payroll and benefits	2,041	2,270	2,408
Research and development costs	15	14	11
Dividend distribution	330	375	45
Operating expenses	9,832	9,400	10,399
Net sales from operations	13,369	11,841	12,873
Income taxes	393	106	118
Seniority bonus schemes	5,456 (*)	5,871	6,786

(*) On June 16, 2011, the merger by incorporation of the subsidiary Saipem Energy Services SpA was approved. The accounting and tax effects started on January 1, 2012.

Saipem Group companies implement and manage the supplementary pension plans based on the legal and social system of the state in which the Company operates. Despite the fact that laws in some countries such as the United States and the United Kingdom do not require that the employer pay into employee pension funds, Saipem supports the employee's supplementary pension plan with its own contribution.

Risk Management (EC2)

On the basis of the 'Principles of Integrated Risk Management' approved by the Board of Directors in July 2013, Saipem developed and implemented a model for the integrated management of Company risks. This is now an integral part of the Risk and Internal Control Management System. The model underscores the Company's commitment to a more organic and concise vision of the risks to which it is exposed, greater consistency of methodologies and tools to support risk management, and strengthening of awareness at all levels to the effect that an appropriate assessment and management of risks of various types can have a positive impact on the achievement of objectives and on the Company's value.
In compliance with the Integrated Risk Management process, and following completion of the second cycle of risk assessment which analysed a four-year time frame, on January 26, 2015, the CEO submitted details of the main risks Saipem faces to the Board of Directors.
Although climate change has not been identified as a significant risk in the short term, it may nevertheless affect Saipem's activities in the long term in those countries characterised by extreme and unpredictable weather conditions which in turn may affect operating costs and the integrity of Corporate assets, in addition to the risks involved for employees.

Furthermore, Saipem operates in a variety of countries, and its activities are subject to prior authorisation and/or to the acquisition of permits which require compliance with local HSE legislation. They are further subject to national laws that implement protocols and international conventions on climate change. These can impose restrictions on emissions into the atmosphere, the water and the soil and may provide for the application of very stringent operating standards that have an impact on the overall costs of the project.
Conversely, since climate change has become an issue of international importance, it can also represent an opportunity for business, particularly in the development of new technologies based on efficiency, low environmental impact and the promotion of renewable energy. A business sector within Saipem named ‘Renewables and Environment’ deals with the development and construction of facilities and services for renewables. Saipem is also working on research projects for the development of Carbon Capture & Storage (CCS).
More detailed information on the internal controls and risk management system can be found in the ‘Corporate Governance and Shareholding Structure Report’ and in the ‘Directors’ Report 2014’.

Market Presence (EC6-7)

One of the pillars of Saipem’s sustainability strategy is to maximise Local Content, which involves both local procurement and local personnel. Saipem helps create growth opportunities for people and businesses in the communities in which it operates.

(%)	2012	2013	2014
Project-based orders placed with local vendors: (*)	57	54	56
Americas	70	73	63
CIS	81	72	40
Europe	41	45	97
Middle East	51	44	74
North Africa	46	38	32
South and Central Africa	48	36	27
Oceania and Rest of Asia	65	69	67

(*) Data for 2012 and 2013 were recalculated to refine the methodology and facilitate greater accuracy.

In 2014, out of a total of €10.890 billion of orders, excluding €2.696 billion for investments in Corporate assets and staff expenses, €4.560 billion of orders were from local suppliers. Orders are considered local only when the supplier is of the same state in which the project is located and in relation to which the order is made. A substantial reallocation of local and global purchases between various geographical areas can be noted. However, at consolidated level there is a small variation compared to the previous year (local purchases were 54% in 2013). The reduction in local purchases in the Americas is substantially due to the reduction compared to the previous year of civil works development activities in the El Elcino Topolobampo (Mexico) and Husky Oil, as well as completion of laying of pipelines and subsea cables on the Keathley Canyon project. All of these activities were entrusted to local vendors.
The increase in the CIS area of global purchases compared to 2013 is associated with the first phases of the South Stream, first of all with pre-trenching activities for the laying of pipelines, and secondly logistic and marine services. The project for upgrading the Saipem 7000, in particular linked to jacket installation and topside process modules, took place in an European shipyard using local suppliers.
The Middle East saw an important increase in the share of local orders, linked in the first instance to the execution entrusted to local vendors of the mechanical assemblies associated with the Jazan project, and secondly to the construction of industrial and electrical plants linked with the Shah Gas, Jazan and Rabigh projects.
The reduction of local orders in Central and Southern Africa was due to the construction activities of hulls for vessels on the Kaombo project, as well as the technological design and the project process itself, since activities have not yet been carried out in Angola.

(%)	2012	2013	2014
Local employees	77	77	79
Local managers	42	43	43

The number of local staff amounted to 43,126 (78.93%) in 2014 compared to 40,379 (77.42 %) in 2013 and 37,285 (76.94%) in 2012, while the percentage of local managers remained unaltered at 43%.
The percentage of local managers is calculated by excluding data from France and Italy, since inclusion of those countries would lead to a figure of 73% of local managers. The methodology used shows with transparency and without distortion the constant commitment of Saipem to the promotion of Local Content, including as regards management positions.
Further details on initiatives implemented in 2014 are available in the chapter ‘Generating value through a Local Content strategy’ of ‘Saipem Sustainability 2014’, in the Directors’ Report contained in the ‘Annual Report 2014’ and in the ‘Sustainability’ section of the Company website.

Indirect Economic Impacts (EC8-9)

(€ million)	2012	2013	2014
Expenses for initiatives targeting local communities	2.126	2.066	1.992

In 2014, Saipem made a commitment, through its operating companies, to strengthening relations with local stakeholders, both through direct involvement, studies and analyses aimed at understanding the needs of the area, and planning of operations on a local level. In 2014, the focus on training (31% of expenses), socio-economic development and promotion of Local Content (35%) was reaffirmed.
Saipem has adopted a tool for assessing the positive effects of externalities generated on local areas by its strategy of maximising Local Content. Known as 'Saipem Externalities Local Content Evaluation' (SELCE), the model takes into account the indirect positive effects on the supply chain and the induced effects generated on society. In 2014, the model was applied to Canada, the Guarujá Yard (Brazil) and the Egina project (Nigeria). The results were presented to and discussed with several key local stakeholders. Further information and details on the initiatives implemented in the local communities and the SELCE model are available in the chapter 'Generating value through a Local Content strategy document' of 'Saipem Sustainability 2014'.

Environment

Raw Materials (EN1)

As a contractor operating in the Oil & Gas industry, the use Saipem makes of the main raw materials in its operating contexts is dictated by the contract conditions set out by the Client (when the materials are not supplied directly by the Client itself, even as semi-finished products). Hence, the raw materials used fall within the scope of the work required, in terms of both economic costs and responsibility.
In 2014, a total of 263.1 tonnes of paper and 8.7 tonnes of plastic were purchased. The data were monitored on 11 sites. For World Environment Day (WED) 2014, Saipem chose the slogan 'Efficient Consumption means Green Consumption', which was designed to highlight the findings of the energy diagnostics conducted and to reflect the strategy the Company has adopted to reduce waste and the consumption of natural resources. On the same day, the Company also held 'Print Less Day', which aimed to encourage staff to reduce their paper consumption. In 2014, Saipem undertook a process of due diligence to verify whether its products contain 'Conflict Minerals', namely, gold, cassiterite, columbite-tantalite, wolframite and their 3T derivatives (tin, tantalum and tungsten).
Further details can be found in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014'.

Energy and Emissions (EN3-6, 16, 18, 20)

		2012	2013	2014
Direct energy consumption				
Total energy consumption, of which:	(ktoe)	558.2	594.8	536.5
Natural Gas	(ktoe)	1.4	1.0	0.9
Heavy Fuel Oil (HFO)	(ktoe)	3.2	-	0.004
Intermediate Fuel Oil (IFO)	(ktoe)	8.6	28.3	12.7
Light Fuel Oil (LFO)	(ktoe)	24.3	32.4	43.2
Diesel	(ktoe)	386.0	368.2	321.3
Diesel Marine Oil	(ktoe)	129.1	158.8	152.3
Gasoline	(ktoe)	5.6	6.1	6.1
Indirect energy consumption				
Electricity consumed	(GWh)	155.9	121.2	119.9
Renewable energy				
Electricity produced from renewable sources	(MWh)	271.7	266.3 (*)	310.8
Total direct and indirect greenhouse gas emissions				
Direct GHG emissions	(kt CO_2 eq)	1,542.6	1,538.7	1,420.1
Indirect GHG emissions (scope 2)	(kt CO_2 eq)	69.7	54.0	49.1
Other significant emissions				
SO_2 emissions	(kt)	4.2	4.4	4.2
NO_x emissions	(kt)	26.2	25.8	24.3
CO emissions	(kt)	10.7	11.1	10.6
PM emissions	(kt)	0.7	0. 7	0.6
NMVOC emissions	(kt)	1.0	1.0	0.9

(*) This energy is produced by photovoltaics in Italy and Portugal. A photovoltaic system, consisting of 100 modules and occupying a total area of 165 m^2, was installed on the roof of the offices of Madeira in 2013. April 2013 saw the first production of energy by this method, which is fed into the grid and not used in the Saipem office. It is important to note that the production levels of this type of energy are strongly influenced by weather conditions.

In 2014, the consumption of Intermediate Fuel Oil was down 55%, since the Castorone, the only Saipem vessel that uses it, was laid up for maintenance in Singapore. Today the vessel uses Light Fuel Oil and this explains the increase of 33% compared to the previous year.
The decrease in the consumption of diesel is due to the fact that some energy intensive onshore projects have been completed or are on the verge of completion (Jeddah Airport Project, Manifa, Etihad Railway Project, Shah Plant Project).
Saipem has developed a number of initiatives with the aim of increasing energy efficiency. The strategy consists of analysing the assets and implementing technical solutions together with training, and awareness-raising initiatives.
5 energy assessments were carried out on the following Italian assets: the Fano and Vibo Valentia offices, and onshore drilling rig, the Arbatax Yard and the logistical base in Ravenna. Their objective was to identify technical solutions for achieving enhanced energy efficiency that will be implemented in 2015-2016.
2014 also saw the continuation of the voyage optimisation initiative, which began in 2012. Route optimisation consists of identifying the optimal route for the voyage, through satellite evaluation performed with specially designed software, in order to reduce navigation time and, consequently, fuel consumption. The best route is detected each day, taking into consideration the weather conditions and currents. In 2014, the consumption of about 403 tonnes of fuel was avoided, for a saving of 1,260 tonnes of CO_2.
As regards investments, in mid 2013, 60 solar panels were installed on the roof of the offices and in the temporary accommodation at Guarujá Yard. The annual saving predicted for 2014 was about 151.2 MWh. Another significant initiative was realised in the Saipem Croatian Branch offices, where in July 2013 programmable timers were installed to adjust the air conditioning and heating. In 2014, the annual saving was about 107.9 MWh.
Further details on these topics can be found in the Directors' Report in the 'Annual Report 2014'.

Water (EN8, 10)

		2012	2013	2014
Total water withdrawal by source				
Total withdrawal of water, of which:	(10^3 m^3)	8,245.1	8,740.1	6,318.6
- fresh water/from waterworks	(10^3 m^3)	4,056.8	5,683.4	3,968.9
- groundwater	(10^3 m^3)	3,251.8	1,997.8	1,132.7
- surface water	(10^3 m^3)	221.3	218.4	116.7
- sea water	(10^3 m^3)	715.1	840.43	1,100.3
Recycled and reused water				
Reused and/or recycled water	(10^3 m^3)	1,024.8	1,788.2	1,326.1
	(%)	12	20	21

Saipem promotes the implementation of initiatives to achieve water savings both at project level and on operational sites. Initiatives to encourage reuse of treated waste water are considered particularly important.
The decrease in water consumption is due to the fact that some large onshore projects situated in desert areas have been concluded or are on the verge of completion.
In an effort to identify areas at high water risk, Saipem carried out a two-step assessment. In the first, once all operational sites (yards and logistical bases) have been identified, Saipem uses the following instruments to assess the water risk: Global Water Tool, Aqueduct and Maplecroft. The second step involves assessing the water withdrawal, use, discharge and the systems present. In this way, the critical areas in which improvement projects will be implemented are identified.

Biodiversity (EN11-12, 14)

Saipem considers biodiversity to be a significant theme and monitors its own potential effects within its Environment Management System implemented in all operating contexts. Management of potential effects, and related mitigation measures, is therefore practiced at the level of individual projects and operating conditions.
As a contractor, Saipem works on projects and in areas for which the Client normally provides an Environmental Impact Assessment. If this is not the case, or when conditions so require, Saipem carries out the environmental impact studies itself. These include systematic evaluation of the effects on biodiversity in the areas in which the Company operates, in order to evaluate and implement compensatory solutions with a view to maintaining the original environment. In the case of its own property, which consists mainly of manufacturing yards, Saipem is equipped with a system for monitoring the impacts of its activities, including any possible effects on the biodiversity of the surrounding areas.
As proof of the Company's commitment to technological development and to achieving business solutions that contribute to reducing environmental impact, above all in sensitive areas from a biodiversity perspective.
Saipem Australia, together with Thiess and Santos GLNG Gas Transmission Pipeline, were awarded a prize by the 'Queensland Government Department of Environmental and Heritage Protection and by Queensland University of Technology (QUT)', in the 'Innovation in Sustainability Technologies' category. Furthermore, in 2014, a leaflet describing several of the Company's best practices in the protection of biodiversity was published on the website www.saipem.com.

Discharges (EN21)

(10^3 m^3)	2012	2013	2014
Total water discharge			
Total waste water produced, of which:	3,696.3	5,319.4	4,015.7
- water discharged into the sewer systems	400.4	616.1	482.6
- water discharged into bodies of surface water	572.8	1,543.7	1,007.2
- water discharged into the sea	480.3	750.7	950.9
- water discharged to other destinations	2,242.6	2,408.9	1,575.0

The decrease in the volume of waste water is due to the fact that some large onshore projects situated in desert areas have been concluded or are on the verge of completion.

Waste (EN22, 24)

(kt)	2012	2013	2014
Total weight of waste by type and disposal method			
Total waste produced, of which:	257.9	387.4	453.6
- hazardous waste disposed of in landfill sites	31.9	50.9	32.1
- incinerated hazardous waste	5.3	3.4	3.5
- recycled hazardous waste	13.9	7.8	9.3
- non-hazardous waste disposed of in landfill sites	171.5	282.8	192.4
- incinerated non-hazardous waste	4.0	6.0	3.6
- recycled non-hazardous waste	31.3	36.5	212.7

The increase in waste production was influenced by dredging activities which were needed for the initial phase of the South Stream project in Anapa (Russia). In this phase a huge quantity of rocks, soil and other materials was removed from the site. Part of the soil was reused on the same project. The part left over was classified as non-hazardous waste.
Saipem is committed to minimising the production of waste and to promoting the best practices already implemented on the operating sites. Saipem is developing a new technology with a view to minimising the quantity of waste and the environmental impact in the event of an accidental spill. Another best practice is represented by management of the project to dismantle the Concordia, described in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

Spills (EN23)

		2012	2013	2014
Number of spills				
Total	(No.)	144	77	50
Spills of chemical substances	(No.)	19	21	14
Spills of oily substances	(No.)	125	56	36
Volume of spills				
Total	(m^3)	5.4	67.2	21.6
Spills of chemical substances	(m^3)	1.6	62.7	17.4
Spills of oily substances	(m^3)	3.8	4.5	4.2

All incidents are reported and investigated appropriately in order to establish the causes and identify corrective actions to prevent such events from happening in the future. Each quarter, environmental bulletins and reports are disseminated throughout the Group in order to share the 'lessons learned'. It should be noted that 2013 saw the reporting methodology revised, and only spills above 10 litres are now in fact monitored. The variation in methodology explains in part why the number of spills in 2012 is much higher compared to 2013 and 2014.
Further information on the Company's approach to spill prevention are available in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

Impacts, costs and investments (EN27-30)

As a contractor in the Oil & Gas industry, from the contractual point of view it is not possible for Saipem to account for the products and services provided, as these are defined and managed by the Client. However Saipem implements all measures necessary to ensure the protection of the environment when carrying out its work, both in activities managed directly by its own personnel and vessels, and in all operations subject to operational control. Saipem considers it of extreme importance to manage properly the significant environmental aspects and impacts that derive from these. Indeed, Saipem has long adopted a certified Environmental Management System according to the international standard ISO 14001, a tool for monitoring the environmental impacts of its activities, but also for systematically striving for continuous improvement.
In 2014, Saipem did not receive any significant fine and/or monetary sanction for non-compliance with environmental laws and regulations.
As a contractor, Saipem accounts for expenses and investments solely in relation to its own activities and assets, and not for those related to commissioned projects, which form part of the overall project costs and are reimbursed by the Client.

(€ million)	2012	2013	2014
HSE investments	35.4	37.0	39.2
Expenses for integrated HSE management	39.7	38.6	41.3
Expenses for the environment	6.7	7.1	9.6

It should be noted that expenses for integrated HSE management refer mainly to costs for the management and training of Saipem HSE personnel.

Working Conditions and Practices

Employment (LA1-3)

		2012	2013	2014
Total employees at year end, of which:	(No.)	48,455	52,157	54,637
- Senior Managers	(No.)	436	431	421
- Managers	(No.)	4,857	4,954	5,012
- White Collar	(No.)	22,148	22,849	23,907
- Blue Collar	(No.)	21,014	23,923	25,297
Total female employees	(No.)	5,331	5,701	5,832
Employees in non-EU countries	(No.)	37,322	41,793	43,334
Employees with full-time open-ended contracts	(No.)	48,227	51,903	54,350
Employees with a stable work contract	(No.)	18,025	18,662	19,774
Termination of employment of key resources	(No.)	3,541	4,581	4,518
Turnover of key resources	(ratio)	-	-	8.01

In 2014, there was further growth (5%) in the workforce due to the needs of some Onshore E&C projects, particularly with regard to activities carried out in Mexico and Canada.
There was an increase of 131 female employees (2%) and 2,349 male employees (5%). As regards employees who play what is considered a key professional role, these now account for 36% of the workforce, stable compared to 2013.
It should be noted that a stable work contract is considered such independent of the country and of the form of contract and when the resource covers a key role for the business.
The voluntary turnover rate of key resources for business was 8.01% in 2014. Considering solely the voluntary turnover rate for companies whose occupational trends are less conditioned by the completion of projects (i.e. Saipem SpA and Saipem SA), the turnover was 6.49%.
The turnover rate is calculated as the ratio between the number of voluntary annual terminations and the average workforce during the year.
Saipem provides its employees with different benefits and methods of allocating these, in accordance with local conditions. These include: complementary pension plans, supplementary healthcare funds, mobility support services and policy, welfare initiatives and family support policies, catering (lunch tickets) and training courses aimed at ensuring more effective integration within the social-cultural context in question.
The benefits, where applicable, have been offered to the entirety of the specific target population to date, regardless of contract type (temporary/permanent), except for those specific services that may be incompatible in terms of the timing of the service with the duration of the contract itself.
Further details relating to employment are provided in the chapter ‘Competence: the most powerful engine’ of ‘Saipem Sustainability 2014’.

Industrial Relations (LA4-5)

Given the global nature of the environment in which Saipem operates today, which encompasses a wide range of socio-economic, political, industrial and legislative situations and conditions, the management of industrial relations requires maximum care and attention. The Company's industrial relations model has thus for many years now focused on ensuring the harmonisation and optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies.
With a view to further reinforcing this participatory model of industrial relations, the Company and the trade union organisations entered into discussions during 2014 to establish an industrial relations protocol that recognises the centrality of communication, negotiation and dialogue. The aim is to have a definitive protocol ready by the first quarter of 2015. The year also saw a revision of the Standard Procedure 'Overseas Industrial Relations', which was updated to include a chapter dedicated to Human Rights, with the objective of bolstering and underlining Saipem's policy of conducting its business activities at all times in full respect therefore. Whenever a major organisational change is expected, it is the practice of the Saipem Group to communicate this to the trade union representatives. In Italy, due to a specific provision for collective bargaining, meetings with the unions are regularly convened to enable illustration of/exposure to the change in place.

		2012	2013	2014
Employees covered by collective bargaining	(%)	48	50	53
Strike hours	(No.)	-	61,477	54,456

Out of the 45,668 employees monitored, 24,440 are covered by collective bargaining agreements. It is important to bear in mind that Saipem operates in countries where they are no provisions for these types of agreement. In cases of divergence between local and international standards, the Company seeks solutions that facilitate behaviour based on international standards whilst considering the local principles.
The first half of 2014 saw the signing of a collective agreement with a new trade union organisation on behalf of the workers employed in the Guarujá Yard in Brazil. The agreement, which was entered into concomitantly with the renewal of the existing collective labour agreement, redefined salary categories for yard personnel and also introduced a participation bonus, in keeping with recommendations contained in local regulations. The end of 2014 also saw the renewal of two important collective labour agreements for the energy and construction sector in Nigeria. The employment regulations laid down in the agreements were adapted to provide enhanced resolution mechanisms for industrial disputes. Furthermore, the workers at the Karimun Yard in Indonesia have formed a trade union with which a collective agreement is expected to be entered into at the beginning of 2015.
In 2014, the total number of hours of strikes in the Saipem Group was down compared to the previous year. There were strikes in Italy, Brazil and Nigeria. Over half of all strike hours were in Nigeria, where the number of days of collective abstention from work were three in June and one in October. These, however, were over issues that only in part concerned employment relations. In Brazil, there were strikes in April and December in the Guarujá Yard, concerning themes such as profit sharing and implementation of a transport plan for the yard. As regards Italy, the strikes were focused on the second half of the year and mainly concerned questions linked with the declaration by Eni of its intention to sell its majority share in Saipem.
More information is available in the 'Human resources' section of the Directors' Report contained in the 'Annual Report 2014'.

Health and Safety (LA6-9)

In Saipem, the culture of health and safety of workers is guaranteed and backed by a strong internal campaign. This, in turn, is facilitated by the external regulatory environment, mainly characterised by laws and agreements at national and Company level, and by the internal environment characterised by specific policies on health and safety that define particularly stringent criteria when compared to the local contexts, which today are characterised by the presence of a regulatory system still in the process of development.
Not all countries in which Saipem operates have trade unions at both national and local level. Where specific agreements are in place, they can be broken down into three main lines pursued by the Company and shared with the trade unions:
- setting up workers H&S committees (composition and number);
- specific training for safety officers (responsible Company figures and employee representatives) and grassroots information on safety matters to all employees, with particular reference to courses on Health and Safety at Work, Fire Fighting, First Aid, and mandatory 'Special Operations' (Onshore-Offshore); and
- regular meetings between the Company and workers' representatives.

In Italy, workplace health, safety and environment are regulated by specific contract clauses and by the national labour contract. In particular, the collective agreement provides for the appointment of representatives of the workers for their protection in the areas of health, safety and the environment. The appointment is made by election and the number of representatives is provided for by law and the collective agreement. One specific agreement between Saipem and the Trade Unions defines the competencies of the representatives of the workers for health, safety and environment and their full power to exercise their role, including for workers assigned temporarily to activities in the yards and on the sites where they operate.

Saipem launched the LiHS (Leadership in Health and Safety) programme in 2007 with a view to promoting the health and safety of its employees. This programme consists of several stages which, through workshops directed at all levels of the Company, aim to spark a cultural shift in the personnel so that they are more attentive to and aware of health and safety issues. Figures for the last three years are given below.

	2012	2013	2014
LiHS Programme			
Phase 1			
LiHS trained facilitators	22	23	12
Workshops performed	130	113	119
Number of participants in workshop phase 1	1,643	1,405	1,591
Phase 2			
Number of cascading events	160	90	179
Number of cascading participants	5,046	2,993	6,449
Phase 3			
Five Stars train the trainer	3	6	5
Number of Five Stars training courses	252	122	345
Number of Five Stars participants	2,373	1,336	3,597
Phase 4			
Number of Leading Behaviours Cascading events	265	167	116
Number of Leading Behaviours Cascading participants	9,617	5,930	3,875

LiHS data is updated on a periodic basis, not always in line with the calendar year. Changes can occur from one year to the next.

Further information can be found in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

Safety in the workplace

		2012	2013	2014
Man-hours worked	(million hours)	321.99	298.05	265.81
Fatal accidents	(No.)	3	6	1
Lost Time Injuries	(No.)	99	71	73
Days lost	(No.)	5,625	3,611	3,696
Total Recordable Incidents	(No.)	342	344	289
Rate of absenteeism	(%)	-	2.2	4.0
LTI Frequency Rate	(ratio)	0.32	0.26	0.28
TRI Frequency Rate	(ratio)	1.06	1.15	1.09
Tool Box Talks	(No.)	781,401	925,017	891,256
Safety hazard observation cards	(No.)	575,611	701,329	908,340
HSE meetings	(No.)	45,287	45,376	41,136
Job Safety Analysis	(No.)	390,721	239,455	256,345
HSE inspections	(No.)	258,875	301,820	285,118

The reporting perimeter corresponds to that (not necessarily geographical) of the work area in which Saipem is responsible for defining HSE standards and for ensuring and monitoring their application. The calculation methodology used for the main indicators is outlined as follows:
- the man-hours worked are the total number of hours worked by employees of the Company and contractors working on the operating sites;
- lost days of work translate into the total number of calendar days in which the injured person was not able to do their job as a result of an LTI. The calculation of days lost starts from the second day after the accident and counts up to the day on which the person is able to return to work;
- LTIFR and TRIFR are calculated in millions of man-hours worked, as per the standard applied internationally in the Oil & Gas industry and include injuries involving both Company and contractor personnel;
- the rate of absenteeism is calculated as the ratio between the total hours of absence and the theoretical total annual hours to be worked. The total hours of absence do not include parental leave and estimated holiday hours.

For remarks on the safety performance, see the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

Health

(No.)	2012	2013	2014
Vaccines administered to employees and subcontractors	9,124	7,607	9,010
Medical staff	558	545	587
Medical consultations	85,361	90,923	107,890
Medical fitness examinations	36,518	42,519	47,048
Occupational illnesses reported	7	10	13
Cases of repatriation	170	159	178
Sites where the H-Factor programme has been implemented (*)	24	37	48
Workshop Choose Life	-	87	315

(*) The number given is cumulative.

Saipem considers the health and wellbeing of its employees to be of unquestionable value. It is constantly working to strengthen its Health Management System.
In 2014, 47,048 medical fitness examinations were carried out, an increase of 11% compared to 2013, and 9,010 vaccines were administered, mainly against Hepatitis A and B, Tetanus, Typhoid Fever, Influenza and Yellow Fever.
The Company organises a number of health promotions for its employees, such as:
- initiatives for the prevention of circulatory diseases. 23% of cases of repatriation in 2014 were linked with cardiovascular illnesses. The approach adopted by Saipem is based on the promotion of a healthy lifestyle and on risk assessment through comprehensive monitoring of the state of health of employees. In 2007, Saipem launched the Telecardiology programme with the aim of providing assistance on remote sites. In 2014, the number of sites covered was 55 and overall 3,642 ECGs (electrocardiograms) were transmitted, of which 142 were treated as potential emergencies and hence promptly analysed by specialists;
- initiatives and programmes for the promotion of a healthy lifestyle such as the H-Factor and Choose Life. The first has been implemented with the cooperation of Saipem's catering company and with the support of the Company's medical service. The second is a programme consisting of a two-hour workshop, in which the short film 'Choose Life' is shown with the aim of boosting the health culture;
- Saipem operates in a number of countries considered at risk of malaria. 'Malaria Awareness Lectures' are therefore organised for employees. At year-end 2014, 100% of non-immune employees operating in those zones had taken the course;
- in Italy, Saipem has been using the 'Pre-Travel Counselling' service since 2008 for employees departing on work-related assignments. In these meetings information is given regarding the epidemiological situation in the country of destination and advice on any vaccines that may need to be administered. Since the programme began, 7,200 employees have been trained on the risks associated with the country of destination; and
- in 2014, Saipem SpA (Italian headquarters) signed up to the 'Workplace Health Promotion' (WHP) validated by the regional government of Lombardy. This programme is the outcome of the joint efforts of employers, workers and local institutions. The aim is to improve health and wellbeing in the workplace. It involves a pathway to the realisation of best practices that will be effective in the promotion of health. The WHP programme, which lasts 3 years, entails the development of activities in 6 thematic areas: promotion of a correct diet, an anti-smoking campaign, promotion of physical activity, road safety and sustainable mobility, alcohol and drug dependency, personal and social wellbeing and work/family balance.

Saipem's approach to the promotion of the health of employees and local communities is discussed in more detail in the chapters 'Safe operations for people and the environment' and 'Strengthening relations with local communities' of 'Saipem Sustainability 2014'.

Training (LA10)

(hours)	2012	2013	2014
Training			
Total hours of training, of which:	2,285,191	2,354,493	2,615,706
HSE	1,687,258	1,508,601	1,445,829
Managerial Behaviour and Competencies	72,931	77,017	48,425
IT and languages	95,680	120,841	100,106
Professional technical skills	429,322	648,034	1,021,346

In 2014, the total number of training hours delivered was up 11% compared to 2013. Over the year, the two themes to which most focus was given were:
- technical training, which with 1,021,346 hours delivered saw an increase of 57% compared to the previous year, especially in Saudi Arabia (which represents about 18% of the hours worked). It should be noted that 'Other Professional Skills' was aggregated with 'Technical Professional Skills'; and
- HSE training which, although down in absolute terms by 4% compared to 2013, is up in relation to the hours worked. In 2014, 5.44 training hours were delivered for every 1,000 hours worked, while in 2013, this was 5.06. Out of the total of 1,445,829 HSE training hours, 566,684 were delivered to subcontractors. It should be noted, moreover that the hours for 2013 and 2012 were recalculated as part of the data collection refining process.

As regards the hours delivered to Saipem employees (around 2 million), 70% was for blue collar workers (46% of the workforce) for HSE and technical training, 23% for white collar workers (44% of the workforce), 6.5% to managers (9% of the workforce) and 0.5% to senior managers (1% of the workforce).
More information on the training and development of people can be found in the chapters 'Safe operations for people and the environment' and 'Strengthening relations with local communities' of 'Saipem Sustainability 2014'.

People development (LA11-12)

		2012	2013	2014
Skills assessment				
Skills assessment, of which:	(No.)	2,605	3,118	3,495
- management skills	(No.)	54	22	32
- evaluation of potential	(No.)	118	257	247
- technical skills	(No.)	2,184	2,640	3,135
- evaluation of potential for experts	(No.)	249	199	81
Performance assessment				
Evaluation of the performance to which employees are subject, of which:	(No.)	23,498	22,411	28,787
	(%)	48	43	53
- Senior Managers	(No.)	436	406	426
- Managers	(No.)	2,965	1,905	5,359
- White Collar	(No.)	10,774	10,945	15,968
- Blue Collar	(No.)	9,323	9,155	7,034

Saipem bases its business success on a strong technical capacity in both its equipment and its employees. Continuous training and skills enhancement are key elements in the management and development of people.
For 2014, an increase in the number of performance assessments at Group level was registered. Specifically, an increase for managers and white collar workers was noted. Generally speaking, the incremental trend is justified with the launch of the new process of management performance targeted at rendering performance management a widespread and traced process at worldwide level. Among its distinctive features are the ease of filling in assessment sheets, the tracing of the entire process through the system, and the ability to extend the tool to all roles and all contexts.
In 2014, an integrated team was set up dedicated to the relaunch of mapping, development and monitoring of skills, beginning with the analysis of a group of 5 key roles: Drilling Superintendent, Offshore Project Manager, Onshore Construction Manager, Procurement Manager, and Project Technical Manager. The information is collected in a summary dashboard that reprocesses them and represents them in various ways that allow for easy analysis in terms of the quality and quantity of the people's skills, as well as of the type of experience gained on the different types of projects, geographic areas, technologies and so forth.
It is within this scenario, as a supplement to it, that another activity launched in 2014 can be found, namely, the updating of managerial and technical career pathways targeted precisely at defining the experiences and key skills for the passage from one role to another and the operative actions in support of this. In this case, too, an integrated work team was initially dedicated to the definition of the development pathway model and, later on, to its application to two professional pilot areas: Commercial and Procurement.
More information on the training and development of people can be found in the chapter 'Competence: the most powerful engine' of 'Saipem Sustainability 2014'.

Diversity and Equal Opportunities (LA13-15)

Gender diversity

		2012	2013	2014
Female presence				
Female employment	(No.)	5,331	5,701	5,832
Female Senior Managers	(No.)	16	19	20
Female Managers	(No.)	606	653	684
Compensation				
Ratio of basic salary of women to men, by employee category:				
- Senior Managers	(%)	79	89	91
- Managers	(%)	90	91	87
- White Collar	(%)	89	92	94
- Blue Collar	(%)	128	116	138

Age diversity

(No.)	2012	2013	2014
Age Groups			
Employees under 30 years of age	9,140	9,820	10,480
of which women	1,399	1,405	1,408
Employees aged between 30 and 50	31,230	33,524	35,264
of which women	3,341	3,628	3,822
Employees over 50 years of age	8,085	8,813	8,893
of which women	591	668	668

Cultural diversity

(No.)	2012	2013	2014
Multiculturalism			
Nationalities represented in the employee population	124	126	131

The protection of specific groups of employees is safeguarded through the application of local laws, and is reinforced by specific Corporate policies that emphasise the importance of this issue. The goal is to ensure equal opportunities for all types of worker in an effort to deter the onset of prejudice, harassment and discrimination of any kind, whilst safeguarding dignity, sexual orientation, colour, race, nationality, ethnicity, culture, religion, age and disability in full respect of Human Rights. In the various environments in which Saipem operates, this protection is reflected in the context of specific regulations that provide for minimum employment obligations of disabled staff, young staff or in relation to certain proportions between local and expatriate staff, for example.

With regard to gender diversity, the percentage of women in managerial positions remained more or less unchanged (12%). Women make up 13% of all managers, up 1% compared to 2013.

In terms of salary, the indicator has been calculated as the ratio between the average salary of a woman compared to the average salary of a man by category. From the analysis of average salary levels by country and category, increasing attention to the application of interventions targeted at aligning salaries or reducing gender pay gaps is evidenced, even if the variations of manpower, especially if relevant, can determine salary discrepancies at global analysis level.

Saipem promotes the work/family balance of its personnel through regulations and/or local policies that guarantee parental leave. In all environments, maternity/paternity leave is regulated and only differs in timing and type of abstention from work. This is accompanied by possibilities of leave for breastfeeding, child or family member illness, and raising a child (flexible and part-time working hours and telecommuting). The possibility of adoption-related leave is also worth a mention. In 2014, 991 employees of the Saipem Group took parental leave for a total of around 51,000 days.

Human Rights

Investment and Procurement Practices (HR1-2, 5-7)

Saipem is committed to operating within the law, regulations, statutory provisions, codes of conduct and compliance with codes of ethics. All vendors involved in procurement activities with Saipem must read and accept Model 231 in full, including the Saipem Code of Ethics which draws its inspiration from the Universal Declaration of Human Rights of the United Nations, the Fundamental Principles of the International Labour Organisation (ILO) and OECD guidelines for multinational companies. This model is included as a document in all standard contracts with Saipem. During qualification phase, the vendor fills in the Vendor Declaration in which it undertakes to act in strict accordance with the principles laid down in Saipem's Code of Ethics, and to respect Human Rights in conformity with the Saipem Sustainability Policy and undertakes to accept requests in accordance with the national law in force and to fulfil all salary, welfare and insurance obligations for its personnel.
In addition, in 2011 Saipem integrated its own process for evaluating vendors with the aim of assessing the social responsibility of its supply chain. The current vendor qualification system has been supplemented with requirements for complying with social and labour rights, in line with the 'Fundamental Principles and Rights at Work' of the International Labour Organisation (ILO) and SA8000 standard. To achieve this, there was a particular focus on child and forced labour, freedom of association and the right to collective bargaining, remuneration, working hours, discrimination and disciplinary procedures, and health and safety. In 2014, audits were carried out on 22 new vendors in China and India. The qualification questionnaires of 401 vendors were also analysed in detail. The questionnaires were selected according to the class of goods and nations with potential risk, with further details and additional documentation being requested where necessary.

(No.)	2012	2013	2014
Vendor audit on workers' rights	19	24	25

Beginning 2013, follow-up audits were also carried out on several suppliers previously analysed. There were 2 follow-up audits in 2013 and 3 in 2014. Overall, since the beginning of the campaign in 2011, 85 audits have been carried out.
Further details can be found in the chapters 'Generating value through a Local Content strategy' and 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014' as well as in the Code of Ethics.

Reports (HR4)

Saipem has a Corporate standard that describes the process of managing reports.
The term 'report' refers to any information regarding possible violations, behaviour and practices that do not conform to the provisions in the Code of Ethics and/or which may cause damage or injury to Saipem SpA (even if only to its image) or any of its subsidiaries, on the part of Saipem SpA employees, directors, officers, audit companies and its subsidiaries and third parties in a business relationship with these companies, in one or more of the following areas: the internal control system, accounting, internal accounting controls, auditing, fraud, administrative responsibilities under Legislative Decree No. 231/2001, and others (such as violations of the Code of Ethics, mobbing, theft, security, and so on).
Saipem has prepared various channels of communication in order to facilitate the sending of reports, including, but not necessarily limited to, regular post, fax numbers, voice mail and e-mail, and communication tools on the intranet/internet sites of Saipem SpA and its subsidiaries.
The Internal Audit function will ensure that all the appropriate checks are carried out on the facts outlined in the whistleblowing reports received, by doing one or more of the following activities and guaranteeing that these phases are carried out as quickly as possible and in accordance with the completeness and accuracy of the preliminary investigations. The preliminary investigations consist of the following phases: (a) preliminary check; (b) assessment; (c) audit; and (d) monitoring of corrective actions.
Furthermore, a three-monthly whistleblowing report is drafted and sent to the following persons or functions of Saipem SpA: the Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the External Auditor, the members of the Whistleblowing Committee and the Anti-Corruption Legal Support Unit. Saipem SpA's Board of Statutory Auditors, during its review of the quarterly whistleblowing report, will evaluate whether to send to the Control and Risk Committee any whistleblowing files considered relevant for its impact on the Internal Control System and Risk Management. In addition, following the examination on the part of the Board of Statutory Auditors, the three-monthly whistleblowing report is sent to the Compliance Committee, the Chief Operating Officers the Chief Financial and Compliance Officer, each for matters within their remit and limited to significant facts which are founded or to issues concerning accounting, audits, internal controls over financial reporting and any fraud related to these issues.

(No.)	2012	2013	2014
Number of files			
Total, of which:	38	58	67
- founded or partially founded	11	10	7
- unfounded	27	32	19
- pending	-	16	41

The data is updated as of December 31, 2014.

Details of some categories of file are provided below:

(No.)	2012	2013	2014
Files on cases of discrimination			
Total, of which:	4	4	5
- founded or partially founded	-	2	-
- unfounded	4	2	1
- pending	-	-	4
Files in relation to workers' rights			
Total, of which:	10	17	19
- founded or partially founded	1	1	1
- unfounded	7	13	6
- pending	2	3	12

The data is updated as of December 31, 2014.

In 2014, 5 files were opened in relation to reports of discrimination, of which 4 remain active and 1 has been closed. All 5 files were sent to the Compliance Committees of the companies involved in the reports. As regards the one file closed, the competent Compliance Committee, on the basis of assessments carried out, decided that there had been no violation of the Code of Ethics with reference to the facts reported. No corrective actions were implemented.
It should be noted, moreover, that 3 files still open in the 2013 reporting period with discriminatory behaviour as their subject matter were closed in 2014. One report was unfounded, while another 2 were deemed founded and improvement actions were implemented, consisting of disciplinary sanctions against the perpetrators of the discriminatory behaviour reported.
In 2014, 19 files on reports relating to Human Rights were open, of which 12 remain such while the remaining 7 were closed. In 6 of these latter cases, the report was deemed unfounded, while in the last case, which had sexual molestation and mobbing against an employee as its subject matter, corrective actions were implemented to protect the member of staff. Furthermore, with reference to three reports closed as unfounded, corrective actions were nevertheless implemented with a view to creating, in one case, a respectful and collaborative working environment, and, in the remaining 2 cases, to resolving working relations management problems.
Furthermore, in 2014 , 7 of the 10 reports still open in 2013 were closed. All 7 were unfounded and did not result in corrective actions, except in one case in which improvement actions were promoted in the work environment.

Security (HR8, 10)

In the management of security, Saipem gives utmost importance to respecting Human Rights. In testimony to this, in 2010 Saipem introduced clauses concerning respect for Human Rights into its contracts with the external security company. Any non-compliance is due grounds for cancellation of the contract. Currently, the contractual clauses on Human Rights are inserted in the general terms and conditions and from there into all contracts.

		2012	2013	2014
Contracts with Security suppliers with Human Rights clauses	(%)	72	84	100

For all new operational projects in which Saipem is responsible for Security, a Security Risk Assessment on the country in question is made prior to any offers being tendered. If a decision is made to proceed with the offer, a Security Project Execution Plan is also prepared. The Security risk related to the operating activities and context is analysed, including any issues of Human Rights violations. The actions required to manage and reduce these to a minimum are decided upon based on the risks identified.
In December 2014, training sessions were delivered on Human Rights and workplace practices to Security personnel in the Karimun Yard (Indonesia). In 2015, the Company will work to extend this training to other locations.
More information can be found in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014.'

Local communities (SO1)

Saipem is present in many regions, working with a decentralised structure in order to respond better to local needs and sustainability aspects. Wherever it works, Saipem plays an active role in the community, providing a contribution to the social and economic life of the territory, also and not only in terms of local employment and creation of value. Saipem has always strived to establish an open and transparent dialogue with all stakeholders. Depending on Client requirements and instructions, Saipem makes use of the socio-economic impact assessments and studies supplied by the Clients themselves or produced in-house, where necessary, in its operational project management. The operations in which Saipem has direct responsibility for the impacts generated at a local level relate to the manufacturing yards or logistic bases that it owns. In these cases, Saipem identifies and assesses the potential

effects of its activities and actions in order to ensure they are managed appropriately, as well as any specific activities and projects aimed at developing the local socio-economic context. The typical tool used is a Socio-Economic Impact Assessment (EIA) or the ESIA (Environmental Social Impact Assessment). As a result of this study, Saipem collaborates with the stakeholders involved to prepare an Action Plan in order to define actions required to manage the impacts generated on the local communities. For example, PT Saipem Indonesia Karimun Branch, which operates on the island of Karimun (Indonesia), updates the analysis on the impact of Saipem's activities on the local communities on an annual basis.
In 2014, Saipem was not involved in any conflicts with local communities or indigenous populations.
More information can be found in the chapter 'Strengthening relations with local communities' of 'Saipem Sustainability 2014'.

Business ethics and the prevention of bribery and corruption (SO3-4)

In order to reduce the risk of exposure to sources of corruption, Saipem has issued further Anti-Corruption regulatory instruments relating to various topics and particularly sensitive areas. These internal procedures are subject to constant checks to ensure they are updated when and where necessary. The following are among the most significant updated or issued in 2014:
- the Management System Guidelines 'Company Affairs', 'Integrated Risk Management', 'Public Affairs', 'External Communications', 'ICT Process', 'Investor Relations', 'Sustainability Stakeholder Engagement and Community Relations'; and
- the Standard Procedures 'Standard Procedure on Whistleblowing reports received (including anonymously) by Saipem and by its subsidiaries in Italy and abroad', 'Gifts', 'Entertainment expenses', 'Assigning and Managing Appointments for Notarial Services'.

The Anti-Corruption procedures and the Saipem Model provide specific corrective actions and disciplinary sanctions in the event of violation of the rules and procedures in the field of Anti-Corruption. In addition, specific contractual clauses provide for the possibility of terminating existing contracts in the event that commercial partners, intermediaries or subcontractors act in violation of such laws or internal procedures. Based on the possible violations, the corrective actions deemed necessary and most appropriate are implemented.
Saipem organises training courses, both via e-learning and workshops on themes such as Anti-Corruption, the Saipem Code of Ethics, Model 231 and other issues to raise awareness of these issues among employees in an effort to prevent cases of non-compliance with the law.
It is worth mentioning that the number of training hours have been calculated by counting the average number of hours per type of course.

(No.)	2012	2013	2014
Employees trained on issues of Compliance, Governance, Ethics and Anti-Corruption	1,737	1,351	1,353
Hours of training carried out on issues of Compliance, Governance, Ethics and Anti-Corruption	4,523	3,273	3,218

It should be noted that the training hours carried out and the number of employees trained have been recalculated for 2012 and 2013 following a fine-tuning of the methodology.

Further details on measures to prevent corruption are available in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014' and in the 'Corporate Governance and Shareholding Structure Report 2014'.

Transparency and other information (SO6-8)

Compliance with the law, regulations, statutory provisions, codes of conduct, ethical integrity and fairness, is a constant commitment and duty of all the Saipem People, and in fact characterises the conduct of Saipem's entire organisation.
Saipem's business and Corporate activities must be carried out in a transparent, honest and fair manner, in good faith, and in full compliance with competition protection rules. Saipem does not make contributions, whether direct or indirect, in any form, to political parties, movements, committees and political organisations and unions, their representatives and candidates, except those provided for by specific regulations.
In 2014, the Company did not receive any legal notices for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.
On July 11, 2013, the Court of Milan ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) to pay a fine of €600,000 and further ordered the confiscation of the deposit of €24.5 million in relation to the charge of international corruption in Nigeria. On September 17, 2013, the Court of Milan made known the reasons for its verdict and the Company subsequently lodged an appeal against the Court's ruling.
On November 21, 2014, a hearing was held before the Milan Court of Appeal. On February 19, 2015, the Court of Appeal confirmed the sentence handed down by the Court of Milan on July 11, 2013, which had ruled that Saipem SpA had committed the unlawful administrative act. Saipem intends to appeal against the ruling at the Italian Court of Cassation. Saipem became involved in the investigation on the activity of the TSKJ Consortium in Nigeria in the period 1994-2004, only because in 2006 Saipem SpA acquired Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, which holds a 25% stake of the Consortium TSKJ.
The decision taken by the Court of Milan and by the Court of Appeal of Milan has no financial impact on Saipem since, at the time of the sale of Snamprogetti SpA to Saipem, Eni SpA undertook to indemnify Saipem for losses to the detriment of the latter with reference to the TSKJ matter.
Further information can be found in the 'Legal proceedings', section of the 'Annual Report 2014'.

Product Responsibility [PR1-2 and (3-4, 6-9 non-material)]

As a contractor, Saipem operates in accordance with the Client's requests and in compliance with international regulations at all times, and the contractual responsibility for the product remains with the Client.
Saipem supplies products that do not require labelling, and in each case the reference for the technical and quality standards are the contractual conditions imposed by the Client. Therefore, the Client is responsible for the product, Saipem only for its manufacture.
Saipem promotes the preservation of health and safety of all personnel engaged in its operational activities and of the host communities. The Company has implemented management procedures and specific processes for the management of particularly complex systems, where the highest risks are operational and safety-related (see 'Saipem Sustainability 2014').

Customer Satisfaction (PR5)

Analysing and quantifying the perception of the Client and how Saipem's work is perceived is a fundamental factor in the approach for continuous improvement. Saipem believes that constant monitoring of Client satisfaction is vital to achieving the best results.
The Client satisfaction process is based on a questionnaire administered via web that asks for Client feedback on many topics, both managerial and technical, from engineering to procurement and construction. Specific sections are devoted to project management, quality, HSE and sustainability. These sections are designed to evaluate Saipem's capacity in its relations with the local community and the promotion of Local Content.
In 2014, Saipem received 104 questionnaires from Clients of onshore and offshore drilling projects. The main results are as follows:

		2012	2013	2014
Customer Satisfaction questionnaires received	(No.)	84	71	104
Average Client satisfaction score (on a scale of 1 to 10)		8.09	7.75	8.14
Average Client satisfaction score on issues of Sustainability (*) (on a score ranging from 1 to 10)		7.74	7.52	7.63

(*) It should be noted that 82 questionnaires were taken into consideration when calculating the average client satisfaction score on sustainability themes.

Independent Auditors' Report

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Independent auditors' report on the limited assurance engagement of the addendum to the "Annual Report 2014" of Saipem Group named "Sustainability Performance 2014" (Translation from the original Italian text)

To the Shareholders of
Saipem S.p.A.

1. We have carried out the limited assurance engagement of the addendum to the "Annual Report 2014" of Saipem Group named "Sustainability Performance 2014" (hereinafter "Addendum"). The Directors of Saipem S.p.A. are responsible for the preparation of the Addendum in accordance with the *"Sustainability Reporting Guidelines"* issued in 2006 by G.R.I. - Global Reporting Initiative, as indicated in the paragraph "Methodology, criteria and principles of reporting", as well as for determining the Saipem Group's commitments regarding the sustainability performance and the reporting of achieved results. The Directors of Saipem S.p.A. are also responsible for the identification of stakeholders and of significant matters to report, as well as implementing and maintaining appropriate management and internal control processes relating to data and disclosures indicated in the Addendum. Our responsibility is to issue this report on the basis of the work performed.

2. Our work has been conducted in accordance with the principles and guidelines established by the *"International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information"* ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. This standard requires the compliance with ethical principles (*"Code of Ethics for Professional Accountants"* issued by the International Federation of Accountants - I.F.A.C.), including professional independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the Addendum is free from material misstatements. A limited assurance engagement of the Addendum consists in making inquires, primarily with company's personnel responsible for the preparation of information included in the Addendum, in the analysis of the Addendum and in other procedures in order to obtain evidences considered appropriate. The procedures performed are summarized below:

   a. comparison between the economic and financial information and data included in the Addendum with those included in the Saipem Group consolidated financial statements as of December 31, 2014 and for the year then ended, on which we issued our auditor's report on April 2, 2015, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010;

   b. analysis of the processes that support the generation, recording and management of the quantitative data included in the Addendum. In particular, we have carried out the following procedures:

      - interviews and discussions with Saipem S.p.A.'s management to obtain an understanding about the information, accounting and reporting system in use for the preparation of the Addendum as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the Addendum;

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- interviews and discussions with Saipem do Brasil Serviçõs de Petroleo Ltda's personnel carried out in Rio de Janeiro (Brazil) and on-site verifications at operations in Guarujá (Brazil);
- analysis, on a sample basis, of the documentation supporting the preparation of the Addendum, in order to obtain evidences of the processes in use, their adequacy and the operation of the internal control system for the correct treatment of data and information in relation to the objectives described in the Addendum;

c. analysis of the compliance of the qualitative information included in the Addendum with the guidelines identified in paragraph 1 of this report and of their internal consistency, with particular reference to the strategy, the sustainability policies and the identification of the significant matters for any category of stakeholders;

d. analysis of process relating to the engagement of stakeholders, with reference to the procedures applied;

e. obtaining of the representation letter, signed by the legal representative of Saipem S.p.A., relating to the compliance of the Addendum with the guidelines indicated in paragraph 1, as well as to the reliability and completeness of information and data presented in the Addendum.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 and consequently we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.

The Directors restated certain comparative data related to the prior years with respect to the data previously presented and subject to our limited review, on which we issued our auditors' reports on April 3, 2013 and on April 8, 2014. We have examined the method used to restate the comparative data and the information presented in the explanatory notes in this respect, for the purpose of expressing this report.

3. Based on our work nothing has come to our attention that causes us to believe that the Addendum "Sustainability Performance 2014" included in the "Annual Report 2014" of the Saipem Group is not in compliance, in all material respects, with the "Sustainability Reporting Guidelines" issued in 2006 by G.R.I. - Global Reporting Initiative, as described in the paragraph "Methodology, criteria and principles of reporting".

Milan, April 2, 2015

Reconta Ernst & Young S.p.A.
Signed by: Pietro Carena, Partner

This report has been translated into the English language solely for the convenience of international readers.

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saipem

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Publications
Relazione finanziaria annuale (in Italian)
Annual Report (in English)

Interim Consolidated Report as of June 30
(in Italian and English)

Saipem Sustainability (in English)

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