saipem

Annual Report 2013

Mission

Pursuing satisfaction of our Clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.
Our competent, multi-local teams provide sustainable development for our Company and for the communities in which 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, Croatia, Cyprus, Denmark, France, Greece, 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, United States, Venezuela

CIS
Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

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

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

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

saipem

eni

Annual Report 2013

Disclaimer

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

Shareholders' Meeting of May 6, 2014
Notice of the Shareholders' Meeting was published in the daily newspaper Il Sole 24 Ore on March 27, 2014

Letter to the Shareholders

Dear Shareholders,

2013 proved a particularly difficult year for Saipem due to a succession of events that impacted adversely on the year's results, particularly in the Engineering & Construction sector. The exception was the Drilling sector which continued to follow the positive trend registered in recent years.
Overall, compared on a basis consistent with the Company's approved 2012 reporting, revenues decreased by 10.2% and EBITDA by 71.8%, while the year saw the Company post a negative net result of €404 million.
The principal causes of this significant deterioration in results included:
- reduced activity in both the Offshore and Onshore sectors on a number of high margin contracts that had boosted 2012 results, following their completion in 2012 and early 2013;
- a significant increase in 2013 in the incidence of contracts whose lower margins reflected the extremely competitive market conditions prevailing between 2009 and 2012;
- commercial decisions taken to facilitate entry into the Brazilian market, judged to have medium-term potential, where the first contracts acquired by the Company have low margins;
- delays to important contract awards, particularly for large-scale international pipeline projects and deep-water field developments.

In addition, from May 2013 onwards, the combination of a deterioration in commercial relations in Algeria in the wake of investigations being conducted by the Algerian authorities and critical issues that emerged in relation to Onshore E&C projects under execution in Mexico and Canada, Offshore E&C projects underway in the Gulf of Mexico and completion works on a vessel due to be installed in the Mediterranean had a further negative impact on the year's results.
The Company's share price, which lost 49% of its value over the course of 2013, was impacted at the beginning of the year by the announcement revising 2013 earnings guidance sharply downwards, which caused the price to fall to €19.90. Subsequently, after a second downward revision of guidance in mid-June had caused a second sharp drop to a year low of €12.60, the Saipem stock closed out 2013 at a price of €15.54.
In terms of results by business line, Offshore Engineering & Construction posted revenues in line with the previous year, while EBITDA fell by 62%, with activities concentrated in West Africa, Kazakhstan and Saudi Arabia. In the Onshore Engineering & Construction segment, revenues fell 21.8% and EBITDA totalled negative €614 million, while activities were concentrated in the Middle East, Canada and Australia. Offshore Drilling revenues rose by 8.2% and EBITDA by 10.2%, with the improvement mainly due to a full year of operations by the semi-submersible platforms Scarabeo 8, Scarabeo 3 and Scarabeo 6. Onshore Drilling sector revenues and EBITDA were essentially in line with 2012. Activities in the sector were concentrated in South America and Saudi Arabia.
In terms of health and safety, the Company's LTIFR (Lost Time Injury Frequency Rate) fell from the previous year's 0.32 to a very low 0.26. However, the six fatal accidents that occurred during the year (three in 2012) serve to remind us that a constant effort is needed to ensure that attention to health and safety is kept high at all sites on which Saipem operates.
Capital expenditure in 2013 amounted to €908 million, against €1,015 million in 2012. Sector by sector, Offshore Engineering & Construction saw the end of final completion work and sea trials on the Saipem's new pipelay vessel Castorone, which began operations in the second quarter, while construction work continued on the new base in Brazil. In Onshore Engineering & Construction, the new covered fabrication yard in Edmonton, Canada, which is the first of its kind in North America, and which will allow Saipem to accelerate project delivery times was inaugurated during the last quarter of the year. The Offshore Drilling sector saw the completion of class reinstatement works on the semi-submersible rigs Scarabeo 5 and Scarabeo 7 and the jack-up Perro Negro 3, while in the Onshore Drilling sector, final completion works were carried out on four new rigs scheduled for operations in Saudi Arabia. Two other significant events affecting the Company's fixed assets regarded the capsizing and sinking on July 1, 2013 of the jack-up drilling rig Perro Negro 6 while it was carrying out rig positioning prior to the beginning of drilling operations near the mouth of the Congo River and the sale on December 30, 2013 of the Firenze FPSO (Floating Production Storage and Offloading) vessel to Eni.
On December 5, 2013, the Italian stock market regulator Consob closed the proceedings it had commenced on July 19, 2013 with regard to a potential 'non-compliance with international accounting standards' of the Separate and Consolidated Financial Statements at December 31, 2012. The only consequence of the proceedings for Saipem was the restatement of the 2012 Financial Statements in line with Consob's indications and corresponding adjustment made to the 2013 Financial Statements for the same amount. Aggregate net profit for 2012 and 2013 remained unchanged.
As in the second half of 2013, possible delays by Oil Companies in awarding new contracts may lead to reduced visibility with regard to expected order backlog levels, which consequently makes it harder to forecast associated revenues and margins. For this reason, Saipem has chosen to adopt a policy of cautious guidance, reflecting the increased level of uncertainty in today's market.
For 2014, Saipem expects revenues of between €12.5 and €13.6 billion, EBIT of between €600 and €750 million and a net profit of between €280 and €380 million. Final results will depend on the outcome of current tenders, on the timing of project awards and on the start date of operations, since this will determine the extent to which revenues and margins earned may be recognised in 2014. However, the commercial market outlook

remains positive, with a large number of contracts to be awarded in the near future for which Saipem holds a solid competitive position, including pipe-laying projects in ultra-deep waters, subsea developments in deep and ultra-deep waters, FPSO construction projects and large onshore projects featuring a high level of technological complexity. Investments are expected to total approximately €750 million and net financial debt is expected to be approximately €4.2 billion, both figures representing decreases on 2013 levels. 2014 is expected to be a year of transition with a return to profitability. The extent of the recovery will depend not only on the pace of contract awards, but also on the efficient operational and commercial execution of low-margin contracts still in the backlog, which in 2014 should account for approximately €5 billion.

March 14, 2014

On behalf of the Board of Directors

The Chairman
Alberto Meomartini

The Chief Executive Officer
Umberto Vergine

BOARD OF DIRECTORS

Chairman
Alberto Meomartini

Deputy Chairman
Piergaetano Marchetti[1]

Chief Executive Officer
Umberto Vergine

Directors
Fabrizio Barbieri[2]
Gabriele Galateri di Genola
Nicola Greco
Maurizio Montagnese
Mauro Sacchetto
Michele Volpi

BOARD OF STATUTORY AUDITORS

Chairman
Mario Busso

Statutory Auditors
Anna Gervasoni
Adriano Propersi

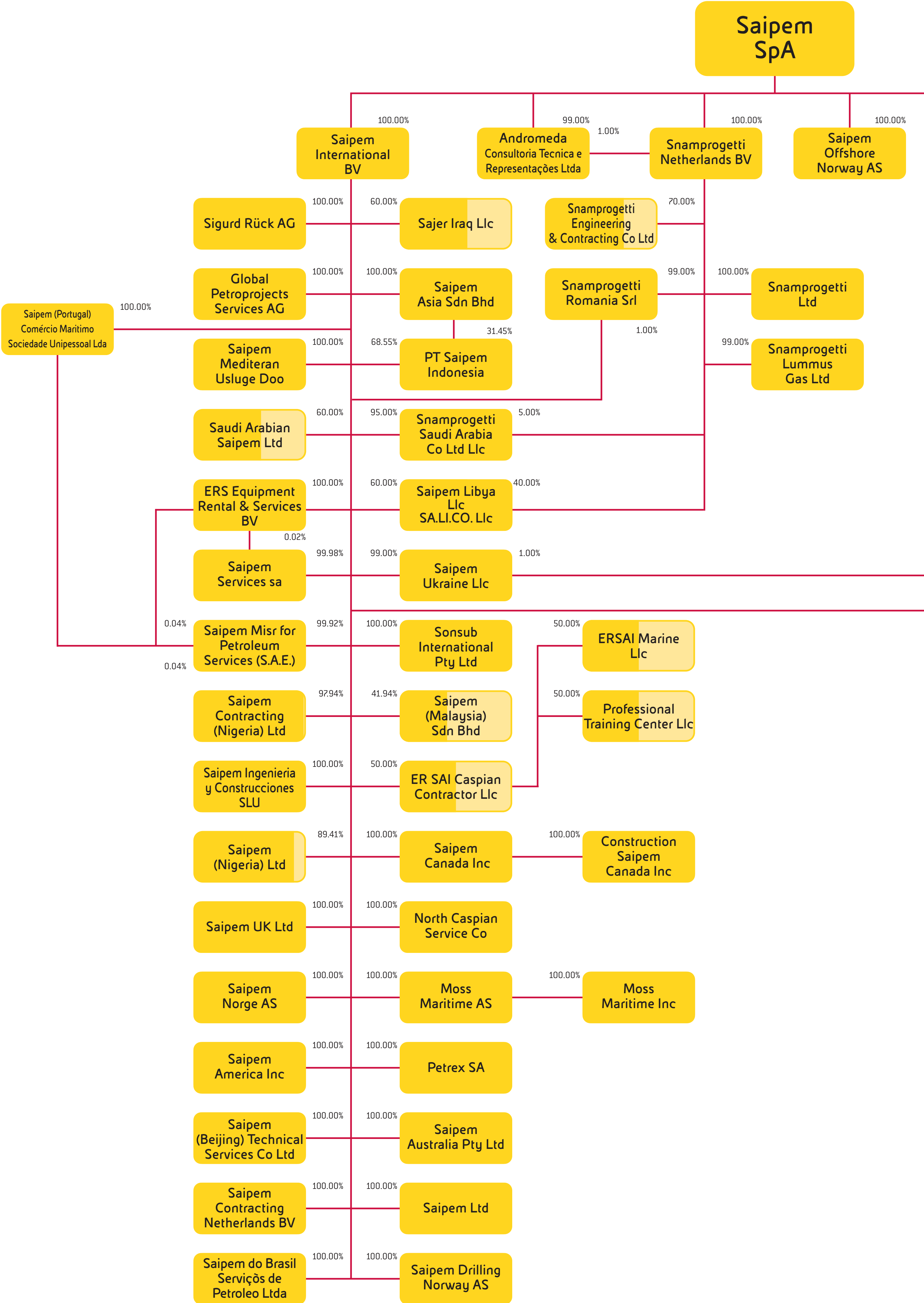
Alternate Auditors
Giulio Gamba
Paolo Sfameni

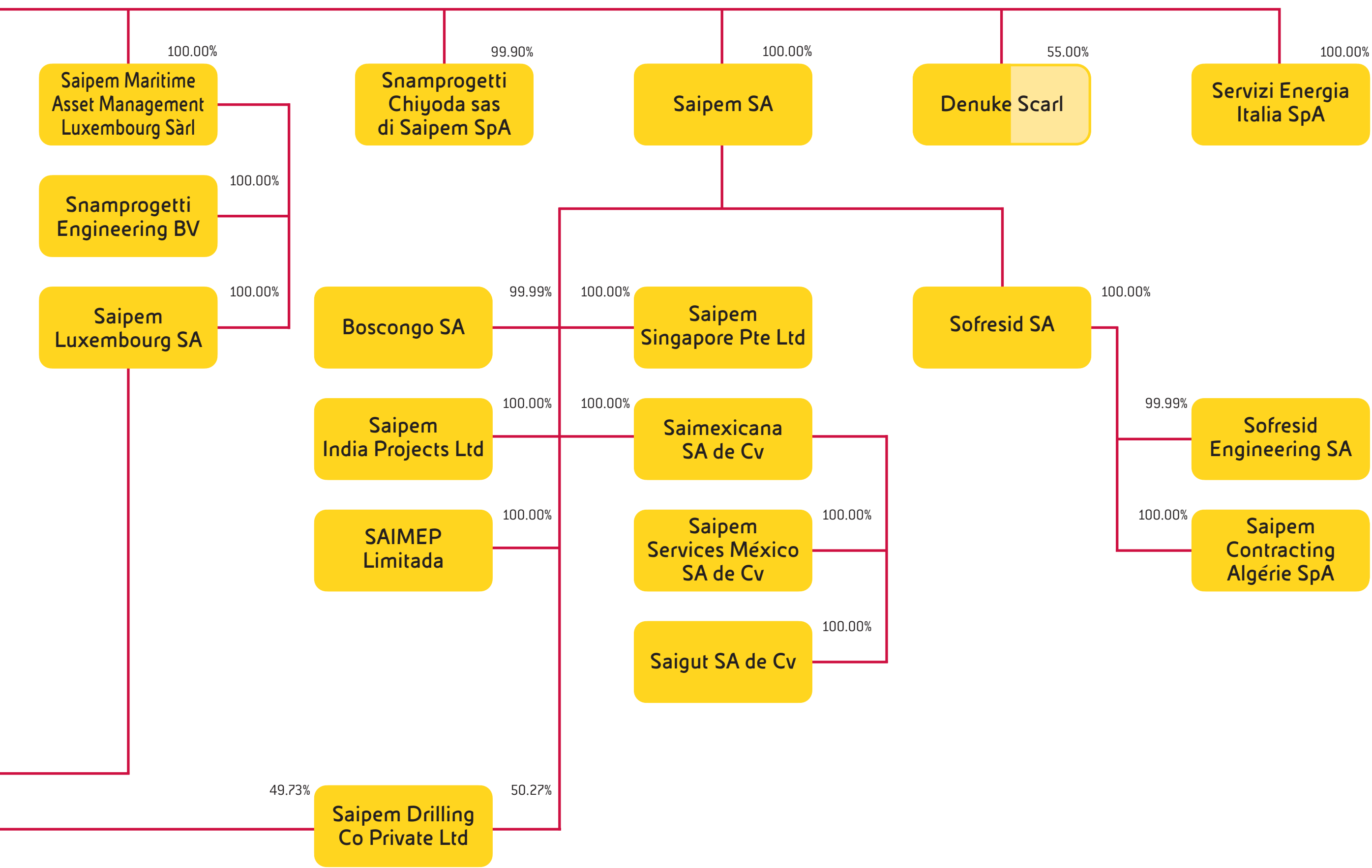
Independent Auditors
Reconta Ernst & Young SpA

(1) Appointed as Director and Deputy Chairman by the Board of Directors on July 30, 2013.
(2) Appointed on April 30, 2013 by the Shareholders' Meeting called to approve the 2012 Annual Report.

Saipem is a subsidiary of Eni SpA

Saipem Group structure
(subsidiaries)


Saipem SpA
100.00%
Saipem International BV
99.00%
Andromeda Consultoria Tecnica e Representações Ltda
1.00%
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 Marítimo Sociedade Unipessoal Lda
100.00%
31.45%
1.00%
100.00%
Saipem Mediteran Usluge Doo
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%
0.02%
99.98%
Saipem Services sa
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
50.00%
ERSAI Marine Llc
97.94%
Saipem Contracting (Nigeria) Ltd
41.94%
Saipem (Malaysia) Sdn Bhd
50.00%
Professional Training Center Llc
100.00%
Saipem Ingenieria y Construcciones SLU
50.00%
ER SAI Caspian Contractor 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
100.00%
Saipem America Inc
100.00%
Petrex SA
100.00%
Saipem (Beijing) Technical Services Co Ltd
100.00%
Saipem Australia Pty Ltd
100.00%
Saipem Contracting Netherlands BV
100.00%
Saipem Ltd
100.00%
Saipem do Brasil Serviçõs de Petroleo Ltda
100.00%
Saipem Drilling Norway AS



The chart only shows Saipem subsidiaries

Directors' Report

Saipem SpA share performance

During the course of 2013, the price of Saipem ordinary shares on the Italian Stock Exchange fell 49%, from €30.30 on January 2, to €15.50 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 12%.
On May 23, 2013, a dividend of €0.68 per ordinary share was distributed to shareholders, representing a slight decrease compared with the dividend paid out in the previous year (€0.70 per share).
The Saipem share price experienced a first sharp downturn, from €30.50 to €19.90, on January 30, following an announcement made to the markets on January 29 that revised 2012 profits slightly downward and forecast results for 2013 that were significantly below the financial community's expectations. In subsequent months, however, the award of a number of major contracts in the Offshore E&C sector renewed investors' confidence in Saipem's ability to attract new business, helping to fuel a recovery which saw the Company's stock rise above the €24 mark towards the end of the first quarter of the year. During the second quarter of the year, the share price fluctuated, as it was adversely impacted by an unfavourable oil price environment, but buoyed by the presentation to the financial community of the Company's operational review in London at the end of April.
Mid-June saw a second sharp fall, following the announcement on June 14 that Saipem was revising its guidance for the year downward in the light of commercial problems in Algeria and technical/operational issues in the North America region in particular and on June 28, the share hit its lowest price of the year of €12.60. Subsequently, starting from the beginning of July, a gradual recovery commenced which saw the price climb back up to €18 in early November.
Towards the end of the year, the upturn was hampered by a period of uncertainty that affected the whole of the Oil Services sector, caused by the increasingly unpredictable timing of new contract awards by the oil companies, who are maintaining a very tight rein on new investments. As a result, a number of major oil services companies revised their profit guidance downwards, contributing to a negative share price trend which impacted the entire sector and saw the Company's common stock close the year at a price of €15.54.
At the end of December, Saipem had a market capitalisation of approximately €6.8 billion. In terms of share liquidity, shares

Stock exchange data and indices		Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013
Share capital	(€)	441,410,900	441,410,900	441,410,900	441,410,900	441,410,900
Ordinary shares		441,265,604	441,270,452	441,275,452	441,297,465	441.297,615
Savings shares		145,296	140,448	135,448	113,435	113,285
Market capitalisation	(€ million)	10,603	16,288	14,447	12,983	6,860
Gross dividend per share:						
- ordinary shares	(€)	0.55	0.63	0.70	0.68	-
- savings shares	(€)	0.58	0.66	0.73	0.71	-
Price/earning ratio per share: (1)						
- ordinary shares		14.48	19.30	15.69	14.39	..
- savings shares		14.48	19.09	14.38	17.13	..
Price/cash flow ratio per share: (1)						
- ordinary shares		9.05	11.97	9.24	7.97	19.95
- savings shares		9.05	11.84	8.47	9.49	22.01
Price/adjusted earning ratio per share:						
- ordinary shares		14.48	19.67	15.69	14.39	..
- savings shares		14.48	19.46	14.38	17.13	..
Price/adjusted cash flow ratio per share:						
- ordinary shares		9.05	12.11	9.24	7.97	19.95
- savings shares		9.05	11.98	8.47	9.49	22.01

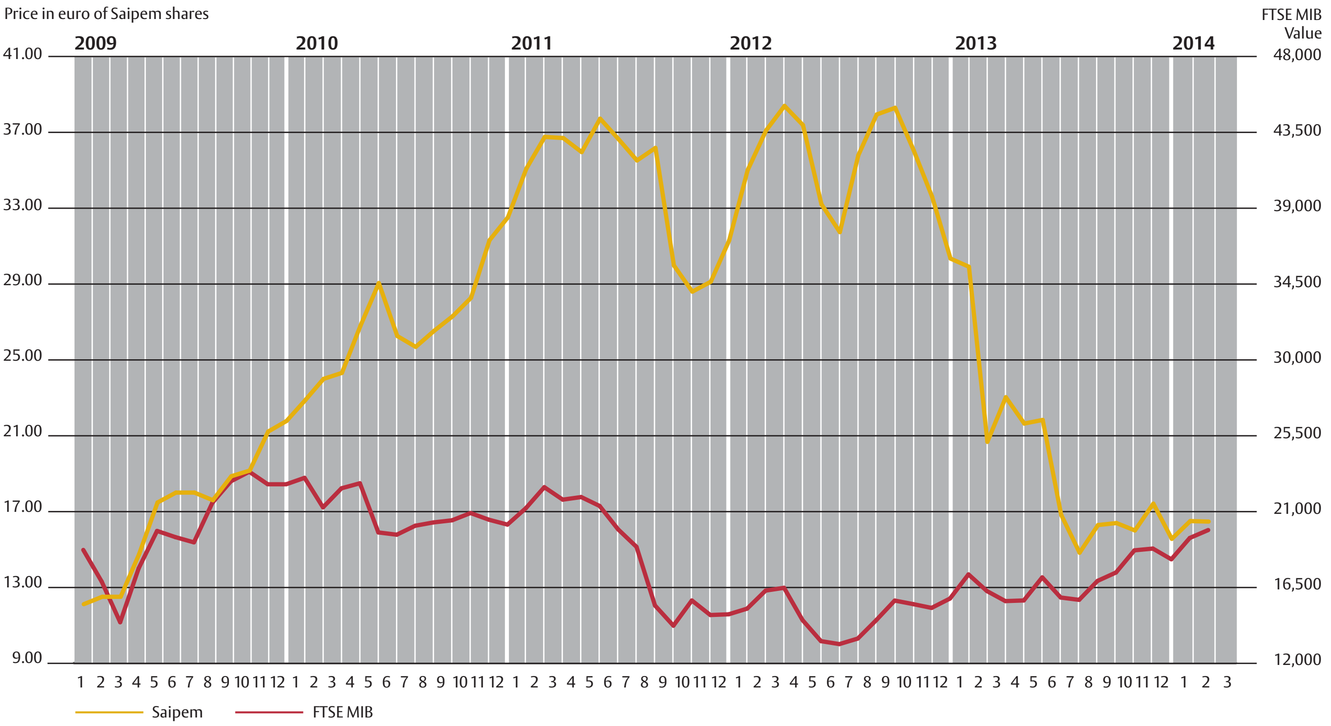
(1) Figures pertain to the consolidated financial statements.

traded over the year totalled 847 million, versus 457 million in 2012, while the average number of shares traded daily for the year totalled 3.4 million, against 1.8 million in 2012. Meanwhile, the value of shares traded just topped €16 billion, which was in line with the 2012 figure.

The price of savings shares, which are convertible at par with ordinary shares, and are of limited number (113,285 at December 31, 2013), decreased by 51%, closing the year at €17.10.
The dividend distributed on savings shares was €0.71 per share, down 2.8% on the previous year (€0.73 per share).

Share prices on the Milan Stock Exchange (€)	**2009**	**2010**	**2011**	**2012**	**2013**
Ordinary shares:					
- maximum	24.23	37.27	38.60	39.78	32.18
- minimum	10.78	23.08	23.77	29.07	12.60
- average	17.51	28.16	33.89	35.52	19.31
- year-end	24.02	36.90	32.73	29.41	15.54
Savings shares:					
- maximum	24.02	37.00	39.25	39.40	35.00
- minimum	14.85	23.00	30.00	30.00	16.00
- average	18.54	29.80	34.89	34.72	24.50
- year-end	24.02	36.50	30.00	35.00	17.10

Saipem and FTSE MIB - Average monthly prices January 2009-March 2014



Glossary

Financial terms

- **Adjusted net 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, comprising 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 IASB. The name International Financial Reporting Standards (IFRS) has been adopted by IASB for the principles 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 minority interest.
- **OECD** Organisation for Economic Cooperation and Development.
- **ROACE** Return On Average Capital Employed, calculated as the ratio between the net result before minority interest, plus net finance charges on net borrowings less the related tax effect and net average capital employed.
- **Special items** items of income arising from events or transactions that are non-recurring or that are not considered to be representative of the ordinary course of business.

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 and equipment.
- **Concrete coating** reinforced concrete coating for subsea pipelines in order to ballast and protect them from damage and corrosion.
- **Conventional waters** water depths of up to 500 metres.
- **Cracking** chemical-physical process, typically employed in dedicated refinery plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
- **Deck** area of a vessel or platform where process plants, equipment, accommodation modules and drilling units are located.
- **Decommissioning** process undertaken in order to end operations of a gas pipeline, associated plant and equipment. 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.
- **Dynamic Positioned Heavy Lifting Vessel** vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, current, etc.
- **EPC** Engineering, Procurement, Construction. A type of contract typical of the Onshore 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, gas is liquefied to facilitate its transportation from the place of extraction to that of processing and/or utilisation. A tonne of LNG equates 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 (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
- **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
- **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
- **Jacket** platform underside structure fixed to the seabed using piles.
- **Jack-up** mobile self-lifting unit comprising a hull and retractable legs used for offshore drilling operations.
- **J-laying** method of pipelaying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter 'J'. This configuration is suited to deep-water pipelaying.
- **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) a series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** 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.
- **Piggyback 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 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) Piping and Instrumentation. Diagram showing all plant equipment, piping and instrumentation with associated shutdown and safety valves.
- **Pre-commissioning** comprises pipeline cleaning out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** a 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 due to maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.
- **ROV** Remotely Operated Vehicle. Unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.

- **Shale gas** unconventional gas extracted from shale deposits.
- **Shallow waters** see Conventional waters.
- **Sick Building Syndrome** a combination of ailments associated with a person's place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites may be contributing factors.
- **S-laying** method of pipelaying that utilises the elastic properties of steel, making the pipe configuration resemble the letter 'S', with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipelaying.
- **Slug catcher** equipment for the purification of gas.
- **Sour water** water containing dissolved pollutants.
- **Spar** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
- **Spare capacity** relationship between crude oil production and production capacity, i.e. quantity of oil which is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of 2 pipelines.
- **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
- **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
- **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
- **Subsea treatment** a new process for the development of marginal fields. The system involves the injection and treatment of sea-water directly on the seabed.
- **SURF** Subsea, Umbilicals, Risers, Flowlines. Facilities, pipelines and equipment connecting the well or subsea system to a floating unit.
- **Tender Assisted Drilling unit** (TAD) an offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between 2 offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the 2 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 and modular subsea structure where the oilfield well-heads are located.
- **Tendon** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **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.
- **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
- **Trenching** burying of offshore or onshore pipelines.
- **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
- **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
- **Upstream** relating to exploration and production operations.
- **Vacuum** second stage of oil distillation.
- **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

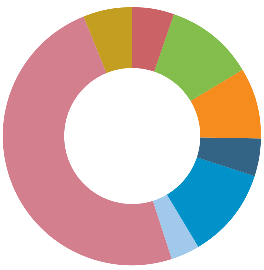
New contracts and backlog

Saipem Group - New contracts awarded as at December 31 (€ million)	2012		2013	
	Amount	%	Amount	%
Saipem SpA	2,454	18	1,590	15
Group companies	10,937	82	9,063	85
Total	**13,391**	**100**	**10,653**	**100**
Offshore Engineering & Construction	7,477	56	5,777	54
Onshore Engineering & Construction	3,972	30	2,566	24
Offshore Drilling	1,025	7	1,401	13
Onshore Drilling	917	7	909	9
Total	**13,391**	**100**	**10,653**	**100**
Italy	485	4	591	6
Outside Italy	12,906	96	10,062	94
Total	**13,391**	**100**	**10,653**	**100**
Eni Group	631	5	1,514	14
Third parties	12,760	95	9,139	86
Total	**13,391**	**100**	**10,653**	**100**

New contracts awarded to the Saipem Group in 2013 amounted to €10,653 million (€13,391 million in 2012).
54% of all contracts awarded were in the Offshore Engineering & Construction sector, 24% in the Onshore Engineering & Construction sector, 13% in the Offshore Drilling sector and 9% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 94% and contracts awarded by Eni Group companies 14% of the overall figure. Orders awarded to the parent company Saipem SpA amounted to 15% of the overall total.
The backlog at December 31, 2013 stood at €17,514 million.

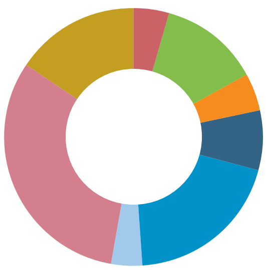
The breakdown of the backlog by sector is as follows: 48% in the Offshore Engineering & Construction sector, 25% in the Onshore Engineering & Construction sector, 20% in Offshore Drilling and 7% in Onshore Drilling.
96% of orders are on behalf of overseas clients, while orders from Eni Group companies represent 13% of the overall backlog.
The parent company Saipem SpA accounted for 30% of the total order backlog.
During 2013, €72 million and €795 million were removed from the backlog due, respectively, to the sinking of the Perro Negro 6 drilling rig and the sale to Eni of the Firenze FPSO.

New contracts by geographical area
(€10,653 million)



- €591 Italy
- €1,168 Rest of Europe
- €954 CIS
- €492 Far East
- €1,207 Middle East
- €384 North Africa
- €5,207 West Africa and rest of Africa
- €650 Americas

Backlog by geographical area
(€17,514 million)



- €784 Italy
- €2,209 Rest of Europe
- €815 CIS
- €1,327 Far East
- €3,428 Middle East
- €694 North Africa
- €5,547 West Africa and rest of Africa
- €2,710 Americas

Saipem Group - Backlog as at December 31 (€ million)	2012		2013	
	Amount	%	Amount	%
Saipem SpA	8,549	43	5,189	30
Group companies	11,190	57	12,325	70
Total	**19,739**	**100**	**17,514**	**100**
Offshore Engineering & Construction	8,721	44	8,447	48
Onshore Engineering & Construction	6,701	34	4,436	25
Offshore Drilling	3,238	16	3,390	20
Onshore Drilling	1,079	6	1,241	7
Total	**19,739**	**100**	**17,514**	**100**
Italy	1,719	9	784	4
Outside Italy	18,020	91	16,730	96
Total	**19,739**	**100**	**17,514**	**100**
Eni Group	2,526	13	2,261	13
Third parties	17,213	87	15,253	87
Total	**19,739**	**100**	**17,514**	**100**

Capital expenditure

Capital expenditure in 2013 amounted to €908 million (€1,015 million in 2012) and related to:
- €398 million in the Offshore Engineering & Construction sector, relating mainly to the final stages of the construction of a new pipelayer, the ongoing development of the new base in Brazil and the maintenance and upgrading of the existing asset base;
- €125 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and facilities for the fabrication yard in Canada and the maintenance of existing assets;
- €174 million in the Offshore Drilling sector, relating mainly to class reinstatement works for the semi-submersible rigs Scarabeo 5 and Scarabeo 7, and the jack-up Perro Negro 3 and the maintenance and upgrading of the existing asset base;
- €211 million in the Onshore Drilling sector relating to preparation works on four new rigs due to begin operations in Saudi Arabia and the upgrading of the existing asset base.

The following table provides a breakdown of capital expenditure in 2013:

Capital expenditure (€ million)	2012	2013
Saipem SpA	89	157
Other Group companies	926	751
Total	**1,015**	**908**
Offshore Engineering & Construction	525	398
Onshore Engineering & Construction	84	125
Offshore Drilling	284	174
Onshore Drilling	122	211
Total	**1,015**	**908**

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 competences, together with a long-standing presence in strategic frontier markets, represent an industrial model that is particularly well suited to EPCI projects.

The end of the first half of 2013 saw the Castorone – the new 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 – begin to operate. After the vessel had successfully completed initial shallow water tests however, technical issues required deep-water testing to be extended. As mentioned in the profit warning issued on June 14, 2013, additional maintenance work was also required to replace defective parts that were compromising the vessel's productivity.
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 operate in S-lay 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 continued in Brazil for 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 located in the district of Guarujá. The works are expected to be completed during the second quarter of 2014, as per schedule.
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 most important offshore basin in Brazil.
Saipem's work in the new yard will complement the services offered by the highly specialised ultra-deep water fleet that the Company has developed over the last few years and will also 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 also active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitoria, and the Gimboa.

Market conditions

2013 saw a slight downward revision of global growth estimates for the Offshore E&C sector. With demand for oil growing more slowly than the supply, leading to expectations of a small drop in oil prices, Oil Company spending grew more slowly than had been forecast one year ago. In spite of this, the year saw excellent levels of activity registered in almost all segments.

The subsea development segment continued to grow at a sustained rate, with a much higher number of subsea units entering into production than in 2012. The North Sea/North Atlantic area was the most active (and indeed is expected to remain so in 2014), followed by Latin America (first and foremost Brazil) and West Africa (particularly Angola and Nigeria, with the development of the Pluto, Saturn, Venus and Mars fields for BP and Usan for Total). As a result of the high levels of activity registered in the North Sea, operations in shallow waters in 2013 were much higher than they have been in the past. Deep-water discoveries however continued to be the main driver of growth in the sector, with the year seeing important discoveries such as Flemish Pass in Canada, Sigsbee in the Gulf of Mexico, as well as the Angolan Pre-Salt reservoirs in the Kwanza Basin, which could prove to have enormous potential.
The small diameter pipeline market continued to grow during 2013, driven by a large number of projects in South-East Asia (Malaysia and Vietnam), deep-water developments in the Gulf of Mexico and intense activity in the Middle East, such as the ongoing operations on the Al Wasit project located in the Persian Gulf. In Latin America and the North Sea/North Atlantic area, a drop was registered in installed kilometres, while West Africa posted similar levels to 2012, with growth forecast for 2014.
Meanwhile the large diameter pipeline registered lower levels of activity in 2013 than in the previous year. The drop in activity affected in particular a number of areas that in 2012 had been particularly active, as the result of the completion of operations on a number of major pipelay projects. Especially affected by this trend were the Asia-Pacific and the North Sea/North Atlantic areas. Conversely, the Gulf of Mexico registered an increase in installed kilometres thanks to the large number of pipelines laid on ultra-deep water operations (e.g. Walker Ridge and Keathley Canyon).

The fixed platform installation sector recorded a marked increase in units installed, mainly in the Asia-Pacific and Gulf of Mexico areas. The former accounted for almost half of all global installations in absolute terms, with activities concentrated in particular offshore China, Malaysia and Indonesia. Another very dynamic area was the Middle East/Caspian Sea area, which by itself accounted for more than a quarter of all global installations. Most of these were located in the United Arab Emirates and Saudi Arabia, where a number of major large-scale projects are underway, such as Umm Lulu, Satah Al Razboot (SARB), Upper Zakum, and Al Wasit. Finally, the year saw an increase in heavy lifting activities, which accounted for around a fifth of all installations.
Following the slowdown in 2012, the FPSO segment registered a recovery in terms of installations as a result of a number of new units installed in Brazil. In parallel, there was a drop in the number of orders placed for new units, due to Brazilian company OGX filing for bankruptcy. In spite of this, Brazil continues to represent a key market for the sector, accounting for almost half of global demand.
The positive phase for the FSRU (Floating Storage Regasification Unit) continued during 2013, with the FSRU Toscana commencing operations and a number of new orders placed for new units in Latin America and the Middle East.
The FLNG segment continued to register rapid growth, but the upwards trend is not without its elements of uncertainty.
While the number of projects where the use of FLNG technology is being considered is growing, decision-making is taking longer than anticipated and there have been a number of situations in which oil companies have eventually rejected FLNG in favour of the use of pipelines. A recent decision in favour of FLNG however arrived on the Browse project, in which Woodside has opted to develop a floating unit concept. Australia and Asia-Pacific are the key areas for the FLNG segment, although there are potential prospects for development in other areas, such as Mozambique, Iraq, Israel, and Brazil.

New contracts

The most significant contracts awarded to the Group in 2013 were:
- for Total Upstream Nigeria Ltd, an 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;
- for ExxonMobil, in Angola, the EPCI contract Kizomba Satellite Phase 2 for subsea facilities, with fabrication to be carried out 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;
- for the Burullus Gas Co, in Egypt, a contract encompassing the engineering, procurement, installation, pre-commissioning and commissioning support of subsea facilities in the West Delta Deep Marine Concession;
- for Saudi Aramco, in Saudi Arabia, an EPCI contract for the engineering, procurement, fabrication, transport and installation of offshore facilities, including three platforms, three jackets and associated pipelines (approximately 30 kilometres) and subsea cables (25 kilometres). Fabrication activities will be carried out at the STAR yard in Saudi Arabia;
- for Cardon IV (a joint venture between Eni and Repsol), a contract encompassing the transportation and installation of a hub platform and two satellite platforms, an offshore export pipeline and two infield flowlines, along with the related tie-in operations;
- for Petrobras, in Brazil, an EPCI contract for the Sapinhoà Norte/Iracema Sul project to be developed in the Santos Basin Pre-Salt Region. The scope of work includes engineering, procurement, fabrication and installation of two offshore pipelines, with related terminations (PLETs);
- for Dragados, two T&I contracts for the transport and installation of two offshore platforms in Mexican waters in the Gulf of Mexico. The platforms will be installed using the float-over method, which has never been used before in the Gulf of Mexico;

- for South Stream Transport BV, the contract for the preparatory construction works of the South Stream Offshore Pipeline. The contract encompasses the engineering and procurement activities required before construction begins, as well as the upgrading works to the equipment needed for pipelaying. The South Stream offshore pipeline will connect the Russian Black Sea shore, in the area of Anapa, to the Bulgarian coast near Varna, crossing the Turkish Exclusive Economic Zone of the Black Sea;
- for GDF Suez, in the UK, phase 2 of the Cygnus project, encompassing the installation of an infield flowline, an export pipeline and umbilicals in the Southern Gas Basin;
- for Nord Stream AG, in the UK, the Main Repair contract for Nord Stream, which encompasses activities and services related to the maintenance of two gas export pipelines;
- for Agip Kazakhstan North Caspian Operating Co NV, the EPC contract for the EP Clusters 2 and 3 project in the framework of the Kashagan field development in Kazakhstan. The contract includes engineering, procurement, fabrication, load-out and transportation of three topside production manifold modules. All fabrication activities as well as all fabrication engineering will be carried out in Kazakhstan, at the ER SAI yard in Kuryk;
- for Hyundai Heavy Industries, a contract for the fabrication of offshore structures off the coast of Congo. The scope of work encompasses the fabrication of the conductor pipes and of the mooring and tendon piles for a tension leg platform;
- two EPCI contracts in Saudi Arabia for the construction of a new platform and the upgrade of the obsolete control and safety systems on three existing platforms located in the Arabian Gulf. All fabrication activities will be carried out at the STAR yard in Saudi Arabia.

Capital expenditure

Capital expenditure in the Offshore Engineering & Construction sector mainly related to the final stages of the construction of a new pipelayer, the ongoing development of a 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 2013 were.

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 have begun 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, work is currently being carried out on two separate projects involving the installation of five pipelines, and the construction and installation of two jackets and three decks.

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

In the Far East:
- work was completed for PTT Exploration and Production Public Co Ltd in Myanmar on the **Zawtika** project, encompassing the transportation and installation of a Central Processing and Living Quarters Platform;
- work was completed for Bien Dong Petroleum Operating Co on the **Bien Dong** project in Vietnam, which encompassed the engineering, transportation and installation of pipelines and subsea cables as well as of two platforms and interconnecting bridges;
- work was completed for Pearl Oil Ltd, in Indonesia, on the **Ruby Field** project, involving the transport and installation of two platforms;
- engineering is underway and design work is at the preparatory stage on the **Masela FLNG** project for Inpex Masela Ltd, in Indonesia, which encompasses the Front-end Engineering and Design (FEED);
- work was completed on the **Hai Su Trang Development** project for Petrovietnam Technical Services Co in Vietnam. The contract encompassed the engineering, transportation and installation work on 2 wellhead platforms and a pipeline;
- work is ongoing for Husky Oil China Ltd, in China, on the **Liwan 3-1** project, which encompasses 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.

Engineering and logistical preparation work is underway 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:
- for Cabinda Gulf Oil Co Ltd (CABGOC), the second installation campaign was completed on 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 for Total E&P Nigeria Ltd on the **OFON2 - D030** project in

Nigeria for new offshore facilities in the Ofon field was completed and received provisional acceptance. The contract involves the engineering, procurement, construction and installation of the OFP2 jacket, as well as the transportation and installation of the new OFQ platform complete with living quarters;
- work was completed on the **Usan Fairleads** project for Elf Petroleum Nigeria (Total) encompassing the disconnection and reconnection of mooring lines to allow for the replacement/refurbishment of twelve fairleads on an FPSO vessel;
- work was completed on the **Usan** project for Elf Petroleum Nigeria (Total), relating to the subsea development of the Usan deep-water field, located approximately 160 km south of Port Harcourt in Nigeria. The contract comprised the engineering, procurement, construction, installation and assistance for the commissioning and start-up of subsea umbilicals, flowlines and risers connecting subsea wells to the FPSO system, as well as the construction of the oil loading terminal, consisting of an offloading buoy and 2 offloading lines, and part of the FPSO anchoring system;
- work was completed for Total E&P Congo on the **N'Kossa** contract in Congo, encompassing the removal of a flexible jumper, the installation of two new flexible jumpers, procurement and pre-commissioning;
- for Mobil Producing Nigeria Unlimited, work was completed on the contract for the **Asasa Pressure Maintenance**, **Usari FA-FR Risers** and **Edop Pipeline Extension** projects, encompassing the fabrication and installation of pipelines, risers and subsea spools at a maximum water depth of fifty metres;
- engineering and procurement activities were almost completed offshore Nigeria on the **Bonga North West** contract for Shell Nigeria Exploration and Production Co Ltd (SNEPCo). The contract encompasses 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 is underway for 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 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 started for Total Upstream Nigeria Ltd on an EPCI contract for the subsea development of the **Egina** field. The scope of work includes engineering, procurement, fabrication, installation and pre-commissioning of subsea oil production and gas export pipelines, flexible jumpers, and umbilicals;
- work started 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 started for Eni Congo, in Congo, on a contract encompassing the engineering, procurement, fabrication and transportation of the **Litchendjili** jacket, piles and related appurtenances;
- 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 the **Burullus Gas Co**, in Egypt, on a project in the area of the West Delta Deep Marine Concession encompassing the engineering, procurement, construction and installation of subsea wellheads and related infrastructures, umbilicals and flowlines. Work also continued for Burullus Gas Co on the **Multi Role Field Support Vessel Services** contract offshore Alexandria.

In the North Sea:
- commissioning was completed for Total on the **K4-Z** project in the Dutch sector of the North Sea, a contract involving the engineering, procurement, construction and installation of a pipeline and a piggy back line. The project also includes pipeline trenching, burial and shore approach works;
- work is underway 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;
- work started for Det Norske Oljeselskap ASA on a contract encompassing the transportation and installation of the **Ivar Aasen jacket** and the **topside**, in the Norwegian sector of the North Sea;
- preparatory activities commenced for GDF Suez, in the UK, on phase 2 of the **Cygnus** project, encompassing the installation of an infield flowline, an export pipeline and umbilicals in the Southern Gas Basin;
- various structures were installed using the Saipem 7000 for ConocoPhillips (**Jasmin**, **Eldfisk**, **Ekofish**), Nexen (**Golden Eagle**) and Statoil (**Gudrun**).

In Russia, 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 also commenced on the additional scope of work comprising the transport and installation of four platforms.

In Croatia, work was completed for Inagip on the **Inagip IKA Adriatico** project, encompassing the transportation and installation of the IKA JZ jacket, associated appurtenances and subsea pipelines.

In the framework of the **Under Water Operation**, in Azerbaijan, subsea inspection, maintenance and repair works continued 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 is underway on the **Chirag Oil Project** for AIOC, work is underway on the transportation and installation of a jacket (construction of which was completed in the first few months of 2013), while work on the topside has been completed.

In Kazakhstan:
- for Agip KCO, as part of the programme for the development of the Kashagan field:
  - logistical support work is underway on the **Hook-Up and Commissioning** project, encompassing the hook-up and commissioning of offshore facilities. Work has been completed on the fabrication and completion of modules at the Kuryk yard;
  - work has been completed on the **New Hook-Up, Pre-commissioning and Commissioning Assistance** project, which principally involved the completion of the interconnecting components between modules on islands A and D;
- work continued for Teniz Burgylau Llp, a consortium with **Keppel Kazakhstan Llp**, on the fabrication, outfitting and commissioning of a jack-up rig.

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** based on client specifications, completing the requested work in 2010. The project encompassed the engineering, procurement, coating, laying and commissioning of pipelines, fibre optic cables and umbilicals. After leakages were detected in a section of the onshore pipelines, the client asked Saipem to address the issue under the guarantee. However, Saipem, having received advice from qualified external legal consultants, does not consider itself obliged to perform these works, given that acceptance of the works performed was obtained in October 2010, meaning that the guarantee period expired in October 2011. Saipem has invited the client to investigate other potential areas of responsibility for the problems identified (e.g. management of the pipeline by the client after delivery, inadequate specifications provided by client; inadequate quality of the piping). At the current point in time, no dispute is underway.

In the Gulf of Mexico:
- pipelay work was completed for Chevron on the **Jack Saint Malo** project, which encompasses the transport and installation of an export pipeline connecting the floating platform Jack Saint Malo;
- work commenced for Discovery Producers Llc on the contract for the transport and installation of the gas export pipeline **Keathley Canyon Connector**.

In Brazil, for Petrobras:
- work was completed on the **Guara & Lula-Nordest** gas export pipeline project, which encompassed the transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment;
- engineering and procurement work was completed and fabrication is underway on the **P55-SCR** contract, which also encompasses the transportation and offshore installation of flowlines and risers serving the semi-submersible platform P-55 to be installed in the Roncador field, in the Campos Basin, off the coast of the Rio de Janeiro state in Brazil;
- 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. Preparatory work also started on the **Sapinhoà Norte and Iracema Sul** project;
- work began in the Santos Basin on the **Lula NE Cernambi** contract for the engineering, procurement, construction and installation of a gas pipeline and related subsea equipment.

In Venezuela:
- work began 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 the 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, has almost been 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.

In the Leased FPSO segment, the following vessels carried out operations during 2013:
- 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;
- the **FPSO Gimboa** carried out operations on behalf of Sonangol P&P, under a six-year 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 **Firenze FPSO** vessel also operated during the year and then, on December 30, 2013, was sold to Eni. The contract signed with Eni in 2009 provided for the option to purchase the vessel – which is currently deployed in the Eni-operated Aquila field off the coast of Puglia – subsequent to the conversion and commissioning of the vessel, which was completed at the end of last year.

Offshore fleet at December 31, 2013

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 on 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.
Crawler	Derrick lay barge capable of laying pipe up to 60” diameter and lifting structures of up to 540 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&Gas, complex civil and marine infrastructure and environmental markets.
The Company places great emphasis on maximising local content during project execution in a large number of the areas in which it operates.

Market conditions

Conditions in 2013 on the Onshore E&C market saw investments remain steady at levels comparable with 2012, with the award of a number of important EPC contracts in various segments (Upstream, LNG, Pipelines and Refining) and a surge of new project announcements in North America driven by the growing availability of raw materials from non-conventional oil and gas sources. Canada has been taking advantage of these opportunities, which have seen it become one of the top locations in terms of volumes of investments, with the year again bringing an increase in the value of projects awarded in the country.
Meanwhile, a series of contract awards made in the LNG, Pipelines and Petrochemical segments in 2013 saw the US rank first in terms of global volume of investments. Thanks to its abundant resources, North America continues to be a focus of investment activity, as demonstrated by the significant increase in planned projects recorded in the last two years. The Middle East on the other hand, while continuing to attract interest on the part of E&C investors, has been showing signs of a downturn, due in particular to a drop in activity in Saudi Arabia in 2013, following the major investments made in the country in previous years. Investment levels in the area have however been sustained by recent contract awards made in Iraq (providing confirmation of the greater political stability achieved in the country over the last two years), in the United Arab Emirates in the Upstream segment and finally in Iran and Oman. North Africa saw a series of important contract awards made in Algeria in the Refining and Upstream sectors, with investments in the country picking up following a period of political instability. A general decline in investments was registered in the Asia-Pacific area. This was caused by a fall in spending levels in Australia (which, following the major project awards seen in the LNG sector in recent years, is now capitalising on the investments made), India, South Korea and Indonesia. Levels of investment in the area were sustained by China, with the pipelines segment in particular posting a strong performance, Vietnam, where a major EPC contract was awarded in the Refining segment, and Malaysia, which saw awards in the LNG sector.
Investments in the **Upstream** segment experienced an upturn, following the contraction in spending seen in 2012, which came on the back of the high levels of investments registered in previous years. 2013 saw a number of important EPC contract awards in the Middle East (UAE and Iraq), North America (Canada) and North Africa (Algeria). In Iraq, following a period characterised by political uncertainty, the favourable conditions that emerged during 2012 continued to prevail, with new awards made for the Badra and Akkas field development projects. In the United Arab Emirates, major EPC contract awards were made by ZADCO, ADMA-OPCO and ADCO. In Algeria, Onshore E&C activities picked up, with awards made for the development of the Alrar field and the construction of a gas treatment plant in Touat. In Canada, awards continued for the development of non-conventional oil sources, such as tar sands, underpinned by oil prices that were sufficiently high to make new projects profitable.
The Upstream segment continued to show good short to medium term growth potential driven by both ongoing gas and oil field discoveries and developments, as well as the need to maintain production levels in existing fields.
With the abundance of available gas in North America underpinning the realisation of a large number of projects in both the US and Canada, the **Pipelines** segment posted another positive performance in 2013, with investments up compared with the previous year. Noteworthy projects included the Canadian 'Prince Rupert' gas transmission project and the NGL pipeline developments in the US backed by Enterprise Products Partners and Oneok. During the opening months of 2013, the segment saw the award in China of phase 2 of the third 'West-East China' gas pipeline. This is a project of significant dimensions which, together with new pipeline installation projects in Iran and Mexico, made a significant contribution to the good performance registered in the segment.
The abundance of available gas continued to be the driving factor behind the preference for gas pipelines over oil pipelines, particularly in countries looking to expand their distribution networks, such as the US, Canada and China.
The **LNG** market continued to grow steadily, registering a rise in investments compared with 2012. Thanks to its abundance of gas from non-conventional sources, North America and the US in particular saw the award of a number of important projects during the year. This included the award of contracts for five LNG trains by Cheniere – three at Corpus Christi (trains 1, 2 and 3), due to be built in stages, plus two at Sabine Pass (trains 3 and 4) – and two trains by Freeport LNG in Freeport (trains 1 and 2). The US LNG

market has seen a growing number of companies show investment interest over the last two years. In the Asia-Pacific area, 2013 saw a fall in investments which was principally caused by a slowdown in major project EPC awards in Australia, following a four-year period characterised by high levels of spending. Despite the fact that some projects may suffer delays as a result of a gradual rise in production costs, there continue to be substantial opportunities in the area. In Malaysia, Petronas awarded two EPC contracts in Kertih and Bintulu, while in the CIS, investments picked up in Russia, with Gazprom awarding the first LNG contract in the Yamal peninsula.
Investments in the **Refining** segment maintained the positive trend seen during the first half of 2013, with a large number of EPC contracts finalised. Projects awarded in the Middle East included the Sohar refinery expansion project in Oman, phase 2 of Qatar's Ras Laffan refinery project, as well as a project for Aramco in Riyadh, Saudi Arabia and a number of minor projects in Kuwait. Recently the project for the Karbala oil refinery in Iraq was awarded. In North Africa, Sonatrach made a series of major awards in Algeria for the Biskra, Ghardaïa and Tiaret oil refineries.
In the Asia-Pacific area, Petrovietnam began construction works at Nghi Son in Vietnam. In Latin America, PDVSA embarked on phase 1 of its Batalla de Santa Inés refinery situated in Venezuela, while in the CIS area, Lukoil awarded the contract for the expansion and upgrade of its Volgograd refinery in Russia. There was also significant activity in Europe, with Socar awarding the project to build the Izmir refinery in Turkey.
Following a series of substantial investments in 2012, the **Petrochemical** segment registered a fall in spending.
Overall spending for the year was however boosted by the award of important contracts in the US by Chevron at Old Ocean, Texas (construction of two polyethylene units) and by Dow in Freeport, Texas. Despite the contraction in spending, the segment is showing signs of buoyancy, with a number of minor EPC contracts awarded in various geographical areas.
Although failing to reach the high levels witnessed in the previous year, spending in the **Fertilisers** segment was nevertheless good, with EPC contracts awarded in a number of geographical areas.
In the Middle East, a contract was awarded for the construction of an ammonia plant in Waad Al Shamal, Saudi Arabia; in West Africa, Dangote awarded a contract for a fertiliser plant in Nigeria; in the CIS, Socar awarded contracts for its Sumgayit (Azerbaijan) and Phosagro (Russia) projects; in North America, Incitec Pivot awarded the contract for its Waggaman, US, ammonia production plant; and in Indonesia, Panca Amara Utama awarded the contract for its Luwuk project.
The **Infrastructure** market maintained a positive trend in both civil and port infrastructures segments, particularly in emerging countries characterised by rapid economic development.

New contracts

The most significant contracts awarded to the Group during 2013 were:
- for Dangote Fertiliser Ltd, an EPC contract for a new ammonia and urea production complex to be realised in Edo State, Nigeria. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities and off-site facilities;
- for Star Refinery AS, an EPC contract for the construction of the Socar Refinery, in Turkey, encompassing the engineering, procurement and construction of the refinery and three new crude oil unloading jetties adjacent to the Petkim Petrochemical facility;
- the EPC contract Tempa Rossa for Eni, in Italy, encompassing improvements to the storage infrastructure for crude oil;
- the EPC contract Cemex Plant Saluggia for Sogin, in Italy, encompassing the engineering, procurement and construction of a temporary storage facility for radioactive liquid waste;
- the Zubair Gathering System project for Morning Star for General Services Llc and ExxonMobil Iraq Ltd, in Iraq, which encompasses the construction of a gathering system, flowlines and interconnecting facilities, as well as the distribution node;
- the Rotondella contract for Sogin, in Italy, encompassing the construction of a plant for the concrete encasement of radioactive waste, the building which will house the plant and a building for the storage of cement products.

Capital expenditure

Capital expenditure in the Onshore Engineering & Construction sector focused mainly on the acquisition of equipment and facilities for the base in Canada, which was inaugurated on November 19, as well as on maintenance of the existing asset base.

Work performed

The biggest and most important projects underway or completed during 2013 were.

In Saudi Arabia:
- for Saudi Aramco, construction work was completed on the **Manifa Field** contract for the construction of the gas/oil separation trains at the Manifa Field in Saudi Arabia. The project encompassed the engineering, procurement and construction of three gas/oil separation trains, gas dehydration, crude inlet manifolds and the flare gas system;
- for Safco, work continued 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;
- for the Emirate of Makkah Province, installation work was completed, while procurement and construction work continued on the **Stormwater Drainage Program - Package 8** project, encompassing the procurement, installation, construction and assistance during the commissioning of a new rainwater drainage system, serving the northern side of the city of Jeddah;
- for Saudi Aramco and Sumitomo Chemical, work continued on

the contract for the Naphtha and Aromatics Package of the **Rabigh II** project. The scope of work includes the engineering, procurement and construction of two processing units: a Naphtha Reformer Unit and an Aromatics Complex.

In Qatar, work on the EPC **Qafco 5 - Qafco 6** project for Qatar Fertiliser Co SAQ in the industrial area of Qafco in the city of Mesaieed was completed. The project comprises engineering, procurement, construction and commissioning of 4 new ammonia and urea production plants and associated service infrastructures. The plants will go on to form the world's largest ammonia and urea production site.

In the United Arab Emirates:
- activities continued on the contract for Abu Dhabi Gas Development Co Ltd forming part of the development of the high sulphur content **Shah** sourgas field, encompassing the treatment of 1 billion cubic feet a day of sourgas from the Shah field, the separation of the sulphur from the natural gas and the transportation of both to treatment facilities near Habshan and Ruwais in the northern part of the Emirate;
- for the Etihad Rail Co in Abu Dhabi, work continued on a project encompassing the engineering and construction of a **railway line** linking the natural gas production fields of Shah and Habshan (located inland) to the Port of Ruwais.

In Kuwait, construction 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 consisting of two trains for gas compression and dehydration. The gas will be subsequently conveyed to the Mina Al Ahmadi refinery.

In Iraq:
- 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 is underway for State Company of fertiliser South Region, on the **Khor Al-Zubair fertiliser Plant Rehabilitation** project, which encompasses engineering, procurement and transportation for ammonia and urea units;
- work is underway for Basrah Gas Co (BGC) on the rehabilitation of two terminals (Marine and Storage) at Umm Qasr port in **Basrah** province;
- work commenced 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 Morocco, work continued on a contract for the expansion of the **Port of Tangiers** for Tangier Mediterranean Special Agency, in a joint venture with Bouygues Travaux Publics and Bouygues Maroc.

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

In Algeria, for Sonatrach:
- construction activities were completed on the contract for gas pipeline **GK3 - lot 3**, covering the engineering, procurement and construction of a gas transportation system. Lot 3 comprises a gas pipeline system from Mechtatine to Tamlouka in the northeast of Algeria, which then connects the latter to Skikda and El-Kala, located on the northeast coast of the country;
- construction work was completed and commissioning started on the contract for the construction of infrastructure for an LPG treatment plant in the **Hassi Messaoud** oil complex. The contract comprises the engineering, procurement and construction of 3 LPG trains;
- construction work was completed on the project for Sonatrach and First Calgary Petroleum for the construction of facilities for the treatment of natural gas extracted from the **Menzel Ledjmet East** field and from the future developments of the Central Area Field Complex. The contract encompasses the engineering, procurement and construction of the natural gas gathering and treatment plant and related export pipelines;
- construction work continued on the **LNG GL3Z Arzew** contract, which comprises engineering, procurement and construction of a liquefaction plant and the construction of utilities, a generator set and jetty.

In Nigeria:
- work was completed for ChevronTexaco on the **Escravos GTL** project. The plant will comprise 2 parallel trains;
- 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 **Dangote Fertiliser Ltd** on a new ammonia and urea production complex to be realised 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 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 was completed for the Nigerian National Petroleum Corp (NNPC) and Chevron on the contract for the **Olero Creek Restoration** project, which included the refurbishment of production facilities in the Olero Creek swamp area in Delta State;
- work continued for the Government of Rivers State on the contract for the engineering, procurement and construction of the first and second train of the **Independent Power Plant at Afam**;
- work commenced for Shell Petroleum Development Co of Nigeria 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.

In Italy:
- construction activities are being completed for the Eni Refining & Marketing Division in connection with the first industrial scale application of **EST** (Eni Slurry Technology), as part of the project for the construction of a refinery at Sannazzaro. EST – to whose development Saipem made a significant contribution – has the capacity to convert almost completely heavy oil residues into lighter products;
- for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group), work is underway 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 the construction of a re-gasification terminal. The contract encompasses the engineering, procurement and construction of the regasification facilities, including 2 liquid gas storage tanks.

In Canada:
- work continued on the **Sunrise** EPC contract for Husky Oil, which encompasses the engineering, procurement and construction of the Central Processing Facilities, comprising 2 plants;
- works are underway for Canadian Natural Resources Ltd in the Athabasca region of 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;
- Front-end Engineering and Design (FEED) work was completed, while activities relating to an additional scope of work continued, on the **Statoil Corner Project** for KKD Statoil Canada.

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.

Engineering and construction of two pipelines has almost been completed on the **Produccion Temprana 2012** project for Petrojunín in Faja Orinoco, Venezuela.

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:
- work is at an advanced stage of completion 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;
- construction activities continued for Chevron on the **Gorgon LNG** jetty and marine structures project. The scope of work consists of the engineering, procurement, fabrication, construction and commissioning of the LNG jetty and related marine structures for the new Chevron Gorgon LNG plant on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia.

Offshore Drilling

General overview

At year end 2013, the Saipem Offshore Drilling fleet consisted of seventeen vessels: seven deep-water units for operations at depths in excess of 1,000 metres (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 6, Scarabeo 7, Scarabeo 8 and Scarabeo 9), two for mid-water operations at depths of up to 1,000 metres (the semi-submersible drilling rigs Scarabeo 3 and Scarabeo 4), two high specification jack-ups for operations at depths of from 300 to 375 feet (Perro Negro 7 and Perro Negro 8), five standard jack-ups for activities at depths up to 300 feet (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 mainly offshore Peru. In 2013, Saipem's Offshore Drilling fleet operated in the Norwegian sector of the North Sea and the Barents Sea, in the Mediterranean Sea, the Red Sea, the Persian Gulf, offshore Mozambique in West Africa and offshore Ecuador and Peru.

Market conditions

The majority of investments made in the Offshore Drilling sector in 2013 were concentrated in the Golden Triangle of West Africa, Brazil and the Gulf of Mexico. West Africa, with Angola leading the way, maintained its position as the key area for offshore exploratory activities in Africa, Brazil continued its leadership of the deep-water market, while the Gulf of Mexico, on the back of a number of new discoveries, followed the growth trend seen in the previous years.
Worldwide in 2013, the overall number of rigs under contract grew compared with 2012. The increase was concentrated in the Middle East and Asia-Pacific for jack-ups and the Gulf of Mexico and West Africa for the floaters market. In absolute terms, Latin America once again proved to be the key area for the floaters market, particularly for drillships.
Global utilisation rates were up compared with 2012 and continued to top the 90% mark. In the floaters segment, utilisation rates close to 100% were recorded in a number of areas of the world (particularly for drillships in the Gulf of Mexico and Latin America and semi-submersibles in Northern Europe and Latin America). Conversely, a slight drop was registered in West Africa. Utilisation rates for jack-ups rose grew in all areas, with the highest figures recorded for jack-ups operating in North Western Europe and for high spec type jack-ups.
Average day rates in 2013 grew slightly compared with 2012, with the biggest increases seen in the Gulf of Mexico and West Africa for both jack-ups and floaters segments. 2013 rates for floaters operating in ultra-deep waters were on average in line with 2012 levels, but the maximum rates paid on the market dipped.
Despite a contraction in orders placed for new floaters compared with previous years, new rig construction levels remained strong. At year-end 2013, 129 rigs (including rigs being built for the Brazilian market by local operators) were under construction. Of these, a significant number – particularly jack-ups, but to a lesser extent also drillships and semi-submersibles – had not secured contracts.
Meanwhile, 6 rigs were removed from the market during the year – less than half the number registered in 2012: 2 high spec jack-ups (one due to conversion and another due to accident) and 4 standard jack-ups (demolition, conversion or sale).

New contracts

The most significant contracts awarded to the Group during 2013 were:
- a five year extension of the charter by Eni of the drillship Saipem 10000 starting from the third quarter of 2014 for drilling activities operations worldwide;
- a one year extension of the charter by IEOC of the semi-submersible Scarabeo 4 for operations in Egypt;
- a two-year extension of the charter by Eni Congo of the Saipem TAD for drilling operations offshore Congo;
- a ten-year charter by Saudi Aramco of the jack-up Perro Negro 5, commencing in the fourth quarter of 2014. The Perro Negro 5 is currently operating in the Persian Gulf.

Capital expenditure

Capital expenditure in the Offshore Drilling sector in 2013 related mainly to class reinstatement works for the semi-submersible rigs Scarabeo 5 and Scarabeo 7 and the jack-up Perro Negro 3, as well as maintenance and upgrading of the existing asset base.

Work performed

In 2013, Saipem's offshore units drilled 127 wells totalling 201,037 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 Mozambique and then towards the end of the year in Nigeria; the semi-submersible rig **Scarabeo 9** operated on a long-term contract with Eni, first in Togo and Ghana and then in the second half of the year in Angola; the semi-submersible rig

Scarabeo 8 continued work in the Norwegian sector of the Barents Sea on behalf of Eni Norge until November, when operations were suspended to allow equipment required by the client to be installed; the semi-submersible rig **Scarabeo 7** continued operations offshore Angola for Eni Angola until the beginning of November and then underwent planned maintenance and class reinstatement work; 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 around mid-June. It then underwent planned maintenance and class reinstatement work before returning to operate again for the same client at the end of the year;
- 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** completed work in Gabon for Harvest and then in March transferred to Nigeria where it continued its work for Addax for the remainder of the year;
- high specification jack-ups: the **Perro Negro 8** continued to work in Italy for Eni's Exploration & Production Division; the **Perro Negro 7** continued operations for Saudi Aramco in the Persian Gulf; the **Perro Negro 6** operated in Angola for Chevron until July 1 when, following the collapsing of the seabed under one of its three legs, it suffered irreparable damage and, after rig personnel had been evacuated, finally sank;
- standard jack-ups: the **Perro Negro 5** and the **Perro Negro 2** continued operations in the Persian Gulf for Saudi Aramco and National Drilling Co (NDC), respectively; the Perro Negro 5 also underwent planned maintenance during the second half of the year; the **Perro Negro 4** continued to operate in the Red Sea for Petrobel; the **Perro Negro 3** underwent maintenance and class reinstatement works during the first three months of the year and then began operations in the United Arab Emirates on a long-term contract for National Drilling Co (NDC); the **Ocean Spur**, which is operated by Saipem and owned by third parties, continued operations in Ecuador for Petroecuador;
- other activities: in Congo, the tender assisted drilling unit **TAD** continued work for Eni Congo SA, while operation of the Loango-Zatchi platforms proceeded; offshore Peru, activities continued for BPZ Energy and for Savia, in this latter case with vessels owned by the client and operated by Saipem; offshore Libya, operations for Mabruk Oil Operations with the **5820 packaged installation** were completed during the first half of the year and the rig was then demobilised in preparation for its sale to third parties.

Utilisation of vessels

Vessel utilisation in 2013 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	358
Semi-submersible platform Scarabeo 4	291
Semi-submersible platform Scarabeo 5	159
Semi-submersible platform Scarabeo 6	306
Semi-submersible platform Scarabeo 7	310
Semi-submersible platform Scarabeo 8	363
Semi-submersible platform Scarabeo 9	346
Drillship Saipem 10000	356
Drillship Saipem 12000	359
Jack-up Perro Negro 2	355
Jack-up Perro Negro 3	294
Jack-up Perro Negro 4	365
Jack-up Perro Negro 5	329
Jack-up Perro Negro 6 (*)	181
Jack-up Perro Negro 7	365
Jack-up Perro Negro 8	356
Tender Assisted Drilling Unit	357
Ocean Spur	351

(*) Rig lost as the result of an accident on July 1, 2013.

Onshore Drilling

General overview

The size of Saipem's onshore drilling rig fleet increased to 108 in 2013 (including units under construction). Of these, 97 are owned by Saipem, while 11 are owned by third parties but operated by Saipem. The areas of operations were South America (Peru, Bolivia, Brazil, Colombia, Ecuador, Chile and Venezuela), Saudi Arabia, the Caspian Sea area (Kazakhstan), Africa (Algeria, Mauritania, Morocco and Congo), Europe (Italy and Ukraine) and Turkey.

Market conditions

Global spending in the Onshore Drilling sector during 2013 registered an increase, due mainly to an increase in conventional drilling carried out using advanced rigs and the exploration and development of non-conventional reserves.
In the United States, the number of rigs deployed dropped slightly during 2013, while day rates were essentially unchanged from 2012. In Canada, investments were essentially unchanged, while the number of active rigs fell slightly.
Globally, onshore drilling operations followed the positive trend registered in 2012. The Middle East confirmed during the year that it is a growing market, with Saudi Arabia showing good levels of demand and other countries situated in the area such as Kuwait and the United Arab Emirates also posting buoyant performances. The Caspian Sea area also registered strong levels of activity despite being a relatively small market. The European market on the other hand remained small and fragmented. North Africa showed a degree of dynamism, with growth registered in a number of areas, such as Morocco. Finally, conditions in Latin America continued to be difficult, with high levels of competition and with 2013 showing little in the way of significant growth in spending.

New contracts

The most significant contracts awarded to the Group during 2013 were:
- a three year extension of a contract with Eni Congo for the operation of a rig owned by the client;
- extensions of contracts of varying durations with various clients for drilling operations in South America;
- contracts with various clients for the use of 17 rigs for durations ranging from 6 months to 5 years in the Middle East, the Caspian Sea region, South America, West Africa, Turkey and Ukraine. Two of these rigs will operate for Shell on a worldwide long-term contract under which Saipem will provide on-call services designed to facilitate the oil company's entry into new countries and carry out worldwide onshore exploratory drilling operations under certain predefined conditions.

Capital expenditure

Capital expenditure in the Onshore Drilling sector during 2013 related mainly to preparation works on four new rigs due to operate in Saudi Arabia and upgrading of the existing asset base.

Work performed

373 wells, were drilled during 2013, with a total of approximately 820,872 metres drilled.
In South America, Saipem operated in a number of countries: in **Peru**, work was carried out for various clients (including Repsol, Petrobras, Pluspetrol, Perenco, Savia and Interoil) deploying twenty one company-owned rigs (one of which was transferred to Ecuador towards year-end 2013 for work on a new contract) and operating six rigs owned by clients or third parties; in **Bolivia**, four rigs were deployed for YPFB Andina, Pluspetrol and Repsol; in **Brazil**, work was completed for Petrobras and the two rigs were mobilised to new areas of operations in South America and the Middle East for work on new contracts; in **Colombia**, work continued for various clients, including Ecopetrol, Equion, Canacol, Schlumberger Surenco and Parex Resources, involving the deployment of seven rigs; in **Chile**, work was commenced for ENAP deploying two rigs; in **Ecuador**, three company-owned rigs and one third party rig operated for various clients, including Repsol, Tecpetrol, Petrobel and Petroamazonas; finally, in **Venezuela**, work continued for PDVSA involving the deployment of twenty eight rigs.
In **Saudi Arabia**, sixteen rigs continued operations for Saudi Aramco and completed work for South Rub Al-Khali Co (SRAK); two rigs from Algeria, one from Congo and one from Brazil are due to arrive in the country.
In the Caspian region, Saipem operated in **Kazakhstan** for various clients, such as KPO, Agip KCO, Zhaikmunai and UOG, using 5 of its own rigs and 3 supplied by a partner.
In North Africa, Saipem deployed six rigs on operations in **Algeria** for various clients, including Groupement Sonatrach Agip, Gazprom, PTTEP and Repsol and one rig in **Mauritania** for Total. It also operated in **Morocco** for Longreach using a rig which was deployed in the first half of the year in Algeria. The rigs deployed in Algeria were transferred on to other operations during the year (one to Morocco, one to Turkey and two to Saudi Arabia, while two rigs are still in the country awaiting mobilisation to other locations). In West Africa, Saipem continued operations in **Congo** on behalf of Eni Congo SA using 2 of its own rigs (one of which has now been transferred to Saudi Arabia for work on a long-term contract) and operating 1 rig owned by the client.
Operations in **Italy** saw the deployment of one rig which performed work for Eni in Trecate in the Novara area and for Total in the Tempa Rossa area.

In **Ukraine** and **Turkey**, Saipem deployed one rig on operations for Shell.

Utilisation of rigs

The average utilisation of rigs was 96% (97.2% in 2012).
At December 31, 2013, Company-owned rigs amounted to 96 (plus one under completion), located as follows: 28 in Venezuela, 20 in Saudi Arabia, 19 in Peru, 7 in Colombia, 5 in Kazakhstan, 4 in Bolivia, 3 in Ecuador, 2 in Algeria, 2 in Chile, 1 in Congo, 1 in Italy, 1 in Mauritania, 1 in Turkey, 1 in Morocco and 1 in Ukraine.
In addition, 6 third-party rigs were deployed in Peru, 1 in Congo, 1 in Ecuador and 3 by the joint venture company SaiPar in Kazakhstan.

Financial and economic results

Results of operations

The Saipem Group's 2013 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. We note that:

- European Commission Regulation No. 475/2012 dated June 5, 2012 approved the new version of IAS 19 'Employee benefits'. The requirements of the new standard are applied retrospectively to the opening values of the balance sheet at January 1, 2012 and the economic data for 2012.
  Their application produced a decrease in shareholders' equity at December 31, 2012 of €28 million and an increase of €2 million in 2012 net profit;
- the separate and consolidated financial statements at December 31, 2012 have been restated to take into account Consob's observations regarding their non-compliance with international accounting standards and in particular with IAS 11 'Construction contracts'. The restatement produced a decrease in work in progress of €245 million and a corresponding decrease in shareholders' equity with respect to the figures approved in the financial statements at December 31, 2012.
  It also had a negative effect of €245 million on 2012 net profit. The effects of the restatement on 2012 data are shown for comparative purposes in the balance sheet and income statement as at December 31, 2013 and for the year then ended.

The table below shows the most significant restated items from the financial statements at December 31, 2012 (which are indicated as either 'approved' – i.e. as presented in the annual report published at that date – or 'restated', in accordance with the methods described in the notes) and those at December 31, 2013 (which are indicated as either 'consistent', i.e. data that is consistent, for illustrative purposes, with the data presented in the approved 2012 annual report or 'actual', i.e. as reported in the annual report at December 31, 2013). For the purposes of uniformity, year-on-year comparisons from a purely operating perspective will refer to the 'approved' financial statements at December 31, 2012 and 'consistent' 2013 figures. For additional details, please refer to the section 'Summary of the effects of restatement: financial statements' and the section 'Consob proceedings 1612/2013' in the Notes to the consolidated financial statements.

2012 approved	2012 [1] restated	(€ million)	2013 consistent	2013
13,369	13,124	Revenues	12,011	12,256
2,207	1,971	EBITDA	626	871
1,481	1,245	Operating profit	(98)	147
902	659	Net profit	(404)	(159)
1,628	1,385	Cash flow (net profit + depreciation and amortisation)	320	565
922	687	Net current assets	829	829
5,405	5,132	Shareholders' equity	4,652	4,652

(1) Also includes the effects of the application of Revised IAS 19.

The following tables show 2013 consistent figures.

Saipem Group - Income statement

2012 approved	2012 restated	(€ million)	2013 consistent	2013
13,369	**13,124**	**Net sales from operations**	**12,011**	**12,256**
10	10	Other revenues and income	8	8
(9,131)	(9,131)	Purchases, services and other costs	(9,073)	(9,073)
(2,041)	(2,032)	Payroll and related costs	(2,320)	(2,320)
2,207	**1,971**	**EBITDA**	**626**	**871**
(726)	(726)	Depreciation and amortisation	(724)	(724)
1,481	**1,245**	**Operating result (EBIT)**	**(98)**	**147**
(148)	(155)	Net finance expense	(190)	(190)
16	16	Net income from investments	13	13
1,349	**1,106**	**Result before income taxes**	**(275)**	**(30)**
(393)	(393)	Income taxes	(106)	(106)
956	**713**	**Result before minority interest**	**(381)**	**(136)**
(54)	(54)	Result attributable to minority interest	(23)	(23)
902	**659**	**Net result**	**(404)**	**(159)**

Net sales from operations amounted to €12,256 million, representing a decrease of 6.6% compared to 2012. These figures include the effect of the restatement, which led to an increase in 2013 revenues of €245 million. A comparison from a purely operating point of view between the 2012 approved financial statements and the 2013 'consistent' financial statements shows a decrease of 10.2% compared with the previous year caused by a slowdown in new project awards and delays affecting the execution of a number of contracts in the order backlog.
EBITDA amounted to €871 million, representing a decrease of €1,100 million, or 55.8% versus 2012. 2013 consistent reporting data (i.e. not including the effects of restatement) showed EBITDA of €626 million, which represents a decrease of 71.6% compared with the approved 2012 financial statements.
Depreciation and amortisation of tangible and intangible assets amounted to €724 million, which was essentially in line with 2012.
EBIT for 2013 totalled €147 million compared with the €1,245 million reported in the restated 2012 financial statements. Seen from a purely operating point of view, 2013 EBIT totalled -€98 million, representing a decrease of €1,579 million compared with the 2012 approved financial statements. The decrease compared with 2012 was due to the deferral of revenues caused by a slowdown in new contract awards and by the fact that a small number of contracts already in the backlog were delayed in their execution, as well as to unforeseeable additional costs and the write down of a number of balance sheet items. The largest variations are analysed in detail in the subsequent sections describing the performance of the various business units.
Net finance expense increased by €35 million compared with 2012, mainly due to the increase in average net borrowings.
Net income from investments amounted to €13 million, representing a decrease compared with 2012.
The **result before income taxes** amounted to -€30 million. Seen from a purely operating point of view, the result before income taxes for 2013 totalled -€275 million. Income taxes amounted to €106 million, representing a decrease compared with 2012 which was principally due to the fall in taxable income.
The 2013 **net result** totalled -€159 million, compared with the €659 million reported in the 2012 restated financial statements. Seen from a purely operating point of view, the net result for 2013 was -€404 million.

Operating result and costs by function

2012 approved	2012 restated	(€ million)	2013 consistent	2013
13,369	**13,124**	**Net sales from operations**	**12,011**	**12,256**
(11,360)	(11,351)	Production costs	(11,584)	(11,584)
(154)	(154)	Idle costs	(163)	(163)
(160)	(160)	Selling expenses	(145)	(145)
(15)	(15)	Research and development costs	(14)	(14)
(11)	(11)	Other operating income (expenses)	(15)	(15)
(188)	(188)	General and administrative expenses	(188)	(188)
1,481	**1,245**	**Operating result (EBIT)**	**(98)**	**147**

In 2013, the Saipem Group reported **net sales from operations** of €12,256 million, which represented a decrease of €868 million compared with 2012. From a purely operating point of view, net sales from operations totalled €12,011 million.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €11,584 million, representing an increase compared with 2012.
Idle costs increased by €9 million, mainly due to lower utilisation of vessels on projects.
Selling expenses of €145 million registered a decrease compared with 2012 (€160 million), as a consequence of a greater degree of selectivity and focus with regard to bid preparation.
Research and development costs expensed as operating costs decreased by €1 million.
General and administrative expenses amounted to €188 million.
The breakdown by business sector is as follows:

Offshore Engineering & Construction

(€ million)	2012 approved	2012 restated	2013 consistent	2013
Net sales from operations	5,356	5,356	5,256	5,256
Cost of sales	(4,393)	(4,388)	(4,888)	(4,888)
EBITDA	963	968	368	368
Depreciation and amortisation	(273)	(273)	(293)	(293)
Operating result (EBIT)	690	695	75	75

Revenues for 2013 amounted to €5,256 million, representing a 1.9% decrease compared to 2012, mainly due to lower volumes recorded in the North Sea, Kazakhstan and Australia.
The increase from an operating point of view of €495 million in the cost of sales compared with 2012 was principally due to increased costs on a project involving the construction of a new vessel for a Client, as well as additional costs arising from technical issues and low initial productivity on the new pipelayer Castorone. Depreciation and amortisation rose by €20 million compared with 2012, mainly due to the entering into service of the Castorone.
The operating result (EBIT) for 2013 amounted to €75 million, equal to 1.4% of revenues, versus €690 million, equal to 12.9% of revenues, in 2012. This was due to the increase in costs described above, a different profit mix of projects under execution in the two periods under consideration, and to the delay in the award and execution of new projects. The EBITDA margin for 2013 meanwhile stood at 7%.

Onshore Engineering & Construction

(€ million)	2012 approved	2012 restated	2013 consistent	2013
Net sales from operations	6,175	5,930	4,831	5,076
Cost of sales	(5,747)	(5,744)	(5,445)	(5,445)
EBITDA	428	186	(614)	(369)
Depreciation and amortisation	(33)	(33)	(31)	(31)
Operating result (EBIT)	395	153	(645)	(400)

The Onshore Engineering & Construction Business Unit is the only business unit to have been impacted by the restatement relating to the proceedings initiated by Consob. The restatement produced a decrease in 2012 revenues and margins of €245 million and an increase in 2013 revenues and margins by the same amount.
Revenues totalled €5,076 million, representing a decrease of 14.4% compared with 2012. From an operating point of view, revenues totalled €4,831 million, representing a decrease of 21.8% that was mainly attributable to lower volumes recorded in North and West Africa and the Middle East.
The cost of sales, which amounted to €5,445 million, also decreased compared with the previous year.
Depreciation and amortisation amounted to €31 million, which was in line with the figure recorded in 2012.
The operating result (EBIT) for 2013 amounted to -€400 million, versus €153 million in 2012. 2013 EBIT of -€645 million seen from an operating perspective was essentially due to higher costs and to provisions for contingencies on projects in Algeria, Canada and Mexico.

Offshore Drilling

(€ million)	2012 approved	2012 restated	2013 consistent	2013
Net sales from operations	1,088	1,088	1,177	1,177
Cost of sales	(510)	(509)	(539)	(539)
EBITDA	578	579	638	638
Depreciation and amortisation	(285)	(285)	(259)	(259)
Operating result (EBIT)	293	294	379	379

Revenues for 2013 amounted to €1,177 million, representing an 8.2% increase over 2012. This was principally attributable to full utilisation of the semi-submersible rigs Scarabeo 8, Scarabeo 3 and Scarabeo 6 (the first was under construction in the first part of 2012, while the other two underwent upgrading works in the third quarter of 2012), and also to the start of operations of the vessel Ocean Spur, which is on lease from third parties.
This increase in revenues more than offset a drop in revenues connected with repair and upgrade works being carried out on the semi-submersible Scarabeo 5 and the sinking on July 1, 2013 of the jack-up Perro Negro 6.
The cost of sales increased by 5.7% compared to 2012, reflecting an increase in volumes.
Depreciation and amortisation fell by €26 million compared with 2012, due principally to the sinking of the jack-up Perro Negro 6 on July 1, 2013.
Operating profit (EBIT) in 2013 amounted to €379 million, versus €293 million in 2012, with the margin on revenues rising from 26.9% to 32.2%.
Meanwhile, the EBITDA margin amounted to 54.2%, up just over one percent from the figure of 53.1% recorded in 2012.

Onshore Drilling

(€ million)	2012 approved	2012 restated	2013 consistent	2013
Net sales from operations	750	750	747	747
Cost of sales	(512)	(512)	(513)	(513)
EBITDA	238	238	234	234
Depreciation and amortisation	(135)	(135)	(141)	(141)
Operating result (EBIT)	103	103	93	93

Revenues for 2013, which amounted to €747 million, were essentially in line with the figure recorded in 2012, with higher levels of activity on rigs in Saudi Arabia, Kazakhstan and Mauritania offsetting the lower levels registered in Algeria.
The cost of sales for the year amounted to €513 million.
This was essentially in line with the 2012 figure.
The year saw a slight fall in depreciation and amortisation, which amounted to €234 million.
Operating profit (EBIT) in 2013 amounted to €93 million, versus €103 million in 2012, with the margin on revenues falling from 13.7% to 12.4%.
Meanwhile, the EBITDA margin stood at 31.3%, compared with 31.7% in 2012. This was principally owing to higher costs for personnel and equipment demobilisation in Algeria.

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.

(€ million)		Dec. 31, 2012 approved		Dec. 31, 2012 restated		Dec. 31, 2013
Net tangible assets		8,254		8,254		7,972
Net intangible assets		756		756		758
		9,010		**9,010**		**8,730**
- *Offshore Engineering & Construction*	*4,064*		*4,064*		*3,849*	
- *Onshore Engineering & Construction*	*513*		*513*		*589*	
- *Offshore Drilling*	*3,535*		*3,535*		*3,351*	
- *Onshore Drilling*	*898*		*898*		*941*	
Investments		116		116		126
Non-current assets		**9,126**		**9,126**		**8,856**
Net current assets		**922**		**687**		**828**
Employee termination indemnities		(217)		(255)		(233)
Capital employed, net		**9,831**		**9,558**		**9,451**
Shareholders' equity		5,405		5,132		4,652
Minority interest		148		148		92
Net debt		4,278		4,278		4,707
Funding		**9,831**		**9,558**		**9,451**
Leverage (net borrowings/shareholders' equity including minority interest)		**0.77**		**0.77**		**0.99**
No. shares issued and outstanding				441,410,900		441,410,900

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 63.

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, 2013 stood at €8,856 million, representing a decrease of €270 million compared to December 31, 2012. The decrease was the result of capital expenditure of €908 million, positive changes in investments accounted for using the equity method of €13 million, depreciation and amortisation of €724 million, disposals of fixed assets of €255 million relating principally to the sale of the FPSO Firenze to Eni, a write off of €108 million relating principally to the sinking on July 1, 2013 of the jack-up Perro Negro 6 and negative changes of €104 million deriving mainly from the translation of financial statements in foreign currencies.

Net current assets increased by €141 million, from €687 million to €828 million. From an operating perspective, **net current assets** fell by €94 million, from €922 million at December 31, 2012 to €828 million at December 31, 2013, due to an increase in working capital that related principally to the sale of the FPSO Firenze to Eni.

The **provision for employee benefits** amounted to €233 million, representing an increase of €16 million compared with December 31, 2012.

As a result of the above, **net capital employed** decreased by €352 million, reaching €9,451 million at December 31, 2013, compared with €9,831 million at December 31, 2012.

Shareholders' equity, including minority interest, decreased by €536 million, to €4,744 million at December 31, 2013, versus €5,280 million at December 31, 2012. From an operating perspective, **shareholders' equity**, including minority interest, decreased by €809 million to €4,744 million at December 31, 2013, compared with €5,553 million at December 31, 2012.
This decrease reflected the negative effect of the net result for the year of -€381 million, dividend distribution of €375 million, the translation into euro of financial statements expressed in foreign currencies and other variations amounting to €99 million and the effect of the application of IAS 19 of €28 million, which was partially offset by fair value gains of €37 million on exchange rate and commodity hedging instruments as well as positive effects of €37 million deriving mainly from the transfer of the business division Snamprogetti Ltd.
The decrease in net capital employed, which was smaller than the decrease in shareholders' equity, led to an increase of €429 million in net borrowings, from €4,278 million at December 31, 2012, to €4,707 million at December 31, 2013.

Analysis of net borrowings

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Financing receivables due after one year	(1)	(1)
Payables to banks due after one year	200	200
Payables to other financial institutions due after one year	3,343	2,659
Net medium/long-term debt	**3,542**	**2,858**
Accounts c/o bank, post office and Group finance companies	(1,320)	(1,348)
Available-for-sale securities	-	(26)
Cash and cash on hand	(5)	(4)
Financing receivables due within one year	(79)	(30)
Payables to banks due within one year	211	192
Payables to other financial institutions due within one year	1,929	3,065
Net short-term debt	**736**	**1,849**
Net debt	**4,278**	**4,707**

The fair value of derivative assets (liabilities) is detailed in Note 7 'Other current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'.

A breakdown by currency of gross debt, amounting to €6,116 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)	Dec. 31, 2012 approved	Dec. 31, 2012 restated	Dec. 31, 2013 consistent	Dec. 31, 2013
Net profit (loss) for the year	**956**	**713**	**(381)**	**(136)**
Other items of comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
- remeasurements of defined benefit plans for employees	-	(19)	12	12
- income tax on items that will not be reclassified to profit or loss	-	6	(3)	(3)
Items that may be reclassified subsequently to profit or loss:				
- change in the fair value of cash flow hedges [1]	131	131	45	45
- share of other comprehensive income of investments accounted for using the equity method	-	-	-	-
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	(33)	(33)	(95)	(95)
- income tax on items that may be reclassified subsequently to profit or loss	(24)	(24)	(8)	(8)
Total other items of comprehensive income, net of taxation	**74**	**61**	**(49)**	**(49)**
Total comprehensive income (loss) for the year	**1,030**	**774**	**(430)**	**(185)**
Attributable to:				
- Saipem Group	979	723	(449)	(204)
- minority interest	51	51	19	19

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

Shareholders' equity including minority interest

(€ million)	
Shareholders' equity including minority interest at December 31, 2012	**5,280**
Total comprehensive income	(185)
Dividend distribution	(375)
Sale of treasury shares	-
Other changes	24
Total changes	**(536)**
Shareholders' equity including minority interest at December 31, 2013	**4,744**
Attributable to:	
- Saipem Group	4,652
- minority interest	92

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

(€ million)	Shareholders' equity Dec. 31, 2012 restated	Shareholders' equity Dec. 31, 2013	Net profit (loss) Dec. 31, 2012 restated	Net profit (loss) Dec. 31, 2013
As reported in Saipem SpA's financial statements	**1,454**	**1,460**	**267**	**277**
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	3,388	2,849	536	(445)
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of shareholders' equity	818	812	(5)	(5)
- elimination of unrealized intercompany profits	(402)	(399)	(18)	1
- other adjustments	22	22	(67)	36
Total shareholders' equity	**5,280**	**4,744**	**713**	**(136)**
Minority interest	(148)	(92)	(54)	(23)
As reported in the consolidated financial statements	**5,132**	**4,652**	**659**	**(159)**

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)	2012 approved	2012 restated	2013 consistent	2013
Net profit (loss)	902	659	(404)	(159)
Minority interest	54	54	23	23
Adjustments to reconcile cash generated from operating profit before changes in working capital:				
Depreciation, amortisation and other non-monetary items	742	740	664	664
Net (gains) losses on disposal and write-off of assets	4	4	(34)	(34)
Dividends, interests and income taxes	507	507	250	250
Net cash generated from operating profit before changes in working capital	**2,209**	**1,964**	**499**	**744**
Changes in working capital related to operations	(1,434)	(1,189)	447	202
Dividends received, income taxes paid, interest paid and received	(551)	(551)	(520)	(520)
Net cash flow from operations	**224**	**224**	**426**	**426**
Capital expenditure	(1,015)	(1,015)	(908)	(908)
Investments and purchase of consolidated subsidiaries and businesses	(1)	(1)	-	-
Disposals and partial disposals of consolidated subsidiaries and businesses	8	8	380	380
Other cash flow related to capital expenditures, investments and disposals	-	-	-	-
Free cash flow	**(784)**	**(784)**	**(102)**	**(102)**
Borrowings (repayment) of debt related to financing activities	(4)	(4)	23	23
Changes in short and long-term financial debt	1,419	1,419	525	525
Sale of treasury shares	29	29	-	-
Cash flow from capital and reserves	(352)	(352)	(374)	(374)
Effect of changes in consolidation and exchange differences	(12)	(12)	(45)	(45)
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**296**	**296**	**27**	**27**
Free cash flow	**(784)**	**(784)**	**(102)**	**(102)**
Sale of treasury shares	29	29	-	-
Cash flow from capital and reserves	(352)	(352)	(374)	(374)
Exchange differences on net borrowings and other changes	21	21	47	47
CHANGE IN NET BORROWINGS	**(1,086)**	**(1,086)**	**(429)**	**(429)**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 63.

Net cash flow from operations of €426 million only partially funded capital expenditures, thus generating a negative free cash flow of €102 million.
Cash flow from capital and reserves, which amounted to a negative €374 million, related mainly to the payment of dividends. The effect of exchange differences on net borrowings and other changes produced a net negative effect of €47 million. As a result, **net borrowings** increased by €429 million.

In particular:
Net cash generated from operating profit before changes in working capital totalled €744 million. **Net cash generated from operating profit** before changes in working capital seen from an operating perspective totalled €499 million and related to:
- a negative result for the year of €381 million, including minority interests of €23 million;
- depreciation, amortisation and impairment of tangible and intangible assets of €724 million, less the change in the provision for employee benefits (€5 million), changes in investments accounted for using the equity method of €13 million and other changes of -€42 million;
- net gains on the disposal of assets of €34 million;
- net finance expense of €144 million and income taxes of €106 million.

The positive change in working capital related to operations totalled €202 million. The positive change in working capital related to operations seen from an operating perspective totalled €447 million and was due to financial flows of projects underway. Dividends received, income taxes paid, interest paid and received during 2013 of €520 million related mainly to taxes paid and refunded and to the purchase and sale of tax credits.
Capital expenditure in 2013 amounted to €908 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€398 million), Onshore Drilling (€211 million), Offshore Drilling (€174 million) and Onshore Engineering & Construction (€125 million). Additional information concerning capital expenditure in 2013 can be found in the 'Operating review' section.
The cash flow generated by disposals of €380 million related to the sale of the FPSO and Snamprogetti Ltd business divisions.

Summary of the effects of restatement: financial statements

The table below shows the effect on the financial statements at December 31, 2012 of the restatement relating to the conclusion of Consob proceedings and the application of the Revised IAS 19.

Reclassified consolidated balance sheet

(€ million)	Dec. 31, 2012 approved	Impact of IAS 19	Impact of restatement	Dec. 31, 2012 restated	Dec. 31, 2013
Net tangible assets	8,254	-	-	8,254	7,972
Intangible assets	756	-	-	756	758
	9,010	**-**	**-**	**9,010**	**8,730**
Investments	116	-	-	116	126
Non-current assets	**9,126**	**-**	**-**	**9,126**	**8,856**
Net current assets	**922**	**10**	**(245)**	**687**	**828**
Employee termination indemnities	(217)	(38)	-	(255)	(233)
Capital employed, net	**9,831**	**(28)**	**(245)**	**9,558**	**9,451**
Shareholders' equity	5,405	(28)	(245)	5,132	4,652
Minority interest	148	-	-	148	92
Net debt	4,278	-	-	4,278	4,707
Funding	**9,831**	**(28)**	**(245)**	**9,558**	**9,451**
Leverage (net borrowings/shareholders' equity including minority interest)	**0.77**			**0.81**	**0.99**
Shares issued and outstanding	441,410,900			441,410,900	441,410,900

Reclassified consolidated income statement by nature of expenses

(€ million)	Dec. 31, 2012 approved	Impact of IAS 19	Impact of restatement	Dec. 31, 2012 restated	Dec. 31, 2013
Net sales from operations	**13,369**	**-**	**(245)**	**13,124**	**12,256**
Other revenues and income	10	-	-	10	8
Purchases, services and other costs	(9,131)	-	-	(9,131)	(9,073)
Payroll and related costs	(2,041)	9	-	(2,032)	(2,320)
EBITDA	**2,207**	**9**	**(245)**	**1,971**	**871**
Depreciation and amortisation	(726)	-	-	(726)	(724)
Operating result	**1,481**	**9**	**(245)**	**1,245**	**147**
Finance expense	(148)	(7)	-	(155)	(190)
Income from investments	16	-	-	16	13
Result before income taxes	**1,349**	**2**	**(245)**	**1,106**	**(30)**
Income taxes	(393)	-	-	(393)	(106)
Result before minority interest	**956**	**2**	**(245)**	**713**	**(136)**
Result attributable to minority interest	(54)	-	-	(54)	(23)
Net result	**902**	**2**	**(245)**	**659**	**(159)**
Cash flow (net result + depreciation and amortisation)	**1,628**	**2**	**(245)**	**1,385**	**565**

Reclassified consolidated income statement by function of expenses

(€ million)	Dec. 31, 2012 approved	Impact of IAS 19	Impact of restatement	Dec. 31, 2012 restated	Dec. 31, 2013
Net sales from operations	**13,369**	**-**	**(245)**	**13,124**	**12,256**
Production costs	(11,360)	9	-	(11,351)	(11,584)
Idle costs	(154)	-	-	(154)	(163)
Selling expenses	(160)	-	-	(160)	(145)
Research and development expenses	(15)	-	-	(15)	(14)
Other operating income (expenses), net	(11)	-	-	(11)	(15)
Contribution from operations	**1,669**	**9**	**(245)**	**1,433**	**335**
General and administrative expenses	(188)	-	-	(188)	(188)
Operating result	**1,481**	**9**	**(245)**	**1,245**	**147**
Finance expense	(148)	(7)	-	(155)	(190)
Income from investments	16	-	-	16	13
Result before income taxes	**1,349**	**2**	**(245)**	**1,109**	**(30)**
Income taxes	(393)	-	-	(393)	(106)
Result before minority interest	**956**	**2**	**(245)**	**713**	**(136)**
Net result attributable to minority interest	(54)	-	-	(54)	(23)
Net result	**902**	**2**	**(245)**	**659**	**(159)**
Cash flow (net result + depreciation and amortisation)	**1,628**	**2**	**(245)**	**1,385**	**565**

Reclassified cash flow statement

(€ million)	Dec. 31, 2012 approved	Impact of IAS 19	Impact of restatement	Dec. 31, 2012 restated	Dec. 31, 2013
Net result	902	2	(245)	659	(159)
Minority interest	54	-	-	54	23
Adjustments to reconcile cash generated from operating result before changes in working capital:					
Depreciation, amortisation and other non-monetary items	706	(2)	-	704	848
Changes in working capital related to operations	(1,438)	-	245	(1,193)	(286)
Net cash flow from operations	**224**	**-**	**-**	**224**	**426**
Investments in tangible and intangible fixed assets	(1,016)	-	-	(1,016)	(908)
Disposals	8	-	-	8	380
Free cash flow	**(784)**	**-**	**-**	**(784)**	**(102)**
Buy-back of treasury shares/Exercise of stock options	29	-	-	29	-
Cash flow from capital and reserves	(352)	-	-	(352)	(374)
Exchange differences on net borrowings and other changes	21	-	-	21	47
Change in net borrowings	**(1,086)**	**-**	**-**	**(1,086)**	**(429)**
Net borrowings at beginning of year	**3,192**	**-**	**-**	**3,192**	**4,278**
Net borrowings at end of year	**4,278**	**-**	**-**	**4,278**	**4,707**

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 minority interest, plus net finance charges on net borrowings less the related tax effect and net average capital employed. The tax rate applied on finance charges is 27.5%, as per the applicable tax legislation.

Return On Average Operating Capital

To calculate the Return On Average Operating Capital, the average capital employed is netted of investments in progress that did not contribute to net profit for the year, which amounted to €920 million at December 31, 2012 and to €261 million at December 31, 2013.

		2012 approved	2012 restated	2013 consistent	2013
Adjusted net profit	(€ million)	956	713	(381)	(136)
Exclusion of net finance expense (net of tax effect)	(€ million)	107	112	138	138
Unlevered adjusted net profit	(€ million)	1,063	825	(243)	2
Capital employed, net:	(€ million)				
- at the beginning of the year		8,015	8,015	9,831	9,558
- at the end of the year		9,831	9,558	9,451	9,451
Average capital employed, net	(€ million)	8,923	8,787	9,641	9,505
Adjusted ROACE	(%)	**11.9**	**9.4**	**(2.52)**	**0.02**
Return On Average Operating Capital	(%)	**14.6**	**10**	**(2.69)**	**0.02**

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 minority interest.

	2012	2013
Leverage	0.77	0.99

Sustainability

Saipem is committed to managing its operations in a sustainable and responsible way, to promoting dialogue and to consolidating relations with its stakeholders and sees these pledges as a vital requirement for building – particularly through the deployment of a strategy of local content – shared values that contribute to the socio-economic development of the areas in which it operates.
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 2013 to discuss the results achieved in 2012, to approve the 2012 Sustainability Report, and to lay down lines of action for the next four-year period.

Measuring value creation in local communities

Saipem's sustainability strategy focuses above all on the maximisation of Local Content, which means 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 quantifying its real contribution to the socio-economic development of local communities.
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 Indonesia, Saudi Arabia and Australia. In addition, the results obtained in the previous analysis, which was carried out for Nigeria, were updated.
The Model consists of a methodology that enables the analysis and quantification of 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. 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

Local sustainability projects, as well as stakeholder engagement and interaction initiatives, proceeded in 2013 in the areas where Saipem operates, in particular those in which the Company already has or expects to have a long-term presence. The main areas of intervention were in entrepreneurial and local skills development (Peru, Venezuela, Kazakhstan and Nigeria), improvements to the education and health systems (Kazakhstan, Azerbaijan and Brazil), health promotion campaigns (Congo, Angola and Nigeria) and providing support with medical facilities and connected services (Kazakhstan, Peru and Venezuela).
The development of local resources, with the aim of enhancing employment opportunities and increasing the income generated locally by the Company's activities continued to be a central theme of Saipem's development support programmes.
Further information on sustainability strategies, programmes and actions implemented during 2013 are detailed in the document 'Saipem Sustainability 2013' and are also published on the Company website.

Local Community initiatives

For the third successive year, Saipem has opted, based on the results of materiality analyses and sector benchmarking, to report on its sustainability activities through two complementary publications, whose structure remains unchanged from the previous year.
In order to ensure transparent disclosure and facilitate comparison with other actors present on the market, the document 'Sustainability Performance' 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). It describes the Group's sustainability objectives and performances in 2013, including detailed qualitative and quantitative information and yearly comparisons.
The second document published is 'Saipem Sustainability 2013', which aims to describe the commitments undertaken, initiatives concluded and the results obtained by Saipem in relation to themes considered material by its stakeholders.

'Saipem Sustainability 2013' covers the following principle areas: local development and the promotion of Local Content, skills and personnel management, including the promotion of health and safety, business opportunities and business integrity, supply chains, human rights and working conditions.
The document also contains numerous country focuses which testify to the concrete realisation of sustainability strategies at operating sites.
Furthermore, for the fourth year running, Saipem will call on a panel of external and independent experts to provide comments

(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.

on the quality of reporting and on Saipem's sustainability initiatives and strategy. 2013 also saw the panel participate in the preparation and design of the report. In October 2013, an Expert Panel Workshop was held to discuss the principal themes proposed for inclusion in the Saipem Sustainability 2013 and to carry out a materiality analysis. The results of the workshop served as input for the preparation of the report.

During the year, Saipem continued communications targeted mainly at local stakeholders in the form of 'Country Reports' and 'Project Reports' focusing on key countries or significant projects. The year also saw the publication of a report on the 'Puerto Nuevo' project in Colombia and Country Reports on Nigeria (an update to the previous edition) and Angola (produced in both English and Portuguese).

Research and development

In mid-2013, Saipem carried out a restructuring of its research and development activities, with the rationale that the capability to offer advanced technological solutions represents a crucial factor for sustaining and enhancing the Company's competitive advantage in both the medium and long term.

As part of the change, a new corporate research and development department was created with the goal of maximising and fully leveraging Saipem's research and development efforts through careful management. The research and development departments of the Business Units will remain focused on defining specific development proposals and managing projects and initiatives.

The restructuring initiative is expected to bear fruit in the near future. In the meantime, 2013 saw Saipem press on with its research and development programme, working on distinctive solutions in technologically-advanced sectors, such as the deep and ultra-deep waters and floating platform sectors and the development of new procedures and equipment for subsea excavation and pipelaying under extreme conditions. The year also saw the improvement of proprietary process technologies and the expansion of the Company's portfolio of environmental services.

In the deep-water segment, the focus of R&D efforts was on the development of innovative subsea processing systems and work carried out in partnership with a number of leading oil companies.

The Joint Industry Project (JIP), which is based on the patented 'Multipipe gas/liquid gravity separation system', can count on the financial support of three oil majors. The project encompasses the definition of an entire subsea station for two cases of application as well as the evaluation of the design maturity of all of the station's individual components, particularly from the point of view of construction. The JIP has been completed, and the system is now assessed as mature for project application. Additional analyses were conducted on the separator to test scenarios specifically requested by operators involving the maintenance of the system using vessels with very limited lifting capacity.

The year saw 3-phase hydraulic testing using a reduced scale model on the 'Spoolsep' liquid/liquid gravity separation system. The tests, which covered the full range of planned experimentation, were completed in November. A number of visits to the pilot plant by oil companies were organised with a view to securing their involvement in the next phase of system qualification.

In addition, a number of further studies also financed by oil companies were conducted with the aim of evaluating Saipem's subsea separation systems for various specific applications.

Work also continued during the year together with an industrial partner on the design of subsea produced water 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. A small pilot unit has been built for a campaign of offshore tests due to take place during the second half of 2014.

Technology development activities in the floating production facilities segment remained focused on the creation of innovative solutions for floating liquefaction facilities (FLNG) with the objective of achieving more efficient and safer gas production under what are increasingly challenging conditions. Work was also carried out with the aim of providing direct support to FLNG projects currently being undertaken by Saipem. This included the qualification of a tandem LNG offloading system using floating flexible hoses.

Significant results were also achieved during the year in the SURF (Subsea, Umbilicals, Risers and Flowlines) segment, where a number of innovative solutions developed over recent years began to come to fruition, bringing with them the prospect of new opportunities to be exploited on the subsea field development market. In addition, studies were also launched with regard to subsea flowline heating solutions.

In terms of deep and ultra-deep water applications, further analyses conducted on a number of riser concepts confirmed their feasibility and relevance. Studies were also begun during the period on intervention downlines. The aim of these developments is to define new solutions for deployment in the commissioning and intervention phase of deep-water projects, with the aim of ensuring mechanical integrity and safer operability.

Work to develop a J-lay installation method adapted to plastic lined pipe continued. Tests carried out together with an industrial partner produced promising results and the next phase of development, which will complete the process of industrial qualification, is due to begin during the first half of 2014.
Following the completion of a process of screening for the active heating of flowlines, development worked kicked off in 2013 with the aim of developing and qualifying a solution that will enable the technology to be adapted for J-lay installation.

Newly designed components providing high pulling capacity were installed on a clamp on board a pipelay vessel and used on deep-water pipeline installation projects.
Studies aimed at obtaining improvements in the reel lay process and equipment continued. A new solution was evaluated from both a technical and economic point of view with positive results.

A significant effort went into the development of criteria to allow the heavier steel cables used in deep-water lifting operations and pipeline shore approaches to be safely replaced with rope made from synthetic fibres. Characterisation and qualification of rope made using large diameter fibres and validation work on innovative tensioning systems were concluded during the year. Studies also continued on the application of new fibre-based systems providing a very high pulling capacity.
Development work and testing was also stepped up with a view to application on a real project of a system designed to prevent pipeline flooding during continuous laying operations. Engineering, prototype construction and testing of the critical components of the system continued to take place, as well as a substantial review of the entire system.
Testing was carried out successfully on a new instrument for the remote measurement of pipeline internal ovalisation during laying operations. The industrialisation/production process is now underway.

New welding equipment which provides improved quality welds on coated carbon steel sealines was successfully applied on an offshore construction project.
Following the excellent results obtained during numeric simulations for a new highly productive offshore pipeline welding process, an experimental validation campaign was planned. Meanwhile, the new welded joint coating system, which was subjected to testing in previous years, was scheduled for application on a project encompassing J-lay, S-lay and multiple joint fabrication operations. The production process for the system equipment is currently underway.
The new RFID pipe tracking system was used for the first time on-board the pipelay vessel Castorone on a project situated in the Gulf of Mexico.

A new system was developed that is designed to reduce the risks associated with S-lay operations by allowing the rapid release of machinery from pipe strings on the launch ramp in the event of uncontrolled pipeline movements. Tests are currently drawing towards a close, meaning that production of the system will be ready to commence.

With regard to subsea operations, developments of the pipe repair system continued with the aim of extending its applicability to hydrosulfuric acid-rich environments as well as to acid environments in general.
Tests were also conducted during the year on a prototype of an innovative system for sealine repair that can also be used for construction operations. The system does not involve the use of a traditional telescopic joint and is also suitable for diverless application.

In the sealine trenching area, the experiments at sea of techniques for the transplantation of the aquatic plant Posidonia continued, confirming the positive results obtained previously. Meanwhile, with preliminary studies on a new subsea pipeline trenching and installation method with a very low environmental impact having concluded, the focus of the work shifted to developing the method and equipment for actual application. Other studies conducted in parallel focused on developing optimal trench excavation techniques for use with hard soils, reducing the weight of equipment through the use of alternative materials and a new system for measuring the burial depth of pipelines after they have been laid in trenches.

Development work continued on tools used to simulate and guide offshore construction operations with the aim of enhancing their analytical power and improving real time monitoring during operations.

Process development activities focused on the achievement of continuous improvements in the environmental compatibility of proprietary fertiliser production technology 'Snamprogetti™ Urea', licensed to 127 units world-wide. At present the focus of the effort is on minimising the environmental impact of Urea plants (Urea Zero Emission) through the implementation of innovative technologies currently under development. A collaboration has been launched with the Fraunhofer Institut involving the development and supply of technological components that will be validated in a special facility at the University of Bologna and then included in 'Urea Zero Emission' process flows.

Following the technology screening phase conducted during 2012, a new innovation project was launched comprising a number of different research components, whose aim is to achieve increased energy efficiencies in process facilities. 2013 saw the completion of a study of hydroelectric energy production using waterfalls found in cooling water systems.

Other research and development activities with an environmental theme conducted during 2013 included the positive conclusion of a project concerning the use of geothermal waste waters to reactivate geothermal fields, which represents an interesting and environmentally sustainable option for reusing potential pollutants. The experimental procedure developed on the project makes it possible to verify in advance whether any potentially negative effects (e.g. corrosion) may result from re-injection. Finally, development work on a model for predicting underground water flows was completed during 2014. The model has been designed for application with environmental containment and remediation systems and water resource development and protection projects. The software is currently being subjected to integration with company standards.

Quality, Health, Safety and Environment

Quality

During 2013, Saipem top management chose to emphasise and reinforce the Company's commitment to delivering products and services that meet the highest standards of quality, which it has identified as the key to maintaining and sustaining long-term competitive advantages.
To ensure the effective promotion and dissemination of a company culture based on a sound, proactive management of quality issues which recognises their importance for achieving the desired operating results, Quality Assurance and Quality Control operations have been placed under the direct supervision of the Chief Executive Officer.

July saw the roll out of the 'Bring quality to the next level' programme, which aims to provide a tool to further enhance the Company's quality system, promote a company culture oriented towards the pursuit of excellence and the highest quality standards and to bring increased competitiveness and improved commercial success.
Implementation of the programme, which has a two-year time horizon, is being overseen by a Steering Committee composed of managers from a number of different Company functions, which reports periodically to Saipem's Executive Committee on progress made.
The programme's priority areas, which were identified on the basis of an initial phase of assessment of the quality management system, are being worked on by a number of interdepartmental workgroups, each of which is managed by a Workstream Leader and supervised by a Workstream Sponsor.
5 workstreams, each with a six-month duration, have been launched:
- 'Cost of non-quality', which aims to define methods and tools for identifying and monitoring the costs associated with a lack of quality on individual projects as well as on a more general company-wide level, thus enabling Company management to identify corrective actions, improvement programmes and areas of priority.
- 'Lessons Learned', which aims to define and implement methods and systems for capitalising on experience acquired on projects and disseminating information to all levels/areas of the Company with regard to both successful and unsuccessful practices, thus providing guidelines for handling events and situations that have already been encountered in the past.
- 'Supply Chain of Materials', involving an analysis of the entire Saipem materials supply chain, including an evaluation of recurring causes of non-conformities, so that areas for intervention and process optimisations can be identified. The suitability/effectiveness of the actions identified will be subjected to a preliminary assessment in which they will be applied to a number of selected strategic commodity classes.
- 'Offshore Fabrication Subcontractor', consisting of an analysis of the process of supervision implemented for construction works carried out by subcontractors at third party fabrication yards, with a view to identifying methods, procedures and tools for ensuring that the objectives are met.
- 'Top management critical metrics - Drilling', whose aim is to develop an integrated system of key performance indicators that will allow Company and Business Unit management to systematically monitor the economic and operating results achieved by the Drilling business and to set corrective actions where required.

In parallel with the five workstreams, a communications plan was launched which aims to ensure the involvement of all Saipem personnel in the various initiatives.

Additional workstreams are due to be launched in April 2014 based on the results achieved in the first phase of the programme.

2013 also saw the continuation of many initiatives worked on during 2012, including:

System Quality:
- issue of a new Management System Guideline for the company's regulatory system, the definition of Company Work Processes and the designation of the Process Owners;
- training for Managing Directors and Branch Managers regarding the Quality initiatives currently underway and their impact on the Operating Companies;
- definition of a certification model for the new Corporate Governance Model by a third party body;
- publication and dissemination of a set of Corporate Standards governing Group Quality Assurance and Quality Control activities;
- implementation of a new reporting system on the Quality Management Systems (QMS) implemented at Group Operating Companies;
- Customer Satisfaction surveys conducted on all projects currently underway.

Project Quality Management:
- integration of the Project Quality Management methodologies for Onshore and Offshore projects;
- updating of the Document Systems used on vessels in line with new Corporate guidelines currently in the process of being issued;
- application on projects of the new Project Quality Management reporting system.

Quality Control:
- implementation of standardised Quality Control Plans for Onshore and Offshore E&C projects;
- creation of a library of best practices related to advanced ultrasonic weld testing methodologies;
- completion of qualification of NDT Phased Array methodologies at the Petromar and Star fabrication yards;
- issue of dedicated criteria for the maintenance and testing of BOP systems used on drilling projects;
- dissemination at all yards of uniform Quality Control requirements based on past experience, and reorganisation of Quality Control teams;
- implementation of new reporting system on the Quality Control management Systems implemented on Onshore and Offshore projects.

Safety

The Total Recordable Incident Frequency Rate for 2013 was 1.16, which was above the target set for the year of 1.06.
Overall, there was a drop in Lost Time Injuries, which are injuries that cause absences from work, and an increase in minor incidents, or Total Recordable Incidents. The year unfortunately saw a total of six fatal accidents. Two members of contractor staff were killed when the walls of a trench collapsed on them, a Saipem employee was crushed by a pipe during lifting and moving operations on board a barge, another Saipem employee fell into the sea during equipment handling operations on board a vessel, while a third Saipem employee died from electrocution. In addition to these incidents, 2013 also witnessed the sinking of the Perro Negro 6, which occurred when the seabed the rig was resting on collapsed. One person is currently missing as a result of the incident.

Activities and initiatives carried out during 2013 with the aim of maintaining high workplace health and safety standards included:
- HSE training in accordance with a plan that encompasses both the recent State-Regions Agreement and the Saipem HSE training protocol. An International HSE Training Protocol is also currently being developed in order to ensure that all Saipem companies and branches are fully aligned in terms of planning and delivery of HSE courses. A key element in this drive are the ongoing developments being made on the new 'Delphi' training portal, whose principal aims are to standardise and share teaching materials and to provide a reference point for HSE trainers and all types of training initiatives;
- particular attention was paid to emergency management, with workers attending dedicated courses dealing with the psychological and behavioural aspects of emergency situations as well as operational issues. The training was delivered in conjunction with the Italian Civil Protection authority (Protezione Civile);
- a significant effort was also directed at developing and enhancing software applications designed to improve HSE business and management processes. The year in fact saw the launch of the software application 'Corinth', which is used to manage the HSE audit process at Saipem SpA as well as of the 'Nike' application, which is designed to ensure the standardisation of Personal Protective Equipment;
- meanwhile, the roll out of the Leadership in Health and Safety programme and its adaptation to suit the requirements of the various local companies continued apace. The year opened with a change in the tools and materials used on the programme (e.g. films, workbooks, manuals, posters), following the change in Saipem's top management team;
- the ongoing roll out of the various phases of the programme continued, encompassing all levels of the Company:
  - senior and junior managers and supervisors attended the first phase workshops, which are designed to raise awareness among the top levels of the Company with regard to the importance of their role in ensuring safety within their organisations and to provide them with the tools they need to act as leaders;
  - a number of the leaders who attended the first phase, selected based on their positions and personality type, took responsibility for the delivery of the programme's second phase, which consisted of a series of cascading events designed to disseminate the basic principles of the programme to all Saipem employees;
  - the third phase of the programme, consisting of the 'Five Stars' courses, which deal with the most appropriate ways for intervening in situations of unsafe behaviour, was attended by thousands of Saipem operatives, who have direct first-hand contact with the risks associated with the Company's business;
  - meanwhile, the drive continued to promote the five 'Leading Behaviours' – non-negotiable behaviours that Saipem aims to ensure become a part of the DNA of all its employees – via the implementation of dedicated communications campaigns as well as by leveraging the positive influence that a group of employees selected for their natural charisma and who already practice the Leading Behaviours are expected to have on their colleagues. The campaign has received the prestigious Eni Safety Award which is given to the best safety initiative implemented at Eni Group companies;
- in addition to providing Eni with support with the roll out of its 'Eni in Safety' programme, the activities conducted by the LHS Foundation during the year included a Flashmob contest to celebrate 'World day for Safety and Health at work', participation at the 'Ambiente e Lavoro' (Work and Environment) trade exhibition held in Bologna and the organisation of a series of 'Piccoli Leader in Safety' (Little Leaders in Safety) events at a number of elementary schools.

Finally, the year saw Saipem SpA enhance its levels of governance by achieving OHSAS 18001 (Health and Safety) and ISO 14001 (Environment) certifications issued by the independent certification body Det Norske Veritas (DNV). A further 18 Group companies and branches also obtained the certification.

Environment

Numerous activities and environmental initiatives were pursued during the year, including:

- the development of effective response plans for dealing with accidental spills for all sites and projects, as well as the organisation of training initiatives and periodic drills for personnel involved in all relevant activities. Saipem also offered its cooperation with and took part in a number of drills organised by Eni;
- the promotion of the 'Reduce Your Foodprint' initiative organised in connection with World Environment Day June 5, 2013, which aims to reduce food wastage;
- with regard to energy saving, the year saw Saipem complete energy efficiency analyses for a number of its offices in accordance with ISO 50001:2001 'Energy Management Systems'. It also took part in a project organised by Mimprendo Italia under which an energy assessment was conducted for the Saipem 7000, with the aim of identifying efficient methods for reducing on board fuel consumption;
- the review of the environmental controls in place pursuant to Legislative Decree No. 231/2001, which is nearing completion, led to an update to the Company's environmental regulatory documentation. The Company's environmental document system represents a useful tool for helping to prevent environmental crime;
- organisation of 'Environmental Train the Trainer' courses aimed at international personnel working in the field of HSE who have been identified as potential environmental trainers;
- consolidation of the company's new environmental communication tools, including the environmental magazine 'eNews', which illustrates the principle environmental initiatives occurring within Saipem, 'Breaking eNEWS', which covers global initiatives and lessons learned, and 'Italian eNEWS', which provides updates regarding environmental legislation for sites in Italy.

Health

With regard to health-related issues, the year saw Saipem continue with its normal activities and promote a series of new initiatives:

- 6,018 preventive medical check-ups were carried out for Italian and international personnel; 391 people required further examination and 11 were alcohol and drug tested;
- the diffusion of the 'Pre-Travel Counselling' programme for all personnel due to work abroad continued during the year. 1,081 employees received training, including updates based on international health alerts. Since its launch in 2008, the programme has provided in the region of 5,000 employees with precise, accurate information concerning the risks connected with their destination, as required under the applicable legislation. Health protocols and pre-travel training have been validated by the Institute of Occupational Medicine at the Università Cattolica del Sacro Cuore in Rome;
- the drive to raise vaccine awareness in relation to both mandatory and strongly recommended vaccines for Italian and foreign sites proceeded throughout the year, with a total of 1,370 vaccines administered, while, the agreement signed with the local health authority ASLMI2 in Milan for yellow fever vaccination also continued;
- the 'Sì Viaggiare' international travellers' handbook application was launched for the Apple and Windows 8 platform, while an Android version is currently under development. The application is available in two versions: an Enterprise version for Saipem employees and a Customer version for general use by all international travellers;
- the year also saw work take place under agreements with a variety of medical facilities and hospitals on a wide range of issues. The partnership with Rome's La Sapienza University involving an epidemiological study of 10 years of preventive check-ups under the overseas health protocol for Italian employees ended in December, while the partnerships with the IRCCS Policlinico di San Donato Milanese for health promotion initiatives, 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;
- work also continued on a number of established programmes such as the healthy diet initiative 'H-factor', 'Choose Life', which is designed to promote a healthy lifestyle, and the telecardiology programme. Significant efforts were also directed at a number of new initiatives, including a Weight Control and Obesity Prevention Program, an anti-smoking campaign based on behavioural change tools called 'Don't take my breath away' and a programme which aims to create a culture of cardiovascular disease prevention;
- finally, Saipem also organised events to coincide with a number of international awareness days celebrated by the World Health Organisation, namely World Hepatitis Day, World Diabetes Day and World AIDS Day. Presentations, posters and leaflets were produced to publicise all of the above events and initiatives.

Human resources

Workforce

The year saw the workforce continue to grow, moving from 44,980 resources (of whom 18,025 with critical skills) in 2012 to 48,607 (of whom 18,662 with critical skills) at the end of 2013.
The increase was mainly connected with a greater use of direct hiring on projects under execution in the Onshore E&C sector, in particular in Mexico and Canada.
The number of women managers also increased in 2013 by 0.8% and that of local managers by 0.7%.

Payroll

In line with employment dynamics, the value of the payroll increased in comparison with the previous year (€2,320 million at the end of 2013 compared to €2,032 million in 2012). The increase was caused by a change in the salary mix (average pro-capita salary of €49.3 thousand in 2013 compared with €48.3 thousand in 2012), as well as by the growth recorded in the workforce.

Organisation

Saipem conducted an analysis and redefinition of its organisational structure and corporate governance models and processes during 2013 with the aim of strengthening its compliance and governance system, ensuring more effective business management and improving performance.
The initiative saw the Company's business areas reorganised and integrated under the control of the Chief Operating Officer.
The organisational structure resulting from the integration of the Engineering & Construction and Drilling businesses has the following characteristics:
- four dedicated structures – Onshore, Offshore, Drilling and Floaters – responsible for looking after the various product segments and assigned responsibility for defining and implementing business strategies and plans worldwide;
- eight Regional Managers representing Saipem in their respective geographical areas, responsible for integrated business promotion and local content optimisation;
- the central functions – 'Commercial', 'Tendering', 'Engineering, Technologies and Commissioning' and 'Project Management', which have a worldwide, cross-product steering, coordination and control role.

In addition, the following initiatives were completed as part of the governance enhancement effort during 2013 with the aim of ensuring oversight on a number of critical issues and activities:
- creation of the following committees:
  - the Executive Committee, whose role is to advise the CEO in relation to key business decisions and provide evaluations regarding significant or critical aspects, e.g. reviews of the operating results of the business areas or the Company's economic-financial performance;
  - the Risk Committee, which is responsible for advising the CEO on strategies for managing Saipem's principal risks;
  - the Regulatory System Compliance Committee and the Regulatory System Technical Committee, whose role is to systematically verify that the Company's regulatory systems are consistent with the compliance and governance models;
- the following functions and positions were assigned to report to the CEO:
  - the Chief Financial and Compliance Officer, to ensure the governance of the principal functions involved in the management of the compliance and governance system, i.e. administration, finance and control, corporate affairs and governance, general counsel and information and communication technology;
  - Integrated Risk Management, responsible for the identification, analysis, monitoring and reporting of the Company's main risks;
  - Health, Safety and Environment and Quality, to ensure the dissemination within the Company of a culture, processes and tools related to these areas;
  - Procurement, Contract and Industrial Risk Management, with the aim of ensuring the integrated management of these business support functions, which make an important contribution in terms of project results;
  - Public Affairs and Communication, with the aim of ensuring a focused, strategic approach to external communications, image management and public affairs;
  - Business and Technology Development, with the aim of establishing an integrated approach to promotion of the Company's capabilities and products and leveraging of its technology research and development effort.

Meanwhile, as part of the drive to enhance the Company's Internal Control and Risk Management System, the year saw:
- the launch of an initiative to develop and implement a new authorisation matrix for Saipem SpA and its branches – a tool used for the Governance of the main company processes/activities and/or those considered most sensitive. In addition, alignment of the authorisation matrices used in subsidiaries and their branches was started, with standard powers and economic limits set commensurate with the dimensions and complexity of the entities in question;
- the Saipem regulatory system was subjected to review with the aim of emphasising the responsibilities of Process Owners, promoting greater integration of the main principles of compliance into the processes, and redefining Saipem SpA's steering, coordination and control role and the operational autonomy of Saipem companies.

The function also oversaw the issuing of Management System Guidelines (MSG) for the following processes: Regulatory System, Market Abuse, Legal, Procurement, and Services for Personnel.
In the Group's foreign entities, the introduction of the new authorisation matrices was accompanied by ongoing work to establish new company structures, adapt the existing organisational structures to ensure compliance with the company model and review the systems of powers and delegation of authority in place.

Human Resources Management

The current market scenario and the global climate in which Saipem operates increasingly calls for rapid, targeted measures that are in full compliance with all applicable labour, trade union, tax and welfare legislation.
Within this context, the Human Resources Management function continued to fulfil its guidance, coordination and control remit, which included constant efforts to develop and integrate tools to support the Company's strategic decision-making processes.
As in the first half of the year, the function pressed on with a raft of actions designed to obtain significant results in terms of optimization of personnel costs and improved operational efficiency and efficacy.
These included actions designed to enable the monitoring and control of critical human resources phenomena such as holiday, overtime, working hours and absenteeism.
In addition, the year saw the launch of a number of actions of a more global scope designed to ensure more accurate and effective management of operating processes in local HR departments. The implementations of these actions will continue through into 2014.
The second half of the year also saw additional enhancements made to the technical functionalities of the principal analysis and reporting systems used by the Human Resources Department. These increased the effectiveness and efficiency of the management actions and measures implemented and also produced improvements in terms of better coordination and integration between the various department structures.
Following the introduction of the HR Management Portal – a web-based tool capable of integrating data from the various information systems use by the Company and performing analyses and overviews to provide business intelligence in relation to key human resources phenomena – the development and improvement initiatives continued, with the year seeing an extension of the portal's scope of application, which at present encompasses the monitoring of key areas such as holidays, accrued compensatory time, overtime, workforce data, remuneration policies, business trips and assignments, international mobility and expatriation policies.
In addition, tests were recently commenced involving the collection and analysis of data from a number of overseas Saipem companies that are characterised by comparatively complex operational and organisational set ups. The medium-term goal is to provide coverage through the HR Portal for the main Saipem overseas operating companies with a view to achieving improved integration, sharing and leveraging of know-how, experience and work tools within the HR professional family.
With regard to international mobility, which represents a critical success factor of great strategic importance for the business, the work started in 2012 continued, focusing on two main areas – on the one hand developing and innovating the information support systems used, and on the other, analysing and redefining expatriation methodologies and policies to ensure that they fully meet operating requirements (which can vary depending on the type of project or environment) and the needs of Saipem personnel, i.e. in terms of providing a more effective work-life balance.
Market benchmarking techniques were used to define new procedures and methods for calculating expatriate salary packages for a number of professional families identified as being critical for Saipem's business, with a view to ensuring better alignment with market practices and rates.
The HR Management function also pressed on during the year with the development of the Country Card information tool, which has been designed to provide storage and access both centrally and at branch level of up-to-date HR-related data (e.g. labour, tax, welfare and trade union legislation) for the countries in which Saipem operates.
The platform will be used as a communication channel for the dissemination of corporate guidelines and for gathering data for local surveys and analyses and will also reinforces ties and improve integration between the central and local HR departments.
The tool was already partially tested during the second half of 2013 when conducting annual surveys on cost of living, benefits, and cars and transportation allowances. The use of the Country Card tool produced a significant saving in terms of the time necessary to carry out the survey and also led to greater data gathering efficiency.
In the light of the positive results obtained from the roll out of the Overseas Tool application in GHRS (GHRS is the information system used for Saipem personnel management and administration), which was developed in 2012 with the aim of ensuring more effective management of expatriation processes and overseas contracts, analysis and roll out phases were conducted in several overseas locations where there are a large number of international personnel under assignment.
Also, with a view to achieving continuous improvements in the module, additional modifications were made to increase the effectiveness and speed of the operating processes related to expatriate personnel management.
Finally, the entire Human Resources document/procedural system, which contains the standards applied for all of the main HR operating processes at all Group companies, was revised and updated during the year. This was done with the aim of ensuring clear, transparent communication with Saipem human resources and achieving incisive management of critical/high impact issues through the implementation of a more robust, structured system of regulations.

Industrial Relations

Given the global nature of the environment in which Saipem operates and the significant changes underway on the labour market, particularly in emerging countries, managing industrial relations today calls for both great care and attention to the management of diversity and awareness of the socio-economic changes taking place.
Saipem's model of industrial relations focuses primarily on ensuring relations with trade unions that are fair, transparent and compliant with the international conventions and transnational agreements that the Company has signed. It also involves ensuring the optimal management of relations with trade unions and employers' associations, as well as with political institutions and public bodies.
In accordance with this approach, 2013 saw the Company work with national representatives of Italian trade union organisations from the energy, maritime and metalworking sectors on a range of issues, the most significant of which are summarised here.
Firstly, January saw the renewal of the national collective labour agreement for the Energy and Oil sector, which is the contract under which the majority of the Company's Italian resources are employed.
In addition to a review of minimum salaries, the new labour agreement also laid down a basis for a review of the current classification system and for a redefinition of the allowances paid to Italian shift work personnel.
Negotiations regarding the renewal of the national collective labour agreement and company-specific supplementary agreements for maritime personnel will start up again in 2014.
A company agreement ratifying the change to shift arrangements affecting a portion of personnel was signed during the year.
In accordance with the Company's policy of careful attention to industrial relations, the organisational restructuring changes carried out within the company as well as its economic outlook, which represented key features of 2013, were the subject of two separate meetings, which saw Saipem top management meet with the national secretaries of the trade unions. These talks were followed up by meetings between the Company's human resources department and trade union representatives at the various Italian offices.
In this connection, following a request made by the trade union organisations, Saipem has said it is ready to discuss a proposed industrial relations protocol with the national secretaries of the unions, which is expected to be finalised during 2014.
December saw a positive conclusion to the joint review held to examine the agreement for the transfer of the Firenze FPSO business division to the subsidiary Floaters SpA, which was subsequently sold on to Eni. The agreement involved the sale of the Firenze FPSO vessel, which is currently deployed in the Eni-operated Aquila field off the coast of Puglia.
With regard to international industrial relations, 2013 witnessed the signing of important collective labour agreements for Engineering & Construction sector workers in Angola and Mexico and Drilling sector workers in Nigeria. In July, Saipem Beijing Technical Services Co Ltd of China signed a collective labour agreement after the growth registered in the workforce made the formation of a representative committee possible under local legislation.
The year also saw the signing of an important agreement in the drilling sector in Algeria, while in Brazil, at Saipem do Brasil, the groundwork was laid for the signing of a new collective labour agreement for the workers employed in the Guarujá yard, which is expected to take place in early 2014. Both instances entailed changes to the content of the collective agreements to bring them in line with the applicable legislation. The Company operated in full respect of the workers' freedom of association and trade union prerogatives in both cases.
In the maritime sector, Saipem signed a renewal for 2014 of its agreement with the International Transport Workers' Federation (ITF). The Company also obtained Maritime Labour Certification for its fleet in accordance with the 2006 Maritime Labour Convention during the year.
A series of initiatives designed to achieve greater synergy between the Corporate and local functions responsible for industrial relations, which involved participants sharing relevant experiences, were held during the second half of 2013.
The initiatives aimed to raise awareness and knowledge of the key

(units)	Average workforce 2012	Average workforce 2013
Offshore Engineering & Construction	13,973	15,857
Onshore Engineering & Construction	16,817	19,148
Offshore Drilling	2,368	2,724
Onshore Drilling	7,162	7,706
Staff positions	2,234	2,039
Total	**42,554**	**47,474**
Italian personnel	7,379	7,475
Other nationalities	35,175	39,999
Total	**42,554**	**47,474**
Italian personnel under open-ended contract	6,405	6,600
Italian personnel under fixed-term contract	974	875
Total	**7,379**	**7,475**

(units)	Dec. 31, 2012	Dec. 31, 2013
Number of engineers	7,699	7,690
Number of employees	44,980	48,607

regulations governing industrial relations within Saipem and were aimed at internal HR personnel and agencies belonging to the recruitment and selection sector.
Local level initiatives carried out during the year included a pilot initiative promoted by ERSAI Llc in Kazakhstan which aims to disseminate the content of the Code of Ethics to local workers, particularly with regard to issues connected with workers' rights.

Development, Selection and Training

Saipem continues to place great emphasis on 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 its human resources development approach, efforts continued during 2013 to update, consolidate, simplify and integrate the People Strategy and the Employee Value Proposition.
In accordance with the Compensation and Nomination Committee, the succession plans in place for strategic company positions were updated in response to the changes to the organisational and business scenario that occurred during the year.
Competence Assurance systems were implemented to ensure optimized monitoring of onshore and offshore construction competencies. The systems provide a structured and direct approach to the oversight of competencies and also encompass support actions such as training events, tutoring and assignment to specific projects.
Following the employee engagement analysis conducted at Saipem SpA at the end of 2012, improvement measures were implemented in areas where the satisfaction results were lowest. The measures focused on both specific processes and specific segments of the Saipem population. With the aim of providing greater support to the Company's younger employees, a project entitled 'Share and Shape' was launched. The objective of the initiative 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. The proposals will be translated into projects which it is hoped will attract the interest of the entire Saipem population.
To ensure it can constantly maintain the levels of excellence the market expects of it, Saipem's selection activities are oriented towards identifying personnel offering extensive, relevant professional experience and capabilities. With a view to developing and fostering such capabilities, which it can often be difficult to source on the labour market, Saipem is continuing to invest in employer branding exercises and initiatives aimed at the Italian's top secondary level technical schools and universities.
September 2013 saw the start of the second edition of the postgraduate master's program in 'Safety and Environmental Management in the Oil&Gas Industry', which is 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.
Taking its cue from developments in the worlds of industry and education, Saipem aims to build lasting relations with Italy's technical institutes in order to strengthen its image, cultivate an awareness of its business activities and enhance its ability to attract young school leavers and influence their training paths.
Activities on the 'Synergy' project, which the Company launched in partnership with the technical schools 'A. Volta' in Lodi and 'E. Fermi' in Lecce to achieve these aims, continued during 2013.
With the aim of achieving full compliance and promoting a culture of traceability, transparency and openness, the year saw the introduction in Saipem's Italian offices of a dedicated software application for use during the selection and hiring process.
The software is designed for close monitoring of the selection process and allows a number of different analyses to be performed.
In accordance with drivers defined as part of the Company's People Strategy concerning the promotion and dissemination of integrated, transparent tools for effective personnel management, 2013 saw the roll-out (initially in Italy only) of a new learning management software application called 'Peoplearning', which is designed to ensure enhanced governance of the training system by providing support to all the actors involved in the training process during all process phases, introducing a self-service approach, and by promoting greater ownership and responsibility of all those involved, with the aim of achieving greater transparency and obtaining an optimum return on the investment Saipem has made in the competencies of its personnel.
The system is also designed to integrate with resource development tools, fully leverage the training matrixes defined for each role and ensure effective monitoring and tracking of mandatory health, safety and environmental certification and training.
In line with the key elements of the Employee Value Proposition, the training projects and initiatives implemented during 2013 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 efforts to expand and monitor the activities of the Saipem Training Centres, whose mission is to provide oversight of Saipem knowledge and to promote training courses structured based on the needs of individual roles.
Pursuant to relevant Legal Compliance requirements, the Company continued during the year with its drive to ensure the dissemination of the Internal Control Model at all hierarchical levels both in Italy and abroad, with e-learning courses being organised in connection with Legislative Decree No. 231/2001 and Security issues. Training initiatives for the members of the Compliance Committee of subsidiaries also continued during the year, as did those required by Legislative Decree No. 81/2008 for Employers, Safety Managers, Safety Supervisors and Safety Officers.
The year also saw the delivery of three editions of the training course aimed at Managing Directors of major overseas companies. The course is specifically focused on the following areas:
- Corporate Governance and Compliance;
- Business Context (focusing on communication);

- Corporate Finance and Financial Statements;
- Stakeholder Management;
- Contract Management;
- Integration between internal functions.

An internationally oriented programme on Business Leadership aimed at a number of critical roles, such as Project Directors and Area/Country Managers, was held successfully once again in conjunction with Eni Corporate University and Eni.
In order to respond to the need for innovation and cost control during the design phase, a dedicated workshop for engineers was organised.
With regard to overseas employees, Local Content initiatives continued in Kazakhstan and Saudi Arabia with the aim of increasing the use of local resources in technical roles in the offshore and drilling sectors.
Saipem also confirmed its strong interest during the year in countries such as Brazil and Canada, where business development activities were flanked by an intensification of employer branding and resource attraction, retention and engagement initiatives. In the Guarujá Yard in Brazil, comprehensive modularised training plans combining theory and practice were commenced for prefabrication and fabrication technical personnel.

Compensation

The international market conditions and economic outlook continued to dictate a prudent and focused approach to the definition of compensation policies in 2013.
Accordingly, variable incentive plans (including project incentives) and retention systems, which continued to be subject to careful analysis and rationalisation, were adopted, taking into account the specific characteristics of the relevant labour markets and current business trends and future outlooks. Extreme selectiveness and precision were adopted in determining the annual variable incentive scheme in terms of reducing spending and the number of beneficiaries, in line with the Company's results.
As regards management incentive plans, the short-term monetary incentive plan, which is linked to individual performance, and the long-term monetary plan, linked to the Company's long-term performance, were confirmed for both Italian and international managerial resources.
Individual annual monetary incentives, which were based on actual 2012 management performance, were paid out in March to 133 Italian senior managers, representing 44% of the total, with a total cost outlay of €3,637,500 (11.24% of total compensation at January 1, 2013). The new targets for 2013 for the same population of senior managers were also defined.
Additionally, July saw the allocation of deferred monetary incentives to 133 senior managers, representing 44% of all senior managers, with a total cost outlay of €2,083,000.
In order to boost the motivation of critical management resources, guarantee Saipem's long-term performance and keep the remuneration package in line with the market average, the Board of Directors confirmed the long-term monetary plan for critical managerial resources. The plan was implemented in October 2013 for 78 Italian senior managers, representing 24.9% of Italian managerial resources, with a total cost outlay of €2,893,000.
Furthermore, in compliance with legal obligations pursuant to Article 123-*ter* of Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation, the '2013 Remuneration Report' was prepared. This document was approved by Saipem's Board of Directors on March 13, 2013 and published on the Company's website. Subsequently, the first section of the report was also approved by the Shareholders at the General Meeting held on April 30, 2013.
Finally, at global level, the adoption of the single grading system for organisational positions was further consolidated. The system makes it possible to carry out uniform, cross-company compensation analyses which can be used to set more accurate salary strategies that are better suited to the specificities of local markets.

Internal communications

Internal communications activities carried out during the year were devoted to increasing active employee participation and the sharing of information and content.
Activities included the roll-out of the web TV network, which is now available at all the Company's Italian offices, the launch of a campaign in support of the SaiTube video platform, which allows registered employees to upload and share video content, and the beginning of development work on a new microsite aimed at new hires with limited knowledge of the Company, which will help them to obtain the information and tools they need to get started in their jobs. The year also saw the go live of local intranet channels at the Company's Nigerian, Brazilian and Australian offices, and the continuation of preliminary activities geared towards intranet roll out in Canada, Mexico and USA. Meanwhile, following a request made by maritime personnel for increased distribution of the Company's in-house magazine 'Orizzonti' on board the Company's fleet of vessels, work was started during the year on developing a dynamic system of distribution which would take into account the geographical location of the vessels, in conjunction with the Maritime Certifications and Flags Management unit.
Finally, the year's internal communications initiatives also included two traditional engagements – Saipem family day and the end of year employees' meeting. For the family event, a video was produced entitled 'Saipem and the oil cycle', which used animations and clear, simple language to illustrate the Company's role in the various phases of oil production, from extraction to transportation, while for the annual meeting in December, a video compilation of the year's various milestones was put together. The evening also saw the launch of an initiative called 'Lascia un segno' (Leave Your Mark), consisting of a register in which guests were invited to leave their signature, a personal message and a hand print using a selection of coloured stamps. During 2014, the register will go on a journey to the various Saipem offices and sites around the world in a kind of global relay in which the Company's international workers will be encouraged to symbolise their own personal commitment to meeting Saipem's goals by leaving their mark in the register.

Information technology

Information, Communication, Technologies

The change initiatives implemented on the Company's information management systems in 2013 produced significant results in terms of both applications and infrastructure.
In terms of applications, the year saw the virtual completion of a programme of initiatives which over the past three years have been the focus of Saipem's investments in enterprise software applications, i.e.: 1) SAP Consolidation; 2) e-Procurement; 3) Business Intelligence; 4) HR system; 5) Workload Management. These initiatives were accompanied by a broad range of business support initiatives, which demonstrated the Company's firm commitment to its strategy of work process digitalization.
1) The roll out of SAP R/3 at Saipem do Brasil was completed. The system will be operational as of January 2014. Meanwhile the roll out of the inventory management application SAP Material Ledger, which has been coordinated to include Spectec's asset maintenance management system AMOS, continued at the main Saipem Group companies using SAP.
July saw the introduction of Saipem's new e-Procurement system, which is based on SAP SRM module 7.0. The aim of the project is to ensure the continuity of the e-Business services, which were previously provided by Eni for the entire Group using SRM 4.0, via a carefully planned migration strategy involving updates to the electronic catalogue, consolidation and standardisation of the existing processes and standardisation of user interfaces, leveraging the functionalities offered by the new technology. The results of the project as at the end of the 2013 were very positive, with a completely issue-free implementation and increased user numbers for the platform, compared with the previous version.
2) The new Business Intelligence initiatives led to the identification of new service areas in Procurement, HR, WMS areas, as well as in the Offshore E&C and Drilling business areas. A number of releases were completed in 2013, while the dashboard for the business areas are scheduled for release in the first half of 2014.
3) In the HR area, the OSA (One Step Ahead) project being developed in partnership with Oracle Corp relating to the Peoplesoft HCM (GHRS) application continued. The new releases completed during the year were a Saipem SpA Recruitment module and the cloud solution developed for training processes called PeopLearning. Meanwhile work on the Talent Management module will carry on through into 2014. The roll out of the Saipem-developed international payroll solution continued apace. As of year end 2013, roll outs had been completed for the payrolls of 16 Saipem Group companies. Due to the complexity involved, the roll out of the payroll solution on to GHRS, which by itself covers more than 7,000 individual payslips, is now scheduled for completion during the first half of 2014, meaning the ambitious goal of achieving 30,000 monthly payrolls will have to wait until next year. Development and maintenance of the software and HR management activities have been offshored to Saipem India Projects Ltd in Chennai, producing significant cost savings.
In parallel with the introduction of the new payroll solution, ICT is also aiming 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 plus all related authorisation workflows, and will also enable uniform, centralised management of personal and contract data that in the long term it will be possible to use as a basis for producing comprehensive operational and analytical reporting.
In particular the PiPe module, which handles labour costs data, when integrated with payroll systems and SAP, has been shown to lead to a drastic improvement in both the quality and reliability of the data produced.
4) The roll out of the workload management system which currently provides coverage of all operating areas in terms of business demand and HR capacity, corresponding to a total of over 30,000 resources managed, has essentially been completed, together with the release of the dashboard for top and middle management on the company's Business Intelligence system, which can be accessed via web and on tablet devices.

Business support development initiatives carried out during 2013 focused on the adoption of innovative tools targeted at increasing the efficiency and quality of engineering design and construction activities and on a review of the support offered to the Company's business processes by existing applications. This second area of intervention, which has been called 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.
Through partnerships in place with major suppliers of software solutions, Saipem continued during 2013 with its strategy of adopting wherever possible standard platforms enhanced on the basis of a continuous dialogue between the suppliers' development centres and Saipem experts. The adoption of new modelling tool Intergraph SmartPlant 3D and the development of new processes for automated drawing generation and for checking engineering data quality and consistency were successfully completed. The lessons learned from the experience have been leveraged to obtain a competitive edge on new contracts requiring the use of the same product. Additional business support initiatives were carried out during the year to support site operations, with the porting of a new application for managing piping spools and the related technical documentation for use on 'rugged' site-suitable tablet devices. Use of the application has seen a drastic drop in issues related to fabrication work carried out by subcontractors.

The year also saw the deployment of a new construction management suite called Cosmo, which features site activity planning integrated with Oracle Primavera, functionalities for job accounting and the development of pre-commissioning and commissioning plans, plus a new quality system.
With regard to IT infrastructure, the roll out of the WIE (Windows Infrastructure Evolution) project – which will allow Saipem to take advantage of the benefits deriving from the functionalities of new Microsoft products, in particular Windows Seven – was completed. The change programme was implemented using Project Management techniques in order to minimise risk and identify any potential critical issues and interdependencies between individual activities.
In addition to the project activities outlined above, 2013 also saw the ICT function establish a presence in Chennai, India, where a number of infrastructure activities have been offshored, thus laying the foundations for a future internationalisation of the company's infrastructure management services. 2014 is expected to see 24x7 first level support for international servers and local networks.
2013 governance, compliance and security processes were carried out according to schedule. New ICT initiatives launched during the year regarded the definition of application profiles for the Company's principal software applications and automatic role assignment to users via the adoption of the CA RCM role and user management module. This approach was combined with a cutting-edge use of IT security technologies and is designed to mitigate the security risks associated with data processing by the company information systems. Another significant security-related development was the introduction of advanced credential management systems. This initiative included the adoption of 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 14, 2014, 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 2013)' 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). Finally, it describes the composition and operation of the administration and control bodies and their committees, roles and powers.
The Report also indicates the 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', as well as the communication policy for institutional investors and shareholders, and the policy regarding the disclosure of inside information which is contained in the Company's 'Market Abuse' procedure.

The criteria applied for determining the remuneration of Directors are illustrated in the '**2014 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 the internal control system of Saipem, which is an integral part of the Company's Organisational and Management Model, assigns specific roles to the company's management bodies, compliance committees, control bodies, company management and all personnel. It is based on the principles contained in the Code of Ethics and the Corporate Governance Code as well as 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 the following:
(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 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 offenses have joined health and safety offenses as one of the underlying offenses that could result in corporate liability under Legislative Decree No. 231/2001. In response to this development, Saipem has put in place 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 frequently launched at work sites.
In recent years, these have included the 'Leadership in Health and Safety', 'Choose Life' and 'Working at Height' campaigns.
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 the most key important HSE issues.
All HSE initiatives and management of HSE issues are subjected to periodic audits conducted by independent bodies, who verify that the quality of the Company's HSE management 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 carried out either directly or indirectly on 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 crisis, internal social unrest and conflicts with other countries can compromise temporarily or permanently Saipem's ability to operate cost efficiently in such countries and may require specific measures (where possible in compliance with Saipem corporate policy) to be taken at an

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

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.
The measures outlined above 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 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 Policy and Risk Management procedures and Standards and Security reports prepared in accordance with the Corporate Security Policy and Guidelines on Security Activities.
Legislative Decree No. 81/2008 (the Consolidated Act on health and safety at the workplace) provides a basis for a new model of risk assessment in which security risks may be accounted for via their inclusion among the 'particular risks' referred to in Article 28 of the decree, which 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...'.
To manage the specific security risks to which it is exposed in the countries where it operates, Saipem has adopted a security model based on the criteria of prevention, precaution, 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 constitutes 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 juridical 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.
In its role as a Contractor, Saipem thus applies the highest standards of security, facilitating the conduction of its business activities in all contractual phases, from the bid phase through to project execution, by ensuring that all operations can be carried out in conditions of security for all its personnel and assets.

Specific project risks

The main objectives of the Industrial Risk Management function are to:
- promote the use of the Risk Management methodology for tenders and in the execution phase 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 so that Management can intervene by deploying the appropriate risk management tools of avoidance, mitigation, transfer and 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 identifying and evaluating risks and opportunities and in all activities related to 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 and the necessary support 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 management the responsibility for the decision to assume significant risks.

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.
Given the coverage that is offered by the insurance market and the changing circumstances on the energy market in which Saipem operates, it is not possible to guarantee that all circumstances and events will be adequately covered by the insurance programme. Equally, due to the volatility of the insurance market, it cannot be guaranteed that it will be possible in the future to reasonably maintain adequate insurance coverage at the current rates, terms and conditions.
Within the Saipem Insurance Programme, a distinction can be made between insurance cover for Group assets ('Corporate insurance policies') and the insurance cover connected with project execution.

Corporate insurance policies

The Corporate insurance programme is structured with an initial band of risk that is self-insured through a captive reinsurance 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, set up and operational since 2008, 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, testing) including the contractual guarantee 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 2013. Saipem SpA holds 1,939,832 treasury shares (1,996,482 at December 31, 2012), amounting to €43 million (€43 million at December 31, 2012). These are ordinary shares of Saipem SpA with a nominal value of €1 each.
At March 14, 2014, the share capital amounted to €441,410,900. On the same day, the number of shares in circulation 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, 2013, the following seventeen 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 Serviçõs de Petroleo Ltda;
- Saipem Contracting Algérie SpA;
- Saipem Canada Inc;
- Saipem Offshore Norway AS;
- Saipem Drilling Norway AS.

Procedures designed to ensure full compliance with Article 36 have already been adopted.

No further Regulatory Compliance Plans are scheduled for 2014.

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 9 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 14, 2014, 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 14, 2014 also verified that the composition of the Board itself, as appointed by the Shareholders' Meeting of May 4, 2011, 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 44 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 44 'Transactions with related parties' in the notes to the consolidated financial statements.

Events subsequent to year-end

New contracts

In the first few weeks of 2014, Saipem was awarded contracts amounting to approximately €800 million. The main acquisitions concern Canada and the Republic of Congo. In Canada, CNRL (Canadian Natural Resources) awarded Saipem a number of Onshore E&C contracts for the development of the Hydrotreater Phase 3 of the Horizon Oil Sands Project, in the Athabasca region. The scope of the contracts includes 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. The project will be completed in the first half 2017.
In the Republic of Congo, Eni Congo awarded Saipem a contract for an onshore treatment plan to 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. The scope of work includes engineering, procurement, construction, transport, early gas production, pre-commissioning, commissioning and start-up of the Litchendjili gas treatment plant. The work will be completed in the second half of 2016.
In February 2014, Saipem was awarded new Offshore Engineering & Construction contracts in Indonesia and the Republic of the Congo with a total value of US $520 million. Details of the contracts can be found in the Company's press release of February 24, 2014.
In March 2014, Saipem was awarded a contract by Stream Transport BV for the construction of the first line of the South Stream Offshore Pipeline, from Russia to Bulgaria across the Black Sea, for a total value of approximately €2 billion.

Outlook

As in the second half of 2013, delays by Oil Companies in awarding new contracts have led to reduced visibility with regard to expected order backlog levels, which consequently makes it harder to forecast associated revenues and margins.
For this reason, Saipem has chosen to adopt a policy of cautious guidance, reflecting the increased level of uncertainty in today's market.
For 2014, Saipem expects revenues of between €12.5 and €13.6 billion, EBIT of between €600 and €750 million and a net profit of between €280 and €380 million.
Final results will depend on the outcome of current tenders, on the timing of project awards and on the start date of operations, since this will determine the extent to which revenues and margins earned may be recognised in 2014.
However, the commercial market outlook remains positive, with a large number of contracts to be awarded in the near future for which Saipem holds a solid competitive position, including pipe-laying projects in ultra-deep waters, subsea developments in deep and ultra-deep waters, FPSO construction projects and large highly-technologically complex onshore projects.
Investments are expected to total approximately €750 million and net financial debt is expected to be approximately €4.2 billion, both figures representing decreases on 2013 levels.
2014 should be a year of transition with a return to profitability. The extent of the recovery will depend not only on the pace of contract awards, but also on the efficient operational and commercial execution of low-margin contracts still in the backlog, which in 2014 should account for approximately €5 billion.

Committees of the Board of Directors

In compliance with the provisions of the new Corporate Governance Code for listed companies, the Board of Directors resolved to form:
- the Executive Committee, whose role is to advise the CEO in relation to key business decisions and provide evaluations regarding significant or critical aspects, e.g. reviews of the operating results of the business areas or the Company's economic-financial performance;
- the Risks Committee, which is responsible for advising the CEO on strategies for managing Saipem's principal risks;
- the Regulatory System Compliance Committee and the Regulatory System Technical Committee, whose role is to systematically verify that the Company's regulatory systems are consistent with the compliance and governance models.

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, minority interest and net borrowings.

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)	December 31, 2012		December 31, 2013	
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		8,254		7,972
Note 8 - Property, plant and equipment	*8,254*		*7,972*	
B) Net intangible assets		756		758
Note 9 - Intangible assets	*756*		*758*	
C) Investments		116		126
Note 10 - Investments accounted for using the equity method	*116*		*126*	
Reclassified from E) - provisions for losses related to investments	-		-	
D) Working capital		850		1,026
Note 3 - Trade and other receivables	*3,252*		*3,286*	
Reclassified to I) - financing receivables not related to operations	*(79)*		*(30)*	
Note 4 - Inventories	*2,087*		*2,297*	
Note 5 - Current tax assets	*238*		*275*	
Note 6 - Other current tax assets	*271*		*282*	
Note 7 - Other current assets	*388*		*383*	
Note 11 - Other financial assets	*1*		*1*	
Reclassified to I) - financing receivables not related to operations	*(1)*		*(1)*	
Note 12 - Deferred tax assets	*97*		*132*	
Note 13 - Other non-current assets	*174*		*153*	
Note 15 - Trade and other payables	*(4,982)*		*(5,280)*	
Note 16 - Income tax payables	*(250)*		*(137)*	
Note 17 - Other current tax liabilities	*(129)*		*(133)*	
Note 18 - Other current liabilities	*(93)*		*(119)*	
Note 22 - Deferred tax liabilities	*(121)*		*(81)*	
Note 23 - Other non-current liabilities	*(3)*		*(2)*	
E) Provisions for contingencies		(163)		(198)
Note 20 - Provisions for contingencies	*(163)*		*(198)*	
Reclassified to C) - provisions for losses related to investments	-		-	
F) Employee termination indemnities		(255)		(233)
Note 21 - Provisions for employee benefits	*(255)*		*(233)*	
CAPITAL EMPLOYED, NET		**9,558**		**9,451**
G) Shareholders' equity		5,132		4,652
Note 25 - Saipem's shareholders' equity	*5,132*		*4,652*	
H) Minority interest		148		92
Note 24 - Minority interest	*148*		*92*	
I) Net debt		4,278		4,707
Note 1 - Cash and cash equivalents	*(1,325)*		*(1,352)*	
Note 2 - Other financial assets held for trading or available for sale	-		*26*	
Note 14 - Short-term debt	*1,740*		*1,899*	
Note 19 - Long-term debt	*3,543*		*2,859*	
Note 19 - Current portion of long-term debt	*400*		*1,358*	
Reclassified from D) - financing receivables not related to operations (Note 2)	*(79)*		*(30)*	
Reclassified from D) - financing receivables not related to operations (Note 10)	*(1)*		*(1)*	
FUNDING		**9,558**		**9,451**

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 (€169 million) relating to compensation for damages (€165 million), gains on disposals of assets (€1 million) and reimbursements for services that are not part of core operations (€2 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' (€656 million), 'finance expenses' (-€798 million) and 'derivatives' (-€48 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€190 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' (€724 million), 'change in the provision for employee benefits' (-€5 million), 'other changes' (-€42 million) and 'effect of accounting using the equity method' (-€13 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' (€664 million);
- the items 'income taxes' (€106 million), 'interest expense' (€159 million) and 'interest income' (-€15 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' (€250 million);
- the items regarding changes in 'other assets and liabilities' (€901 million), 'provisions for contingencies' (€28 million), 'inventories' (-€368 million), 'trade receivables' (-€298 million) and 'trade payables' (-€61 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'changes in working capital related to operations' (€202 million);
- the items 'interest received' (€16 million), 'dividends received' (€1 million), 'income taxes paid net of refunds of tax credits' (-€379 million) and 'interest paid' (-€158 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' (-€520 million);
- the items relating to investments in 'intangible assets' (-€893 million) and 'tangible assets' (-€15 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€908 million);
- the items relating to investments in 'securities' (-€27 million), investments in 'financing receivables' (-€5 million) and disposals of 'financing receivables' (€55 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' (€23 million);
- the items 'proceeds from long-term debt' (€919 million), 'repayments of long-term debt' (-€615 million) and 'increase (decrease) in short-term debt' (€221 million), indicated separately and included in net cash used in financing activities in the statutory scheme, are shown net under the item 'changes in short and long-term financial debt' (€525 million).

All other items are unchanged.

Consolidated Financial Statements **2013**

Balance sheet

(€ million)	Note	Dec. 31, 2012 Total	Dec. 31, 2012 of which with related parties	Dec. 31, 2012 restated (1) Total	Dec. 31, 2012 restated (1) of which with related parties	Dec. 31, 2013 Total	Dec. 31, 2013 of which with related parties
ASSETS							
Current assets							
Cash and cash equivalents	(No. 1)	1,325	642	1,325	642	1,352	721
Other financial assets held for trading or available for sale	(No. 2)	-		-		26	
Trade and other receivables	(No. 3)	3,252	948	3,252	948	3,286	760
Inventories	(No. 4)	2,332		2,087		2,297	
Current tax assets	(No. 5)	238		238		275	
Other current tax assets	(No. 6)	271		271		282	
Other current assets	(No. 7)	388	203	388	203	383	226
Total current assets		**7,806**		**7,561**		**7,901**	
Non-current assets							
Property, plant and equipment	(No. 8)	8,254		8,254		7,972	
Intangible assets	(No. 9)	756		756		758	
Investments accounted for using the equity method	(No. 10)	116		116		126	
Other financial assets	(No. 11)	1		1		1	
Deferred tax assets	(No. 12)	88		97		132	
Other non-current assets	(No. 13)	174	4	174	4	153	-
Total non-current assets		**9,389**		**9,398**		**9,142**	
TOTAL ASSETS		**17,195**		**16,959**		**17,043**	
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities							
Short-term debt	(No. 14)	1,740	1,523	1,740	1,523	1,899	1,698
Current portion of long-term debt	(No. 19)	400	399	400	399	1,358	1,357
Trade and other payables	(No. 15)	4,982	177	4,982	177	5,280	406
Income tax payables	(No. 16)	250		250		137	
Other current tax liabilities	(No. 17)	129		129		133	
Other current liabilities	(No. 18)	93	88	93	88	119	114
Total current liabilities		**7,594**		**7,594**		**8,926**	
Non-current liabilities							
Long-term debt	(No. 19)	3,543	3,343	3,543	3,343	2,859	2,659
Provisions for contingencies	(No. 20)	163		163		198	
Provisions for employee benefits	(No. 21)	217		255		233	
Deferred tax liabilities	(No. 22)	122		121		81	
Other non-current liabilities	(No. 23)	3	1	3	1	2	-
Total non-current liabilities		**4,048**		**4,085**		**3,373**	
TOTAL LIABILITIES		**11,642**		**11,679**		**12,299**	
SHAREHOLDERS' EQUITY							
Minority interest	(No. 24)	148		148		92	
Saipem's shareholders' equity:	(No. 25)	5,405		5,132		4,652	
- share capital	(No. 26)	441		441		441	
- share premium reserve	(No. 27)	55		55		55	
- other reserves	(No. 28)	99		86		75	
- retained earnings		3,951		3,934		4,283	
- net profit (loss) for the year		902		659		(159)	
- treasury shares	(No. 29)	(43)		(43)		(43)	
Total shareholders' equity		**5,553**		**5,280**		**4,744**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,195**		**16,959**		**17,043**	

(1) Includes the effects of the application of the new provisions of IAS 19.

Income statement

(€ million)	Note	2012 Total	2012 of which with related parties	2012 restated [1] Total	2012 restated [1] of which with related parties	2013 Total	2013 of which with related parties
REVENUES							
Net sales from operations	(No. 32)	13,369	2,172	13,124	2,172	12,256	1,935
Other income and revenues	(No. 33)	17	-	17	-	177	14
Total revenues		**13,386**		**13,141**		**12,433**	
Operating expenses							
Purchases, services and other costs	(No. 34)	(9,138)	(181)	(9,138)	(181)	(9,243)	(337)
Payroll and related costs	(No. 35)	(2,041)	-	(2,032)	-	(2,320)	(2)
Depreciation, amortisation and impairment	(No. 36)	(726)		(726)		(724)	
Other operating income (expense)	(No. 37)	-	-	-	-	1	1
OPERATING PROFIT		**1,481**		**1,245**		**147**	
Finance income (expense)							
Finance income		346	2	346	2	656	10
Finance expense		(568)	(109)	(575)	(109)	(798)	(128)
Derivative financial instruments		74	72	74	72	(48)	(48)
Total finance income (expense)	(No. 38)	**(148)**		**(155)**		**(190)**	
Income (expense) from investments							
Share of profit of equity-accounted investments		17		17		13	
Other gains (losses) from investments		(1)		(1)		-	
Total income (expense) from investments	(No. 39)	**16**		**16**		**13**	
RESULT BEFORE INCOME TAXES		**1,349**		**1,106**		**(30)**	
Income taxes	(No. 40)	(393)		(393)		(106)	
NET RESULT		**956**		**713**		**(136)**	
Attributable to:							
- Saipem		902		659		(159)	
- minority interest	(No. 41)	54		54		23	
Earnings (loss) per share attributable to Saipem (€ per share)							
Basic earnings (loss) per share	(No. 42)	2.05		1.50		(0.36)	
Diluted earnings (loss) per share	(No. 42)	2.05		1.50		(0.36)	

(1) Includes the effects of the application of the new provisions of IAS 19.

Statement of comprehensive income

(€ million)	2012	2012 restated [1]	2013
Net profit (loss) for the year	**956**	**713**	**(136)**
Other items of comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
- remeasurements of defined benefit plans for employees	-	(19)	12
- income tax relating to items that will not be reclassified	-	6	(3)
Items that may be reclassified subsequently to profit or loss:			
- change in the fair value of cash flow hedges [2]	131	131	45
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	(33)	(33)	(95)
- income tax relating to items that may be reclassified	(24)	(24)	(8)
Total other items of comprehensive income net of taxation	**74**	**61**	**(49)**
Total comprehensive income (loss) for the year	**1,030**	**774**	**(185)**
Attributable to:			
- Saipem Group	979	723	(204)
- minority interest	51	51	19

(1) Includes the effects of the application of the new provisions of IAS 19.
(2) 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													
	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 for the year	Treasury shares	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2010	**441**	**55**	**7**	**88**	**-**	**3**	**(52)**	**-**	**2,758**	**844**	**(84)**	**4,060**	**94**	**4,154**
2011 net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**921**	**-**	**921**	**66**	**987**
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	-	-	-	-	-	(63)	-	-	-	-	-	(63)	-	(63)
Investments carried at fair value	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	40	-	-	-	-	40	5	45
Total comprehensive income (loss) for 2011	**-**	**-**	**-**	**-**	**-**	**(63)**	**40**	**-**	**(1)**	**921**	**-**	**897**	**71**	**968**
Transactions with shareholders														
Dividend distribution	-	-	-	-	-	-	-	-	-	(276)	-	(276)	(43)	(319)
Retained earnings	-	-	-	-	-	-	-	-	568	(568)	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	11	11	-	11
Other changes in shareholders' equity														
Cost related to stock options/stock grants	-	-	-	-	-	-	-	-	1	-	-	1	-	1
Transactions with companies under common control	-	-	-	-	-	-	-	-	4	-	-	4	-	4
Other changes	-	-	-	-	-	-	-	-	12	-	-	12	(8)	4
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**585**	**(844)**	**11**	**(248)**	**(51)**	**(299)**
Balance at December 31, 2011	**441**	**55**	**7**	**88**	**-**	**(60)**	**(12)**	**-**	**3,342**	**921**	**(73)**	**4,709**	**114**	**4,823**
2012 net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**902**	**-**	**902**	**54**	**956**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
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 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
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	-	(1)	-	(5)	-	1	(5)	6	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**609**	**(921)**	**30**	**(283)**	**(17)**	**(300)**
Balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**-**	**3,951**	**902**	**(43)**	**5,405**	**148**	**5,553**

cont'd Statement of changes in shareholders' equity

(€ million)	Saipem shareholders' equity												Minority interest	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 for the year	Treasury shares	Total		
Balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**-**	**3,951**	**902**	**(43)**	**5,405**	**148**	**5,553**
Changes in accounting principles (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 effects of application of new IAS 19	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**(17)**	**2**	**-**	**(28)**	**-**	**(28)**
IAS 8 restatement	-	-	-	-	-	-	-	-	-	(245)	-	(245)	-	(245)
Restated balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**(13)**	**3,934**	**659**	**(43)**	**5,132**	**148**	**5,280**
2013 net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(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	-	-	-	-	-	-	-	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 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 minority interest Snamprogetti Engineering & Contracting Co Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	1	-	-	(15)	-	-	(14)	-	(14)
Transactions with companies under common control	-	-	-	-	-	-	-	-	37	-	-	37	-	37
Total	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**382**	**(659)**	**-**	**(276)**	**(75)**	**(351)**
Balance at December 31, 2013	**441**	**55**	**7**	**88**	**-**	**85**	**(100)**	**(5)**	**4,283**	**(159)**	**(43)**	**4,652**	**92**	**4,744**

Cash flow statement

(€ million)	Note	2012	2012 restated [1]	2013
Net profit (loss) for the year		902	659	(159)
Minority interest		54	54	23
Adjustments to reconcile net result to cash flow from operations:				
- depreciation and amortisation	(No. 36)	701	701	724
- net impairment of tangible and intangible assets	(No. 36)	25	25	-
- share of profit (loss) of equity-accounted investments	(No. 39)	(17)	(17)	(13)
- net (gains) losses on disposal of assets		4	4	(34)
- interest income		(13)	(13)	(15)
- interest expense		127	127	159
- income taxes	(No. 40)	393	393	106
- other changes		16	16	(42)
Changes in working capital:				
- inventories		(1,000)	(755)	(368)
- trade receivables		233	233	(298)
- trade payables		30	30	(61)
- provisions for contingencies		(20)	(20)	28
- other assets and liabilities		(677)	(677)	901
Cash flow from working capital		*758*	*760*	*951*
Change in the provision for employee benefits		17	15	(5)
Dividends received		2	2	1
Interest received		12	12	16
Interest paid		(124)	(124)	(158)
Income taxes paid net of refunds of tax credits		(441)	(441)	(379)
Net cash provided by operating activities		**224**	**224**	**426**
of which with related parties	(No. 44)	**1,819**	**1,819**	**1,862**
Investing activities:				
- tangible assets	(No. 8)	(1,002)	(1,002)	(893)
- intangible assets	(No. 9)	(13)	(13)	(15)
- investments	(No. 10)	(1)	(1)	-
- consolidated subsidiaries and businesses		-	-	-
- securities		-	-	(27)
- financing receivables		(5)	(5)	(5)
Cash flow from investing activities		*(1,021)*	*(1,021)*	*(940)*
Disposals:				
- tangible assets		15	15	2
- consolidated subsidiaries and businesses		(8)	(8)	378
- investments		1	1	-
- financing receivables		1	1	55
Cash flow from disposals		*9*	*9*	*435*
Net cash used in investing activities [2]		**(1,012)**	**(1,012)**	**(505)**
of which with related parties	(No. 44)	**-**	**-**	**-**
Proceeds from long-term debt		2,231	2,231	919
Repayments of long-term debt		(1,611)	(1,611)	(615)
Increase (decrease) in short-term debt		799	799	221
		1,419	**1,419**	**525**
Net capital contributions by minority shareholders		-	-	1
Dividend distribution		(352)	(352)	(375)
Sale of treasury shares		29	29	-
Net cash from financing activities		**1,096**	**1,096**	**151**

(1) Includes the effects of the application of the new provisions of IAS 19.

cont'd Cash flow statement

(€ million)	Note	2012	2012 restated [1]	2013
Net cash from financing activities		**1,096**	**1,096**	**151**
of which with related parties	(No. 44)	**1,298**	**1,298**	**449**
Effect of changes in consolidation		-	-	-
Effect of exchange rate changes and other changes on cash and cash equivalents		(12)	(12)	(45)
Net cash flow for the year		**296**	**296**	**27**
Cash and cash equivalents - beginning of year	(No. 1)	**1,029**	**1,029**	**1,325**
Cash and cash equivalents - end of year	(No. 1)	**1,325**	**1,325**	**1,352**

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

(€ million)	2012	2013
Financing investments:		
- securities	-	(27)
- financing receivables	(5)	(5)
	(5)	**(32)**
Disposal of financing investments:		
- financing receivables	1	55
	1	**55**
Net cash flows from financing activities	**(4)**	**23**

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) 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 Legislative Decree No. 38/2005[1]. 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, 2013, approved by Saipem's Board of Directors on March 14, 2014, 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 and, to the extent allowed under Italian legislation, for the work of other independent auditors.
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 statutory accounts of Saipem SpA and the accounts of all Italian and foreign companies in which Saipem SpA holds the right to directly or indirectly exercise control, determine financial and management decisions and obtain economic and financial benefits.
The consolidated financial statements also include, on a line-by-line proportional basis, data of companies managed under joint operating agreements.
Subsidiaries and jointly controlled entities are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.
A number of subsidiaries and jointly controlled entities 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[2] 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 below under the heading 'Financial fixed assets'.
Immaterial subsidiaries excluded from consolidation, associates and other interests are accounted for as described under the heading 'Financial fixed assets'.
Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.
Fully-owned subsidiaries are consolidated using the full consolidation method. Assets and liabilities, and revenues and expenses related to fully consolidated companies are therefore 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 attributable to minority interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.
Jointly controlled entities are consolidated using the proportional method. The book value of interests in these companies is eliminated against the corresponding portion of their shareholders' equity. Assets and liabilities, and revenues and expenses are incorporated into the consolidated financial statements proportionally to the extent of the interest held.
In the event that additional ownership interests in subsidiaries are purchased from minority shareholders, any excess of the amount paid over the carrying value of the minority interest acquired is recognised directly in equity attributable to Saipem Group. Similarly, the effects of disposals of ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. 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 portion of the subsidiary disposed; (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[3]. The fair value of any investment retained in the former subsidiary at the date when control is lost represents the new carrying amount for subsequent accounting in accordance with the applicable accounting criteria.
If losses applicable to minority interests in a consolidated subsidiary exceed the minority interests in the subsidiary's equity, the excess and any further losses applicable to the minority interests are allocated against the majority's interest, except to the extent that the minority 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 minority interests' share of losses previously absorbed by the majority's interest have been recovered.
Consolidated companies, non-consolidated subsidiaries, associates and relevant shareholdings as set forth in Article 126 of Consob Resolution No. 11971 of May 14, 1999 and subsequent addenda, are indicated separately in the section 'Scope of consolidation'. After this section, there follows a list detailing the changes in the consolidation area 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.

(1) The international accounting standards used in the preparation of the consolidated financial statements are essentially the same as those issued by the IASB and in force in 2012, 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, with the exception of IFRS 10 'Consolidated Financial Statements', IAS 27 'Separate Financial Statements', IFRS 11 'Joint Arrangements', IAS 28 'Investments in Associates and Joint Ventures' and IFRS 12 'Disclosure of Interests in Other Entities' (see also 'Recent accounting principles').
(2) 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'.
(3) 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.

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[4], 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 minority 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 minority interest (full goodwill method). In this latter case, equity attributable to minority interests is shown at fair value including the related goodwill[5]. 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 the fair value of the previously held ownership interest plus 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 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 the euro are converted into euro applying: (i) closing exchange rates for assets and liabilities; (ii) historical exchange rates for equity accounts; and (iii) average 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' (included in 'Other reserves') for the portion relating to the Group's interest and under 'Minority interest' for the portion related to minority shareholders. Cumulative exchange differences are charged to the income statement when an investment is fully disposed of or when the investment ceases to qualify as a controlled company. In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under minority interest in equity.

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

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

(4) The criteria used for determining fair value are described in the section 'Fair value measurement'.
(5) 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).

Currency	Exchange rate at Dec. 31, 2012	Exchange rate at Dec. 31,2013	2013 average exchange rate
US Dollar	1.3194	1.3791	1.32812
British Pound Sterling	0.8161	0.8337	0.849255
Algerian Dinar	103.384	107.787	105.614
Angolan Kwanza	126.425	134.616	128.176
Argentine Peso	6.48641	8.98914	7.27739
Australian Dollar	1.2712	1.5423	1.3777
Azerbaijani Manat	1.03507	1.0819	1.04176
Brazilian Real	2.7036	3.2576	2.86866
Canadian Dollar	1.3137	1.4671	1.36837
Croatian Kuna	7.5575	7.6265	7.57862
Dominican Peso	53.1206	58.8494	55.3822
Egyptian Pound	8.37831	9.58716	9.13638
Indian Rupee	72.56	85.366	77.93
Indonesian Rupee	12,714	16,764.8	13,857.5
Malaysian Ringgit	4.0347	4.5221	4.18551
Nigerian Naira	206.104	220.886	211.551
Norwegian Kroner	7.3483	8.363	7.80671
Peruvian New Sol	3.36777	3.85865	3.5918
Qatari Riyal	4.80394	5.02187	4.83561
Romanian New Leu	4.4445	4.471	4.41899
Russian Rouble	40.3295	45.3246	42.337
Saudi Arabian Riyal	4.94838	5.17242	4.98086
Singapore Dollar	1.6111	1.7414	1.66188
Swiss Franc	1.2072	1.2276	1.23106
UAE Dirham	4.84617	5.06539	4.878167

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 revenue 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.

Modifications to original contracts for additional works 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

Held for trading financial assets and available-for-sale financial assets are measured at fair value (see 'Fair value measurement') with gains or losses recognised in the income statement under 'Finance income

(expense)' and in the equity reserve[6] 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 stated at fair value are accounted for on an accruals basis as 'Finance income (expense)'[7] 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').
Transferred financial assets are derecognised from assets when the contractual rights to receive the cash flows of the financial assets are transferred together with the risks and rewards of ownership.

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 not depreciated but are valued at the lower of book value and fair value less costs to sell (see 'Non-current assets held for sale'). Changes to depreciation schedules related to changes in the estimated useful life or the residual value of an asset or in the expected pattern of consumption of the future economic benefits flowing from an asset are accounted for prospectively.
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 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) adjusted for risks specific to the market.
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.

(6) Changes in the fair value of available-for-sale financial assets denominated in foreign currencies due to changes in exchange rates are recognised in profit or loss.
(7) Interest income on financial assets held for trading is included in the fair value measurement of the instrument and recognised under 'Finance income (expense)' in the item 'Income (expense) from securities held for trading'. Interest income on financial assets available for sale is recognised under 'Finance income (expense)' in the item 'Finance income'.

Intangible assets

Intangible assets are identifiable 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. can be sold, transferred, licensed, 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 resource and to restrict the access of others to those benefits. Intangible assets are stated at purchase or production cost as determined with the criteria used for tangible assets.

Intangible assets with a defined 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, on which company management monitors the return on the investment in that goodwill. 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[8], the excess is recognised as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill. Any remaining excess is allocated on a pro-rata basis to the carrying value of the assets that form the cash generating unit. Impairment charges against goodwill are not reversed[9].

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) its intention to complete the asset and use or sell it;
(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;
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Grants

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. Grants related to income are recognised as income over the periods necessary to match them with the related costs.

Financial fixed assets

INVESTMENTS

Investments in subsidiaries and jointly-controlled entities excluded from consolidation and associates are accounted for using the equity method. Jointly-controlled entities are those entities over which Saipem holds the right, jointly with its partners, to govern financial and operating policies so as to obtain benefits. Associated companies are companies over which Saipem exercises a significant influence, i.e. the power to participate in financial and operating policy decisions, without exercising control or joint control.

In accordance with the equity method of accounting, investments are 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 take into account: (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'), the recoverability is tested by comparing the carrying amount and the related recoverable amount determined adopting the criteria indicated in the item 'Tangible assets'.

If it does not result in a misrepresentation of the company's financial condition and consolidated results, subsidiaries excluded from consolidation and associates are accounted for at cost, adjusted for impairment charges.

When the reasons for their impairment cease to exist, investments accounted for at cost are revalued within the limit of the impairment made and their effects are taken to the income statement item '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 portion of the carrying amount disposed; (ii) any gains or losses attributable to measuring any investment retained at its fair value; and (iii) any amounts recognised in other comprehensive income in relation to the investee that may be reclassified subsequently to profit or loss[10]. The fair value of any retained interest at the date when joint control or significant influence is lost represents the new carrying amount for subsequent accounting in accordance with the applicable accounting criteria.

Other investments, included in non-current assets, are recognised at fair value with changes reported in the equity reserve related to 'Other items of comprehensive income'. Changes in fair value recognised in equity are

(8) For the definition of recoverable amount see 'Tangible assets'.
(9) 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.
(10) Any amounts recognised in other comprehensive income in relation to the former jointly-controlled entity or associate that may not be reclassified to profit or loss are transferred directly to retained earnings.

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[11].
The investor's share of any losses exceeding the carrying amount is recognised in a specific provision to the extent that that investor is required to fulfil legal or implicit obligations towards the investee or to cover its losses.

RECEIVABLES AND HELD-TO-MATURITY FINANCIAL ASSETS
Receivables and financial assets to be held to maturity 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 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 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 (see 'Fair value measurement').
The classification of investments accounted for using the equity method as held for sale requires the suspension of the application of this method of accounting. 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 difference between the carrying amount and the 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 qualification 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; and (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'). Financial liabilities are eliminated when they have been settled, or when the contractual condition has been fulfiled 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 taken 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 show the variations of 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.

(11) 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.

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 'Financial 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.

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

Revenues for contract work-in-progress are recognised by reference to the stage of completion of a contract determined using the cost-to-cost method. Revenues for contract work-in-progress in a foreign currency are recognised at the euro exchange rate on the date when the stage of completion of a contract is measured and accepted by the client. 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 collectability of the amount 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[12]. 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'.

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 initial exchange rate. Non-monetary assets that are re-measured at fair value

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

(i.e. at their recoverable amount or realisable value), are translated at the exchange rate applicable on the date of re-measurement.

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 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.
For temporary differences associated with investments in subsidiaries, jointly-controlled entities and associated companies, 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 measured at fair value. Consistently with its business requirements, Saipem classifies derivatives as hedging instruments whenever possible. 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 variations 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 satisfy the conditions for being qualified as hedges 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)'; conversely, 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, an entity uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial statements[13]

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the income statement are presented by nature[14].
The statement of comprehensive income shows net profit together with income and expenses that are recognised directly in equity in accordance with IFRS.
The statement of changes in shareholders' equity includes profit and 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 principles

European Commission Regulation No. 475/2012 dated June 5, 2012 approved the new version of IAS 19 'Employee benefits'. For further information on the effects of the requirements of IAS 19, see the section 'Restatement of financial statements at December 31, 2012' of the Notes to the consolidated financial statements.
In addition, IFRS 13 'Fair Value Measurement' became applicable as of January 1, 2013, following its approval by European Commission Regulation No. 1255/2012 dated December 11, 2012. IFRS 13 regards a single IFRS framework for fair value measurements required or allowed for by other IFRSs as well as disclosure. The application of the provisions did not produce any significant effects.

Financial risk management

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

(i) the market risk deriving from exposure to fluctuations in interest rates and exchange rates 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;
(iii) the liquidity risk deriving from 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 further 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. Saipem actively manages market risk in accordance with a set of policies and guidelines that provide a centralised model of conducting finance, treasury and risk management operations based on the Group Treasury Structures.

Exchange rate risk

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

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

Saipem's foreign exchange risk management policy is to minimise economic and transactional exposures arising from foreign currency movements and to optimise the economic exchange risk connected with commodity prices. Saipem does not undertake any hedging activity for risks deriving from the translation of foreign currency denominated profits or assets and liabilities of subsidiaries that prepare financial statements in a currency other than the euro.
Saipem uses a number of different types of derivative contract to reduce economic and transaction exposure such as currency swaps, forwards and options. The fair value of exchange rate derivatives is determined by 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 euro for which exchange risk exposure in 2013 was highest in order to calculate the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in exchange rates.
The analysis was performed for all relevant financial assets and liabilities denominated in the currencies considered and regarded in particular the following items:

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

For exchange rate derivatives, the sensitivity analysis on fair value was conducted by comparing the conditions underlying the forward price fixed in the contract (i.e. spot exchange rate and interest rate) with spot rates and interest rate curves corresponding to the relevant contractual maturity dates, on the basis of year-end exchange rates subjected to hypothetical positive and negative changes of 10%, with the resulting effects weighted on the basis of the notional amounts.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of work-in-progress because work in progress does not constitute a financial asset under IAS 32. 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

(13) The structure of the financial statements is the same as that used in the 2012 Annual Report, with the exception of: (i) the statement of comprehensive income where, as a result of the changes to IAS 1 'Presentation of Financial Statements', items of other comprehensive income are grouped based on whether they may be reclassified to profit or loss subsequently in accordance with the relevant IFRS (i.e. reclassification adjustments); and (ii) application of the new provisions of IAS 19, whose effects are described in the section 'Changes to accounting principles'.
(14) 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'.

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 -€5 million (-€49 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects, of -€273 million (-€393 million at December 31, 2012).
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 €9 million (€48 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects, of €276 million (€389 million at December 31, 2012).
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.

	2012				2013			
	+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)	(370)	29	370	(26)	(294)	27	294
Trade and other receivables	111	111	(91)	(91)	142	142	(116)	(116)
Trade and other payables	(135)	(135)	111	111	(111)	(111)	91	91
Cash and cash equivalents	24	24	(20)	(20)	46	46	(38)	(38)
Short-term debt	(5)	(5)	4	4	(29)	(29)	23	23
Medium/long-term debt	(18)	(18)	15	15	(27)	(27)	22	22
Total	**(49)**	**(393)**	**48**	**389**	**(5)**	**(273)**	**9**	**276**

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

		Dec. 31, 2012			Dec. 31, 2013		
(€ million)	Currency	Total	Δ -10%	Δ +10%	Total	Δ -10%	Δ +10%
Receivables							
	USD	864	(79)	96	1,156	(105)	128
	NOK	24	(2)	3	50	(5)	6
	AED	24	(2)	3	30	(3)	3
	GBP	7	(1)	1	18	(2)	2
	PLN	3	(1)	-	14	(1)	2
	DZD	37	(3)	4	4	-	1
	QAR	35	(3)	4	-	-	-
	Other currencies	3	-	-	3	-	-
Total		**997**	**(91)**	**111**	**1,275**	**(116)**	**142**
Payables							
	USD	782	71	(87)	731	66	(81)
	GBP	66	6	(7)	62	6	(7)
	AED	71	6	(8)	51	5	(5)
	CNY	10	1	(1)	35	3	(4)
	DZD	120	11	(13)	33	3	(4)
	NOK	30	3	(3)	30	3	(3)
	CHF	1	-	-	28	3	(3)
	PLN	29	3	(3)	10	1	(1)
	SGD	32	3	(4)	5	-	(1)
	AUD	25	2	(3)	5	-	(1)
	KZT	41	4	(5)	1	-	-
	Other currencies	9	1	(1)	12	1	(1)
Total		**1,216**	**111**	**(135)**	**1,003**	**91**	**(111)**

Interest rate risk

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 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). Such derivatives are evaluated by the Corporate Finance Unit of Eni SpA at fair value on the basis of market standard evaluation and market prices provided by specialised sources. No interest rate swaps were in force at December 31, 2013.

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

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

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

For interest rate derivatives, the sensitivity analysis on fair value was conducted by comparing the interest rate conditions (fixed and variable rate) underlying the contract and used to calculate future interest rate differentials with discount curves for variable interest rates on the basis of 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 -€10 million (-€6 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects of -€10 million (-€6 million at December 31, 2012). A negative variation in interest rates would have produced an overall effect on pre-tax profit of €10 million (€6 million at December 31, 2012) and an overall effect on shareholders' equity, before related tax effects of €10 million (€6 million at December 31, 2012).

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.

	2012				2013			
	+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
Cash and cash equivalents	1	1	(1)	(1)	-	-	-	-
Short-term debt	(3)	(3)	3	3	(5)	(5)	5	5
Medium/long-term debt	(4)	(4)	4	4	(5)	(5)	5	5
Total	**(6)**	**(6)**	**6**	**6**	**(10)**	**(10)**	**10**	**10**

Commodity price risk

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 had an effect on shareholders' equity, before related tax effects, of €2 million (€1 million at December 31, 2012). A 10% negative variation in the underlying rates would have produced no effect on pre-tax profit, while it would have had an effect on shareholders' equity, before related tax effects, of -€2 million (-€1 million at December 31, 2012).

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

Treasury Department of Saipem in accordance 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.
As at December 31, 2013, Saipem had no significant concentrations of credit risk.

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 Groups' needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an optimal profile in terms of maturity and composition of debt in accordance with business objectives and prescribed limits.
At present, 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, maintaining a balance in terms of debt composition and maturity profile as well as adequate credit facilities.
As of December 31, 2013, Saipem maintained unused borrowing facilities of €1,858 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)	2014	2015	2016	2017	2018	After	Total
Long-term debt	1,358	725	602	637	713	182	4,217
Short-term debt	1,899	-	-	-	-	-	1,899
Derivative liabilities	115	-	-	-	-	-	115
	3,372	**725**	**602**	**637**	**713**	**182**	**6,231**
Interest on debt	95	69	59	44	13	18	298

Trade and other payables

	Maturity			
(€ million)	2014	2015-2018	After	Total
Trade payables	2,812	-	-	2,812
Other payables and advances	2,468	2	-	2,470

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)	2014	2015	2016	2017	2018	After	Total
Non-cancellable operating leases	84	57	46	45	16	37	285

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

	Maturity	
(€ million)	2014	2015
Committed on major projects	4	-
Committed on other investments	115	4
Total	**119**	**4**

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 tangible and intangible 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 amount 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 recoverable amount of a cash generating unit is lower than the carrying amount, goodwill allocated to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is less than the amount of impairment, the assets of the cash generating unit are impaired on a pro-rata basis for the residual difference.

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, based principally on available actuarial data.

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 of defined benefit plans are recognised in the statement of comprehensive income, while remeasurements of long-term benefits are taken to profit or loss.

Recent accounting principles

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

European Commission Regulation No. 1254/2012 dated December 11, 2012 approved IFRS 10 'Consolidated Financial Statements' and the updated version of IAS 27 'Separate Financial Statements' which set down the principles to be adopted for drafting the consolidated and separate financial statements, respectively. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. According to the new definition, an investor controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard indicates factors to consider when determining whether an investor has control over an investee, including potential rights, protective rights, and the existence of agency or franchise relationships. The new version also recognises the possibility that an entity may hold control with less than a majority of voting rights as a consequence of the dispersion of holdings or the passive behaviour of other investors. The provisions of IFRS 10 and of the new version of IAS 27 are applicable for annual periods beginning on or after January 1, 2014.

European Commission Regulation No. 1254/2012 dated December 11, 2012 approved IFRS 11 'Joint Arrangements' and the updated version of IAS 28 'Investments in Associates and Joint Ventures'. IFRS 11 establishes two types of joint arrangement – joint operations and joint ventures – on the basis of the rights and obligations of the joint venturers – and determines the appropriate accounting to be used for their recognition in the financial statements. For interests in joint ventures, the new version requires the use of the equity method of accounting, thereby eliminating the option to apply the proportionate consolidation method. Participation in a joint operation implies recognition of the assets and liabilities and the costs and revenues associated with the agreement on the basis of the rights and obligations exercised regardless of the participating interest held. The revised edition of IAS 28 defines the accounting treatment for the sale of an investment, or portion of an investment, in an associate or a joint venture. The provisions of IFRS 11 and of the new version of IAS 28 are applicable for annual periods beginning on or after January 1, 2014.

European Commission Regulation No. 1254/2012 dated December 11, 2012 approved IFRS 12 'Disclosure of Interests in Other Entities', which sets out the disclosures required in relation to subsidiaries and associated companies, joint operations and joint ventures, as well as unconsolidated structured entities. IFRS 12 provisions are applicable for annual periods beginning on or after January 1, 2014.

European Commission Regulation No. 313/2013 dated April 4, 2013 approved the document: 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)', which clarifies and simplifies the transition requirements in IFRS 10, IFRS 11 and IFRS 12. The provisions are applicable for annual periods beginning on or after January 1, 2014[15].

European Commission Regulation No. 1256/2012 dated December 13, 2012 approved the amendments to IAS 32 'Financial Instruments: Offsetting Financial Assets and Financial Liabilities', which establish: (i) that financial assets and liabilities can only be offset when the entity has a legally enforceable right to do so in all circumstances, i.e. both in the normal course of business and in the event of insolvency, default or bankruptcy of one of the contracting parties; and (ii) that some gross settlement systems can be considered equivalent to a net settlement if they include features that eliminate or result in insignificant credit and liquidity risk. IAS 32 amendments are applicable for annual periods beginning on or after January 1, 2014.

European Commission Regulation No. 1374/2013 dated December 19, 2013 approved a number of amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)', which establishes additional disclosure requirements, namely: (i) disclosure of the recoverable amount of individual assets or cash-generating units for which an entity has recognised or reversed an impairment loss during the reporting period; and (ii) additional disclosures required in cases where the recoverable amount is based on fair value less costs of disposal. IAS 36 amendments are applicable for annual periods beginning on or after January 1, 2014.

European Commission Regulation No. 1375/2013 dated December 19, 2013 approved 'Financial Instruments: 'Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'). The amendment establishes that it is not necessary to discontinue hedge accounting as the result of the novation of a hedging derivative which sees the original counterparty replaced by a central counterparty, provided that this occurs as a consequence of laws or regulations or the introduction of laws or regulations. IAS 39 amendments are applicable for annual periods beginning on or after January 1, 2014.

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

On November 12, 2009, the IASB issued IFRS 9 'Financial Instruments', which changes the recognition and measurement of financial assets and their classification in the financial statements. The new provisions require, inter alia, a classification and measurement model of financial assets based exclusively on the following categories: (i) financial assets measured at amortised cost; and (ii) financial assets measured at fair value. The new provisions also require investments in equity instruments, other than subsidiaries, jointly controlled entities or associates, to be measured at fair value with value changes recognised in profit or loss. If these investments are not held for trading purposes, subsequent changes in the fair value can be recognised in other comprehensive income, with only dividend income recognised in profit or loss. Amounts taken to other

(15) In accordance with IFRS 10 and IFRS 11 transition requirements, the new provisions will be applied retrospectively beginning January 1, 2014. The opening values of the balance sheet at January 1, 2013 and the economic data for 2013 will be adjusted accordingly. As application of IFRS 11 will impact on the consolidation by the Saipem Group of most of its jointly-controlled entities, which will be classified as joint ventures and as such be accounted for using the equity method rather than, as was previously the case, using the proportional method, application of the new provisions in the consolidated financial statements is estimated at the balance sheet date to lead to: (i) a decrease in net sales from operations of €413 million, together with an increase in operating profit and a simultaneous decrease in income from investments of €10 million in the 2013 income statement; (ii) a positive variation in net capital employed and a negative variation in net borrowings at January 1, 2013 of €81 million; and (iii) a positive variation in net capital employed and a negative variation in net borrowings at December 31, 2013 of €53 million. The application of the new provisions would also cause a non material variation in 2013 regarding 'Transactions with related parties'.

comprehensive income shall not be subsequently transferred to profit or loss, even at disposal. On October 28, 2010, the IASB reissued IFRS 9 to incorporate classification and measurement criteria for financial liabilities. In particular, the new version of IFRS 9 requires changes in the fair value of financial liabilities designated as at fair value through profit or loss arising from the entity's own credit risk to be presented in other comprehensive income. Such changes may however be recognised in profit or loss in order to avoid an accounting mismatch with related assets. On November 19, 2013, the IASB again reissued IFRS 9 to incorporate new hedge accounting rules which seek to ensure hedging transactions entered into are aligned with entities' risk management strategies and to establish a more principles-based approach than was employed previously. The principal amendments regard: (i) hedge effectiveness, which is to be assessed only prospectively; (ii) the possibility to modify a hedging relationship after its initial designation, provided that the risk management objective remains the same (rebalancing); (iii) the possibility, provided certain conditions are met, to designate risk components of non-financial items, net positions or layer components as the hedged item; (iv) the possibility to designate an aggregated exposure (i.e. the combination of an eligible hedged item and a derivative instrument) as a hedged item; and (v) accounting for the time value component of an option or the forward element of a forward contract that has been excluded from the designated hedging relationship, depending on the characteristics of the hedged item. The amendments issued in November 2013 also removed the effective date of IFRS 9, which will now be defined once the standard has been finalised (previous revisions referred to January 1, 2015).

On May 20, 2013, the IFRIC issued interpretation IFRIC 21 'Levies' (hereafter IFRIC 21), which defines the accounting treatment to be applied 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. IFRS 21 provisions are applicable for annual periods beginning on or after January 1, 2014.

On November 21, 2013, IASB issued 'Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)', which allows 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 July 1, 2014 (for Saipem: 2015 financial statements).

On December 12, 2013, the IASB published '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 changes are applicable for annual periods beginning on or after January 1, 2014 (for Saipem: 2015 financial statements).

Saipem is currently reviewing these new standards to determine their likely impact on the Group's results if adopted.

Scope of consolidation at December 31, 2013

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 (*)
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
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.
SnamprogettiChiyoda sas di Saipem SpA	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	99.90 0.10	99.90	F.C.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% 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 Third parties	99.99 0.01	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.
ERSAI Marine Llc	Almaty (Kazakhstan)	KZT	1,000,000	ER SAI Caspian Contractor Llc	100.00	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.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.
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.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
PT Saipem Indonesia	Jakarta (Indonesia)	USD	141,815,000	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.
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	10,000,000	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	562,946,299	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 Project 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.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.
Saipem Mediteran Usluge Doo (**)	Rijeka (Croatia)	HRK	1,500,000	Saipem International BV	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Norge AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem SA	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Services SA (**)	Brussels (Belgium)	EUR	61,500	Saipem International BV ERS - Equipment Rental & Services BV	99.98 0.02	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 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, P.C. = proportionate consolidation, 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	P.C.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	P.C.
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.	Venezia - Marghera	EUR	15,000	Saipem SpA Third parties	28.00 72.00	28.00	Co.
Consorzio Libya Green Way (**) (***)	San Donato Milanese	EUR	100,000	Saipem SpA Third parties	26.50 73.50	26.50	E.M.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	P.C.
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	P.C.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.

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	P.C.
Barber Moss Ship Management AS	Lysaker (Norway)	NOK	1,000,000	Moss Maritime AS Third parties	50.00 50.00	50.00	E.M.
Charville - Consultores e Serviços Lda	Funchal (Portugal)	EUR	5,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
CMS&A WII	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	P.C.
CSC Japan Godo Kaisha (***)	Yokohama (Japan)	JPY	3,000,000	CSC Netherlands BV	100.00	33.33	E.M.
CSC Netherlands BV (***)	Amsterdam (Netherlands)	EUR	300,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
CSC Western Australia Pty Ltd (***)	Perth (Australia)	AUD	30,000	CSC 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	P.C.
Fertilizantes Nitrogenados de Oriente CEC	Caracas (Venezuela)	VEB	9,667,827,216	Snamprogetti Netherlands BV Third parties	20.00 80.00	20.00	E.M.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Fertilizantes Nitrogenados de Oriente SA	Caracas (Venezuela)	VEB	286,549	Snamprogetti Netherlands BV Third parties	20.00 80.00	20.00	E.M.
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	P.C.
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	P.C.
ODE North Africa Llc	Maadi - Cairo (Egypt)	EGP	100,000	Offshore Design Engineering Ltd	100.00	50.00	E.M.
Offshore Design Engineering Ltd	Kingston - upon Thames (United Kingdom)	GBP	100,000	Saipem SA Third parties	50.00 50.00	50.00	P.C.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	P.C.
RPCO Enterprises Ltd (**)	Nicosia (Cyprus)	EUR	17,100	Snamprogetti Netherlands BV Third parties	50.00 50.00	50.00	P.C.
Sabella SAS	Quimper (France)	EUR	1,200,000	Sofresid Engineering SA Third parties	35.09 64.91	35.09	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	P.C.
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	P.C.
Sairus Llc	Krasnodar (Russian Federation)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Saipem SA Third parties	33.33 66.67	33.33	P.C.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Saipem SA Third parties	50.00 50.00	50.00	P.C.
Sud-Soyo Urban Development Lda	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
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.
TMBYS SAS	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	P.C.
TSGI Mühendislik İnşaat Ltd Şirketi	Istanbul (Turkey)	TRY	600,000	Saipem Ingenieria y Construcciones SLU Third parties	30.00 70.00	33.33	P.C.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method
(**) In liquidation.
(***) Inactive throughout the period.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Serviços de Engenharia Lda	100.00	25.00	E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00	25.00	E.M.
TSKJ - Serviçoes de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV	25.00	25.00	E.M.
				Third parties	75.00		

The Saipem Group comprises 114 companies: 63 are consolidated using the full consolidation method, 21 using the proportionate consolidation method, 28 using the equity method and 2 using the cost method.
At December 31, 2013, the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and joint ventures		
	Italy	**Outside Italy**	**Total**	**Italy**	**Outside Italy**	**Total**
Subsidiaries and their participating interests	**3**	**60**	**63**	**4**	**17**	**21**
Companies consolidated using the full consolidation method	3	60	63	-	-	-
Companies consolidated using the proportional method	-	-	-	4	17	21
Participating interests held by consolidated companies (1)	**1**	**4**	**5**	**5**	**20**	**25**
Accounted for using the equity method	-	4	4	4	20	24
Accounted for using the cost method	1	-	1	1	-	1
Total companies	**4**	**64**	**68**	**9**	**37**	**46**

(1) The participating interests held by controlled companies accounted for using the equity method and the cost method concern insignificant subsidiaries and subsidiaries whose consolidation does not produce significant effects.

(*) F.C. = full consolidation, P.C. = proportionate consolidation, E.M. = equity method, Co. = cost method

Changes in the scope of consolidation

Changes in the scope of consolidation with respect to the consolidated financial statements at December 31, 2012, are detailed below in date order.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Saipem Qatar Llc**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Snamprogetti Engineering & Contracting Co Ltd**, with registered offices in Saudi Arabia, was incorporated and consolidated using the full consolidation method;
- **SAIMEP Lda**, with registered offices in Mozambique, was incorporated and consolidated using the full consolidation method;
- **CSC Western Australia Pty Ltd**, with registered offices in Australia, was incorporated and is accounted for using the equity method;
- **CSC Japan Godo Kaisha**, with registered offices in Japan, was incorporated and is accounted for using the equity method;
- **Bonny Project Management Co Ltd**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Ingenieria y Construcciones, SLU**, previously consolidated using the equity method, was consolidated using the full consolidation method;
- **TSGI Mühendislik İnşaat Ltd Şirketi**, with registered offices in Turkey, was incorporated and consolidated using the proportionate method;
- **Varisal - Serviços de Consultadoria e Marketing, Unipessoal Lda**, previously consolidated using the full consolidation method, was removed from the Register of Companies;
- **BOS Investment Ltd**, previously accounted for using the cost method, was removed from the Register of Companies;
- **BOS - UIE Ltd**, previously accounted for using the cost method, was removed from the Register of Companies;
- **Saibos Akogep Snc**, consolidated using the proportionate method, was placed into liquidation and subsequently removed from the Register of Companies;
- **Servicios de Construcciones Caucedo SA**, previously accounted for using the equity method, was removed from the Register of Companies;
- following a capital increase, ownership of **Sabella SAS** is as follows: 35.09% by Sofresid Engineering SA and 64.91% by third parties;
- **Consorzio Libya Green Way**, accounted for using the equity method, was placed into liquidation;
- **Milano-Brescia-Verona Scarl**, previously accounted for using the equity method, was removed from the Register of Companies;
- **CSFLNG Netherlands BV**, with registered offices in Amsterdam, was incorporated and consolidated using the proportionate method;
- **PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA**, accounted for using the equity method, was placed into liquidation;
- **Dalia Floater Angola Snc**, consolidated using the proportionate method, was placed into liquidation and subsequently removed from the Register of Companies;
- **Floaters SpA**, with registered offices in San Donato Milanese, was incorporated and accounted for using the cost method, and subsequently sold to Eni;
- **Saipem Services SA**, consolidated using the full consolidation method, was placed into liquidation.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:
- Snamprogetti Canada Inc, fully consolidated, changed name to **Saipem Canada Inc**.

Restatement of financial statements at December 31, 2012

Restatement due to changes in the requirements of IAS 19

European Commission Regulation No. 475/2012 dated June 5, 2012 approved the new version of IAS 19 'Employee benefits' which, amongst other things, introduces: (i) the requirement to immediately recognise all actuarial gains and losses through other comprehensive income, thereby eliminating the option to apply the corridor method. The actuarial gains and losses recognised in the statement of comprehensive income are not subsequently taken to the income statement; and (ii) recognition of the 'net interest' amount, consisting of interest income on plan assets and interest costs on the defined benefit obligation, in profit or loss. The 'net interest' is determined by applying the discount rate for liabilities to liabilities net of plan assets. 'Net interest' on defined benefit plans is recognised in 'Finance income (expenses)'.

The new IAS 19 requirements are applied retrospectively to the opening values of the balance sheet at January 1, 2012 and the economic data for 2012. Their application, gross and net of tax, produced the following effects on the consolidated financial statements: (i) a reduction of shareholders' equity at January 1, 2012 of €20 million and €16 million; and (ii) a reduction in shareholders' equity at December 31, 2012 of €38 million and €28 million, of which €19 million and €13 million for 2012 actuarial gains and losses recognised in other items of comprehensive income. The effect on the 2012 net result was immaterial, amounting to €2 million. In addition, the recognition of the 'net interest' on defined benefit plans under 'Finance income (expenses)' rather than as payroll costs, as was previously the case, caused a positive variation in 2012 operating profit of €9 million.

Consob proceedings 1612/2013

On January 29, 2013, Saipem SpA issued a press release announcing a new estimate of earnings for the full year 2012 and issued an earnings guidance for 2013. In connection with that press release, on January 31, 2013 Saipem received a communication from Consob, the Italian market authority, asking the Company to describe the process of evaluation and the considerations that led to the decision to issue such a press release and to report to Consob the information and data used to revise the previous earning guidance.

On June 14, 2013, Saipem SpA issued a press release further revising its guidance for 2013 operating profit and net profit, Consob sent a new request for information on June 19, 2013, regarding: (i) Saipem's contractual relationships with the customer Sonatrach starting from January 2013; (ii) the contracts for which the expected margins have been revised downwards and the relevant reasons. On July 1, 2013, Saipem responded to the above requests. On July 19, 2013, Consob communicated to Saipem the commencement of a proceeding to review potential issues of non-compliance of Saipem's 2012 separate and consolidated financial statements with the accounting standard IAS 11 (Construction contracts). According to Consob's communication, Saipem should have recognised in the 2012 financial statements the estimate revisions relating to certain contracts which were in progress at December 31, 2012. These estimate revisions were included in the profit warning issued on June 14, 2013 and recognised in the accounts of the first half of 2013.

Furthermore, Consob alleged that an increase of costs/losses related to 2012 should have been recorded in the 2012 financial statements, which Saipem did not recognise in either its 2012 financial statements or in its 2013 interim financial statements.

In the report on the third quarter of 2013, Saipem announced that it would recognise errors in the separate and consolidated financial statements as of December 31, 2013, in accordance with IAS 8, paragraph 42. Therefore, in the 2013 annual report, the comparative financial statements for 2012 were restated to recognise €245 million of lower contract revenues relating to the projects whose accounting was questioned by Consob.

On December 5, 2013, Consob, after obtaining additional clarifications and information from Saipem, informed Saipem that it would dismiss the proceeding without requesting Saipem to disclose further accounting information or further challenging the 2012 accounts.

On March 14, 2014, the Saipem Board of Directors approved the separate and consolidated financial statements for 2013, which were prepared in accordance with the announcement made in the report on the third quarter of 2013. Specifically, the adjustment made to the 2012 accounts, which were presented as comparative information in the 2013 financial statements, determined a reduction of €245 million in the 2012 net profit and in the net equity as of December 31, 2012, without any tax effect, therefore determining a corresponding increase in the 2013 full year result.

Summary of the effects of restatement

The tables below show the effects described above on the financial statements at December 31, 2012.

(€ million)	Dec. 31, 2012	restatement IAS 19	restatement IAS 8	Dec. 31, 2012 restated
Total current assets	**7,806**	**-**	**(245)**	**7,561**
Inventories	-	-	(245)	-
Total non-current assets	**9,389**	**9**	**-**	**9,398**
Deferred tax assets	-	9	-	-
TOTAL ASSETS	**17,195**	**9**	**(245)**	**16,959**
Total current liabilities	**7,594**	**-**	**-**	**7,594**
Total non-current liabilities	**4,048**	**37**	**-**	**4,085**
Provisions for employee benefits	-	38	-	-
Deferred tax liabilities	-	(1)	-	-
Total shareholders' equity	**5,553**	**(28)**	**(245)**	**5,280**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,195**	**9**	**(245)**	**16,959**

(€ million)	2012	restatement IAS 19	restatement IAS 8	2012 restated
REVENUES				
Net sales from operations	13,369	-	(245)	13,124
Other revenues and income	17	-	-	17
Total revenues	**13,386**	**-**	**(245)**	**13,141**
Operating expenses				
Purchases, services and other costs	(9,138)	-	-	(9,138)
Payroll and related costs	(2,041)	9	-	(2,032)
Depreciation, amortisation and impairment	(726)	-	-	(726)
Other operating income (expense)	-	-	-	-
OPERATING RESULT	**1,481**	**9**	**(245)**	**1,245**
Finance income (expense)				
Finance income	346	-	-	346
Finance expense	(568)	(7)	-	(575)
Derivatives	74	-	-	74
Total finance income (expense)	**(148)**	**(7)**	**-**	**(155)**
Income (expense) from investments				
Share of profit of equity-accounted investments	17	-	-	17
Other income (expense) from investments	(1)	-	-	(1)
Total income (expense) from investments	**16**	**-**	**-**	**16**
RESULT BEFORE INCOME TAXES	**1,349**	**2**	**(245)**	**1,106**
Income taxes	(393)	-	-	(393)
NET RESULTS	**956**	**2**	**(245)**	**713**
attributable to:				
- Saipem	902	2	(245)	659
- minority interest	54	-	-	54
Earnings per share attributable to Saipem (€ per share)				
Basic earnings (loss) per share	2.05	-	-	1.50
Diluted earnings (loss) per share	2.05	-	-	1.50

The effects of the restatement on the cash flow statement led to a change in working capital and in the provision for employee benefits corresponding to the change in the net result, without modifying the net cash flows.
The explanatory notes that follow contain a comparison of the financial statements at December 31, 2013 with the restated data at December 31, 2012.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to €1,352 million, an increase of €27 million compared with December 31, 2012 (€1,325 million).
Cash and equivalents at year end, 33% of which are denominated in euro, 45% in US dollars and 22% in other currencies, received an average interest rate of 0.28%. €721 million thereof (€642 million at December 31, 2012) are on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of €4 million (€5 million at December 31, 2012).
Funds in two current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to €80 million at December 31, 2013) have been temporarily frozen since February 2010 in connection with an investigation underway. The increase, amounting to the equivalent of €6 million compared with the situation at December 31, 2012 (equivalent of €74 million), was due to payments received for works milestones reached and accepted by the client.
In June 2012, the subsidiary Saipem SA deposited the equivalent of €10 million in an escrow account pending the resolution of a dispute with a client.
The breakdown of cash and cash equivalents of Saipem and other Group companies at December 31, 2013 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Italy	64	116
Rest of Europe	827	906
CIS	156	79
Middle East	41	85
Far East	26	17
North Africa	92	96
West Africa and Rest of Africa	59	27
Americas	60	26
Total	**1,325**	**1,352**

For details on amounts relating to projects under execution in Algeria, see Note 48 'Additional information: Algeria' on page 141.

2 Other financial assets held for trading or available for sale

Other financial assets held for trading or available for sale amounted to €26 million and related to securities not related to operations, specifically US dollar-denominated bonds with ratings of B- (S&P) and B1 (Moody's).

3 Trade and other receivables

Trade and other receivables of €3,286 million (€3,252 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Trade receivables	2,582	2,863
Financing receivables for operating purposes	3	2
Financing receivables for non-operating purposes	79	30
Prepayments for services	384	273
Other receivables	204	118
Total	**3,252**	**3,286**

Receivables are stated net of the provision for impairment losses of €141 million.

(€ million)	Dec. 31, 2012	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2013
Trade receivables	89	38	(7)	(2)	2	120
Other receivables	23	-	(2)	-	-	21
Total	**112**	**38**	**(9)**	**(2)**	**2**	**141**

Trade receivables amounted to €2,863 million, representing an increase of €281 million versus December 31, 2012.

At December 31, 2012, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to €234 million. Saipem is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factor.
Trade receivables included retention amounts guaranteeing contract work in progress of €216 million (€183 million at December 31, 2012), of which €94 million were due within one year and €122 million due after one year.
Trade receivables neither past due nor impaired amounted to €1,979 million (€1,944 million at December 31, 2012). Receivables past due, but not impaired, amounted to €884 million (€638 million at December 31, 2012), of which €603 million from 1 to 90 days past due, €98 million from 3 to 6 months past due, €63 million from 6 to 12 months past due and €120 million more than one year past due. These receivables were primarily due from high credit quality counterparties.
The financing receivables for operating purposes of €2 million (€3 million at December 31, 2012) are mainly related to the receivable held by Saipem SpA from Serfactoring SpA.
The financing receivables for non-operating purposes of €30 million (€79 million at December 31, 2012) are 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).
Receivables due from jointly controlled companies, with regard to the non-consolidated portion, amounted to €45 million (€105 million at December 31, 2012) and related mainly to Petromar Lda and CEPAV (Consorzio Eni per l'Alta Velocità) Uno.
Other receivables of €118 million consisted of the following:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Receivables from:		
- insurance companies	53	8
- employees	30	32
Guarantee deposits	11	10
Other	110	68
Total	**204**	**118**

Other receivables neither past due nor impaired amounted to €110 million (€194 million at December 31, 2012). Other receivables past due, but not impaired, amounted to €8 million (€10 million at December 31, 2012), of which €1 million from 1 to 90 days past due, €1 million from 3 to 6 months past due, €1 million from 6 to 12 months past due and €5 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 amounted to €760 million (€948 million at December 31, 2012) and are detailed in Note 44 '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 €1,990 million (€1,718 million at December 31, 2012). Their breakdown by currency was as follows:
- US Dollar 78% (69% at December 31, 2012);
- Saudi Arabian Ryal 7% (8% at December 31, 2012);
- Algerian Dinar 3% (4% at December 31, 2012);
- other currencies 12% (19% at December 31, 2012).

For details on amounts relating to projects under execution in Algeria, see Note 48 'Additional information: Algeria' on page 141.

4 Inventories

Inventories of €2,297 million (€2,087 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Raw and auxiliary materials and consumables	477	516
Contract work in progress	1,610	1,781
Total	**2,087**	**2,297**

Inventories are stated net of the valuation allowance of €8 million.

(€ million)	Dec. 31, 2012	Additions	Deductions	Other changes	Dec. 31, 2013
Inventories valuation allowance	10	11	(6)	(7)	8
	10	**11**	**(6)**	**(7)**	**8**

The balance at December 31, 2012 for the item 'Contract work-in-progress' includes the effect, amounting to €245 million, described above in the section 'Restatement of financial statements at December 31, 2012'.
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 is mainly due to revised results on projects that are currently underway.
Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 43 'Segment information, geographical information and construction contracts'.
For details on amounts relating to projects under execution in Algeria, see Note 48 'Additional information: Algeria' on page 141.

5 Current tax assets

Current tax assets of €275 million (€238 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Italian tax authorities	75	132
Foreign tax authorities	163	143
Total	**238**	**275**

The increase in current tax assets of €37 million was mainly due to an increase in tax credits from Italian tax authorities for prepayment of taxes held by Saipem SpA, which was partially offset by a decrease in tax credits from foreign tax authorities held by Saipem Contracting (Nigeria) Ltd.

6 Other current tax assets

Other current tax assets of €282 million (€271 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Italian tax authorities:	85	94
- VAT credits	84	93
- other	1	1
Foreign tax authorities:	186	188
- indirect tax credits	165	176
- other	21	12
Total	**271**	**282**

The increase in other current tax assets of €11 million was related mainly to an increase in VAT credits held by Saipem SpA with the Italian tax authorities.

7 Other current assets

Other current assets of €383 million (€388 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Fair value of hedging derivatives	150	167
Fair value of non-hedging derivatives	39	51
Other assets	199	165
Total	**388**	**383**

At December 31, 2013, derivative instruments had a positive fair value of €218 million (€189 million at December 31, 2012).

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 (forward outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at December 31, 2013, 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, 2012			Assets Dec. 31, 2013		
	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		
. sale	162			183		
Total	162			188		
- forward currency contracts (Forward component)						
. purchase	3			-		
. sale	(11)			(22)		
Total	(8)	347	6,277	(22)	361	5,211
- forward commodity contracts (Forward component)						
. purchase	-			1		
Total	-	-		1	10	
Total derivative contracts qualified for hedge accounting	**154**	**347**	**6,277**	**167**	**371**	**5,211**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	5			8		
. sale	36			48		
Total	41			56		
- forward currency contracts (Forward component)						
. purchase	(1)			(1)		
. sale	(1)			(4)		
Total	(2)	737	1,777	(5)	389	1,956
- forward commodity contracts (Forward component)						
. purchase	-		-			
Total	-	-	-			
Total derivative contracts not qualified for hedge accounting	**39**	**737**	**1,777**	**51**	**389**	**1,956**
Total	**193**	**1,084**	**8,054**	**218**	**760**	**7,167**

Derivatives designated as cash flow hedges related to forward purchase and sale transactions (forward outrights and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions at December 31, 2013 are expected to occur up until 2014.
During 2013, 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, 2013 totalled €167 million (€154 million at December 31, 2012). The spot component of these derivatives of €188 million (€162 million at December 31, 2012) was deferred in a hedging reserve in equity (€171 million; €150 million at December 31, 2012) and recorded as finance income and expense (€17 million; €12 million at December 31, 2012), while the forward component, which was not designated as a hedging instrument, was recognised as finance income and expense (€22 million; €8 million at December 31, 2012).
The negative fair value of derivatives qualified for hedge accounting at December 31, 2013, analysed in Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities', was €72 million (€61 million at December 31, 2012). The spot component of these derivatives of €78 million was deferred in a hedging reserve in equity (€68 million; €60 million at December 31, 2012) and recorded as finance income and expense (€10 million; €8 million at December 31, 2012), while the forward component was recognised as finance income and expense (€6 million; €7 million at December 31, 2012).
The change in the hedging reserve between December 31, 2012 and December 31, 2013 was due to fair value changes in hedges that were effective for the whole of the 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, 2012	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, 2013
Exchange rate hedge reserve								
PT Saipem Indonesia	-	-	(1)	-	1	-	-	-
Saipem SpA	57	161	(121)	(87)	57	(4)	5	68
Saipem SA	3	49	(20)	(38)	35	(10)	10	29
Saipon Snc	(1)	2	-	(5)	4	-	-	-
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	1	153	(151)	(90)	73	(2)	21	5
Saipem Ltd	(2)	8	(13)	(5)	13	(1)	-	-
Saipem Misr for Petroleum Services (S.A.E.)	3	15	(5)	(10)	7	-	-	10
SnamprogettiChiyoda sas di Saipem SpA	-	4	(1)	(1)	1	(1)	-	2
Saipem Ingenieria y Construcciones SLU	-	-	(3)	-	-	-	-	(3)
Snamprogetti Saudi Arabia Co Ltd Llc	-	2	(4)	-	-	-	-	(2)
Saipem Australia Pty Ltd	3	7	(9)	(8)	7	-	-	-
Saipem Asia Sdn Bhd	-	2	-	(5)	3	-	-	-
Total exchange rate hedge reserve	**64**	**403**	**(328)**	**(249)**	**201**	**(18)**	**36**	**109**
Commodity hedge reserve								
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	-	1	-	-	-	-	-	1
Total commodity hedge reserve	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**1**
Total hedge reserve	**64**	**404**	**(328)**	**(249)**	**201**	**(18)**	**36**	**110**

During the year, operating revenues and expenses were adjusted by a net positive amount of €47 million to reflect the effects of hedging. In addition, €1 million was recorded as a decrease in the cost of construction of tangible assets.

Other assets at December 31, 2013 amounted to €165 million, a decrease of €34 million compared with December 31, 2012, and consisted mainly of prepayments.

Other assets from related parties are shown in Note 44 'Transactions with related parties'.

Non-current assets

8 Property, plant and equipment

Property, plant and equipment amounted to €7,972 million (€8,254 million at December 31, 2012) and consisted of the following:

(€ million)	Opening net value	Capital expenditure	Depreciation	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, 2012											
Land	110	-	-	(1)	-	-	(10)	(1)	98	98	-
Buildings	542	9	(55)	(2)	-	-	(7)	62	549	767	218
Plant and machinery	4,566	322	(580)	(15)	-	-	(19)	1,975	6,249	9,936	3,687
Industrial and commercial equipment	190	30	(48)	-	-	-	(2)	5	175	644	469
Other assets	39	21	(13)	-	-	-	(2)	45	90	191	101
Assets under construction and advances	2,577	620	(20)	-	-	-	-	(2,084)	1,093	1,093	-
Total	**8,024**	**1,002**	**(716)**	**(18)**	**-**	**-**	**(40)**	**2**	**8,254**	**12,729**	**4,475**
Dec. 31, 2013											
Land	98	-	-	-	-	-	(15)	-	83	83	-
Buildings	549	46	(60)	-	-	(2)	(21)	47	559	824	265
Plant and machinery	6,249	519	(589)	(108)	-	(253)	(20)	940	6,738	10,761	4,023
Industrial and commercial equipment	175	88	(53)	-	-	-	(12)	8	206	725	519
Other assets	90	14	(12)	-	-	-	(2)	(56)	34	133	99
Assets under construction and advances	1,093	226	-	-	-	-	(28)	(939)	352	352	-
Total	**8,254**	**893**	**(714)**	**(108)**	**-**	**(255)**	**(98)**	**-**	**7,972**	**12,878**	**4,906**

Capital expenditure in 2013 amounted to €893 million (€1, 002 million in 2012) and related to the following sectors:
- €390 million in the Offshore Engineering & Construction sector, relating mainly to the final stages of the construction of a new pipelayer, the ongoing construction of a new base in Brazil and the maintenance and upgrading of the existing asset base;
- €120 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and facilities for the base in Canada, and the maintenance of existing assets;
- €173 million in the Offshore Drilling sector, relating mainly to class reinstatement works for the semi-submersible rigs Scarabeo 5 and Scarabeo 7, and the jack-up Perro Negro 3, and maintenance and upgrading of the existing asset base;
- €210 million in the Onshore Drilling sector relating to preparation works on four new rigs due to begin operations in Saudi Arabia, plus upgrading of the existing asset base.

Business division transactions related mainly to €253 million for the contribution of the FPSO vessel to the company Floaters SpA, which was subsequently sold Eni.

Business division transactions related mainly to the sale of the FPSO vessel to Eni.

Disposals related mainly to the sinking of the jack-up Perro Negro 6 on July 1, 2013.

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 €98 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 value of property, plant and equipment.
At December 31, 2013, all property, plant and equipment was free from pledges, mortgages and any other obligations.
The total commitment on current items of capital expenditure at December 31, 2013 amounted to €123 million (€347 million at December 31, 2012), as indicated in 'Summary of significant accounting policies - Financial risk management'.

Finance leases

Saipem currently has no finance leases.

9 Intangible assets

Intangible assets amounted to €758 million (€756 million at December 31, 2012) and were as follows:

(€ million)	Opening net value	Capital expenditure	Amortisation and impairment	Other changes	Final net value	Final gross value	Provision for amortisation and impairment
Dec. 31, 2012							
Intangible assets with finite useful lives							
Development costs	-	-	-	-	-	7	7
Industrial patents and intellectual property rights	3	8	(9)	13	15	134	119
Concessions, licenses and trademarks	12	-	(1)	(8)	3	12	9
Assets in progress and advances	4	5	-	(2)	7	7	-
Other intangible assets	3	-	-	(3)	-	2	2
Intangible assets with indefinite useful lives							
Goodwill	730	-	-	1	731	731	-
Total	**752**	**13**	**(10)**	**1**	**756**	**893**	**137**
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, licenses 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**

Concessions, licenses and trademarks, and industrial patents and intellectual property rights of €3 million and €16 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, licenses, trademarks and similar (included in 'industrial patents')	20.00	-	20.00
Other intangible assets	20.00	-	33.00

Goodwill of €729 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 (€14 million) at the date control was obtained.

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

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Offshore E&C	415	415
Onshore E&C	316	314
Total	**731**	**729**

The change 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 2014-2017 Strategic Plan, which was approved by top management in February 2014. The projected plan cash flows were calculated assuming a gradual recovery of the results of the E&C business (i.e. an improvement in average margins), due mainly to the gradual completion of the low margin projects acquired prior to 2013 and the contribution of higher margin projects acquired during 2013 (and expected to be acquired over the four-year plan period) as the result of a more selective commercial policy.
Value in use was calculated by discounting expected future post tax cash flows at a rate of 7.6% (down 0.2% on the previous year). The terminal value (i.e. for subsequent years beyond the explicit forecast period) was estimated using a perpetuity growth rate of 2% applied to the normalised free cash flow of the final projection year to taken 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 a pre-tax valuation.
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 E&C	Onshore E&C	Total
Goodwill	415	314	729
Amount by which recoverable amount exceeds carrying amount	3,471	1,658	5,129

The key assumptions adopted for assessing recoverable amounts were the operating result of the cash generating unit (which depends on a combination of various factors, e.g. sales volumes, service prices, project profit margins, cost structure), the discount rate and the growth rates adopted to determine the terminal value.
The excess of the recoverable amount of the Offshore E&C 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 49% in the operating result;
- use of a discount rate of 12.6%;
- use of a negative real growth rate.

The changes in each of the assumptions that would cause the excess of the recoverable amount of the Onshore cash generating unit over its carrying amount, including the allocated portion of goodwill, to be reduced to zero are greater than those of the Offshore E&C CGU described above.

10 Investments accounted for using the equity method

Investments accounted for using the equity method of €126 million euros (€116 million at December 31, 2012) 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	Other changes	Closing net value	Provision for impairment
Dec. 31, 2012											
Investments in associates	109	1	(1)	9	-	(2)	-	-	-	116	-
Total	**109**	**1**	**(1)**	**9**	**-**	**(2)**	**-**	**-**	**-**	**116**	**-**
Dec. 31, 2013											
Investments in associates	116	-	-	13	-	(2)	-	(1)	-	126	-
Total	**116**	**-**	**-**	**13**	**-**	**(2)**	**-**	**(1)**	**-**	**126**	**-**

Investments in subsidiaries and associates at December 31, 2013 are analysed in the section 'Scope of consolidation at December 31, 2013'.
The share of profit of investments accounted for using the equity method of €13 million related mainly to profits recorded by KWANDA Suporte Logistico Lda (€8 million), Rosetti Marino SpA (€3 million) and profits of other companies accounted for using the equity method (€2 million).
Deduction for dividends of €2 million related to KWANDA Suporte Logistico Lda (€1 million) and other companies (€1 million).
The net carrying amount of equity accounted investments related to the following companies:

(€ million)	Group interest (%)	Net value at Dec. 31, 2012	Net value at Dec. 31, 2013
Fertilizantes Nitrogenados de Oriente CEC	20.00	68	68
Rosetti Marino SpA	20.00	29	32
Other		19	26
Total associates		**116**	**126**

In October 2010, the Venezuelan company, Fertilizantes Nitrogenados de Oriente CEC, was the subject of an expropriation order. Venezuelan law provides a procedure for the definition of fair compensation through negotiation. In 2013, Snamprogetti Netherlands BV reached an agreement with its counterparty, providing for the payment of compensation for the expropriation of the investment in Fertinitro. In view of this agreement, we believe that it is correct to maintain the investment at its current carrying amount.

Other information about investments

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

	Dec. 31, 2012		Dec. 31, 2013	
(€ million)	Subsidiaries	Associates	Subsidiaries	Associates
Total assets	4	571	4	859
Total liabilities	4	456	4	727
Net revenues	1	208	2	325
Operating profit	-	18	-	17
Net profit (loss) for the year	-	15	-	16

The total amount of assets and liabilities of subsidiaries is negligible and therefore the effects of exclusion from the scope of consolidation are considered immaterial.

11 Other financial assets

At December 31, 2013, other long-term financial assets amounted to €1 million (€1 million at December 31, 2012) and related to financing receivables held for non-operating purposes by Sofresid SA.

12 Deferred tax assets

Deferred tax assets of €132 million (€97 million at December 31, 2012) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2012	Additions	(Deductions)	Currency translation differences	Other changes	Dec. 31, 2013
Deferred tax assets	97	293	(107)	(13)	(138)	132
Total	**97**	**293**	**(107)**	**(13)**	**(138)**	**132**

'Other changes', which amounted to negative €138 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €117 million); (ii) the tax effects (positive €2 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) income tax (negative €3 million) relating to remeasurements of defined benefit plans reported in equity; and (iv) other changes (negative €20 million).
A breakdown of deferred tax assets is provided in Note 22 'Deferred tax liabilities'.
Taxes are shown in Note 40 'Income taxes'.

13 Other non-current assets

Other non-current assets of €153 million (€174 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Fair value of hedging derivatives	4	-
Other receivables	10	15
Other non-current assets	160	138
Total	**174**	**153**

Other non-current assets mainly related to prepayments.

Current liabilities

14 Short-term debt

Short-term debt of €1,899 million (€1,740 million at December 31, 2012) consisted of the following:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Banks	210	191
Other financial institutions	1,530	1,708
Total	**1,740**	**1,899**

Short-term debt increased by €159 million.
The current portion of long-term debt, amounting to €1,358 million (€400 million at December 31, 2012), 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, 2012			Dec. 31, 2013		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
Eni SpA	Euro	1,340	3.315	3.315	1,148	3.315	3.315
Serfactoring	Euro	10	-	-	14	-	-
Eni Finance International SA	Euro	12	0.352	2.102	5	0.851	2.351
Eni Finance International SA	US Dollar	161	0.859	2.259	493	0.818	2.318
Eni Finance International SA	Australian Dollar	-	-	-	38	3.150	3.150
Third parties	US Dollar	7	0.859	1.608	10	0.818	1.568
Third parties	Other	210	variable		191	variable	
Total		**1,740**			**1,899**		

At December 31, 2013, Saipem had unused lines of credit amounting to €1,858 million (€1,704 million at December 31, 2012). Commission fees on unused lines of credit were not significant.
At December 31, 2013, 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 44 'Transactions with related parties'.

15 Trade and other payables

Trade and other payables of €5,280 million (€4,982 million at December 31, 2012) consisted of the following:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Trade payables	2,962	2,812
Deferred income and advances	1,700	2,128
Other payables	320	340
Total	**4,982**	**5,280**

Trade and other payables amounted to €2,812 million, representing a decrease of €150 million versus December 31, 2012.
Deferred income and advances of €2,128 million (€1,700 million at December 31, 2012), consisted mainly of adjustments to revenues from long-term contracts of €1,288 million (€809 million at December 31, 2012) 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 €840 million (€891 million at December 31, 2012).
Trade payables to related parties amounted to €406 million (€177 million at December 31, 2012) and are shown in Note 44 'Transactions with related parties'.
Payables to jointly controlled companies, with regard to the non-consolidated portion, amounted to €10 million (€11 million at December 31, 2012) and related mainly to CEPAV (Consorzio Eni per l'Alta Velocità) Uno.
Other payables of €340 million were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Payables to:		
- employees	153	158
- national insurance/social security contributions	65	63
- insurance companies	7	8
- creditors relating to deferred income	34	9
- consultants and professionals	3	3
- Board Directors and Statutory Auditors	1	-
Other payables	57	99
Total	**320**	**340**

Other payables to related parties are shown in Note 44 'Transactions with related parties'.
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 48 'Additional information: Algeria' on page 141.

16 Income tax payables

Income tax payables of €137 million (€250 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Italian tax authorities	1	1
Foreign tax authorities	249	136
Total	**250**	**137**

The decrease in other current tax liabilities of €113 million was related mainly to a reduction in amounts payable to foreign tax authorities by ER SAI Caspian Contractor Llc, Sonsub International Pty, Saipem Contracting (Nigeria) Ltd, Petromar Lda, and Saipem Ltd.

17 Other current tax liabilities

Other current tax liabilities amounted to €133 million (€129 million at December 31, 2012) and were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Italian tax authorities:	15	12
- other	15	12
Foreign tax authorities:	114	121
- indirect tax	66	70
- other	48	51
Total	**129**	**133**

The increase in other current tax liabilities of €4 million was related to an increase in the amounts payable to foreign tax authorities, which was partly offset by a decrease in amounts payable to Italian tax authorities.

18 Other current liabilities

Other current liabilities amounted to €119 million (€93 million at December 31, 2012) and were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Fair value of hedging derivatives	60	72
Fair value of non-hedging derivatives	29	43
Other liabilities	4	4
Total	**93**	**119**

At December 31, 2013, derivative instruments had a negative fair value of €115 million (€89 million at December 31, 2012).
The following table shows the positive and negative fair values of derivative contracts at December 31, 2013:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Positive fair value of derivative contracts	193	218
Negative fair value of derivative contracts	(90)	(115)
Total	**103**	**103**

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 (forward outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at December 31, 2013, 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 liabilities considered in the calculation of the fair value of derivative contracts, inclusive of the long-term portion analysed in Note 23 'Other non-current liabilities', and broken down by type, are as follows:

	Liabilities Dec. 31, 2012			Liabilities Dec. 31, 2013		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	65			77		
. sale	3			1		
Total	68			78		
- forward currency contracts (Forward component)						
. purchase	(7)			(6)		
. sale	-			-		
Total	(7)	2,519	276	(6)	1,921	19
- forward commodity contracts (Forward component)						
. purchase	-			-		
Total	-	10		-	2	
Total derivative contracts qualified for hedge accounting	**61**	**2,529**	**276**	**72**	**1,923**	**19**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	28			44		
. sale	1			3		
Total	29			47		
- forward currency contracts (Forward component)						
. purchase	(1)			(4)		
. sale	1			-		
Total	-	1,422	258	(4)	1,812	264
- forward commodity contracts (Forward component)						
. purchase	-			-		
. sale	-			-		
Total	-			-		
Total derivative contracts not qualified for hedge accounting	**29**	**1,422**	**258**	**43**	**1,812**	**264**
Total	**90**	**3,951**	**534**	**115**	**3,735**	**283**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 7 'Other current assets', Note 13 'Other non-current assets' and Note 23 'Other non-current liabilities'.
Other liabilities amounted to €4 million (€4 million at December 31, 2012).
Other liabilities to related parties are shown in Note 44 '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 €4,217 million (€3,943 million at December 31, 2012) and was as follows:

	Dec. 31, 2012			Dec. 31, 2013		
(€ million)	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks	1	200	201	1	200	201
Other financial institutions	399	3,343	3,742	1,357	2,659	4,016
Total	**400**	**3,543**	**3,943**	**1,358**	**2,859**	**4,217**

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

(€ million)

Type	Maturity range	2015	2016	2017	2018	After	Total
Banks	2015	200	-	-	-	-	200
Other financial institutions	2015-2024	525	602	637	713	182	2,659
Total		**725**	**602**	**637**	**713**	**182**	**2,859**

The long-term portion of long-term debt amounted to €2,859 million, down €684 million versus December 31, 2012 (€3,543 million).
The following table breaks down long-term debt, inclusive of the current portion, by issuing entity and currency and also shows maturities and average interest rates:

(€ million)

			Dec. 31, 2012			Dec. 31, 2013		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2014-2018	843	1.109	4.950	1,083	2.269	4.950
Eni Finance International SA	Euro	2014-2024	1,766	0.562	5.970	2,273	1.351	5.970
Eni Finance International SA	US Dollar	2014-2016	1,133	0.759	5.100	660	0.918	5.100
Third parties	Euro	2014-2016	201	3.315	3.315	201	3.315	3.315
Total			**3,943**			**4,217**		

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 €4,491 million (€4,212 million at December 31, 2012) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2012	2013
Euro	0.19-1.76	0.31-2.23
US Dollar	0.21-0.54	0.25-0.67

The difference between the fair value of long-term debt and its nominal value was mainly due to the debt of €675 million expiring in 2018.
Long-term debt to related parties are shown in Note 44 ‘Transactions with related parties’.

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

	Dec. 31, 2012			Dec. 31, 2013		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,325	-	1,325	1,352	-	1,352
B. Available-for-sale securities	-	-	-	26	-	26
C. Liquidity (A+B)	**1,325**	**-**	**1,325**	**1,378**	**-**	**1,378**
D. Financing receivables	**79**	**-**	**79**	**30**	**-**	**30**
E. Short-term bank debt	210	-	210	191	-	191
F. Long-term bank debt	1	200	201	1	200	201
G. Short-term related party debt	1,523	-	1,523	1,698	-	1,698
H. Long-term related party debt	399	3,343	3,742	1,357	2,659	4,016
I. Other short-term debt	7	-	7	10	-	10
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**2,140**	**3,543**	**5,683**	**3,257**	**2,859**	**6,116**
N. Net financial position pursuant to Consob Communication No. DEM/6064293/2006 (M-C-D)	**736**	**3,543**	**4,279**	**1,849**	**2,859**	**4,708**
O. Non-current financing receivables	**-**	**1**	**1**	**-**	**1**	**1**
P. Net borrowings (N-O)	**736**	**3,542**	**4,278**	**1,849**	**2,858**	**4,707**

Net borrowings do not include the fair value of derivative contracts indicated in Note 7 'Other current assets', Note 13 'Other non-current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'.
Cash and cash equivalents included the equivalent of €80 million deposited in accounts that are temporarily frozen and the equivalent of €10 million in an escrow account as indicated in Note 1 'Cash and cash equivalents'.

20 Provisions for contingencies

Provisions for contingencies of €198 million (€163 million at December 31, 2012) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2012					
Provisions for taxes	64	4	(13)	(11)	44
Provisions for contractual penalties and disputes	29	5	(9)	3	28
Provisions for losses of investments	8	-	(8)	-	-
Other	108	35	(51)	(1)	91
Total	**209**	**44**	**(81)**	**(9)**	**163**
Dec. 31, 2013					
Provisions for taxes	44	2	(3)	12	55
Provisions for contractual penalties and disputes	28	3	(15)	(2)	14
Other	91	88	(48)	(2)	129
Total	**163**	**93**	**(66)**	**8**	**198**

The **provisions for taxes** amounting to €55 million 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** amounting to €14 million consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes.
Other provisions amounting to €129 million principally consisted of an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sector.
With respect to the foregoing liabilities, Saipem does not reasonably expect any material additional losses beyond the amounts already set aside.
For details on amounts relating to projects under execution in Algeria, see Note 48 'Additional information: Algeria' on page 141.

21 Provisions for employee benefits

Provisions for employee benefits amounted to €233 million (€255 million at December 31, 2012) and were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Employee termination indemnities (TFR)	59	58
Foreign defined benefit plans	103	95
FISDE and other health plans	21	20
Other provisions for long-term employee benefits	72	60
Total	**255**	**233**

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;
- 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:

	Dec. 31, 2012					Dec. 31, 2013				
(€ 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
Present value of benefit obligation at beginning of year	**53**	**156**	**17**	**59**	**285**	**59**	**174**	**21**	**72**	**326**
Current cost	-	15	-	15	30	-	17	1	11	29
Interest expense	2	7	1	1	11	2	4	1	1	8
Remeasurements:	9	7	4	9	29	(1)	(10)	(2)	(5)	(18)
- actuarial gains and losses arising from changes in demographic assumptions	-	-	-	-	-	-	*4*	*(1)*	-	*3*
- actuarial gains and losses arising from changes in financial assumptions	*9*	*4*	*4*	*6*	*23*	-	*(17)*	-	*(3)*	*(20)*
- experience adjustments	-	*3*	-	*3*	*6*	*(1)*	*3*	*(1)*	*(2)*	*(1)*
Past service cost and gains/losses arising from settlements	-	(3)	-	-	(3)	-	1	-	1	2
Contributions to plan:	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employees	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employer	-	-	-	-	-	-	-	-	-	-
Benefits paid	(5)	(7)	(1)	(12)	(25)	(2)	(9)	(1)	(19)	(31)
Exchange rate differences and other changes	-	(1)	-	-	(1)	-	(5)	-	(1)	(6)
Present value of benefit obligation at end of year	**59**	**174**	**21**	**72**	**326**	**58**	**172**	**20**	**60**	**310**
Plan assets at beginning of year	**-**	**66**	**-**	**-**	**66**	**-**	**71**	**-**	**-**	**71**
Interest income	-	3	-	-	3	-	2	-	-	2
Return on plan assets	-	1	-	-	1	-	(1)	-	-	(1)
Past service cost and gains/losses arising from settlements	-	-	-	-	-	-	(1)	-	-	(1)
Contributions to plan:	-	7	-	-	7	-	8	-	-	8
- contributions to plan by employees	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employer	-	*7*	-	-	*7*	-	*8*	-	-	*8*
Benefits paid	-	(3)	-	-	(3)	-	(2)	-	-	(2)
Exchange rate differences and other changes	-	(3)	-	-	(3)	-	-	-	-	-
Plan assets at year end	**-**	**71**	**-**	**-**	**71**	**-**	**77**	**-**	**-**	**77**
Net liability	**59**	**103**	**21**	**72**	**255**	**58**	**95**	**20**	**60**	**233**

The value of the net liability for other provisions for long-term employee benefits of €60 million (€72 million December 31, 2012) related to deferred monetary incentives (€12 million; €27 million at December 31, 2012), jubilee awards (€13 million; €13 million at December 31, 2012), the long-term incentive plan (€3 million; €5 million at December 31, 2012) and other long-term overseas plans (€32 million; €27 million at December 31, 2012).

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

	Dec. 31, 2012					Dec. 31, 2013				
(€ 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	-	15	-	15	30	-	17	1	11	29
Past service cost and gains/losses arising from settlements	-	(3)	-	-	(3)	-	2	-	1	3
Net interest expense (income):										
- interest expense on obligation	2	7	1	1	11	2	4	1	1	8
- interest income on plan assets	-	(3)	-	-	(3)	-	(2)	-	-	(2)
Total net interest income (expense)	2	4	1	1	8	2	2	1	1	6
of which recognised in payroll costs	-	-	-	*1*	*1*	-	-	-	*1*	*1*
of which recognised in finance income (expense)	*2*	*4*	*1*	-	*7*	*2*	*2*	*1*	-	*5*
Remeasurement of long-term plans	-	-	-	9	9	-	-	-	(5)	(5)
Total	**2**	**16**	**1**	**25**	**44**	**2**	**21**	**2**	**8**	**33**
of which recognised in payroll costs	-	*12*	-	*25*	*37*	-	*19*	*1*	*8*	*28*
of which recognised in finance income (expense)	*2*	*4*	*1*	-	*7*	*2*	*2*	*1*	-	*5*

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

	2012				2013			
(€ 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 (losses) arising from changes in demographic assumptions	-	-	-	-	-	4	(1)	3
- actuarial gains (losses) arising from changes in financial assumptions	9	4	4	17	-	(17)	-	(17)
- experience adjustments	-	3	-	3	(1)	3	(1)	1
- return on plan assets	-	(1)	-	(1)	-	1	-	1
Total	**9**	**6**	**4**	**19**	**(1)**	**(9)**	**(2)**	**(12)**

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	Other assets	Total
Plan assets:									
- prices quoted in active markets	9	11	47	6	3	-	-	-	76
- prices not quoted in active markets	-	-	-	-	-	-	1	-	1
Total	**9**	**11**	**47**	**6**	**3**	**-**	**1**	**-**	**77**

The main actuarial assumptions used in the evaluation of the liability at year end and to estimate costs expected for 2012 were as follows:

		TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits
2012					
Main actuarial assumptions:					
- discount rates	(%)	3	2.30-13.00	3.00-8.20	1.15-8.20
- rate of compensation increase	(%)	3	1.90-14.00	-	1.90-14.00
- expected rate of return on plan assets	(%)	-	2.30-4.10	-	-
- rate of inflation	(%)	2	1.75-11.00	2.00-6.00	2,00-7.00
- life expectancy at 65 years	(years)	-	15-24	20-24	.-
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	-

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

		Euro zone	Rest of Europe	Africa	Other
2012					
Discount rates	(%)	1.15-3.00	1.75-4.10	3.75-13.00	3.00-8.20
Rate of compensation increase	(%)	3.00-3.50	3.50	2.00-14.00	5.00-12.00
Rate of inflation	(%)	2.00	1.75-2.90	3.50-11.00	3.00-6.00
Life expectancy at 65 years	(years)	22-25	22-25	15	17
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

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)	3	2	-	-	-
Foreign defined benefit plans	(12)	13	2	10	2	-
FISDE and other foreign health plans	(1)	2	-	-	-	2
Other provisions for long-term employee benefits	(2)	2	-	2	-	-

The amount expected to be accrued to foreign defined benefit plans amounted to €7 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
2014	2	12	1	15
2015	2	7	1	10
2016	2	7	1	5
2017	2	8	1	3
2018	3	10	1	2
After	23	53	5	17

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
2012	10	22	15	7
2013	11	19	14	6

22 Deferred tax liabilities

Deferred tax liabilities of €81 million (€121 million at December 31, 2012) are shown net of offsettable deferred tax assets of €266 million.

(€ million)	Dec. 31, 2012	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2013
Deferred tax liabilities	121	142	(80)	(8)	(94)	81
Total	**121**	**142**	**(80)**	**(8)**	**(94)**	**81**

The item 'Other changes', which amounted to negative €94 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €117 million); (ii) the tax effects (positive €10 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; and (iii) other changes (positive €13 million).

Net deferred tax liabilities consisted of the following:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Deferred tax liabilities	(275)	(347)
Deferred tax assets available for offset	154	266
	(121)	**(81)**
Deferred tax assets not available for offset	97	132
Net deferred tax assets (liabilities)	**(24)**	**51**

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

(€ million)	Dec. 31, 2012	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2013
Deferred tax liabilities:						
- accelerated or additional tax depreciation	(56)	(105)	15	6	(12)	(152)
- provisions for contingencies	(6)	-	6	-	-	-
- derivative contracts qualified for hedge accounting	(18)	(7)	7	-	(14)	(32)
- employee benefits	(7)	(1)	-	-	4	(4)
- non-distributed reserves held by investments	(111)	-	16	-	-	(95)
- project progress status	(35)	(16)	17	1	-	(33)
- other	(42)	(13)	19	1	4	(31)
	(275)	**(142)**	**80**	**8**	**(18)**	**(347)**
Deferred tax assets:						
- accruals for impairment losses and provisions for contingencies	52	48	(20)	(2)	(9)	69
- non-deductible amortisation	21	23	(12)	-	(4)	28
- hedging derivatives	5	-	(3)	-	2	4
- employee benefits	33	7	(8)	(1)	(6)	25
- carry-forward tax losses	115	199	(7)	(17)	1	291
- project progress status	27	29	(27)	(1)	-	28
- other	49	22	(30)	(2)	(10)	29
	302	**328**	**(107)**	**(23)**	**(26)**	**474**
less:						
- unrecognised deferred tax assets	(51)	(35)	-	10	-	(76)
	251	**293**	**(107)**	**(13)**	**(26)**	**398**
Net deferred tax assets (liabilities)	**(24)**	**151**	**(27)**	**(5)**	**(44)**	**51**

Unrecognised deferred tax assets of €76 million (€51 million at December 31, 2012) related to tax losses that it will probably not be possible to utilise against future income.

Tax losses

Tax losses amounted to €1,089 million (€427 million at December 31, 2012) of which a considerable part can be carried forward without limit. Tax recovery corresponds to a rate of 27.5% for Italian companies and to an average rate of 26.6%. Tax losses related mainly to foreign companies and can be used in the following periods:

(€ million)	Italian subsidiaries	Foreign subsidiaries
2014	-	16
2015	-	14
2016	-	45
2017	-	32
2018	-	13
After 2018	-	322
Without limit	99	548
Total	**99**	**990**

23 Other non-current liabilities

Other non-current liabilities of €2 million (€3 million at December 31, 2012) were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Fair value of hedging derivatives	1	-
Trade and other payables	2	2
Total	**3**	**2**

Shareholders' equity

24 Minority interest

Minority interest at December 31, 2013 amounted to €92 million (€148 million at December 31, 2012) and mainly related to ER SAI Caspian Contractor Llc (€82 million).

25 Saipem's shareholders' equity

Saipem's shareholders' equity at December 31, 2013 amounted to €4,652 million and was as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	47	85
Cumulative currency translation differences	(43)	(100)
Employee defined benefits reserve	(13)	(5)
Other	7	7
Retained earnings	3,934	4,283
Net profit for the year	659	(159)
Treasury shares	(43)	(43)
Total	**5,132**	**4,652**

Saipem's shareholders' equity at December 31, 2013 included distributable reserves of €4,273 million (€4,618 million at December 31, 2012), some of which are subject to taxation upon distribution.
A deferred tax liability has been recorded in relation to the share of reserves that may potentially be distributed (€95 million).

26 Share capital

At December 31, 2013, 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 441,297,615 are ordinary shares and 113,285 savings shares.
On April 30, 2013, Saipem's Shareholders' Meeting approved a dividend distribution of €0.68 per ordinary share and €0.71 per savings share, with the exclusion of treasury shares.

27 Share premium reserve

The share premium reserve amounted to €55 million at year end 2013 and was unchanged from December 31, 2012.

28 Other reserves

At December 31, 2013, 'Other reserves' amounted to positive €75 million (€86 million at December 31, 2012) and consisted of the following items.

Legal reserve

At December 31, 2013, the legal reserve stood at €88 million. This represents the portion of profits of the Parent Company, 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 positive balance at year end of €85 million (positive €47 million at December 31, 2012) which related to the fair value of the spot component of foreign exchange and commodity risk hedges at December 31, 2013.
The cash flow hedge reserve is shown net of tax effects of €25 million (€17 million at December 31, 2012).

Cumulative currency translation differences
This reserve amounted to negative €100 million (negative €43 million at December 31, 2012) 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
At December 31, 2013, this reserve, which is used to recognise remeasurements of employee defined benefit plans, had a negative balance of €5 million (negative €13 million at December 31, 2012).
The reserve is shown net of tax effects of €3 million (€6 million at December 31, 2012).

Other
This item amounted to €7 million and was unchanged from December 31, 2012. It relates to the allocation of part of 2009 net profit, pursuant to Article 2426, 8-*bis* of the Italian Civil Code and also comprises the re-valuation reserve set up by Saipem SpA in previous years, amounting to €2 million.

29 Treasury shares
Saipem SpA holds treasury shares to the value of €43 million (€43 million at December 31, 2012), consisting of 1,939,832 ordinary shares (1,996,482 at December 31, 2012) with a nominal value of €1 each.
Treasury shares are allocated under the 2002-2008 stock option schemes. 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, 2013	**1,939,832**	**22.099**	**43**	**0.44**

At December 31, 2013, there were 259,500 stock options outstanding for the purchase of Company shares.
Further information on stock option plans is provided in Note 35 'Payroll and related costs'.

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

	Dec. 31, 2012 restated		Dec. 31, 2013	
(€ million)	Net result	Shareholder's equity	Net result	Shareholder's equity
As reported in Saipem SpA's financial statements	**267**	**1,454**	**277**	**1,460**
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	536	3,388	(445)	2,849
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of equity	(5)	818	(5)	812
- elimination of unrealised intercompany profits	(18)	(402)	1	(399)
- other adjustments	(67)	22	36	22
Total shareholders' equity	**713**	**5,280**	**(136)**	**4,744**
Minority interest	(54)	(148)	(23)	(92)
As reported in the consolidated financial statements	**659**	**5,132**	**(159)**	**4,652**

30 Additional information

Supplement to cash flow statement

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Analysis of disposals of consolidated entities and businesses		
Current assets	7	65
Non-current assets	-	255
Net liquidity (net borrowings)	8	-
Current and non-current liabilities	(16)	14
Net effect of disposals	**(1)**	**334**
Fair value of interest after control has ceased	-	-
Gain on disposals	1	44
Minority interest	-	-
Total sale price	**-**	**378**
less:		
Cash and cash equivalents	*(8)*	-
Cash flows from disposals	**(8)**	**378**

Disposals in 2012 related to the sale to third parties of 100% of Star Gulf Free Zone Co, which resulted in the disposal of Star Gulf Free Zone Co's subsidiary BOS Shelf Ltd, and the sale of 50% of Sairus Llc. 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.

31 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,307 million (€7,326 million at December 31, 2012).

	Dec. 31, 2012			Dec. 31, 2013		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associates	84	-	84	150	-	150
Consolidated companies	476	3,314	3,790	732	3,258	3,990
Own	21	3,431	3,452	-	3,167	3,167
Total	**581**	**6,745**	**7,326**	**882**	**6,425**	**7,307**

Other guarantees issued for consolidated companies amounted to €3,258 million (€3,314 million at December 31, 2012) and related to independent guarantees given to third parties relating mainly to bid bonds and performance bonds.

For details on amounts relating to projects under execution in Algeria, see Note 48 'Additional information: Algeria' on page 141.
Guarantees issued to/through related parties amounted to €5,489 million (€5,798 million at December 31, 2012) and are detailed in Note 44 'Transactions with related parties'.

Commitments

Saipem SpA has provided commitments towards customers and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries or associated companies in the event of non-performance and payment of any damages arising from non-performance.
These commitments guarantee contracts whose overall value amounted to €31,525 million (€30,747 million at December 31, 2012), including both work already performed and the relevant portion of the backlog of orders at December 31, 2013.

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]	8	(48)	-
Receivables and payables and other assets (liabilities) measured at amortised cost			
Trade and other receivables [b]	3,254	31	-
Financial receivables [a]	32	-	-
Trade and other payables [c]	5,280	10	-
Financial payables [a]	6,116	(146)	-
Net hedging derivative assets (liabilities) [d]	95	31	(45)

(a) The income statement effects relate only to the income (expense) indicated in Note 38 'Finance income (expense)'.
(b) The income statement effects were recognised in 'Purchases, services and other costs' (expenses of €5 million relating to impairments and losses on receivables) and in 'Finance income (expense)' (€36 million, relating to currency translation gains (losses) arising from adjustments to the year-end exchange rate).
(c) The income statement effects of €10 million were recognised in 'Finance income (expense)' (currency translation gains (losses) arising from adjustments to the year-end exchange rate).
(d) The income statement effects were recognised in 'Net sales from operations' and 'Purchases, services and other' (€47 million) and in 'Finance income (expense)' (€16 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);
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, 2013 are classified as follows:

	Dec. 31, 2013			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	8	-	8
Available-for-sale financial assets:				
- other assets available for sale	26	-	-	26
Net hedging derivative assets (liabilities)	-	95	-	95
Total	**26**	**103**	**-**	**129**

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 euros 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.
In 2013 no interest rate swaps were entered into.

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, 2012	Notional amount at Dec. 31, 2013
Forward foreign exchange contracts	3,563	2,967

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, 2012		Notional amount at Dec. 31, 2013	
(€ million)	Purchase	Sell	Purchase	Sell
AED	2	4	-	-
AUD	573	14	474	13
CHF	7	-	-	2
CNY	96	-	71	-
EUR	135	73	177	31
GBP	302	68	260	85
JPY	72	37	108	7
KWD	32	48	19	15
NOK	47	68	141	94
PLN	-	34	-	13
RUB	244	31	234	204
SGD	35	25	1	2
USD	3,480	8,186	2,998	6,984
Total	**5,025**	**8,588**	**4,483**	**7,450**

The following table provides an analysis of hedged future cash flows by time period of occurrence and principal currencies at December 31, 2013:

(€ million)	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	2015 and beyond	Total
Revenues	898	645	482	374	2,645	**5,044**
Costs	541	437	363	291	552	**2,184**

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, 2012		Notional amount at Dec. 31, 2013	
(€ million)	Purchase	Sell	Purchase	Sell
Forward commodity contracts	10	-	12	-

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 most important ongoing proceedings is now provided.

CEPAV (Consorzio Eni per l'Alta Velocità) Uno

Saipem has a 50.36% interest in the CEPAV Uno Consortium ('the Consortium'), which in 1991 entered into an agreement with TAV SpA ('TAV', now Rete Ferroviaria Italiana SpA - 'RFI') for the construction of the Milan-Bologna high-velocity/high-capacity railway line.
In connection with this project, the Consortium asked the client for an extension to the works completion schedule and a supplementary payment of approximately €800 million, later revised to €1,770 million. The Consortium and RFI sought to reach an amicable settlement, but negotiations were called off on March 14, 2006, when the proposals put forward by RFI were deemed unsatisfactory by the Consortium. On April 27, 2006, the Consortium sent a Notice of Arbitration to RFI, as provided for under the contract terms and conditions. On March 23, 2009, the Arbitration Panel, replying to an incidental question submitted to it by the parties, issued an interim award which in substance allowed RFI to carry out checks on accounting records including records related to subcontracts awarded by the Consortium and by contractors. Assuming that this interim award was vitiated, on April 8, 2010, the Consortium challenged it before the Rome Court of Appeal in order to have it annulled.
Meanwhile, on August 7, 2012 the Arbitration Panel issued a partial decision deposited at the Arbitration Chamber for public contracts, awarding the sum of €54,253 million (€40,136 million for reservations and €14,117 million for simple interest at July 31, 2012), as well as the right to a monetary adjustment, quantification of which was postponed until the final award, plus interest (simple and compound) from August 2, 2012 until complete fulfilment of obligations. The Consortium thus issued RFI with an order for the payment of €54,254,012.17, which was duly paid by RFI to the Consortium on February 7, 2013.
On November 27, 2012, the Consortium filed three further notices of arbitration against RFI, respectively: (i) for €1,813,250,392.18, plus interest and inflation adjustments for damages arising from delays and the loss of the early completion premium and reserves; (ii) for €254,342,862.53, plus interest and inflation adjustments, for reserves related to variations to the scope of work; and (iii) for €40,730,012, plus interest and inflation adjustments, for reserves related to non-payment for partial inspections and pre-service testing. RFI did not appoint an arbitrator and on December 18, 2012, lodged an appeal pursuant to Article 700 of the Italian code of civil procedure before the Court of Rome requesting that the Court prohibit the Consortium from asking the President of the Council of State to nominate RFI's arbitrator. On February 20, the Court of Rome rejected the appeal of RFI and ordered it to pay the legal costs of the Consortium. An appeal filed by RFI pursuant to Article 669-*terdecies* of the Italian code of civil procedure against the order of February 20, 2013 was also rejected by the Court of Rome in a ruling dated June 11, 2013. RFI was again ordered to pay the Consortium's legal fees.
On July 24, 2013, the representatives of the Consortium and RFI met to sign a *'proposed settlement agreement for disputes pending between the Parties'*. In the weeks following the meeting, a Settlement Agreement was negotiated, which the parties signed on December 4, 2013. In accordance with the agreement, RFI paid the Consortium a total of €200 million, including the amount already paid on February 7, 2013 in connection with the partial arbitration award.
Accordingly, the parties have withdrawn all outstanding disputes, while RFI has released to the Consortium 80% of performance bonds and retention monies.

TSKJ Consortium - Investigations by US, Italian and other overseas authorities

Snamprogetti Netherlands BV has a 25% holding 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 potential losses resulting from the investigations into the TSKJ matter, including in connection with its subsidiaries.
Various judicial authorities, including the Public Prosecutor's office of Milan, have carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials. The proceedings in both the US and Nigeria have been resolved through settlements.
The proceedings in Italy: the TSKJ matter has seen investigations by the Milan Public Prosecutor's office against unknown persons since 2004. Since March 10, 2009, the Company has received requests to produce documents from the Milan Public Prosecutor's office. 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 liability under Legislative Decree No. 231 of 2001 arising from offences of gross international corruption allegedly committed by two former managers of Snamprogetti.
The Milan Public Prosecutor requested the application of precautionary measures pursuant to Legislative Decree No. 231 consisting in Saipem SpA and Eni SpA 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 against Saipem and Eni. The Milan Public Prosecutor 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 Law 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 US $65 million).

On December 3, 2010, Saipem's defence counsel received notice of the scheduling of a preliminary hearing, accompanied by a request for committal to trial. On January 26, 2011, at the conclusion of the hearings, 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. The first trial hearing was held on May 10, 2011.
During February 2012, following a request made by the defence to this effect, the Court dismissed the charges against the physical persons under investigation, ruling that they 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 SpA only, scheduling a series of hearings.
On July 11, 2013, once the pre-trial and the trial hearings had been declared closed and the parties had presented their conclusions, the Court of Milan ruled that Saipem SpA had committed the unlawful administrative act, but accepted the existence of the attenuating circumstances provided for by Article 12, No. 2, letter a) of Legislative Decree No. 231/2001, sentencing the Company to pay a total fine of €600,000 and ordering the confiscation of the deposit of €24,530,580 posted by Snamprogetti Netherlands BV.
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 decision taken by the Court has no financial impact on Saipem since Eni, at the time of the sale of Snamprogetti SpA to Saipem, undertook to indemnify Saipem for losses sustained in connection with the TSKJ matter.
On September 17, 2013, the Court of Milan made the reasons for its verdict known, ahead of the October 9 deadline. The Company has lodged an appeal against the first instance ruling.

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 liability 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 SpA received a notification of inquiry from the Public Prosecutor of the Court of Milan related to 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 further search, which included offices belonging to Eni SpA, was conducted to obtain additional documentation relating to brokerage contracts 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 March 2010 in relation to a number of contracts the Company was awarded in Algeria.
Persons subject to investigation include a current employee and several former employees of the Company, 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 investigations.
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, has decided to convey the findings of the external consultants to the Public Prosecutor of Milan, 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 brokerage contracts 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 the time – in relation to the approval and management of brokerage contracts and subcontracts examined and a number of activities in Algeria.
The Board has 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, the Saipem SpA legal counsel received notification of a first request submitted by the Milan Public Prosecutor's office for an extension to the Preliminary Investigations of at least six months. Notification of a second request for an extension to the Preliminary Investigations of a further six months was received on January 8, 2014.
Meanwhile, at the request of the US Department of Justice ('DoJ'), Saipem SpA has entered into a 'tolling agreement' which extends 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 was recently renewed until May 2014, 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 US authorities.

We also note that investigations commenced in 2010 into the activities of third parties are still underway in Algeria in relation to which a number of Saipem Contracting Algérie SpA's current accounts in local currency were frozen. Some of these bank accounts were subsequently unfrozen, although two in Algerian Dinar, containing in total the equivalent of €80,055,735 (calculated at the exchange rate prevailing on December 31, 2013) remain frozen.
The two bank accounts in question relate to the Menzel Ledjmet Est ('MLE' and GK3 pipeline 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 €13,840,831 (calculated at the exchange rate prevailing on December 31, 2013).
In August 2012, Saipem Contracting Algérie SpA received formal notice that an investigation was underway into the company upon the matter's referral to the Chambre d'accusation at the Court of Algiers. Saipem Contracting Algérie SpA is alleged to have taken 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.
On January 30, 2013, the 'Chambre d'accusation' ordered Saipem Contracting Algérie SpA to stand trial and further ordered that the aforementioned bank accounts remain frozen. Saipem Contracting Algérie SpA has lodged an appeal at the Supreme Court. Finally, we note that on March 24, 2013, a search was carried out on the premises of Saipem Contracting Algérie SpA.
Subsequently, on March 28, 2013, the then legal representative of Saipem Contracting Algérie SpA was summoned to appear at the Court of Algiers, where he received verbal notification from the investigating Judge of an investigation underway 'into Saipem for charges pursuant to Article 25 a, 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.
On April 18, 2013, a hearing was held before the Algerian Supreme Court which rejected a request to unfreeze the abovementioned bank accounts that had been made by Saipem Contracting Algérie SpA in 2010.
Subsequently, on May 18, 19 and 20, 2013, additional searches were carried out at two Algerian offices belonging to Saipem Contracting Algérie SpA, during which documentation relating to Saipem subcontractors was requested.
The investigations in Algeria are still currently ongoing.

Kuwait

On June 21, 2011, a warrant requested by the Milan Public Prosecutor was served on Saipem for the search of the office of a Saipem employee. The warrant 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 companies for a project in Kuwait.
In connection with the same matter, the Public Prosecutor also served a notice of indictment upon Saipem SpA pursuant to Italian Legislative Decree No. 231/2001. In this regard, the Company believes that its position will be successfully 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 Auditors 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.
As a precautionary measure, and in compliance with the contract in force, Saipem suspended the employee under investigation while awaiting further developments.
The audit showed that the Saipem SpA employee in question was not involved in anything worthy of note. The suspension was therefore lifted and the employee assigned to other duties.
The Public Prosecutor ordered the release of the documents seized from the employee in relation to the matter.
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

As part of the inquiries commenced by the Milan Public Prosecutor (criminal proceedings 2460/2003 R.G.N.R. pending at the Milan Public Prosecutor's office) into contracts awarded by EniPower to various companies, Snamprogetti SpA (now Saipem SpA as engineering and procurement services contractor), together with other parties, were served a notice informing them that they were under investigation pursuant to Article 25 of Legislative Decree No. 231/2001. Preliminary investigations ended in August 2007, with a favourable outcome for Snamprogetti SpA, which was not included among the parties still under investigation for whom committals for trial were requested.
Snamprogetti subsequently brought proceedings against the physical and legal persons implicated in transactions relating to the Company and reached settlements with a number of parties that requested the application of settlement procedures. Following the conclusion of the preliminary hearing, criminal proceedings continued against former employees of the above companies as well as against employees and managers of a number of their suppliers, pursuant to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA presented themselves as plaintiffs in the preliminary hearing.
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. The examination of the witnesses was completed and the parties presented their conclusions. Subsequently, at the hearing of September 20, 2011, sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums ordered. The Court likewise rejected the admission as plaintiffs of the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001.

On December 19, 2011 the grounds for the ruling were filed with the office of the clerk of the court.
The convicted parties 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.

Fos Cavaou

With reference to the Fos Cavaou ('FOS') project for the construction of the regasification terminal, arbitration proceedings are pending before the International Chamber of Commerce in Paris ('Paris ICC') between the client Société du Terminal Méthanier de Fos Cavaou ('STMFC', now Fosmax LNG) and the contractor STS (a French 'société en participation' made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)).
On July 11, 2011, the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, as Fosmax LNG refused to extend the deadline.
On January 24, 2012, the secretariat of the International Arbitration Court of the Paris ICC notified STS of the commencement of arbitration proceedings as requested by Fosmax LNG. 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 is for loss of profit, an item excluded from the contract except for cases of malice or gross negligence. STS is of the opinion that no acts of gross negligence or wilful misconduct capable of rendering the contractual limitation of liability inapplicable, as Fosmax LNG maintains, have been committed.
STS has filed its defence brief, 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 a 'Mémoire en demande'. Against this, STS lodged its own 'Mémoire en défense' on January 28, 2013, in which it filed a counterclaim for €338 million.
The final hearing was held on April 1, while the award is expected to be issued at the end of 2014.

Arbitration on Menzel Ledjmet Est project, Algeria

With regard to 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 the natural gas gathering and treatment plant and related export pipelines in the Menzel Ledjmet Est field in Algeria on December 23, 2013, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris ('Paris ICC'). 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, while the president of the arbitral tribunal is currently being appointed.

Arbitration proceedings regarding LPG project in Algeria

With reference to 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), 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'), on March 14, 2014, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris.
Saipem has asked the Arbitration Panel to order Sonatrach to pay the equivalent of circa €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 is required to file its answer within 30 days of receiving the application for arbitration.

Relations with Consob

With regard to Saipem's relations with Consob, the following events occurred during 2013.

a) Following the issue by Saipem SpA of its press release of January 29, 2013, in which it revised its 2012 earnings guidance and its outlook for 2013, Saipem received a communication from Consob dated January 31, 2013 asking it to reconstruct the process of evaluation and the considerations that led to the decision to issue the press release in question, to describe the information and data used to arrive at the revision of its guidance for 2012 and 2013 profit and its outlook for 2014, and to provide a list of persons included in the register maintained pursuant to Article 115-*bis* of the Consolidated Finance Act who had access to the data and information referred to in the press release.
   Subsequently, in a letter dated February 1, 2013, Consob announced the commencement of an inspection of Saipem pursuant to Article 187-*octies*, paragraph 3 of Legislative Decree No. 58 of February 24, 1998 with the purpose of gathering documents and information regarding the preparation of the press release, the handling of privileged information, and compliance with legislation concerning transactions by relevant parties.
   Consob's inspection of Saipem offices, which commenced on February 4, 2013, following a letter of assignment dated February 1, 2013, was concluded on June 7, 2013 with the issue of a record of documents seized.

b) On June 19, 2013, Consob sent Saipem SpA notification of charges concerning a number of violations of Article 115-*bis* of Legislative Decree No. 58/1998 which the regulator said it had found evidence of.
According to Consob, the violations regarded:
(i) procedures for the maintenance of the register of persons with access to inside information;
(ii) the Company's failure to make certain entries or tardiness in making such entries or the incompleteness of such entries.
The charges notified regard violations punishable by administrative sanctions. Consob will issue a decision after examining the Company's arguments within a maximum of 360 days starting from June 19, 2013.

c) On June 20, 2013, Consob sent the Saipem SpA Board of Statutory Auditors and Saipem SpA, as joint obligor, notification of charges regarding alleged violations of Article 149, paragraph 3 of Legislative Decree No. 58/1998 committed by the Board. Article 149 requires the Board of Statutory Auditors to report to Consob without delay on any irregularities it encounters during its supervisory duties and to transmit all relevant minutes of meetings and inspections conducted as well as any other relevant documentation.
Consob believes that, during the period June 2011-September 2012, the Board of Statutory Auditors should have reported to Consob on irregularities it detected in relation to a number of situations that had led to requests for inspections by the Company's Internal Audit function and external consultants and in relation to which the Board had requested in 2011 corrective and improvement actions to the Company's system of internal controls.
The situations cited by Consob related to:
1) exceptions made to procedures in connection with contractual relations with a supplier on the Kuwait project;
2) irregularities concerning a number of contracts awarded to Saipem in Iraq consisting of a failure to comply with Company procedures;
3) fraud committed until 2011 by a former employee of Saipem's Indian branch.
In a reply sent to Consob in February 2013, the Board of Statutory Auditors stated that it had not considered the critical issues and irregularities detected as requiring reporting to Consob pursuant to Article 149, paragraph 3, of the Consolidated Finance Act. Consob however indicated that it had sent its notification of charges based on the assumption that the Board of Statutory Auditors is 'required to report any irregularity whatsoever encountered during its supervision of the correctness of operations and the adequacy of the system of internal controls'.
On July 23, 2013, the Board of Statutory Auditors submitted a comprehensive brief containing its own arguments in response to the communication received from Consob, in which it asserted that that there were no grounds for considering the questions as 'irregularities' having relevance pursuant to Article 149, paragraph 3 of the Consolidated Finance Act, in view of the characteristics and significance of the facts in relation to the dimensions, structures and organisational complexity of the Saipem Group.
The Board of Statutory Auditors also noted in its brief the diligence and rapidity of its own actions, which saw the launch of an audit with assistance from external consultants, the issue of recommendations for possible corrective actions and continual monitoring of their implementation by the Company.
The charges notified regard alleged violations punishable by administrative sanction.
Consob will issue a decision after examining the Board of Statutory Auditors' arguments, within a maximum of 360 days starting from June 20, 2013. Saipem also received the notification since, under the law, in the event of the application of administrative sanction, the Company is also held jointly responsible.

d) On July 19, 2013, Consob advised Saipem that it was commencing proceedings based upon an alleged failure to comply with international accounting standards in the preparation of Saipem's separate and consolidated financial statements as of December 31, 2012, particularly IAS 11, concerning the valuation of certain long-term contracts. In its notice, Consob made particular reference to the contracts that were the subject of the profit warning on June 14, 2013, whose economic impact was reflected in the interim report as of June 30, 2013. Consob alleged that the impact of the revised expected profitability of these contracts did not pertain to 2013. Saipem promptly provided its response to Consob, producing documentation supporting the assessments that were made of the long-term contracts and the opinion of a qualified, independent expert on the conformity of the valuation methodologies used with IAS 11.
Following the Company's press release of October 28, 2013 and a series of further exchanges of information, the regulatory authority Consob declared, in a ruling issued on December 5, 2013 that, based on the contents of the press release, the proceedings commenced on July 19, 2013 with regard to a potential 'non-compliance with international accounting standards' of the separate and consolidated financial statements as at and for the year ended 2012 had been closed.
The content of Consob's communication of December 5, 2013 is shown below:
"RE: Proceedings 1612/2013 - Non-compliance of the separate and consolidated financial statements at and for the year ended December 31, 2012 of Saipem SpA with Article 154-*ter*, paragraph 7, or Article 157, paragraph 2 of Legislative Decree No. 58/1998 - Communication regarding conclusion of proceedings and request pursuant to Article 114, paragraph 5 of Legislative Decree No. 58/1998.
We refer herein to proceedings 1612/2013 commenced by this Division on July 19, 2013 regarding the adoption of measures pursuant to Article 154-*ter*, paragraph 7, or Article 157, paragraph 2 of Legislative Decree No. 58/1998 in relation to a potential non-compliance with international accounting standards of the separate and consolidated financial statements of Saipem SpA as at and for the year ended December 31, 2012 and subsequent correspondence with the Company in question.
We also refer to the press release issued by the Company on October 28, 2013 on the occasion of the approval of its Interim Report at September 30, 2013, in which the Company states, inter alia, that 'In light of the comments made by Consob in its notice of July 19, 2013, and for the sole purpose of preventing any possible differences with Consob in relation to the interpretation and application of accounting principles (in particular IAS 11) to its financial statements, Saipem prepared pro-forma balance sheets as of January 1, 2013, June 30, 2013 and September 30, 2013, which reflect the allocation of costs

related to the aforementioned long-term contracts; the pro-forma shareholders' equity as of January 2013 has been decreased by €245 million, while €245 million were added to 2013 revenues as a result of the abovementioned adjustment pro-forma shareholders' equity as of January 1, 2013'.
Specifically, in the abovementioned press release, Saipem states that: 'Balance sheet and income statement will include, pursuant to IAS 8, paragraph 42, although the Company does not share Consob's interpretation, the effects of the pro-forma data also in the separate and consolidated financial statements as of December 31, 2013'. In this regard, this Commission is of the opinion that 2012 revenues and costs connected with five contracts were not recognised in accordance with international accounting standards IAS 11 and IAS 1. However, in the light of the Company's announcement to the markets of its decision to apply IAS 8, paragraph 42 ('Errors') in relation to the contracts in question, this Commission believes that there are no longer any grounds for it to exercise its power to request the Issuer to publish additional information pursuant to Article 154-*ter*, paragraph 7 or its power pursuant to Article 157, paragraph 2 of Legislative Decree No. 58/1998. We therefore declare the proceedings in question as closed without exercising such powers.
This, however, shall be subject to checks to verify that the Directors have prepared the separate and consolidated financial statements as at and for the year ending December 31, 2013 in compliance with the applicable international accounting standards – in particular with regard to the presentation of the error identified in the 2012 separate and consolidated financial statements and accounting for its effects.
Should an examination of the separate and consolidated financial statements at December 31, 2013 reveal an incorrect application of international accounting standard IAS 8, paragraph 42 ('Errors'), this Commission will consider the possibility of taking further action, including the adoption of the measures provided for pursuant to Article 157, paragraph 2 of Legislative Decree No. 58/1998".

e) On July 24, 2013, Consob sent Saipem SpA notification of charges pursuant to Articles 193 and 195 of Legislative Decree No. 58/1998 concerning an alleged violation of Article 114, paragraph 1 of Legislative Decree No. 58/1998 and related implementing provisions.
The violations, according to Consob, regard a delay in announcing the profit warning of January 29, 2013 to the market. The charges notified are punishable by administrative sanction. Consob will issue a decision after examining Saipem's arguments within a maximum of 360 days starting from July 24, 2013.

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'.

32 Net sales from operations

Net sales from operations were as follows:

(€ million)	2012	2013
Net sales from operations	12,379	11,939
Change in contract work-in-progress	745	317
Total	**13,124**	**12,256**

Net sales by geographical area were as follows:

(€ million)	2012	2013
Italy	580	709
Rest of Europe	1,201	884
CIS	1,352	1,267
Middle East	3,211	2,721
Far East	1,241	1,211
North Africa	1,312	701
West Africa and Rest of Africa	2,482	2,392
Americas	1,745	2,371
Total	**13,124**	**12,256**

Information required by IAS 11 is provided by business sector in Note 43 'Segment information, geographical information and construction contracts'.
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. At December 31, 2013, revenues pertaining to 2013 for additional payments currently under negotiation totalled €928 million, while the cumulative amount of additional payments based on project progress totalled €1,259 million.
Revenues from related parties amounted to €1,935 million (€2,172 million at December 31, 2012) and are shown in Note 44 'Transactions with related parties'.

33 Other income and revenues

Other income and revenues were as follows:

(€ million)	2012	2013
Gains on disposal of assets	2	1
Indemnities	4	165
Other income	11	11
Total	**17**	**177**

Indemnities of €165 million were principally in connection with the sinking of the jack-up Perro Negro 6 on July 1, 2013.
Other income and revenues from related parties amounted to €14 million and are shown in Note 44 'Transactions with related parties'.

Operating expenses

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

34 Purchases, services and other costs

Purchases, services and other costs included the following:

(€ million)	2012	2013
Production costs - raw, ancillary and consumable materials and goods	2,959	2,606
Production costs - services	5,209	5,369
Operating leases and other	913	1,087
Net provisions for contingencies	(20)	28
Other expenses	93	211
less:		
- capitalised direct costs associated with self-constructed tangible assets	(5)	(7)
- changes in inventories of raw, ancillary and consumable materials and goods	(11)	(51)
Total	**9,138**	**9,243**

Costs of services included agency fees of €5 million (€6 million at December 31, 2012).
Costs incurred in connection with research and development activities that do not meet the requirements for capitalisation amounted to €14 million (€15 million at December 31, 2012).
'Operating leases and other' included operating lease payments of €1,073 million (€910 million in 2012).
Future minimum lease payments expected to be paid under non-cancellable operating leases amounted to €285 million (€330 million in 2012), of which €84 million was due within one year, €164 million between 2-5 years and €37 million due after 5 years.
Net provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
Other expenses of €211 million included the write-off of the jack-up Perro Negro 6, which sank on July 1, 2013 (€106 million), and indirect tax of €42 million relating mainly to foreign direct and indirect subsidiaries of Saipem SpA.
Purchases, services and other costs to related parties amounted to €337 million (€181 million at December 31, 2012) and are shown in Note 44 'Transactions with related parties'.

35 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	2012	2013
Wages and salaries	1,726	2,065
Social security contributions	244	209
Contributions to defined benefit plans	35	28
Employee termination indemnities	2	-
Accrual to provision for employee termination indemnities recognised as a contra-entry to pension plans or Inps fund	24	25
Other costs	16	13
less:		
- capitalised direct costs associated with self-constructed tangible assets	(15)	(20)
Total	**2,032**	**2,320**

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. Neither the general plan conditions nor the other information provided in the consolidated financial statements at December 31, 2012 underwent any significant changes during the year.

STOCK OPTIONS

The following table shows changes in the stock option plans:

	2012			2013		
(€ thousand)	Number of shares	Average strike price	Market price [a]	Number of shares	Average strike price	Market price [a]
Options as of January 1	**1,637,750**	**24.885**	**53,800**	**397,485**	**23.980**	**11,646**
New options granted	-	-	-	-	-	-
(Options exercised during the year)	(1,146,990)	25.109	40,086	(56,650)	13.787	1,034
(Options expiring during the year)	(93,275)	-	3,260	(81,335)	-	1,484
Options outstanding as of December 31	**397,485**	**23.980**	**11,646**	**259,500**	**25.979**	**4,038**
Of which exercisable at December 31	**397,485**	**23.980**	**11,646**	**259,500**	**25.979**	**4,038**

(a) The market price relating to new options granted, options exercised in the period and options 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, 2013 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			(405,925)
2008			(271,875)
			(1,650,832)
Options outstanding			
2002			-
2003			-
2004			-
2005			-
2006			-
2007			42,925
2008			216,575
			259,500

(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, 2013, 259,500 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
2007 plan	42,925	26.521	7	8.8966	9.5320
2008 plan	216,575	25.872	11	8.2186	8.7734
Total	**259,500**				

The fair value valuation 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

Remuneration due to senior managers responsible for Group results or holding positions of strategic interest (i.e. key management personnel) amounted to €14 million and was as follows:

(€ million)	2012	2013
Wages and salaries	11	11
Termination indemnities	-	-
Other long-term benefits	2	3
Stock options	-	-
Total	**13**	**14**

Remuneration of Statutory Auditors

Remuneration of Statutory Auditors amounted to €140 thousand, as in the previous year.
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, 2012	Dec. 31, 2013
Senior managers	430	429
Junior managers	4,597	4,754
White collars	20,136	21,506
Blue collars	17,070	20,453
Seamen	321	332
Total	**42,554**	**47,474**

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.

36 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	2012	2013
Depreciation and amortisation:		
- tangible assets	691	714
- intangible assets	10	10
	701	**724**
Impairment:		
- tangible assets	25	-
- intangible assets	-	-
Total	**726**	**-**

37 Other operating income and expenses

The income statement effects of 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, 2013 these amounted to income of €1 million.

38 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	2012	2013
Finance income (expense)		
Finance income	346	656
Finance expense	(575)	(798)
	(229)	**(142)**
Derivatives	74	(48)
Total	**(155)**	**(190)**

Net finance income and expense was as follows:

(€ million)	2012	2013
Exchange gains (losses)	**(98)**	**9**
Exchange gains	330	632
Exchange losses	(428)	(623)
Finance income (expense) related to net borrowings	**(124)**	**(146)**
Interest and other income from Group financial companies	2	-
Interest from banks and other financial institutions	14	24
Interest and other expense due to Group financial companies	(109)	(128)
Interest and other expense due to banks and other financial institutions	(31)	(42)
Other finance income (expense)	**(7)**	**(5)**
Finance income (expense) on defined benefit plans	(7)	(5)
Total finance income (expense)	**(229)**	**(142)**

Gains (losses) on derivatives consisted of the following:

(€ million)	2012	2013
Exchange rate derivatives	74	(48)
Total	**74**	**(48)**

Net expenses from derivatives of €48 million (income of €74 million in 2012) mainly relate 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.

39 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)	2012	2013
Share of profit of investments accounted for using the equity method	9	13
Share of loss of investments accounted for using the equity method	-	-
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	8	-
Total	**17**	**13**

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

40 Income taxes

(€ million)	2012	2013
Current taxes:		
- Italian subsidiaries	81	9
- foreign subsidiaries	289	221
Net deferred taxes:		
- Italian subsidiaries	31	(46)
- foreign subsidiaries	(8)	(78)
Total	**393**	**106**

Current taxes amounted to €230 million and related to Ires tax income of €62 million relating mainly to tax credits and the effect of the restatement of balances at December 31, 2012, Irap charges of €7 million and other charges of €285 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 2012 and 2013 were due to the following factors:

(€ million)	2012	2013
Result before income taxes	**1,106**	**(30)**
Statutory tax rate	**409**	**14**
Items increasing (decreasing) statutory tax rate:		
- lower foreign subsidiaries tax rate	(70)	(76)
- permanent differences and other factors	64	169
- additions to (deductions from) tax provision	(10)	(1)
Total changes	**(16)**	**92**
Effective tax rate	**393**	**106**

(€ million)	2012	2013
Income taxes recognised in consolidated income statement	393	106
Income taxes recognised in statement of comprehensive income on items that may be reclassified to profit or loss	(24)	(8)
Income taxes recognised in statement of comprehensive income on items that will not be reclassified to profit or loss	6	(3)
Tax on total comprehensive income	**375**	**95**

41 Minority interest

Minority interest's share of profit amounted to €23 million (€54 million in 2012).

42 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 439,347,044 and 439,321,441 in 2013 and 2012, respectively.
Diluted earnings per share are calculated by dividing net profit 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, 2013, 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 2012 and 2013 was 439,832,361 and 439,719,829, respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		Dec. 31, 2012	Dec. 31, 2013
Average number of shares used for the calculation of the basic earnings per share		**439,321,441**	**439,347,044**
Number of potential shares following stock option plans		397,485	259,500
Number of savings shares convertible into ordinary shares		113,435	113,285
Average number of shares used for the calculation of the diluted earnings per share		**439,832,361**	**439,719,829**
Saipem's net profit (loss)	(€ million)	659	(159)
Basic earnings (loss) per share	(€ per share)	1.50	(0.36)
Diluted earnings (loss) per share	(€ per share)	1.50	(0.36)

43 Segment information, geographical information and construction contracts

Segment information

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Unallocated	Total
December 31, 2012						
Net sales from operations	7,102	6,691	1,417	871	-	16,081
less: intra-group sales	1,746	761	329	121	-	2,957
Net sales to customers	**5,356**	**5,930**	**1,088**	**750**	**-**	**13,124**
Operating profit	695	153	294	103	-	1,245
Depreciation and amortisation	273	33	285	135	-	726
Net income from investments	17	(1)	-	-	-	16
Capital expenditure	525	84	284	122	-	1,015
Property, plant and equipment	4,064	513	3,535	898	-	9,010
Investments	42	74	-	-	-	116
Current assets	2,148	2,443	589	519	1,862	7,561
Current liabilities	2,182	2,505	259	129	2,519	7,594
Provisions for contingencies	58	55	1	2	47	163
December 31, 2013						
Net sales from operations	6,669	5,707	1,562	883	-	14,821
less: intra-group sales	1,413	631	385	136	-	2,565
Net sales to customers	**5,256**	**5,076**	**1,177**	**747**	**-**	**12,256**
Operating profit	75	(400)	379	93	-	147
Depreciation and amortisation	293	31	259	141	-	724
Net income from investments	13	-	-	-	-	13
Capital expenditure	398	125	174	211	-	908
Property, plant and equipment	3,849	589	3,351	941	-	8,730
Investments	53	73	-	-	-	126
Current assets	2,507	2,381	639	437	1,937	7,901
Current liabilities	2,891	2,091	286	131	3,527	8,926
Provisions for contingencies	53	84	2	2	57	198

Geographical information

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single year, it is difficult to allocate assets to a specific geographic area. As a result, certain assets have been deemed not directly attributable.
The unallocated part of tangible and intangible assets and capital expenditure related to vessels and their related equipment and goodwill.
The unallocated part of current assets pertained to inventories related to vessels.
A breakdown of revenues by geographical area is provided in Note 32 'Net sales from operations'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
2012									
Capital expenditure	21	10	13	107	3	8	136	717	1,015
Tangible and intangible assets	358	25	385	589	43	407	807	6,396	9,010
Identifiable assets (current)	309	1,144	564	1,943	978	841	975	807	7,561
2013									
Capital expenditure	20	14	17	171	11	19	256	400	908
Tangible and intangible assets	96	36	336	699	25	369	909	6,260	8,730
Identifiable assets (current)	318	1,155	495	2,208	639	1,048	1,164	874	7,901

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)	2012	2012 restated	2013
Construction contracts - assets	1,855	1,610	1,781
Construction contracts - liabilities	(861)	(861)	(1,370)
Construction contracts - net	**994**	**749**	**411**
Costs and margins (completion percentage)	13,037	12,792	12,877
Progress billings	(12,036)	(12,036)	(12,435)
Change in provision for future losses	(7)	(7)	(31)
Construction contracts - net	**994**	**749**	**411**

44 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 other Eni SpA subsidiaries or associated companies 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 covered under Consob Regulation No. 17221 of March 12, 2010, the following transactions with related parties were carried out in 2013:

- on April 26, 2013, Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda, an indirect subsidiary of Saipem SpA, signed an agreement increasing and extending an existing €300 million medium to long-term revolving line of credit with Eni Finance International SA, a subsidiary of Eni SpA. The agreement, which increases the credit limit to €800 million and extends the maturity date by 5 years, carries an interest rate of 115 basis points over Euro Libor at the date of drawdown and will fund the operations of the Portuguese subsidiary;
- on December 3, 2013, Boscongo SA, an indirect subsidiary of Saipem SpA, signed a contract with Eni Congo SA for the construction of a gas treatment plant in Congo for a base price of €272.5 million;
- on December 30, 2013, Saipem SpA transferred the entire share capital of Floaters SpA, with a value of €336 million, to Eni SpA. Floaters SpA operates the Firenze FPSO vessel in the Aquila field off the coast of Puglia.

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:

- Eni subsidiaries;
- Eni associates;
- other related parties.

Trade and other transactions

Trade and other transactions as of and for the year ended December 31, 2012 consisted of the following:

(€ million)

	Dec. 31, 2012			2012			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services [1]	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	1	-	-	1	-	-
Total unconsolidated subsidiaries	**-**	**1**	**-**	**-**	**1**	**-**	**-**
Associates and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	51	51	84	-	50	85	-
KWANDA Suporte Logistico Lda	54	1	-	-	2	7	-
Gruppo Rosetti Marino SpA	-	1	-	1	-	-	-
Milano-Brescia-Verona Scarl	-	-	-	-	3	1	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	5	-	-	-	-	10	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	9	7	-	-	16	3	-
Total associates and jointly controlled companies	**119**	**60**	**84**	**1**	**71**	**106**	**-**
Eni consolidated subsidiaries							
Eni SpA	2	11	5,714	1	17	1	-
Eni SpA Exploration & Production Division	129	2	-	2	-	93	-
Eni SpA Gas & Power Division	1	-	-	-	2	-	-
Eni SpA Refining & Marketing Division	48	-	-	6	1	56	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	2	-
Burren Energy (Services) Ltd	3	-	-	-	-	11	-
Eni Adfin SpA	-	-	-	-	4	-	-
Eni Algeria Production BV	1	-	-	-	-	2	-
Eni Angola SpA	38	-	-	-	-	140	-
Eni Canada Holding Ltd	70	7	-	-	-	88	-
Eni Congo SA	35	-	-	-	(3)	101	-
Eni Corporate University SpA	1	4	-	-	6	1	-
Eni East Africa SpA	36	-	-	-	-	136	-
Eni Finance USA Inc	54	-	-	-	-	-	-
Eni Ghana Exploration & Production Ltd	2	-	-	-	-	2	-
Eni Insurance Ltd	8	11	-	-	16	14	-
Eni Iraq BV	2	-	-	-	-	8	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	1	-
Eni Norge AS	54	-	-	-	-	145	-
EniPower SpA	3	-	-	-	-	5	-
EniServizi SpA	1	18	-	-	46	1	-
Eni Togo BV	6	-	-	-	-	7	-
Eni Trading & Shipping SpA	-	-	-	-	3	-	-
Eni Venezuela BV	-	-	-	-	-	2	-
Hindustan Oil Exploration Co Ltd	3	-	-	-	-	16	-
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	2	-
Polimeri Europa France SAS	1	-	-	-	-	3	-
Raffineria di Gela SpA	3	-	-	-	-	3	-
Serfactoring SpA	3	44	-	-	2	-	-
Servizi Aerei SpA	-	-	-	-	1	-	-
Snam Rete Gas SpA	-	-	-	-	-	38	-
Stoccaggi Gas Italia SpA	-	-	-	-	-	11	-
Syndial SpA	16	-	-	-	-	25	-
Tecnomare SpA	-	-	-	-	-	4	-
Versalis SpA	12	-	-	-	-	12	-
Other (for transactions not exceeding €500 thousand)	3	2	-	1	-	1	-
Total Eni consolidated subsidiaries	**542**	**99**	**5,714**	**10**	**95**	**931**	**-**

Trade and other transactions as of and for the year ended December 31, 2012 (continued)

(€ million)

	Dec. 31, 2012			2012			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services (1)	Goods and services	Other
Total Eni consolidated subsidiaries	**542**	**99**	**5,714**	**10**	**95**	**931**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	199	16	-	-	-	1,027	-
Total Eni subsidiaries	**741**	**115**	**5,714**	**10**	**95**	**1,958**	**-**
Eni associates and jointly controlled companies	25	-	-	-	-	87	-
Total Eni companies	**766**	**115**	**5,714**	**10**	**95**	**2,045**	**-**
Entities controlled or owned by the State	**63**	**1**	**-**	**2**	**1**	**21**	**-**
Total transactions with related parties	**948**	**177**	**5,798**	**13**	**168**	**2,172**	**-**
Overall total	**3,252**	**4,982**	**7,326**	**2,959**	**6,122**	**13,124**	**17**
Incidence (%)	**29.15**	**3.55**	**79.14**	**0.44**	**2.74**	**16.55**	**-**

(1) The item 'Services' includes costs for services, costs for the use of third-party assets and other costs.

Trade transactions as at and for the year ended December 31, 2013 consisted of the following:

(€ 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	1	2	-	-	2	-	-
Total unconsolidated subsidiaries	**1**	**2**	**-**	**-**	**2**	**-**	**-**
Associates and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	78	166	150	-	127	167	-
Consorzio F.S.B.	-	-	-	-	1	-	-
KWANDA Suporte Logistico Lda	55	9	-	4	7	7	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	2	-	-	-	-	1	-
Sabella SAS	1	-	-	-	-	-	-
Saidel Ltd	-	-	-	-	10	4	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	6	15	-	-	46	1	-
Total associates and jointly controlled companies	**142**	**190**	**150**	**4**	**191**	**180**	**-**
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 East Africa SpA	-	-	-	-	-	96	-
Eni Finance International SA	-	-	-	-	1	-	-
Eni Ghana Exploration & Production Ltd	-	-	-	-	-	18	-
Eni Insurance Ltd	3	7	-	-	34	17	14
Eni Iraq BV	2	-	-	-	-	-	-

Trade transactions as at 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
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	30	-	-	51	1	-
Eni Togo BV	2	-	-	-	-	45	-
Eni Trading & Shipping SpA	-	-	-	-	1	-	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Nigerian Agip Exploration Ltd	33	-	-	-	-	42	-
Polimeri Europa France SAS	-	-	-	-	-	1	-
Raffineria di Gela SpA	5	-	-	-	-	6	-
Serfactoring SpA	2	33	-	-	1	-	-
Servizi Aerei SpA	-	-	-	-	-	-	-
Syndial SpA	10	-	-	-	-	11	-
Versalis SpA	22	-	-	-	-	23	-
Other (for transactions not exceeding €500 thousand)	2	-	-	-	1	1	-
Total Eni consolidated subsidiaries	**493**	**135**	**5,339**	**9**	**124**	**1,033**	**14**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	47	17	-	-	-	489	-
Total Eni subsidiaries	**540**	**152**	**5,339**	**9**	**124**	**1,522**	**14**
Eni associates and jointly controlled companies	28	1	-	-	-	78	-
Total Eni companies	**568**	**153**	**5,339**	**9**	**124**	**1,600**	**14**
Entities controlled or owned by the State	**49**	**61**	**-**	**-**	**7**	**155**	**-**
Pension funds: FOPDIRE	**-**	**-**	**-**	**-**	**2**	**-**	**-**
Total transactions with related parties	**760**	**406**	**5,489**	**13**	**326**	**1,935**	**14**
Overall total	**3,286**	**5,280**	**7,307**	**2,606**	**6,667**	**12,256**	**177**
Incidence (%)	**23.13**	**7.69**	**75.12**	**0.50**	**4.86** (2)	**15.79**	**7.91**

(1) The item 'Services' includes costs for services, costs for the use of third-party assets and other costs.
(2) Incidence 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 31 'Guarantees, commitments and risks', Note 32 'Net sales from operations', Note 33 'Other income and revenues' and Note 34 '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. Revenues from Eni associates and jointly controlled entities, which amounted to €78 million, principally related to €46 million from Petrobel Belayim Petroleum Co and €28 million from InAgip doo. Receivables from Eni associates amounted to €28 million, of which €20 million from Petrobel Belayim Petroleum Co.
Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group and Ferrovie dello Stato.
Other transactions consisted of the following:

	Dec. 31, 2012		Dec. 31, 2013	
(€ million)	Other receivables	Other payables	Other receivables	Other payables
Eni SpA	203	86	219	108
Banque Eni SA	4	3	7	6
Total transactions with related parties	**207**	**89**	**226**	**114**
Overall total	**562**	**96**	**536**	**121**
Incidence (%)	**36.83**	**92.71**	**42.16**	**94.21**

Financial transactions

Financial transactions as of and for the year ended December 31, 2012 consisted of the following:

(€ million)

	Dec. 31, 2012		2012		
Name	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	2,183	13,116	(50)	-	55
Banque Eni SA	-	385	-	-	17
Eni Finance International SA	3,072	-	(55)	1	-
Serfactoring SpA	10	-	(4)	-	-
Super Octanos CA	-	-	-	1	-
Total transactions with related parties	**5,265**	**13,501**	**(109)**	**2**	**72**

(1) Shown on the balance sheet under 'Short-term debt' (€1,523 million); 'Long-term debt' (€3,343 million) and 'Current portion of long-term debt' (€399 million).

Financial transactions as of and for the year ended December 31, 2013 consisted of the following:

(€ million)

	Dec. 31, 2013		2013		
Name	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	2,231	11,457	(61)	-	(46)
Banque Eni SA	-	393	-	-	(2)
Eni Finance International SA	3,469	-	(65)	-	-
Eni Trading & Shipping	-	-	-	1	-
Ferrovie dello Stato	-	-	-	10	-
Serfactoring SpA	14	-	(2)	-	-
Total transactions with related parties	**5,714**	**11,850**	**(128)**	**11**	**(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 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, 2012			Dec. 31, 2013		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	1,740	1,523	87.53	1,899	1,698	89.42
Long-term debt (including current portion)	3,943	3,742	94.90	4,217	4,016	95.23

	2012			2013		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	346	2	0.58	656	10	1.52
Finance expense	(575)	(109)	18.96	(798)	(128)	16.04
Derivatives	74	72	97.30	(48)	(48)	100.00
Other operating income (expense)	-	-	-	1	1	100.00

The main cash flows with related parties were as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Revenues and other income	2,172	1,949
Costs and other expenses	(181)	(339)
Finance income (expenses) and derivatives	(35)	(165)
Change in trade receivables and payables	(137)	417
Net cash flow from operations	**1,819**	**1,862**
Change in financial payables	1,298	449
Net cash flow from financing activities	**1,298**	**449**
Total cash flows with related parties	**3,117**	**2,311**

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, 2012			Dec. 31, 2013		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Cash provided by operating activities	224	1,819	812.05	426	1,862	437.09
Cash used in investing activities	(1,012)	-	-	(505)	-	-
Cash flow from financing activities (*)	1,419	1,298	91.47	525	449	85.52

(*) Cash flow from financing activities does not include dividends distributed, net purchase of treasury shares or net capital contributions by minority shareholders.

Information on jointly controlled entities

Information relating to jointly controlled entities consolidated using the proportionate consolidation method is as follows:

(€ million)	Dec. 31, 2012	Dec. 31, 2013
Capital employed, net	(87)	(97)
Total assets	441	366
Total current assets	360	296
Total non-current assets	81	70
Total liabilities	386	348
Total current liabilities	365	328
Total non-current liabilities	21	20
Total revenues	710	506
Total operating expenses	(660)	(531)
Operating profit	50	(25)
Net profit (loss) for the year	35	(25)

45 Significant non-recurring events and operations

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

46 Transactions deriving from atypical or unusual transactions

In 2012 and 2013, no transactions deriving from atypical and/or unusual transactions were reported.

47 Events subsequent to year end

Information on subsequent events is provided in the section 'Directors' Report'.

48 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, 2013:

- funds in two current accounts (ref. Note 1) (equivalent to €80 million at December 31, 2013) are currently temporarily frozen;
- trade receivables (ref. Note 3) at December 31, 2013 totalled €249 million, of which receivables past due, but not impaired, amounting to €171 million (€99 million from 1 to 3 months past due, €1 million from 3 to 6 months past due, €22 million from 6 to 12 months past due and €49 million more than one year past due);
- work in progress (ref. Note 4) on projects under execution amounted to €147 million;
- deferred income and advance payments (ref. Note 15) totalled €90 million and €31 million, respectively;
- provisions for future losses (ref. Note 20) for projects under execution amounted to €6 million;
- guarantees (ref. Note 31) on projects under execution totalled €716 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, 2013 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, 2013 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 2013 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, 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 14, 2014

Umberto Vergine
CEO

Alberto Chiarini
Chief Financial Officer and Compliance Officer

Independent Auditors' Report

EY
Building a better working world

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

Tel: +39 02 722121
Fax: +39 02 72212037
ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 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, 2013, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flows 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 of the prior year are presented for comparative purposes. As described in the explanatory notes in the paragraph "Restatement of Financial Statements at December 31, 2012", Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated April 3, 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated Financial Statements as of December 31, 2013 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Saipem Group at December 31, 2013 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.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

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 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, 2013.

Milan, April 8, 2014

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

Addendum - Sustainability Performance 2013

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 in accordance with the recommendations of GRI and supplements the information disclosed previously in sections of the Annual Report and through other tools used to report on the year's performance, as detailed in the chapter 'Methodology, criteria and principles of reporting'.

Index

Organisational profile

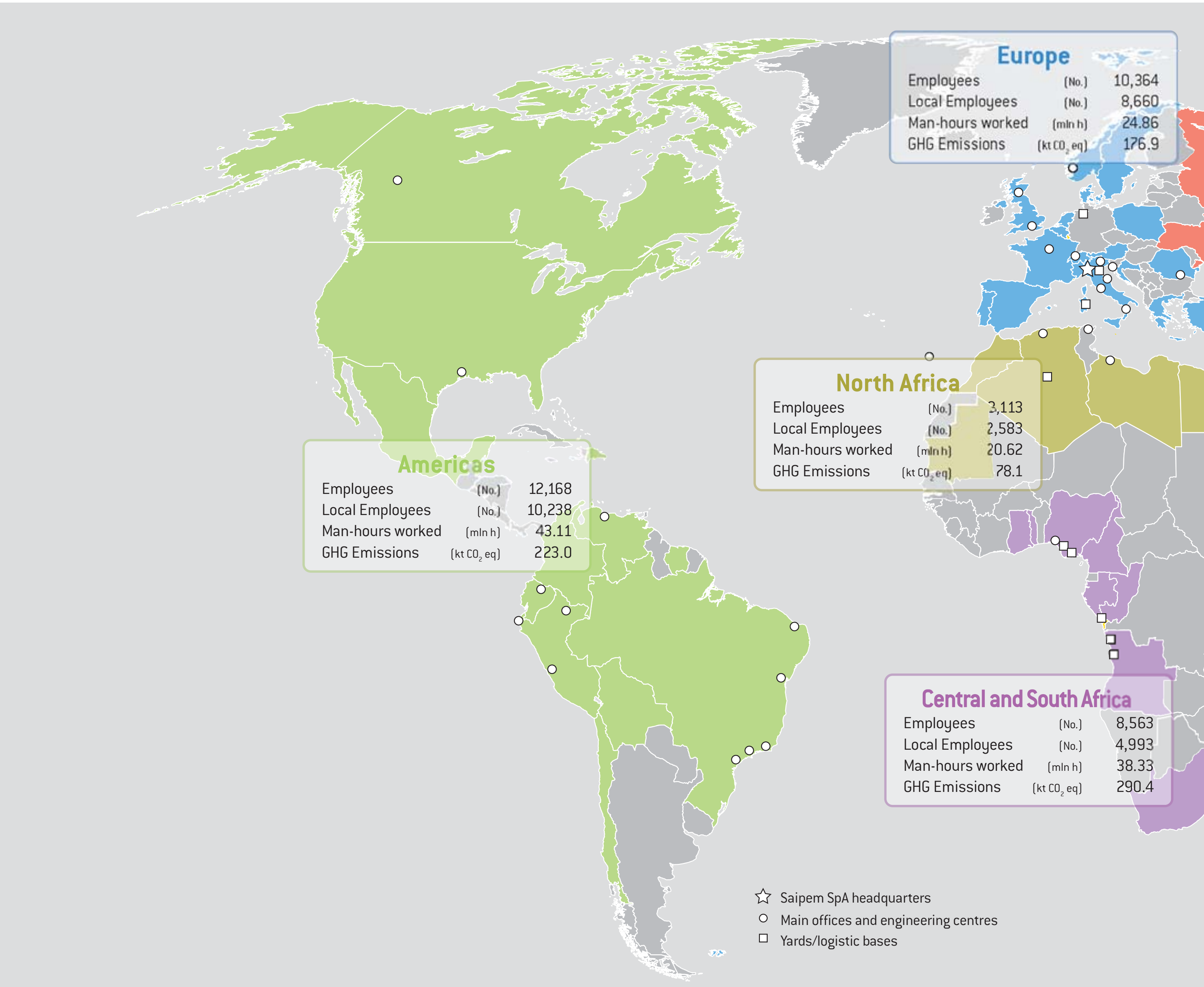
Ref. GRI 2.1-2.10

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 an excellent competitive position in terms of 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 technologically complex and difficult projects, including activities in remote areas, in deep waters and on projects that involve difficult gas or crude supplies. The drilling services offered by the Company stand out and are provided in many of the most critical areas of the oil industry, often thanks to synergies between the 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 42.91% 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.
In order to align the organisational model with the evolution of business, in 2013 a sole Chief Operating Officer was appointed to ensure integrated management of all business activities. The organisational structure resulting from the integration of the Engineering & Construction and Drilling business units is characterised by the following elements:

- four units, Onshore, Offshore, Drilling and Floaters, focusing on the development of different products and in charge of defining and implementing strategies at global level;



- eight Regional Managers, representing Saipem in the geographical area assigned and responsible for integrated promotion of business and optimisation of Local Content;
- central functions - 'Commercial', 'Tendering', 'Engineering, Technologies and Commissioning' and 'Project Management', which have a worldwide cross-product steering, coordination and control role.

2013 in numbers

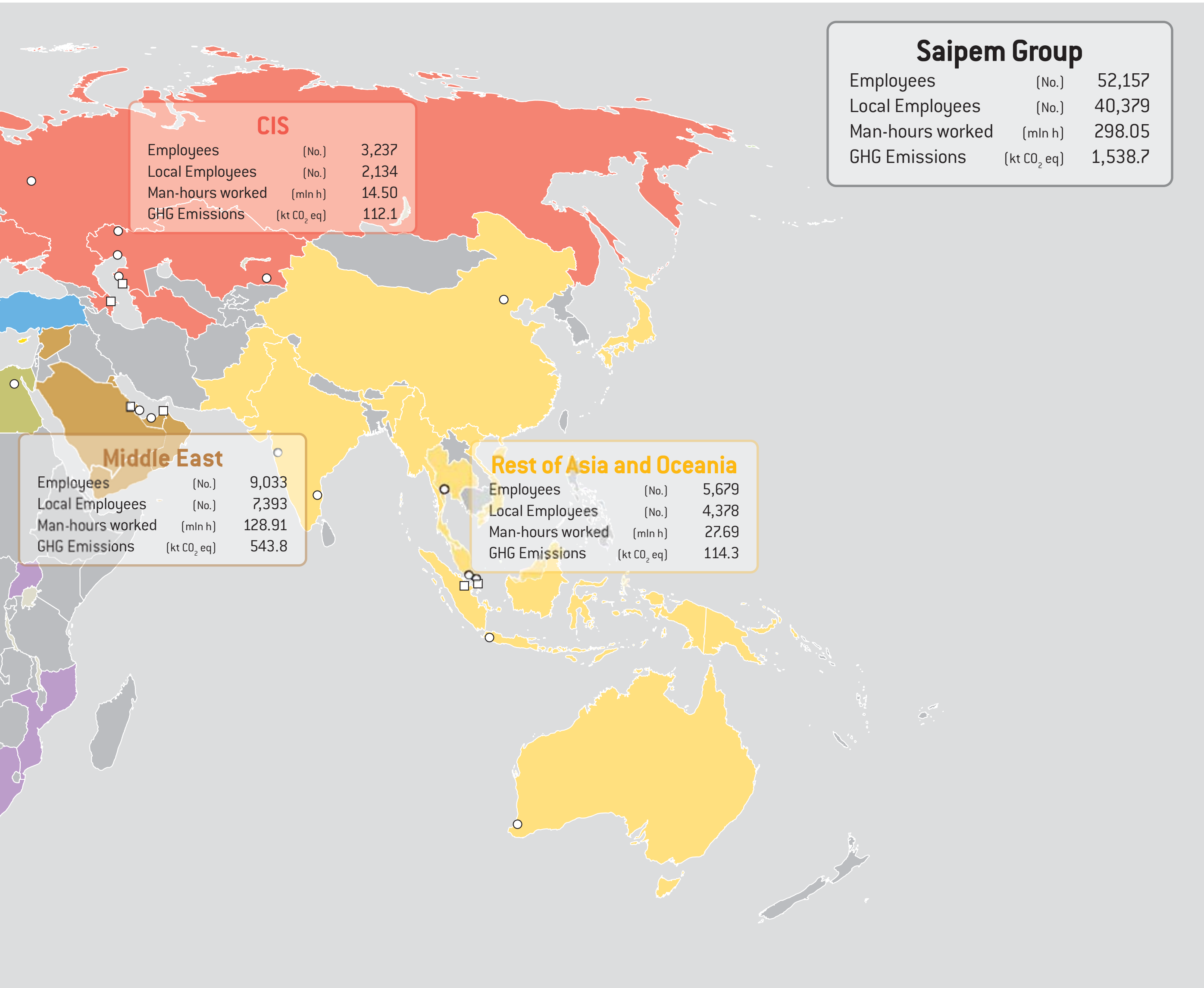
In 2013, Offshore Engineering & Construction work involved the laying of 1,106 km of pipeline and the installation of 206,959 tonnes of plant and equipment. As regards Onshore Engineering & Construction, on the other hand, work included the laying of 433 km of pipelines of varying diameter and the installation of 178,252 tonnes of plant and equipment.
Offshore Drilling comprised the drilling of 127 wells, totalling 201,037 metres drilled, whereas Onshore Drilling comprised 373 wells, totalling approximately 820,872 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 2012 dividend payments.
(2) Includes 1,939,832 treasury shares with no dividend entitlement.

Backlog by geographical area	(%)
Europe	17
CIS	5
Middle East	19
Americas	15
North Africa	4
Central and South Africa	32
Rest of Asia and Oceania	8



Commitments, results and objectives

Ref. GRI 1.2

Commitments	2013 Results	2014-2017 Goals
Safety		
Ensure the safety of everyone who works for Saipem	- OHSAS 18001 certifications confirmed for Saipem SpA and another 18 companies and branches in the Group - Updated HSE Italy training protocols - Targeted initiatives at continuous improvement in the Emergency Management system, involving emergency officers in special courses dealing with operational, psychological and behavioural aspects in the event of an emergency - Further developed software dedicated to improving Company and operational HSE processes. Indeed, the use of the software applications Corinth (for managing the HSE audit process) and Nike (for managing and standardising Personal Protective Equipment) has been consolidated - Further implemented the LiHS programme and adapted it to more local operational realities. Engagement is ongoing and involves all levels of the Company	- Ensure that HSE risk management is adequately assessed and that appropriate mitigation measures are taken into consideration - Classify companies/branches by risk cluster and obtain OHSAS 18001 certification for those with a significant risk profile - Reduce workplace accidents and at the same time launch the 'We want zero' campaign, an initiative which aims to reduce fatal accidents to zero - Issue international HSE Training protocols - Continue the process for standardising HSE training delivered in the Saipem Group - Continue and expand the LiHS 'Leading Behaviours' campaign - 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	- Continued dissemination of the 'Pre-Travel Counselling' programme for all personnel travelling abroad. The health protocols and pre-travel training also underwent validation on the part of the Institute of Occupational Medicine at the Università Cattolica in Rome - Launched the 'Sì-Viaggiare' app with the Health Manual for the travelling worker. Available for Apple and Android operating systems - 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 - Launched the 'Choose Life' programme to promote a healthy lifestyle - Introduced new programmes such as the 'Weight Control and Obesity Prevention Programme', and the 'Don't take my breath away - Stop Smoking Campaign'	- Continue the 'Choose Life' campaign to promote a healthy lifestyle - Promote the H-Factor campaign and extend it to other operating companies and branches - Continue programmes for the prevention of cardiovascular diseases - Ensure ongoing training for medical personnel, providing specialist courses such as ATLS (Advanced Trauma Life Support) - Continue to spread the 'Pre-Travel Counselling' programme for all personnel travelling abroad and update thereto in line with international health alerts - Continue to monitor Health Performance Indicators (HPI) - Strengthen the implementation of telemedicine programmes and monitor their correct use - Continue health promotion programmes targeted at local communities
Personnel development		
Develop the skills and competences of human resources and improve both the work environment and the HR management system	- Continued the Synergy Project (Progetto Sinergia) for greater consistency between technical know-how and its application in the Company - Monitored and controlled the main 'critical' management phenomenon, such as overtime, working hours and absenteeism - Held the 'Share and Shape' event involving around 400 young resources who could submit their proposals for improvement to Top Management. Some of these will in fact be implemented beginning 2014 - Started up a project to improve identification and monitoring of critical resources - Continued training and career programmes to replace expatriates with local personnel - Completed a feasibility study to identify quantitative objectives targeted at increasing the percentage of women on the Boards and Compliance Committees of companies in the Saipem Group - Collaborated with local universities 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 - Update employee engagement analysis - Continue the Synergy Project (Progetto Sinergia) - Take specific actions for the internal communication of HR management and development policies - Develop actions in support of female employment by increasing the presence of women candidates at all levels, improving the quality of their working conditions and adopting welfare tools - Implement monitoring policies on compensation and staff turnover

Commitments	2013 Results	2014-2017 Goals
Security		
Ensure the security of Saipem's people and vessels	- Issued the 'Project Security Risk Analysis Process' criteria - Held the first training session on human rights issues targeted at security personnel - In line with legal compliance indications, continued to diffuse the Internal Control Model to all hierarchical levels in Italy and abroad, with the delivery of e-learning courses on Legislative Decree No. 231/2001 (corporate liability) and security issues	- Expand the number of contracts with companies supplying security services that include clauses on human rights - Design and deliver a training course on human rights for security personnel
Environment		
Manage and minimise environmental impact in the life cycle of operations and improve environmental performance	- Carried out energetic assessments on office buildings, in compliance with ISO 50001:2001 standard 'Energy management systems' and took part in the project for the development of an energetic assessment of the Saipem 7000 - Developed plans for the management of accidental spills on all sites and projects, along with training of staff involved in impactful activities and carried out periodic drills - Obtained ISO 14001 certification for drilling activities - Diffused the initiative 'Reduce your Foodprint' linked with World Environmental Day and targeted at waste reduction - Reviewed control standard 231 on the environment - Organised the course 'Train the trainer' targeted at international HSE personnel identified as potential environmental trainers	- Continue ongoing monitoring of environmental performance and impacts - Carry out an energetic assessment on several assets (among which onshore rigs and water treatment plants) and office buildings to identify critical areas and propose corrective actions with a view to increasing energy efficiency - Draft a corporate procedure on the management of biodiversity and promotion of the Saipem Group's biodiversity management best practices - Promote initiatives to save on raw materials and develop guidelines for the diffusion of best practices regarding the use of water - Review corporate procedures in compliance with Legislative Decree No. 231 dated June 8, 2001, which nowadays also includes environmental crimes
Local Areas and Communities		
Improve and consolidate local stakeholder relations and contribute to the socio-economic development of the local context	- Held an in-house workshop with sustainability officers to standardise and improve tools for mapping and analysing stakeholders and local contexts - Consolidated activities for the monitoring of local community initiatives and stakeholder relations - Implemented the model for assessing the economic impacts of the Local Content strategy on Saudi Arabia, Indonesia and Australia and updated the analysis for Nigeria - Continued the auditing programme on 24 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 - 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 Algeria) - 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 Nigeria and Colombia	- 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 - Reinforce processes for monitoring local community initiatives - Continue to produce 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 - Continue with actions to increase the share of local procurements including by means of initiatives to support qualification of local vendors

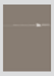
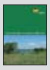
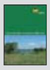
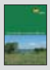
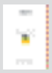
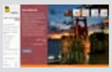
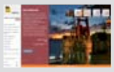
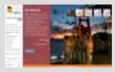
Commitments	2013 Results	2014-2017 Goals
Clients		
Improve the quality of services offered, including in relation to sustainability issues that are of interest to the Client	- Held specific meetings on sustainability issues with different Clients - Engaged and collaborated with a Client with a view to producing an economic impact assessment study for a project in Australia and a study on the value generated by ecosystem services in the framework of said project	- 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
Governance		
Maintain and reinforce a governance system that is capable of meeting Saipem's business challenges in a sustainable way	- Training (e-learning and in the classroom) carried out in Italy and abroad on the themes of anti-corruption, Model 231 and the Code of Ethics - Updated Saipem SpA's Model 231 to implement crimes introduced into Legislative Decree No. 231/2001 by Law No. 94, Law No. 99 and Law No. 116 of 2009 - Training and a refresher courses for members of Compliance Committees - Commencement of checks on and updates necessary to several procedures	- Update Saipem SpA's Model 231 to include the environmental crimes introduced by Italian Legislative Decree No. 231/2001 and by Law No. 190 of November 6, 2012 - Revise and update anti-corruption procedures - Training (e-learning and in the classroom) in Italy and abroad on the themes of anti-corruption, Model 231 and the Code of Ethics - Training and continuous updating of 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

Beginning in 2011, the Group's sustainability indicators and, more generally, its sustainability performances, have been reported in the form of an Addendum. The Addendum acts as a supplement to the document 'Saipem Sustainability', which deals with themes deemed to be 'material' for Saipem and its stakeholders and describes the measures and initiatives implemented to achieve the targets set.

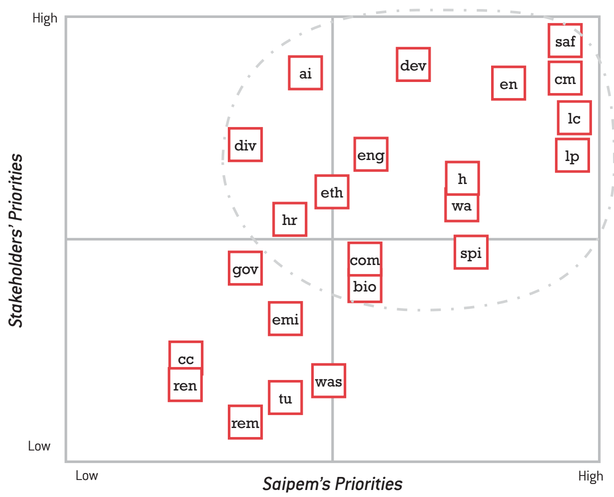
Both documents are an integral part of Saipem's sustainability performance reporting and communication system which consists of a series of tools designed to convey information on sustainability performance to all stakeholders in an exhaustive and efficient way.

Communication Tools	Financial Stakeholders	Clients	Internal Stakeholders	Local Stakeholders
Saipem Sustainability 2013				
Addendum: Sustainability Performance				
Country & Project Reports				
Fianancial Statements 2013, Corporate Governance, Code of Ethics				
Annual leaflets, posters and internal newsletters				
Sustainability on the Web and interactive Reports				
iPad Application				

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.
In order to define the sustainability themes considered most significant, both within the Company and in relation to stakeholders, a materiality analysis was once again carried out in 2013.

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 an analysis of the priorities of Saipem's stakeholders (Clients and financial stakeholders).
In order to simplify analysis and comparison of results, the 23 themes identified were broken down into 8 macro categories.



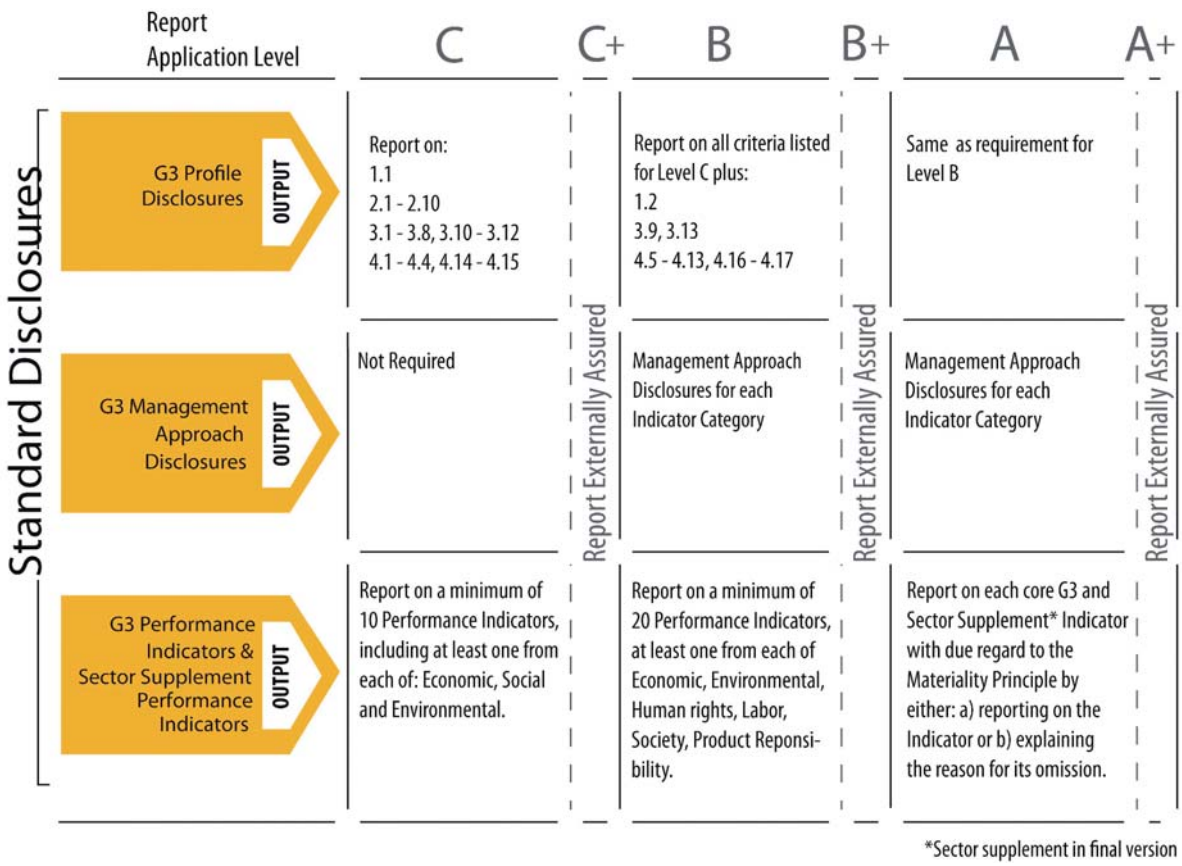
Local employment	**le**	Development & training	**dev**
Local procurement	**lp**	Trade unions	**tu**
Health	**h**	Engagement and community	**eng**
Safety	**saf**	Community initiatives	**com**
Contractor management	**cm**	Approach to ethics	**eth**
Asset integrity and emergency management	**ai**	Human rights & labour conditions	**hr**
Energy	**en**	Sustainability governance	**gov**
Water	**wa**	Sustainability-linked remuneration	**rem**
Biodiversity	**bio**		
Spills	**spi**	Approach to climate change	**cc**
Waste	**was**	Air emissions	**emi**
Diversity	**div**	Renewables	**ren**

The level of internal significance was validated by the Sustainability Committee on a proposal from the Sustainability function, with due regard for the Company's principles and values, its business strategy and objectives, as well as the skills and distinctive factors for which it stands out in its market segment.
The level of external interest was surveyed by combining (a) a sustainability benchmarking analysis of the Company's main Clients with (b) the results of the requests and interests that the various stakeholders considered in the analysis submitted to Saipem in the reporting year and (c) the results of a frequency and relevance analysis with which the topics dealt with appear in the questionnaires of financial analysts and rating agencies.
The materiality of topics is given by the nexus of the levels of internal significance and external interest. For the first time, results of this analysis were submitted to a panel of external experts in order to receive preliminary feedback before drafting of the Report.
A more detailed description of this event can be found on page 6 of 'Saipem Sustainability 2013'.
Selection of the 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 geographical areas in which the Company has a more significant impact and to key initiatives.

Reporting scope

In order to facilitate reader comprehension of performance trends 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 2011-2013.
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, intangible companies and subsidiaries that do not produce significant effects are not included in the reporting perimeter. In some cases, for some HSE indicators deemed particularly important for the Company's business, subcontractors and vendors working on the Company's operative projects are included in the Report. Any exceptions are reported in the document with reference to the specific indicator.
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 all operations in which Saipem SpA or one of its subsidiaries exercises operational control.
Exceptions to the above criteria are expressly indicated in the text, as are any changes to the indicator calculation methodologies, without this in any way affecting the general commitment to maintain consistency in both the information and the data reported in previous editions.
Reporting is subject to limited controls by the same, sole independent auditor used for the Annual Report, in which this Addendum is included, and for the document 'Saipem Sustainability 2013'.

In relation to the Guidelines of the Global Reporting Initiative (version G3.0), for the present document Saipem declares an application level of B+.



Governance, commitment, stakeholder involvement

Ref. GRI 4.1-4.17

Saipem is committed to maintaining and reinforcing a system of Governance that is in line with the standards of international best practices and is suited to the complexity of the Company's make-up. A brief description of the Company's governance structure is given below. Further details are available in the document 'Corporate Governance and Shareholding Structure Report 2013' [CGR 2013], in the 'Compensation Report', in the Code of Ethics and in the Governance section of the Company's 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 the responsibility of 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 current Board of Directors is made up of 9 members, of whom 8 are non executive and 6 are independent. 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

Communications with shareholders are ensured by the manager of the Secretary's Office and any information that is of interest to them is made available on the Saipem website or can be requested via e-mail by writing to: segreteria.societaria@saipem.com.
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, the market and the 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 local magazines.
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 and prevents any form of retaliation – 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.).

Compensation

Compensation of the CEO and of Senior Managers with strategic responsibilities comprises a fixed component and an annual variable 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 'Compensation 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 applied universally throughout Group operations. Compliance with the law, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, is a 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. The Code of Ethics clearly defines the values that Saipem recognises, accepts and shares, as well as the responsibilities the Company assumes towards internal and external parties.

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.

Board review

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 it deems 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 report on the year's sustainability performance, which is subsequently approved formally by the Board of Directors concurrently with the Annual Report.

Risk management

Having consulted with the Audit and Risk Committee, on July 30, 2013 the Board of Directors approved the 'Principles of Integrated Risk Management'. The Integrated Risk Management (IRM) process, characterised by a structured and systematic approach, requires that the risk principles be 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 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 with international best practices, the Model follows an organic and concise vision of the risks to which the Company 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. To this end, 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. Roles and responsibilities under the risk governance model are divided into three separate levels of control;
(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.

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.

Stakeholder relations Ref. GRI 4.14-4.17

The methods adopted by the Company to identify, map and engage with stakeholders locally are described in the document 'Saipem Sustainability 2013'. The main stakeholder engagement activities carried out in 2013 are outlined below.

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. Shareholders are mainly involved through interfacing with the Company Secretary function. In 2013, management met the financial community during 17 Road Shows held in the main stock exchanges and at 5 financial conferences.
In 2013, Saipem provided a number of informative sustainability documents to EIRIS, VIGEO, Financière de l'Echiquier, Global Sustainability Rating, the Ethical Council and Storebrand. 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 Clients, who are 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 significant 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 2013, Saipem held numerous meetings with Clients to involve them in its sustainability strategy in South America, Canada, Saudi Arabia, Australia and Azerbaijan.
The Company also cooperated with Qatar Petroleum on the 'Sustainable Development Industry (SDI) Reporting Qatar'.

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 2013'. 2013 saw analysis of the results of the engagement survey launched at the end of 2012. This was targeted at Senior Managers, Middle Managers and Office Staff of Saipem SpA and Saipem UK Ltd. 6,292 employees were invited to take part in this survey, 75% of whom took up the invitation.
The overall result of Engagement in Saipem is 53%. The key questions of the survey were with reference to three behaviours: 'Say, stay, strive'.
Around 400 young resources aged between 28 and 35 and with international experience of 3 to 5 years were subsequently involved and given the opportunity to submit some of their proposals to Saipem top management.
In Angola, employees, along with their spouses, partners and children, participated in the Little LiHS workshop. Personnel engagement and training activities on sustainability themes continued throughout 2013 with the organisation of thematic seminars and specific meetings with managerial functions.

Local communities

As described in the document 'Saipem Sustainability 2013', 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 2013. 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 for success 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 2013').

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 and AIDS in the Congo and Nigeria, as well as with environmental protection bodies in the Congo and Kazakhstan. In 2013, 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 Algeria, Kazakhstan, Italy, the Congo, Indonesia, Azerbaijan and Colombia in this regard.

Local organisations and NGOs

Saipem collaborates with organisations or NGOs, above all at local level, and at times through specific partnership agreements, with the aim of implementing community initiatives tailored to the area's specificities and main problems. Cooperation with local NGOs is for the most part in the Congo and in Kazakhstan and is targeted at conducting studies and implementing initiatives of a local nature.
Cooperation with the NGO Eurasia Foundation of Central Asia (EFCA) in Kazakhstan proceeded in 2013 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. In Colombia, the Company cooperated with a number of local NGOs to increase awareness on environmental issues.

Vendors

Relations with vendors are discussed in the document 'Saipem Sustainability 2013', where the selection and assessment processes are described. At local level, specific initiatives for vendor involvement are constantly ongoing. These aim to improve the quality of supplies and to encourage vendors to comply with Saipem's quality, health and safety, environmental and social requirements. In this regard, meetings were held most especially with vendors in India, China and Brazil. In Kazakhstan, vendors were involved in initiatives for local communities. Forums targeted at vendors in Venezuela, Nigeria, Brazil and Colombia were organised in 2013, as were training courses in Azerbaijan and Nigeria. The Company supported Aboriginal companies in Australia and Canada through a variety of initiatives. Finally, it is worth mentioning the meetings organised periodically with vendors with whom strategic agreements have been signed.

Disclosure on management approach

The management approach to sustainability issues pursuant to the Guidelines of the Global Reporting Initiative, version G3.0, is described below. All documents mentioned are available on the Company website www.saipem.com.

Economic performance

Saipem is an international Oil&Gas contractor whose revenues in 2013 totalled €12 billion. The Company has in excess of 52,000 employees and is present in more than 70 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 2013' and in the chapter 'Developing long-term competitiveness' of 'Saipem Sustainability 2013'.

Environment

For Saipem, supplying excellent products and services goes hand in hand with its commitment to environmental protection. Saipem has defined an HSE management system that constitutes a benchmark for all productive units and that requires 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, each operating project is specifically assigned an HSE team. Reducing environmental impacts to a minimum is an objective found along the entire life cycle of a project, from engineering phase through to de-commissioning. 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 'Minimising environmental impacts' of 'Saipem Sustainability 2013', in the Directors' Report contained in the 'Annual Report 2013', 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 competences, 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 'Competency as a business driver' and 'A safe workplace and a healthy workforce to ensure excellence' of 'Saipem Sustainability 2013', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2013' 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, in the chapters 'Competency as a business driver' and 'Local Content approach: delivering shared value' of 'Saipem Sustainability 2013', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2013' 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 countries in which it operates. 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 minimising impacts on local populations and areas, Saipem has implemented specific tools to analyse the local context and identify areas of intervention and lines of action. As regards relations with local areas, Saipem avails of a process for identifying the main stakeholders, as well as the means for involving them in a way conducive to constructive and ongoing dialogue.

Further information can be found in the Sustainability policy, in the chapters 'Partnering with local communities' and 'Local Content approach: delivering shared value' of 'Saipem Sustainability 2013', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2013' and in the section 'Commitments, results and objectives' of this Addendum.

Responsibilities for products

Customer satisfaction is a key factor of sustainable business. Quality and HSE management systems have been implemented on each Saipem project to realise quality products and services and to perform 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 'A safe workplace and a healthy workforce to ensure excellence' of 'Saipem Sustainability 2013', in the Directors' Report contained in the 'Annual Report 2013' 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)	2011	2012	2013
Employee payroll and benefits	1,750	2,041	2,320
Research and development costs	12	15	14
Dividend distribution	319	330	375
Operating expenses	9,388	9,832	9,775
Net sales from operations	12,593	13,369	12,011
Income taxes	392	393	106
Seniority bonus schemes	3.867	5.456 (*)	5.871

(*) On June 16, 2011 the merger by incorporation of the subsidiary Saipem Energy Services SpA was approved. The accounting and tax effects started at 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 has decided to support 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 new 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 first cycle of risk assessment which analysed a four-year time frame, on December 23, 2013 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 2013.

Market presence (EC6-7)

Policy, practices, and proportion of spending on locally-based vendors at significant locations of operations.

		2011	2012	2013
Project-based orders placed with local vendors	(%)	56	52	51
Local employees	(No.)	33,688	37,285	40,379
	(%)	76	77	77
Local managers	(%)	46	42	43

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.
In 2013, out of a total of €9,066,450,601 of orders, excluding €1,598,637,932 for investments in corporate assets and staff expenses, €3,818,735,211 were ordered from local suppliers. An order is only considered local when the supplier is from the same State as the project for which the order is made. The number of local staff amounted to 40,379 (77.42%) in 2013 compared to 37,285 (76.94%) in 2012, and the percentage of local managers grew by 1%. Further details on initiatives implemented in 2013 are available in 'Saipem Sustainability 2013', in the chapter dedicated to Human Resources in the Annual Report 2013, and in the 'Sustainability' section of the Company website.

Indirect Economic Impacts (EC8-9)

(€ million)	2011	2012	2013
Expenses for initiatives targeting local communities	1.898	2.126	2.066

In 2013, Saipem worked through its operating companies to strengthen relations with local stakeholders, both through direct involvement as well as through studies and analyses designed to provide an understanding of the needs of local areas, and to enable planning of interventions. The focus on training (at a cost of €713,000), socio-economic development and promotion of Local Content (at a cost of €757,000) was thus 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 2013, the model was updated for Angola and Nigeria to take current operating activities into account. It was also expanded in Indonesia and implemented in Saudi Arabia, and the results of this have been 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 document 'Saipem Sustainability 2013'.

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). Therefore, from both an economic and environmentally responsible perspective, raw materials fall under the scope of work.
In order to ensure the identification and evaluation of the environmental aspects of offices, since January 2013 the collection of environmental data has also included the paper consumed.
The results will be taken into account by Saipem in order to set goals for each site that has provided this information. In 2013, a total of 212.83 tonnes of paper were purchased. The data was monitored in Paris, San Donato Milanese, Fano, the Saipem SpA Office and Welding Workshop of the Croatian Branch at Rijeka, two office buildings in Rome, Vibo Valentia, the Arbatax Yard and the office of Saipem Contracting Algérie SpA. In 2014, the number of monitored sites will increase with the addition of offices in the UK, Indonesia, the United Arab Emirates and India.
It should be noted that Saipem SA rolled out an initiative to reduce waste from office printing, drafting a 'Copying and Printing Charter' available in both English and French. This was sent to all employees of Saipem SA to increase their awareness of waste minimisation. Saipem SA also uses a specific software called 'Watchdoc' to monitor the consumption of paper, by paper and print type, for each printer. With this information as its basis, a report was drawn up to show the costs sustained and the savings achieved.

Energy and Emissions (EN3-6, 16, 18, 20)

		2011	2012	2013
Direct energy consumption				
Natural Gas	(ktoe)	1.2	1.4	0.95
Heavy Fuel Oil (HFO)	(ktoe)	6.0	3.2	-
Intermediate Fuel Oil (IFO)	(ktoe)	21.9	8.6	28.27
Light Fuel Oil (LFO)	(ktoe)	7.0	24.3	32.35
Diesel	(ktoe)	320.4	386.0	368.16
Diesel Marine Oil	(ktoe)	102.6	129.1	158.79
Gasoline	(ktoe)	5.8	5.6	6.05
Indirect energy consumption				
Electricity consumed	(GWh)	242.8	155.9	121.24
Renewable energy				
Electricity produced from renewable sources	(MWh)	297.3	271.7	266.31 (*)
Total direct and indirect greenhouse gas emissions				
Direct GHG emissions	(kt CO_2 eq)	1,320.9	1,542.6	1,538.7
Indirect GHG emissions (scope 2)	(kt CO_2 eq)	120.1	69.7	54.0
Other significant emissions				
SO_2 emissions	(kt)	4.0	4.2	4.4
NO_x emissions	(kt)	22.4	26.2	25.8
CO emissions	(kt)	9.0	10.7	11.1
PM emissions	(kt)	-	0.7	0.7
NMVOC emissions	(kt)	-	1.0	1.0

(*) 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.

Gasoline consumption in 2013 increased by 8%, mainly due to the consumption levels of the 'Etihad Railway' project, which, on account of the specificities of the activities, requires several cars to be travelling constantly along the railway line. The long voyages of some vessels (including the Normand Cutter, from Brazil to China) explain why Marine Diesel Oil consumption increased by 23%. In addition, the Scarabeo 8 and 9, the two new offshore drilling rigs, started activities at full capacity and this also influenced the increase. It should be noted that Heavy Fuel Oil (HFO) was not used in 2013, since the characteristics of certain geographical areas meant that some offshore vessels used other types of fuel. In the year of reporting, the Saipem 7000, the vessel which in 2012 was the largest user of HFO, was deployed in the North Sea and, therefore, has only used Light Fuel Oil (LFO), in accordance with local regulations. Consumption of electricity was down in the three-year period 2011-2013 from 242.8 to 121.24 GWh. The main explanation for this is the conclusion of the Qafco V project, which had required considerable quantities of energy.

Saipem has developed a number of initiatives with the aim of increasing energy efficiency. The strategy consists of analysing the assets and, subsequently, implementing technical solutions together with training and awareness-raising initiatives.

As regards activities on the vessels, Saipem is continuing its plan to create an SEEMP (Ship Energy Efficiency Management Plan), a tool for managing the environmental performance of the Company's fleet (excluding drilling rigs), by 2015. This plan, provided by the International Convention for the Prevention of Pollution from Ships (MARPOL - annex VI), is specific to each vessel. To date, the SEEMP has been implemented on 17 vessels. The main actions proposed include the use of more energy-efficient lighting, maximisation of the efficiency of air conditioning, the adoption of higher capacity engines (which should lead to the use of a smaller number of engines), and improvements in voyage planning. The goal for 2014 is to reduce fuel consumption by 3-4% for these assets.

2013 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. During 2013, the software was applied to Castorone, FDS, FDS 2, Castoro Sei and Castoro Otto. Total savings amounted to 233 tonnes of fuel, with a total of 732 tonnes of CO_2 also saved. Moreover, for the purposes of increasing the energy efficiency of vessels, an energy assessment of the Saipem 7000 was conducted in 2013. The measures proposed are the installation of economisers to recover heat from the flue gases of the 12 diesel generators, voyage optimisation, the use of electric heaters for preheating the engine (instead of heating through the steam), the use of software to optimise the energy consumption of PCs, the use of additives in fuels and, finally, replacement of transformers. The main energy consumption reduction initiatives for offices are as follows:

1) energy assessments of 3 office buildings in Italy were carried out in 2013 in order to identify critical areas and propose corrective actions. These fall into two different categories, the first relating to the insulation of buildings and the second covering the introduction of technological systems. At present, management is in the process of evaluating different initiatives proposed downstream of the energy assessment;

2) temperature regulation in the offices: programmable timers were installed in the Saipem Croatian Branch offices beginning July 2013 to adjust the air conditioning and heating. Compared to 2012, the monthly saving is about 8,500 kWh;
3) Green PC: 2013 has seen the continuation of the initiative to reduce power consumption when computers are not in use. To date, the 'PowerMan' software has been installed on around 7,000 PCs, enabling a saving of about 300 MWh.

Saipem is very committed to increasing the energy efficiency of its offices, because:
- in most cases, the Company has operational control of these assets;
- total energy consumption in offices is significant, representing 2.6% of toe consumed by the Company and, more specifically, 53% of the electricity supplied by the national grid and about 98% of the natural gas used altogether.

As regards the search for innovative solutions, Saipem has been studying a number of techniques to increase the energy efficiency of its facilities. At the moment, the Company is focusing on the reduction of energy waste, improving the efficiency of air cooling equipment in particular.
More details on these issues can be found in the chapter 'Minimising environmental impacts' of 'Saipem Sustainability 2013'.

Water (EN8, 10)

		2011	2012	2013
Total water withdrawal by source				
Total withdrawal of water, of which:	(10^3 m^3)	7,234.8	8,245.1	8,740.1
- fresh water/from waterworks	(10^3 m^3)	2,570.8	4,056.8	5,683.4
- groundwater	(10^3 m^3)	3,938.8	3,251.8	1,997.8
- surface water	(10^3 m^3)	86.6	221.3	218.4
- sea water	(10^3 m^3)	638.5	715.1	840.43
Recycled and reused water				
Reused and/or recycled water	(10^3 m^3)	303.9	1,024.8	1,788.2
	(%)	4	12	20

In 2013, water consumption reached 8,740.1 10^3 m^3 compared to 8,245.1 10^3 m^3 in 2012. Moreover, the percentage of reused water increased to 20% compared to 12% the previous year. There are two reasons for this:
- consumption levels on the Castorone, the Scarabeo 8 and the Scarabeo 9, which were fully operative in 2013;
- the requirements of the 'Shah Plant Project', which is one of the largest ever carried out by Saipem, and which had a significant impact on overall environmental performance (in 2013, the project totalled about 60 million hours worked compared to 40 million in 2012).

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.
In an effort to identify areas at high water risk, Saipem carries out a two-step assessment. In the first, once all operational sites have been identified, Saipem uses the Global Water Tool, Aqueduct and Maplecroft instruments to assess the water risk. 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. Downstream of the water risk assessment, Saipem will carry out a case study in 2014 on the management of the Company's water resources in which greater detail will be sought on the most affected water sources and the measures needed to reduce these impacts.

Biodiversity (EN11-12, 14)

Saipem considers biodiversity to be a significant issue 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. In this regard, a Corporate Standard Procedure will be drafted in 2014 to govern the biodiversity and define activities and responsibilities in relation to it.
The chapter 'Minimising environmental impacts' of 'Saipem Sustainability 2013' describes the process of identifying and managing any type of environmental impact and provides a concrete example with the 'Shah-Habshan-Ruwais' project for the construction of a railroad in the UAE.

Discharges (EN21)

(10^3 m)	2011	2012	2013
Total water discharge			
Total waste water produced, of which:	1,642.0	3,696.3	5,319.4
- water discharged into the sewer systems	-	400.4	616.1
- water discharged into bodies of surface water	-	572.8	1,543.7
- water discharged into the sea	-	480.3	750.7
- water discharged to other destinations	-	2,242.6	2,408.9

The increase in the total amount of water discharged has a twofold explanation: (i) the operational needs of the 'Shah Plan Project' and (ii) greater accuracy in the environmental reporting system.

Waste (EN22, 24)

(kt)	2011	2012	2013
Total weight of waste by type and disposal method			
Total waste produced, of which:	199.9	257.9	387.4
- hazardous waste disposed of in landfill sites	22.3	31.9	50.9
- incinerated hazardous waste	4.3	5.3	3.4
- recycled hazardous waste	4.3	13.9	7.8
- non-hazardous waste disposed of in landfill sites	134.6	171.5	282.8
- incinerated non-hazardous waste	11.2	4.0	6.0
- recycled non-hazardous waste	23.2	31.3	36.5

The Shah project has significantly influenced the production of non-hazardous waste.
It is important to note that hazardous waste is mainly disposed of locally through a third party company, with the exception of some waste incinerated onboard some of the main vessels. Saipem has implemented a number of initiatives at site level for the optimisation of waste management. One of these is the project to improve the division of waste and recovery of waste water, implemented in Saudi Arabia at the Dhahran base.

Spills (EN23)

		2011	2012	2013
Number of spills				
Total	(No.)	94	144	77
Spills of chemical substances	(No.)	-	19	21
Spills of oily substances into fresh water	(No.)	-	125	56
Volume of spills				
Total	(m^3)	656.45	5.4	67.2
Spills of chemical substances	(m^3)	-	1.6	62.7
Spills of oily substances	(m^3)	-	3.8	4.5

Saipem has changed its methodology for monitoring spills by separating the reporting of 'near misses' and spills under 10 litres from other spills for better analysis and classification of the incidents. These types of incident are, however, included in the environmental reporting system for optimal management of incidents.
In 2013 there were 7 spills larger than one m^3, including a 35.5 m^3 spill that happened on the Saipem 10000 drillship. Due to the emergency situation, the Master ordered a disconnection from the well and activated the Emergency Shut Down (ESD) procedure as well as the Emergency Quick Disconnect (EQD) for the Lower Marine Riser Package (LMRP). The consequence of the emergency disconnection of the LMRP was the leakage into the sea of 35.5 m^3 of oil based mud contained in the marine riser. Bad weather and a strong current contributed to the accident.
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'.

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 2013, 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)	2011	2012	2013
HSE investments	19.4	35.4	36.97
Expenses for integrated HSE management	31.7	39.7	38.55
Expenses for the environment	2.7	6.7	7.1

Working conditions and practices

Employment (LA1-3, 15)

(number)	2011	2012	2013
Total employees at year end, of which:	44,232	48,455	52,157
- Senior Managers	441	436	431
- Managers	4,696	4,857	4,954
- White Collar	20,382	22,148	22,849
- Blue Collar	18,713	21,014	23,923
Employees in countries outside Europe	33,822	37,322	41,793
Female employees	5,068	5,331	5,701
Employees with a stable work contract	17,679	18,025	18,662
Employees with full-time open-ended contracts	-	48,227	51,903
Termination of employment of key resources	2,918	3,541	4,581

In 2013 there was further growth 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 370 female employees (7%) and 3,332 male employees (8%). As regards employees who play what is considered a key professional role, these now account for 36% of the workforce, an increase of 3% compared to 2012.
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 'Competency as a business driver' of the document 'Saipem Sustainability 2013'.

Industrial Relations (LA4-5)

		2011	2012	2013
Employees covered by collective bargaining	(%)	55	48	50
Strikes	(hours)	-	-	61,477

The industrial relations model adopted has the primary objective of ensuring a fair and transparent Company/union relationship based on compliance with international conventions and the transnational agreements to which Saipem adheres. It also ensures optimal management of relations with the

employers' associations of the sector, institutions and public bodies. Whenever a major organisational change is expected, it is the practice of the Saipem Group to communicate the development to the trade union representative. 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.
Out of the 43,418 employees monitored, 21,628 are covered by collective bargaining agreements. It is important to bear in mind that Saipem operates in countries where there 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. In 2013, there were 61,477 hours of strikes of which 43,200 were in Algeria. In view of the impending conclusion of drilling operations in Algeria, in 2013 a detailed meeting was held with the union to define methods for handling redundancies. In May, a strike involving 243 employees lasted a total of 16 days. However, negotiations led to an agreement with the union covering the drilling sector.
More information is available in the Human Resources section of the management report of the 'Annual Report 2013' and in the chapter 'Competency as a business driver' of 'Saipem Sustainability 2013'.

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);
- regular meetings between the Company and workers' representatives.

In Italy, health, safety and environment are regulated by specific contract clauses and by the national labour contract. Specifically, the latter requires the appointment of worker representatives for the protection of the health, safety and environment of workers. This is done by election and the number of representatives is set by law and by the national labour contract. Furthermore, for some years now, Saipem has, in part, linked the provision of supplementary premiums to its safety objective indicators (for example the Safety Frequency Rate) as well as with profitability and productivity indicators.
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.

	2011	2012	2013
LiHS Programme			
Phase 1			
LiHS trained facilitators	12	24	19
Workshops performed	105	130	113
Number of participants in workshop phase 1	1,421	1,643	1,405
Phase 2			
Number of cascading events	80	126	87
Number of cascading participants	4,882	4,459	2,962
Phase 3			
Five Stars train the trainer	14	3	6
Number of Five Stars training courses	197	252	121
Number of Five Stars participants	2,064	2,373	1,329
Phase 4			
Number of Leading Behaviours Cascading events	757	265	86
Number of Leading Behaviours Cascading participants	26,928	9,639	4,291

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.

Safety in the workplace

		2011	2012	2013
Man-hours worked	(million hours)	329.54	321.99	298.05
Fatal accidents	(No.)	6	3	6
Lost Time Injuries	(No.)	96	99	71
Days lost	(No.)	4,447	5,625	3,611
Total Recordable Incidents	(No.)	427	342	344
Rate of absenteeism	(%)	-	-	2.2
LTI Frequency Rate	(ratio)	0.31	0.32	0.26
TRI Frequency Rate	(ratio)	1.30	1.06	1.15
Tool Box Talks	(No.)	585,957	781,401	925,017
Safety hazard observation cards	(No.)	519,768	575,611	701,329
HSE meetings	(No.)	41,757	45,287	45,376
Job Safety Analysis	(No.)	334,598	390,721	239,475
HSE inspection	(No.)	189,702	258,875	301,820

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;
- the LTIFR and TRIFR values are calculated on the basis of 1,000,000 hours worked, in compliance with the standards applied internationally in the industry, and include injuries involving both employees and contractor staff;
- 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.

More details on the safety performance can be found in the chapter 'A safe workplace and a healthy workforce to ensure excellence' in 'Saipem Sustainability 2013'.

Health

(No.)	2011	2012	2013
Vaccines administered to employees and subcontractors	12,387	9,124	7,607
Medical staff	529	558	545
Medical consultations	75,464	85,361	90,923
Medical fitness examinations	34,737	36,518	42,519
Occupational illnesses reported	7	7	10
Cases of repatriation of employees and subcontractors	143	170	159
Sites where the H-Factor programme has been implemented	2	24	37

Saipem considers the health and well-being of its employees to be of unquestionable value. It is constantly working to strengthen its Health Management System. The Company organises a number of health promotion initiatives for its employees, such as:
- initiatives for the prevention of circulatory diseases;
- 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 companies 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 2013, 99.96% (5,312) of non immune employees operating in those zones had taken the course.

More details and information on these initiatives are available in the chapters 'A safe workplace and a healthy workforce to ensure excellence' and 'Partnering with local communities' of the document 'Saipem Sustainability 2013'.

Training (LA10)

(hours)	2011	2012	2013
Training			
Total hours of training, of which:	1,809,753	2,624,610	2,592,093
HSE	1,236,260	2,026,677	1,746,201
Managerial behaviour and skills	70,582	72,931	77,017
IT and languages	103,910	95,680	120,841
Technical professional skills	312,271	336,971	604,633
Other professional skills	86,730	92,351	43,401

It should be noted that the 1,746,201 HSE training hours include 1,508,601 hours for foreign projects targeted at both Saipem and employees and subcontractors.

People development (LA11-12)

		2011	2012	2013
Skills assessment				
Skills assessment, of which:	(hours)	761	2,605	3,118
- management skills	(hours)	5	54	22
- evaluation of potential	(hours)	186	118	257
- technical skills	(hours)	91	2,184	2,640
- evaluation of potential for experts	(hours)	479	249	199
Performance assessment				
Evaluation of the performance to which employees are subject, of which:	(No.)	17,220	23,498	22,411
- Senior Managers	(No.)	-	436	406
- Managers	(No.)	-	2,965	1,905
- White Collar	(No.)	-	10,774	10,945
- Blue Collar	(No.)	-	9,323	9,155

Saipem bases its business success on a strong technical capacity in both its equipment and its employees. Continuous training and skills development are key elements in the management and development of people. Saipem manages its skills assessment by basing it on a specific road map for each role within the Company in terms of objectives, responsibilities and skills, both technical and personal. In particular, professional skills are monitored and measured using a specific evaluation process, with a timeline connected to specific needs. The activity currently requires that, based on the role of the person, the manager in question carries out an evaluation of the employee's technical skills in relation to the level of seniority, which is then accompanied by an assessment of their personal skills. During this activity, shortfalls can emerge between the level of skills and knowledge required by a specific role and that possessed by the person. If this is the case, the employee is offered the opportunity to undergo specific training, on the job, in the classroom, or in practice in order to expand their professional skills. Training therefore acts as a process over the entire professional life cycle of the person, ensuring coverage of the role they currently occupy and roles they will occupy in the future based on staff development plans designed to cover the needs of the project and the Company's structure in terms of quality and quantity.
More information on the training and development of people can be found in the chapter 'Competency as a business driver' in 'Saipem Sustainability 2013'.

Diversity and Equal Opportunities (LA13-14)

Gender diversity

		2011	2012	2013
Female presence				
Female employment	(No.)	4,911	5,331	5,701
Female Senior Managers	(No.)	-	16	19
Female Managers	(No.)	-	606	653
Compensation				
Ratio of basic salary of women to men, by employee category:				
- Senior Managers	(%)	-	79	89
- Managers	(%)	91	90	91
- White Collar	(%)	92	89	92
- Blue Collar	(%)	92	128	116

Age diversity

(No.)	2011	2012	2013
Age groups			
Employees under 30 years of age	-	9,140	9,820
of which women:	-	1,399	1,405
Employees aged between 30 and 50	-	31,230	33,524
of which women:	-	3,341	3,628
Employees over 50 years of age	-	8,085	8,813
of which women:	-	591	668

Cultural diversity

(No.)	2011	2012	2013
Multiculturalism			
Number of nationalities represented in the employee population	119	124	126

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, there was a slight increase in the percentage of women in managerial positions (12.47% of the total in 2013 compared to 11.75% in 2012).

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. The categories of foreign employees were identified using the 'Job Evaluation System' logic. Analysis of the average salary per country and per category shows that 78% of countries have made efforts to align wages or at least to reduce the gap between men and women in the last two years.

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). The possibility of adoption-related leave is also worth a mention. In 2013, about 800 employees of the Saipem Group had taken a total of around 41,000 days of parental leave.

Human rights

Investment and Procurement Practices (HR1-2,5-7)

Saipem is committed to operating within the law and in compliance with regulations, statutory provisions, codes of conduct and 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. In the qualification phase, the vendor fills out the Vendor Declaration in which it makes a commitment to act in strict accordance with the principles defined in the Saipem Code of Ethics and to respect human rights in accordance with Saipem's Sustainability Policy. It also undertakes to fulfil the requirements in accordance with the national law in force on salary, social security contributions and insurance obligations in relation to its staff.
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 is 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 2013, audits were carried out on 22 new vendors in China, India, Brazil and Italy. The qualification questionnaires of 317 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. 16 vendors were identified as requiring a specific audit.

(No.)	2011	2012	2013
Vendor audits on workers' rights	17	19	24

Beginning 2013 follow-up audits were also carried out on several suppliers previously analysed. In the reporting year, 2 of the 24 audits carried out were of this type.
More details can be found in the chapter 'Local Content approach: delivering shared value' of 'Saipem Sustainability 2013' and 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.
All reports are subject to the prior scrutiny of the Internal Audit function in order to reach a preliminary determination on whether there are any legal and practical implications of the report, and to decide whether or not to proceed with the investigation. In the circumstances so require, an audit is carried out by the Internal Audit function, taking priority over any audits performed under the annual programme. These audits are done as quickly as possible and the results are assessed by the Internal Audit function, in coordination with the Human Resources, Organisation and ICT department, the Legal function and, for issues concerning accounting, internal accounting controls, auditing and fraud, with the cooperation of the Chief Financial Officer. Top management of the entity being audited defines, in cooperation with the above functions, the contents of the 'Action Plan' required for the removal of any risks identified. For each finding there must also be a deadline defined for corrective actions and an indication of the organisational position and name of the person responsible for the implementation of the corrective action.

Two different reports, one quarterly and one half-yearly, are drawn up and submitted to the Chairman, the Board of Auditors, the Internal Audit Committee, the Independent Auditors, Eni's Internal Audit function, the Chief Financial Officer (for issues regarding accounting, internal accounting controls, auditing and fraud) and the Compliance Committee (for matters concerning administrative liability under legislative decree).

(No.)	2011	2012	2013
Number of files			
Of which:	28	38	58
- founded or partially founded	3	10	5
- unfounded	25	25	16
- pending	-	3	37

Data is up to date as of December 31, 2013.

Details of some categories of file are provided below:

(No.)	2011	2012	2013
Files on cases of discrimination			
Of which:	3	4	4
- founded or partially founded	-	-	-
- unfounded	-	-	1
- pending	-	-	3
Files in relation to workers' rights			
Of which:	2	10 (*)	17
- founded or partially founded	1	1	1
- unfounded	-	7	6
- pending	-	2	10

Data is up to date as of December 31, 2013.
(*) The figure is varied compared to 2012, because beginning 2013 the data is reported in cases/files and not in reports as per the previous year. Indeed, a case/file includes various reports.

During the course of 2013, 17 files were opened relating to workers' rights. Of these, 10 are still open while the remaining 7 have been closed. Six reports were deemed unfounded and 1 founded. For the report deemed founded, concerning stalking behaviour against a Saipem employee, corrective actions have been implemented to protect the staff member. In addition, with reference to a report closed as unfounded concerning bullying behaviour, corrective actions have nevertheless been implemented with a view to creating a respectful and collaborative working environment.
Finally, 3 of the 5 reports that were still open in 2012 (out of a total of 10 files) were closed in 2013. All 3 were unfounded and did not result in corrective actions. In 2013, 4 files were opened in relation to reports of discrimination, of which 3 remain active, while one has been closed. With reference to the latter case, the report was set to the Compliance Committee of the company concerned. On the basis of its investigation, and having deemed that there was no evidence of any violation of the Code of Ethics with reference to the facts contained in the report, the Compliance Committee closed the file. No corrective actions were implemented. It should be noted, moreover, that the only report file still open in the 2012 reporting period with discriminatory behaviour as its subject matter was closed in 2013. The report was deemed unfounded. However, improvement measures were implemented, including the adoption of a programme of cultural induction for all expatriates and the construction of facilities for local workers.

Security (HR8, 10)

In the management of security, Saipem gives utmost importance to respecting human rights. To underscore 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. Any personnel working overseas are normally given pre-departure training. In 2013, special training was launched for the promotion of human rights involving 15 security managers and the HR managers. In 2014, this training is expected to be extended to staff in different operating environments.

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. On the basis of the risks identified, the actions needed both to manage and reduce these to a minimum are decided upon.

		2011	2012	2013
Contracts with Security suppliers with human rights clauses	(%)	33	72	84
Security Risk Analysis in the commercial phase (*)	(No.)	21	58	48

(*) Figures for the years 2011 and 2012 differ from 2013. This is because a new reporting system has been introduced and is still being implemented. Data for 2011 and 2012 are, therefore, underestimated.

More information can be found in the chapter 'Competency as a business driver' of 'Saipem Sustainability 2013'.

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 area including, but not solely, in terms of local employment and the 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 the Socio-Economic Impact Assessment (SIA) or the ESIA (Environmental Social Impact Assessment). As a result of such studies, Saipem collaborates with the stakeholders involved to prepare an Action Plan in order to define the interventions 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.

Business ethics and the prevention of bribery and corruption (SO3-4)

The Group is a party to legal proceedings still underway. Further details can be found in the section 'Legal proceedings' of the 'Annual Report'.
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 most significant of these include the Management System Guidelines (MSG) 'Anti-corruption', and 'Legal' and the standard procedures 'Joint Venture agreements', 'Intermediary Contracts', 'Standard contractual clauses concerning administrative liability of the company deriving from criminal offences', 'Expenses for hospitality', 'Authorisation and control of sales or acquisitions of participations, companies or lines of business', 'Charity/Donations and Sponsorship' and 'Procurement of Consulting and Professional Services'.
Saipem's anti-corruption procedures and Model 231 provide for corrective measures and disciplinary sanctions in the event of the violation of laws, regulations or procedures in this regard. Furthermore, specific contract clauses provide for the termination of contracts in force whenever trade partners, brokers or subcontractors violate anti-corruption laws or internal procedures. On the basis of any violations, and the manner in which they were committed, the corrective measures deemed necessary and most appropriate are taken.
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 among employees in an effort to prevent cases of non-compliance with the law.
It is worth mentioning that the number of training hours has been calculated by counting the average number of hours per type of course.

(No.)	2011	2012	2013
Employees trained on issues of compliance, governance, ethics and anti-corruption	999	1,050	1,370
Hours of training carried out on issues of compliance, governance, ethics and anti-corruption	8,400	16,800	7,957

Further details on measures to prevent corruption are available in the chapter 'Developing long-term competitiveness' of the document 'Saipem Sustainability 2013' and in the 'Corporate Governance and Shareholding Structure Report 2013'.

Transparency and other information (SO6-8)

Compliance with the law, regulations, statutory provisions and codes of conduct, and the practice of ethical integrity and fairness, are a constant commitment and duty of all Saipem People. Indeed, they characterise 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, either 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 2013, 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. It should be noted that this sentence is not final and is subject to appeal and that in any case the fines have no financial impact on Saipem since, at the time of the sale of Snamprogetti SpA to Saipem, Eni undertook to indemnify Saipem for losses sustained in connection with the legal proceedings.

Product Responsibility [PR1-2 and 3-4, 6-9 (non-material)]

As a contractor, Saipem operates at all times in accordance with the Client's requests and in compliance with international regulations. Contractual responsibility for the product remains with the Client.
Saipem supplies products that do not require labelling, and in each case reference to 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 protection of health and safety of all personnel engaged in its operational activities and of the host communities. The Company has implemented management procedures and processes specific to the particularly complex systems, where the highest risks are operational and safety-related (see the document 'Saipem Sustainability 2013').

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 the internet 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 2013, Saipem received 71 questionnaires from Clients of onshore and offshore drilling projects. The main results are as follows:

		2011	2012	2013
Customer Satisfaction questionnaires received	(No.)	96	84	71
Average Client satisfaction score (on a scale of 1 to 10)		7.87	8.09	7.75
Average Client satisfaction score on issues of Sustainability (on a score ranging from 1 to 10)		7.72	7.74	7.52

Saipem has a Client satisfaction evaluation system in place. More information can be found in the chapter 'Developing long-term competitiveness' in 'Saipem Sustainability 2013'.

Independent Auditors' Report

EY
Building a better working world

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

Tel: +39 02 722121
Fax: +39 02 72212037
ey.com

Independent auditors' report on the limited assurance engagement of the addendum to the "Annual Report 2013" named "Sustainability Performance 2013" of Saipem Group (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 2013" of Saipem Group named "Sustainability Performance 2013" (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, 2013 and for the year then ended, on which we issued our auditor's report on April 8, 2014, 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;

EY
Building a better working world

- interviews and discussions with PT Saipem Indonesia's personnel carried out in Karimun (Indonesia) and on-site verifications at operations in Karimun (Indonesia);
- 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.
With respect to the data and information relating to the prior year, presented for comparative purposes, reference should be made to our report issued on April 3, 2013.

3. Based on our work nothing has come to our attention that causes us to believe that the Addendum "Sustainability Performance 2013" included in the "Annual Report 2013" 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 8, 2014

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

2

Headquarters: San Donato Milanese (Milan) - Italy
Via Martiri di Cefalonia, 67
Branches:
Cortemaggiore (Piacenza) - Italy
Via Enrico Mattei, 20

saipem

saipem Società per Azioni
Share Capital €441,410,900 fully paid up
Tax identification number and Milan Companies' Register No. 00825790157

Information for Shareholders
Saipem SpA, Via Martiri di Cefalonia, 67 - 20097
San Donato Milanese (Milan) - Italy

Relations with institutional investors
and financial analysts
Fax +39-0252054295
e-mail: investor.relations@saipem.eni.it

Publications
Bilancio al 31 dicembre (in Italian)
Annual Report (in English)

Interim Consolidated Report as of June 30
(in Italian and English)

Saipem Sustainability (in English)

Also available on Saipem's website:
www.saipem.com

Website: www.saipem.com
Operator: +39-025201

Design: Gruppo Korus Srl - Rome - Italy
Cover: Inarea
Layout and supervision: Studio Joly Srl - Rome - Italy
Printing: STILGRAF - Viadana (Mantova) - Italy

www.saipem.com